

State: Arkansas **Filing Company:** Shelter Mutual Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: Fiore/

Filing at a Glance

Company: Shelter Mutual Insurance Company
Product Name: DF
State: Arkansas
TOI: 01.0 Property
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Filing Type: Rate
Date Submitted: 05/23/2013
SERFF Tr Num: SHEL-129039815
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: 03M10113
Effective Date: 08/22/2013
Requested (New):
Effective Date: 08/22/2013
Requested (Renewal):
Author(s): Brian Marcks, Phyllis Partise, Dani McCarty
Reviewer(s): Becky Harrington (primary)
Disposition Date: 05/29/2013
Disposition Status: Filed
Effective Date (New): 08/22/2013
Effective Date (Renewal): 08/22/2013

State Filing Description:

State: Arkansas **Filing Company:** Shelter Mutual Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: Fiore/

General Information

Project Name: Fiore Status of Filing in Domicile:
 Project Number: Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 05/29/2013
 State Status Changed: Deemer Date:
 Created By: Phyllis Partise Submitted By: Phyllis Partise
 Corresponding Filing Tracking Number:

Filing Description:

This filing contains revisions to the Fire and Extended Coverage base rates for Dwellings and Contents. The base Fire and Extended Coverage rates were divided by county into 3 zones and the base Extended Coverage rates were divided into Owner and Tenant occupied categories.

The overall effect of this filing is expected to be a revenue increase of 5.2% or \$868,866.

Company and Contact

Filing Contact Information

Brian Marcks, Coordinator of Insurance BCMarcks@shelterinsurance.com
 Department Affairs
 1817 West Broadway 573-214-4165 [Phone]
 Columbia, MO 65218 573-446-7317 [FAX]

Filing Company Information

Shelter Mutual Insurance CoCode: 23388 State of Domicile: Missouri
 Company Group Code: Company Type:
 1817 West Broadway Group Name: State ID Number:
 Columbia, MO 65218 FEIN Number: 43-0613000
 (573) 445-8441 ext. [Phone]

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: \$100 per rate filing.
 Per Company: No

Company	Amount	Date Processed	Transaction #
Shelter Mutual Insurance Company	\$100.00	05/23/2013	70568027

SERFF Tracking #:

SHEL-129039815

State Tracking #:

Company Tracking #:

03M10113

State: Arkansas

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TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	05/29/2013	05/29/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	05/24/2013	05/24/2013

Response Letters

Responded By	Created On	Date Submitted
Brian Marcks	05/28/2013	05/29/2013

State: Arkansas **Filing Company:** Shelter Mutual Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: Fiore/

Disposition

Disposition Date: 05/29/2013
 Effective Date (New): 08/22/2013
 Effective Date (Renewal): 08/22/2013
 Status: Filed

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Shelter Mutual Insurance Company	5.600%	5.200%	\$868,866	30,291	\$16,849,775	20.100%	-2.800%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	P&C Actuarial Justification	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Supporting Document	Distribution of Rate Changes	Filed	Yes
Supporting Document	Response of May 29: Loss Experience for Proposed Zones	Filed	Yes
Rate	Zone Page	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes

SERFF Tracking #:

SHEL-129039815

State Tracking #:

Company Tracking #:

03M10113

State: Arkansas

Filing Company: Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF

Project Name/Number: Fiore/

Schedule	Schedule Item	Schedule Item Status	Public Access
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes

State: Arkansas **Filing Company:** Shelter Mutual Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: Fiore/

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	05/24/2013
Submitted Date	05/24/2013
Respond By Date	

Dear Brian Marcks,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

- Zone Page, Z-1 (Rate)

Comments: Please provide additional supporting documentation justifying the zone divisions.

Objection 2

- Rate Page, R-4 (Rate)

Comments: Please explain any changes made to the amount of insurance factors (changes were not referenced in the explanatory memo).

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 **Filing Company:** Shelter Mutual Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: Fiore/

Response Letter

Response Letter Status Submitted to State
 Response Letter Date 05/28/2013
 Submitted Date 05/29/2013

Dear Becky Harrington,

Introduction:

Reference is made to your note of last week.

Response 1

Comments:

Attached below is a five year loss exhibit supporting our proposed zone changes.

Related Objection 1

Applies To:

- Zone Page, Z-1 (Rate)

Comments: Please provide additional supporting documentation justifying the zone divisions.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response of May 29: Loss Experience for Proposed Zones
Comments:	Please see attachment.
Attachment(s):	Loss Experience by Zone - AR MUT DF.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

No changes were made to the curve factors found on manual page R-4 in this filing. The page was re-numbered from R-2 to R-4 to accommodate the addition of base rate pages R-2 and R-3, which were added for proposed new zones 2 and 3.

Related Objection 2

SERFF Tracking #:

SHEL-129039815

State Tracking #:

Company Tracking #:

03M10113

State: Arkansas

Filing Company:

Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF

Project Name/Number: Fiore/

Applies To:

- Rate Page, R-4 (Rate)

Comments: Please explain any changes made to the amount of insurance factors (changes were not referenced in the explanatory memo).

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

I hope this helps. Please let me know if you have questions.

Sincerely,

Brian Marcks

SERFF Tracking #:

SHEL-129039815

State Tracking #:

Company Tracking #:

03M10113

State: Arkansas

Filing Company: Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF

Project Name/Number: Fiore/

Rate Information

Rate data applies to filing.

Filing Method: File and Use

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 5.000%

Effective Date of Last Rate Revision: 04/06/2012

Filing Method of Last Filing: File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Shelter Mutual Insurance Company	5.600%	5.200%	\$868,866	30,291	\$16,849,775	20.100%	-2.800%

SERFF Tracking #:

SHEL-129039815

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

03M10113

State: Arkansas**Filing Company:**

Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)**Product Name:** DF**Project Name/Number:** Fiore/

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 05/29/2013	Zone Page	Z-1	Replacement		AR DFM Z-1 Proposed.pdf
2	Filed 05/29/2013	Rate Page	R-1	Replacement		AR DFM R-1 Proposed.pdf
3	Filed 05/29/2013	Rate Page	R-2	Replacement		AR DFM R-2 Proposed.pdf
4	Filed 05/29/2013	Rate Page	R-3	Replacement		AR DFM R-3 Proposed.pdf
5	Filed 05/29/2013	Rate Page	R-4	Replacement		AR DFM R-4 Proposed.pdf

ZONES AND COUNTY CODES

<u>ZONE</u>	<u>COUNTY</u>	<u>CODE</u>	<u>ZONE</u>	<u>COUNTY</u>	<u>CODE</u>
3	Arkansas	001	1	Montgomery	097
1	Ashley	003	1	Nevada	099
1	Baxter	005	1	Newton	101
1	Benton	007	1	Ouachita	103
1	Boone	009	1	Perry	105
1	Bradley	011	3	Phillips	107
1	Calhoun	013	2	Pike	109
1	Carroll	015	1	Poinsett	111
1	Chicot	017	2	Polk	113
2	Clark	019	1	Pope	115
1	Clay	021	3	Prairie	117
1	Cleburne	023	1	Pulaski	119
1	Cleveland	025	1	Randolph	121
1	Columbia	027	3	St. Francis	123
1	Conway	029	1	Saline	125
1	Craighead	031	2	Scott	127
2	Crawford	033	1	Searcy	129
3	Crittenden	035	2	Sebastian	131
3	Cross	037	2	Sevier	133
2	Dallas	039	1	Sharp	135
3	Desha	041	1	Stone	137
1	Drew	043	1	Union	139
1	Faulkner	045	1	Van Buren	141
1	Franklin	047	1	Washington	143
1	Fulton	049	1	White	145
1	Garland	051	3	Woodruff	147
1	Grant	053	1	Yell	149
1	Greene	055			
1	Hempstead	057			
1	Hot Springs	059			
2	Howard	061			
1	Independence	063			
1	Izard	065			
1	Jackson	067			
1	Jefferson	069			
1	Johnson	071			
1	Lafayette	073			
1	Lawrence	075			
3	Lee	077			
1	Lincoln	079			
2	Little River	081			
1	Logan	083			
1	Lonoke	085			
1	Madison	087			
1	Marion	089			
1	Miller	091			
3	Mississippi	093			
3	Monroe	095			

Arkansas Shelter Mutual Dwelling Base Rates

Dwelling @ \$15,000, Contents @ \$6,000, \$500 Deductible

Zone 1

Fire Base Rates - Dwelling

Owner Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	32	32	67	67	46	46	89	89	46
	2	32	32	67	67	46	46	89	89	46
	3	32	32	67	67	46	46	89	89	46
	4	40	40	78	78	53	53	100	100	53
	5	46	46	83	83	57	57	113	113	57
	6	57	57	97	97	68	68	125	125	68
	7	86	86	113	113	98	98	148	148	98
	8	124	124	158	158	154	154	216	216	154
	9	140	140	181	181	221	221	297	297	221
	10	193	193	249	249	291	291	365	365	291
	11	193	193	249	249	291	291	365	365	291
Curve	1	1	1	1	1	1	1	1	1	

Tenant Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	50	50	100	100	72	72	141	141	67
	2	50	50	100	100	72	72	141	141	67
	3	50	50	100	100	72	72	141	141	67
	4	60	60	118	118	82	82	158	158	78
	5	67	67	124	124	94	94	178	178	90
	6	90	90	142	142	104	104	195	195	100
	7	133	133	172	172	155	155	233	233	148
	8	187	187	236	236	240	240	336	336	228
	9	208	208	270	270	351	351	470	470	334
	10	288	288	373	373	457	457	566	566	436
	11	288	288	373	373	457	457	566	566	436
Curve	1	1	1	1	1	1	1	1	1	

Fire Base Rates - Contents

Owner/Tenant Occupancy												
Masonry						Frame					Mobile Home	
Families:	1	2	3	4	5+	1	2	3	4	5+		
Protection Class	1	24	24	35	35	55	31	31	48	48	67	31
	2	24	24	35	35	55	31	31	48	48	67	31
	3	24	24	35	35	55	31	31	48	48	67	31
	4	26	26	37	37	57	34	34	55	55	72	34
	5	28	28	43	43	60	35	35	56	56	78	35
	6	31	31	47	47	65	42	42	58	58	80	42
	7	43	43	55	55	78	52	52	68	68	93	52
	8	59	59	72	72	101	73	73	98	98	127	73
	9	68	68	81	81	119	100	100	126	126	152	100
	10	86	86	105	105	144	124	124	151	151	178	124
	11	86	86	105	105	144	124	124	151	151	178	124
Curve	2	2	2	2	2	2	2	2	2	2	2	

Extended Coverage Base Rates - Dwelling/Contents

	Dwelling		Contents	
	Owner	Tenant	Owner	Tenant
Rate	114	104	18	18
Curve	3	3	4	4

Arkansas Shelter Mutual Dwelling Base Rates

Dwelling @ \$15,000, Contents @ \$6,000, \$500 Deductible

Zone 2

Fire Base Rates - Dwelling

Owner Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	36	36	75	75	52	52	100	100	52
	2	36	36	75	75	52	52	100	100	52
	3	36	36	75	75	52	52	100	100	52
	4	45	45	87	87	59	59	112	112	59
	5	52	52	93	93	64	64	127	127	64
	6	64	64	109	109	76	76	140	140	76
	7	96	96	127	127	110	110	166	166	110
	8	139	139	177	177	172	172	242	242	172
	9	157	157	203	203	248	248	333	333	248
	10	216	216	279	279	326	326	409	409	326
	11	216	216	279	279	326	326	409	409	326
Curve	1	1	1	1	1	1	1	1	1	1

Tenant Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	56	56	112	112	81	81	158	158	75
	2	56	56	112	112	81	81	158	158	75
	3	56	56	112	112	81	81	158	158	75
	4	67	67	132	132	92	92	177	177	87
	5	75	75	139	139	105	105	199	199	101
	6	101	101	159	159	116	116	218	218	112
	7	149	149	193	193	174	174	261	261	166
	8	209	209	264	264	269	269	376	376	255
	9	233	233	302	302	393	393	526	526	374
	10	323	323	418	418	512	512	634	634	488
	11	323	323	418	418	512	512	634	634	488
Curve	1	1	1	1	1	1	1	1	1	1

Fire Base Rates - Contents

Owner/Tenant Occupancy												
Masonry						Frame					Mobile Home	
Families:	1	2	3	4	5+	1	2	3	4	5+		
Protection Class	1	27	27	39	39	62	35	35	54	54	75	35
	2	27	27	39	39	62	35	35	54	54	75	35
	3	27	27	39	39	62	35	35	54	54	75	35
	4	29	29	41	41	64	38	38	62	62	81	38
	5	31	31	48	48	67	39	39	63	63	87	39
	6	35	35	53	53	73	47	47	65	65	90	47
	7	48	48	62	62	87	58	58	76	76	104	58
	8	66	66	81	81	113	82	82	110	110	142	82
	9	76	76	91	91	133	112	112	141	141	170	112
	10	96	96	118	118	161	139	139	169	169	199	139
	11	96	96	118	118	161	139	139	169	169	199	139
Curve	2	2	2	2	2	2	2	2	2	2	2	

Extended Coverage Base Rates - Dwelling/Contents

	Dwelling		Contents	
	Owner	Tenant	Owner	Tenant
Rate	114	104	18	18
Curve	3	3	4	4

Arkansas Shelter Mutual Dwelling Base Rates

Dwelling @ \$15,000, Contents @ \$6,000, \$500 Deductible

Zone 3

Fire Base Rates - Dwelling

Owner Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	36	36	75	75	52	52	100	100	52
	2	36	36	75	75	52	52	100	100	52
	3	36	36	75	75	52	52	100	100	52
	4	45	45	87	87	59	59	112	112	59
	5	52	52	93	93	64	64	127	127	64
	6	64	64	109	109	76	76	140	140	76
	7	96	96	127	127	110	110	166	166	110
	8	139	139	177	177	172	172	242	242	172
	9	157	157	203	203	248	248	333	333	248
	10	216	216	279	279	326	326	409	409	326
	11	216	216	279	279	326	326	409	409	326
Curve	1	1	1	1	1	1	1	1	1	1

Tenant Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	56	56	112	112	81	81	158	158	75
	2	56	56	112	112	81	81	158	158	75
	3	56	56	112	112	81	81	158	158	75
	4	67	67	132	132	92	92	177	177	87
	5	75	75	139	139	105	105	199	199	101
	6	101	101	159	159	116	116	218	218	112
	7	149	149	193	193	174	174	261	261	166
	8	209	209	264	264	269	269	376	376	255
	9	233	233	302	302	393	393	526	526	374
	10	323	323	418	418	512	512	634	634	488
	11	323	323	418	418	512	512	634	634	488
Curve	1	1	1	1	1	1	1	1	1	1

Fire Base Rates - Contents

Owner/Tenant Occupancy												
Masonry						Frame					Mobile Home	
Families:	1	2	3	4	5+	1	2	3	4	5+		
Protection Class	1	27	27	39	39	62	35	35	54	54	75	35
	2	27	27	39	39	62	35	35	54	54	75	35
	3	27	27	39	39	62	35	35	54	54	75	35
	4	29	29	41	41	64	38	38	62	62	81	38
	5	31	31	48	48	67	39	39	63	63	87	39
	6	35	35	53	53	73	47	47	65	65	90	47
	7	48	48	62	62	87	58	58	76	76	104	58
	8	66	66	81	81	113	82	82	110	110	142	82
	9	76	76	91	91	133	112	112	141	141	170	112
	10	96	96	118	118	161	139	139	169	169	199	139
	11	96	96	118	118	161	139	139	169	169	199	139
Curve	2	2	2	2	2	2	2	2	2	2	2	

Extended Coverage Base Rates - Dwelling/Contents

	Dwelling		Contents	
	Owner	Tenant	Owner	Tenant
Rate	114	104	18	18
Curve	3	3	4	4

**Arkansas Dwelling
Shelter Mutual
Amount of Insurance**

Amount Insured	Curve 1	Curve 2	Curve 3	Curve 4		
1,000	0.384	0.350	0.244	0.170		
2,000	0.428	0.480	0.298	0.336		
3,000	0.472	0.610	0.352	0.502		
4,000	0.516	0.740	0.406	0.668		
5,000	0.560	0.870	0.460	0.834		
6,000	0.604	1.000	0.514	1.000		
7,000	0.648	1.130	0.568	1.169		
8,000	0.692	1.260	0.622	1.338		
9,000	0.736	1.390	0.676	1.507		
10,000	0.780	1.520	0.730	1.676		
11,000	0.824	1.650	0.784	1.845		
12,000	0.868	1.780	0.838	2.014		
13,000	0.912	1.910	0.892	2.183		
14,000	0.956	2.040	0.946	2.352		
15,000	1.000	2.170	1.000	2.521		
16,000	1.040	2.300	1.051	2.690		
17,000	1.080	2.430	1.102	2.859		
18,000	1.120	2.560	1.153	3.028		
19,000	1.160	2.690	1.204	3.197		
20,000	1.200	2.820	1.255	3.366		
21,000	1.240	2.950	1.306	3.535		
22,000	1.280	3.080	1.357	3.704		
23,000	1.320	3.210	1.408	3.873		
24,000	1.360	3.340	1.459	4.042		
25,000	1.400	3.470	1.510	4.211		
26,000	1.440	3.600	1.561	4.380		
27,000	1.480	3.730	1.612	4.549		
28,000	1.520	3.860	1.663	4.718		
29,000	1.560	3.990	1.714	4.887		
30,000	1.600	4.120	1.765	5.056		
32,000	1.680	4.380	1.867	5.394		
34,000	1.760	4.640	1.969	5.732		
36,000	1.840	4.900	2.071	6.070		
38,000	1.920	5.160	2.173	6.408		
40,000	2.000	5.420	2.275	6.746		
42,000	2.080	5.680	2.377	7.084		
44,000	2.160	5.940	2.479	7.422		
46,000	2.240	6.200	2.581	7.760		
48,000	2.320	6.460	2.683	8.098		
50,000	2.400	6.720	2.785	8.436		
For Each Additional 1,000 Add:	0.040	0.130	0.051	0.169		

State: Arkansas

Filing Company:

Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF

Project Name/Number: Fiore/

Supporting Document Schedules

Satisfied - Item:	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines
Comments:	Please see revised attachment with amendments.
Attachment(s):	AR RF 1.pdf
Item Status:	Filed
Status Date:	05/29/2013

Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	Please see attachments.
Attachment(s):	HPCS Proposed 08-22-2013.pdf HPCS Proposed 08-22-2013.xls
Item Status:	Filed
Status Date:	05/29/2013

Bypassed - Item:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp
Bypass Reason:	This is an independent rate, rule filing.
Attachment(s):	
Item Status:	Filed
Status Date:	05/29/2013

Satisfied - Item:	P&C Actuarial Justification
Comments:	Please see attachment.
Attachment(s):	AR DFM Indication Exhibits.pdf
Item Status:	Filed
Status Date:	05/29/2013

Satisfied - Item:	Explanatory Memorandum
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SERFF Tracking #:

SHEL-129039815

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

03M10113

State: Arkansas**Filing Company:**

Shelter Mutual Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)**Product Name:** DF**Project Name/Number:** Fiore/

Comments:	Please see attachment.
Attachment(s):	AR DFM Dwelling Explanatory Memo.pdf
Item Status:	Filed
Status Date:	05/29/2013

Satisfied - Item:	Distribution of Rate Changes
Comments:	Please see attachment.
Attachment(s):	AR DFM-Histogram of Rate Change Distribution.pdf
Item Status:	Filed
Status Date:	05/29/2013

Satisfied - Item:	Response of May 29: Loss Experience for Proposed Zones
Comments:	Please see attachment.
Attachment(s):	Loss Experience by Zone - AR MUT DF.pdf
Item Status:	Filed
Status Date:	05/29/2013

FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	03M10113
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/Item Filing Number	N/A
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Company Name		Company NAIC Number	
3.	A. Shelter Mutual Insurance Company	B.	23388

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Business (i.e., Sub-type of Insurance)	
4.	A. 1.0	B.	1.0002

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	FOR LOSS COSTS ONLY			
				(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Fire	11.0 %	10.4%	65.5 %	N/A	N/A	N/A	N/A
Allied Lines	1.9 %	1.7%	65.6 %	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	5.6 %	5.2%	65.6 %				

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
2007	28,136	No Chg		12,618	3,824	30.3 %	37.2 %
2008	28,114	No Chg		12,820	18,412	143.6 %	85.6 %
2009	28,311	5.4%	7-12-2009	13,127	10,681	81.4 %	77.7 %
2010	28,623	No Chg		14,120	6,531	46.3 %	69.8 %
2011	29,067	9.7%	1-26-2011	14,930	10,534	70.6%	96.6%
2012	29,645	5.0	4-6-2012	15,892	7812	49.2%	74.3%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	16.9 / 16.8
B. General Expense	7.2 / 7.2
C. Taxes, Licenses & Fees	2.9 / 2.9
D. Underwriting Profit & Contingencies	7.5 / 7.5
E. Other (explain)	
F. TOTAL	34.5 / 34.4

8. N/A Apply Loss Cost Factors to Future filings? (Y or N)

9. 20.1% Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): Zone 2

10. -2.8% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): Zone 1

Telephone No.: 573-214-4165
 Email Address: BCMareks@Shelterinsurance.com
 Effective Date: 22-Aug-13

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

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

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																		
	\$15,000																		
	\$25,000																		
6	\$5,000																		
	\$15,000																		
	\$25,000																		
9	\$5,000																		
	\$15,000																		
	\$25,000																		

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	\$951.00	\$1,039.00	\$951.00	\$1,039.00	\$951.00	\$1,039.00	\$982.00	\$1,083.00	\$982.00	\$1,083.00	\$951.00	\$1,039.00	\$951.00	\$1,039.00	\$982.00	\$1,083.00	\$951.00	\$1,039.00
	\$120,000	\$1,404.00	\$1,533.00	\$1,404.00	\$1,533.00	\$1,404.00	\$1,533.00	\$1,449.00	\$1,596.00	\$1,449.00	\$1,596.00	\$1,404.00	\$1,533.00	\$1,404.00	\$1,533.00	\$1,449.00	\$1,596.00	\$1,404.00	\$1,533.00
	\$160,000	\$1,857.00	\$2,027.00	\$1,857.00	\$2,027.00	\$1,857.00	\$2,027.00	\$1,916.00	\$2,110.00	\$1,916.00	\$2,110.00	\$1,857.00	\$2,027.00	\$1,857.00	\$2,027.00	\$1,916.00	\$2,110.00	\$1,857.00	\$2,027.00
6	\$80,000	\$1,079.00	\$1,178.00	\$1,079.00	\$1,178.00	\$1,079.00	\$1,178.00	\$1,126.00	\$1,234.00	\$1,126.00	\$1,234.00	\$1,079.00	\$1,178.00	\$1,079.00	\$1,178.00	\$1,126.00	\$1,234.00	\$1,079.00	\$1,178.00
	\$120,000	\$1,590.00	\$1,736.00	\$1,590.00	\$1,736.00	\$1,590.00	\$1,736.00	\$1,659.00	\$1,817.00	\$1,659.00	\$1,817.00	\$1,590.00	\$1,736.00	\$1,590.00	\$1,736.00	\$1,659.00	\$1,817.00	\$1,590.00	\$1,736.00
	\$160,000	\$2,102.00	\$2,293.00	\$2,102.00	\$2,293.00	\$2,102.00	\$2,293.00	\$2,192.00	\$2,401.00	\$2,192.00	\$2,401.00	\$2,102.00	\$2,293.00	\$2,102.00	\$2,293.00	\$2,192.00	\$2,401.00	\$2,102.00	\$2,293.00
9	\$80,000	\$1,404.00	\$1,776.00	\$1,404.00	\$1,776.00	\$1,404.00	\$1,776.00	\$1,487.00	\$1,906.00	\$1,487.00	\$1,906.00	\$1,404.00	\$1,776.00	\$1,404.00	\$1,776.00	\$1,487.00	\$1,906.00	\$1,404.00	\$1,776.00
	\$120,000	\$2,064.00	\$2,606.00	\$2,064.00	\$2,606.00	\$2,064.00	\$2,606.00	\$2,186.00	\$2,796.00	\$2,186.00	\$2,796.00	\$2,064.00	\$2,606.00	\$2,064.00	\$2,606.00	\$2,186.00	\$2,796.00	\$2,064.00	\$2,606.00
	\$160,000	\$2,724.00	\$3,437.00	\$2,724.00	\$3,437.00	\$2,724.00	\$3,437.00	\$2,885.00	\$3,686.00	\$2,885.00	\$3,686.00	\$2,724.00	\$3,437.00	\$2,724.00	\$3,437.00	\$2,885.00	\$3,686.00	\$2,724.00	\$3,437.00

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

HO3 and HO4 only

Fire Extinguisher	NA	%	Deadbolt Lock	NA	%
Burglar Alarm	NA	%	Window Locks	NA	%
Smoke Alarm	NA	%	\$1,000 Deductible	15	%
			Other (specify)		%
	See GR pages 4-8				%
	Maximum Credit Allowed	No max			%

EARTHQUAKE INSURANCE

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	yes	(yes or no)	
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5 thru 25	%	
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?			
	Zone	Brick	Frame
	Highest Risk	\$ 1.8	\$ 1.28
	Lowest Risk	\$ 0.72	\$ 0.4

**SHELTER MUTUAL INSURANCE COMPANY
ARKANSAS DWELLING
EXPLANATION OF STATISTICAL EXHIBITS**

The following exhibits supplement this filing and are listed in the order in which they appear in the Indication Exhibits PDF book.

- 1 Explanation of Statistical Exhibits
- 2 Trend of Total Component in the Consumer Price Index
- 3 Adj Earned Premium for Changes in Amount of Insurance
- 4 Current Rate Level Factors - Fire
- 5 Credibility Table
- 6 Investment Income Credit Policyholder Funds-Fire
- 7/8 Explanatory Memo for above-Fire
- 9 Expected Loss Ratio-Fire
- 10 Combined Trend and Projection Factor-Fire
- 11 Underwriting Profit and Contingencies-Fire
- 12 Development Expense Ratios-Fire
- 13 Projected Ultimate Loss and Allocated Loss Adjustment-Fire
- 14 Indicated Rate Level Change-Fire
- 15 Current Rate Level-Allied Lines
- 16 Credibility Table
- 17 Investment Income Credit Policyholder Funds-Allied Lines
- 18/19 Explanatory Memo for above-Allied Lines
- 20 Expected Loss Ratio-Allied Lines
- 21 Combined Trend and Projection Factor-Allied Lines
- 22 Underwriting Profit and Contingencies-Allied Lines
- 23 Development Expense Ratios-Allied Lines
- 24 Projected Ultimate Loss and Allocated Loss Adjustment-Allied Lines
- 25 Indicated Rate Level Change-Allied Lines
- 26 Development Excess Wind and Hail Loading
- 27 Indicated Rate Level Change-All Coverages

Shelter Insurance Companies Trend of Total Component in the Consumer Price Index

Quarter Ending	20-Point		12-Point		6-Point	
	Actual	Fitted	Actual	Fitted	Actual	Fitted
Dec-07	209.7	210.4				
Mar-08	212.1	211.3				
Jun-08	216.8	212.2				
Sep-08	219.3	213.2				
Dec-08	213.1	214.1				
Mar-09	212.0	215.1				
Jun-09	214.3	216.0				
Sep-09	215.7	217.0				
Dec-09	216.2	217.9	216.2	215.3		
Mar-10	217.0	218.9	217.0	216.7		
Jun-10	218.1	219.9	218.1	218.1		
Sep-10	218.3	220.8	218.3	219.5		
Dec-10	218.9	221.8	218.9	220.9		
Mar-11	221.7	222.8	221.7	222.3		
Jun-11	225.5	223.8	225.5	223.7	225.5	225.1
Sep-11	226.5	224.8	226.5	225.1	226.5	226.2
Dec-11	226.1	225.8	226.1	226.5	226.1	227.2
Mar-12	227.9	226.8	227.9	228.0	227.9	228.2
Jun-12	229.8	227.8	229.8	229.4	229.8	229.2
Sep-12	230.3	228.8	230.3	230.9	230.3	230.2
r ²		0.843		0.958		0.908
Annual Change		1.8%		2.6%		1.8%
Selected Factor to Trend Fixed Costs					2.5%	

Note: Fitted columns are generated using exponential regression...(y=exp^(a+bx)).

**Shelter Mutual Insurance Company
Dwelling Fire
Arkansas**

Adjustment to Earned Premium for Changes in Amount of Insurance

The following calculations are based on a proposed effective date of 07/01/2013. With annual policies, the average earned date is therefore 07/01/2014.

Date	Number of Years from Average Experience Date to 12/31/2012 (1)	Number of Years from 12/31/2012 to 07/01/2014 (2)	Total (3)=(1)+(2)	Adjustment Factor (4)=[1+(5)]^(3)
12/31/2008	4.5	1.497	5.997	1.160
12/31/2009	3.5	1.497	4.997	1.131
12/31/2010	2.5	1.497	3.997	1.104
12/31/2011	1.5	1.497	2.997	1.077
12/31/2012	0.5	1.497	1.997	1.051

(5) Selected Average Annual Change*: 2.50%

*Average annual change of 2.5% was based on the annual Total CPI Trend.

**Shelter Mutual Insurance Company
Dwelling Fire - Fire Coverage
Arkansas**

Current Rate Level Factors as of December 31, 2012

The parallelogram method was used to develop the current rate level factors shown below. The following rate change history shows the effective dates for new business. The actual dates used in the calculations were set 30 days past these dates to properly adjust for renewal effective dates.

<u>Fiscal Year Ending</u>	<u>Factors</u>
December 31, 2008	0.9892
December 31, 2009	1.0003
December 31, 2010	1.0714
December 31, 2011	1.0802
December 31, 2012	1.0528

Rate Change History (Percent Changes)

<u>Effective Date</u>	<u>% Changes</u>
April 6, 2012	7.6 %
January 26, 2011	0.8 %
July 12, 2009	-8.8 %
December 4, 2003	16.0 %

SHELTER MUTUAL INSURANCE COMPANY
 DWELLING FIRE / ALLIED LINES
 Credibility Table
 Based on 20,000 Exposure Units

<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Credibility Factor</u>
0	12	0.00
13	112	0.05
113	312	0.10
313	612	0.15
613	1,012	0.20
1,013	1,512	0.25
1,513	2,112	0.30
2,113	2,812	0.35
2,813	3,612	0.40
3,613	4,512	0.45
4,513	5,512	0.50
5,513	6,612	0.55
6,613	7,812	0.60
7,813	9,112	0.65
9,113	10,512	0.70
10,513	12,012	0.75
12,013	13,612	0.80
13,613	15,312	0.85
15,313	17,112	0.90
17,113	19,012	0.95
19,013	20,000 +	1.00

Assumptions:

1. 10% claim frequency distribution with claims following a Poisson distribution.
2. Using the normal approximation with a 95% probability that the sample mean is within 4.0% of the true mean.
3. Partial credibility is based on the square root rule rounded to the nearest 5%.

Shelter Mutual Insurance Company

Arkansas

Fire

Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve		
(1) Direct Earned Premium for Calendar Year 2011		\$ 6,744,751
(2) Mean Unearned Premium Reserve: (1.) x 0.426		\$ 2,873,264
(3) Deductions for Prepaid Expenses:		
a. Brokerage and Commission	12.7%	
b. 50% of Other Acquisition Expense	2.1%	
c. 50% of General Expense	3.6%	
d. Taxes, Licenses and Fees	2.9%	
e. Total		21.3%
(4) Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))		\$ 2,261,259
B. Loss Reserves		
1. Direct Earned Premium for Calendar Year 2011		\$ 6,744,751
2. Expected Incurred Loss and Loss Adjustment: (1.) x 0.73		\$ 4,923,668
3. Expected Mean Loss Reserve: (2.) x 0.203		\$ 999,505
C. Net Subject to Investment: A.4 + B.3		\$ 3,260,764
D. Average Rate of Return		0.0565
E. Investment Earnings on Net Subject to Investment: C x D		\$ 184,233
F. Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		2.7%
G. Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.758		2.0%

Please refer to the attached explanatory memorandum for details by line

Explanatory Memorandum re Investment Income - Arkansas - Fire

Line A.1 - Direct earned premium as shown on page 14 for the State of Arkansas, Fire, for Calendar Year 2011.

Line A.2 - The mean unearned premium reserve is determined by multiplying the direct earned premium in Line A.1 by the mean unearned premium ratio developed below.

1. Direct Earned Premium for Calendar Year 2011	\$ 6,744,751
2. Unearned Premium Reserve as of 12/31/2010	\$ 2,871,897
3. Unearned Premium Reserve as of 12/31/2011	\$ 2,877,820
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$ 2,874,859
5. Mean Unearned Premium Ratio: (4.) / (1.)	0.426

Line A.3 - Production and half of other company expenses are incurred with the initial writing and processing of insurance policies, exclusive of claim adjustment expenses. As these expenses are in effect prepaid, the funds will not be available to invest on behalf of the policyholder. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

Line B.2 - The expected loss and loss adjustment ratio reflects expense provisions used in this filing with no provision for profit.

Line B.3 - The expected mean loss reserve is determined by multiplying the expected incurred loss in Line B.2 by the mean loss and loss adjustment reserve ratio as shown below.

1. Incurred Losses for Calendar Year 2010	\$ 3,519,020
2. Incurred Losses for Calendar Year 2011	\$ 4,625,819
3. Loss Reserves as of 12/31/2009	\$ 1,342,749
4. Loss Reserves as of 12/31/2010	\$ 496,106
5. Loss Reserves as of 12/31/2011	\$ 847,287
6. Mean Loss Reserve 2010	\$ 919,427
7. Mean Loss Reserve 2011	\$ 671,697
8. 2010 Ratio: (6.) / (1.)	0.261
9. 2011 Ratio: (7.) / (2.)	0.145
10. Mean Ratio: ((8.) + (9.)) / 2	0.203

Explanatory Memorandum re Investment Income - Continued

- Line D - The rate of return is the ratio of Net Income Earned and Net Realized Capital Gains/Losses to Mean Cash and Invested Assets. Due to the inherent variability of Capital Gains/Losses, we have used the most recent ten years of data. All data shown below is from the annual statement

1. Cash and Invested Assets 2009	0	\$	1,624,038,547
2. Cash and Invested Assets 2010	0	\$	1,785,588,727
3. Cash and Invested Assets 2011	0	\$	1,721,432,518
4. Net Investment Income Earned 2010	0	\$	64,331,358
5. Net Investment Income Earned 2011	0	\$	68,549,235
6. Mean Cash and Invested Assets 2010: (2. + 3.) / 2	0	\$	1,704,813,637
7. Mean Cash and Invested Assets 2011: (2. + 3.) / 2	0	\$	1,753,510,623
8. Mean Rate of Return: (4. + 5.) / (6. + 7.)			0.0384
9. Mean Cash and Invested Assets 2002 - 2011	0	\$	15,325,094,835
10. Net Realized Capital Gains/Losses 2002 - 2011	0	\$	277,517,436
11. Mean Rate of Return: 10. / 9.			0.0181
12. Total Rate of Return: 8. + 11.			0.0565

- Line G - The average rate of Federal Income Tax was determined by applying the expected average tax rate for Net Investment Income and the expected tax rate applicable to Net Realized Capital Gains/Losses to the rates of return calculated in Line D.

	<u>Rate of Return</u>	<u>Federal Tax Rate</u>
Net Investment Income Earned	0.0384	0.191 (A)
Net Realized Capital Gains/Losses	<u>0.0181</u>	<u>0.350</u>
Total	0.0565	0.242

- (A) The expected average rate of Federal Income Tax on Net Investment Income was determined by applying the expected 2012 tax rates to the distribution of investment income earned for the years 2010 and 2011. The calculations are shown below:

Type of Investment	Net Income Earned (1)			Tax Rate	Federal Tax
	2010	2011	Total		
Bonds (Taxable)	\$ 21,406,668	\$ 16,367,297	\$ 37,773,966	0.350	\$ 13,220,888
Bonds (Tax Exempt)	\$ 28,582,259	\$ 36,263,741	\$ 64,846,000	0.053	\$ 3,436,838
Stocks	\$ 6,237,644	\$ 7,492,773	\$ 13,730,417	0.210	\$ 2,883,388
Short Term	\$ 49,715	\$ 17,062	\$ 66,777	0.350	\$ 23,372
Real Estate	\$ 2,250,091	\$ 3,568,478	\$ 5,818,569	0.350	\$ 2,036,499
Other Investments	<u>\$ 5,804,981</u>	<u>\$ 4,839,883</u>	<u>\$ 10,644,864</u>	0.350	<u>\$ 3,725,702</u>
Total	<u>\$ 64,331,358</u>	<u>\$ 68,549,235</u>	<u>\$ 132,880,593</u>	0.191	<u>\$ 25,326,687</u>

- (1) Investment deductions have been allocated to the appropriate type in the following manner:
- Real Estate - Income Earned less depreciation (Page 6, Line 12), Real Estate Expenses and Taxes (Page 11, Lines 19 and 20, Column 3).
 - All Other - Investment Expenses less Real Estate Expenses and Taxes prorated by income earned to total income earned less Real Estate Income.

Shelter Mutual Insurance Company**Arkansas****Fire**

Calculation of Expected Loss Ratio

Commission and Brokerage (a)	12.7%
Other Acquisition Expense (a)	4.2%
General Expense (a)	7.2%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	7.5%
	<hr/>
Sub-total	34.5%
Available for Losses and Loss Adjustment Expense	65.5%

(a) From attached Companywide Expense Ratios

(b) 2011 Premium Tax ratio in Arkansas

(c) From attached Determination of Underwriting Profit & Contingencies Provision

**Shelter Mutual Insurance Company
Arkansas
Dwelling Fire - Allied Lines Coverages
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter Mutual Insurance Companywide						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2010	3,946,098	2,091	1,887	1,862		
6/2010	3,965,406	2,182	1,817	1,842		
9/2010	4,156,110	2,211	1,880	1,822		
12/2010	3,899,480	2,156	1,809	1,802		
3/2011	4,254,738	2,316	1,837	1,782		
6/2011	4,369,955	2,579	1,694	1,763		
9/2011	4,533,251	2,696	1,681	1,744		1,679
12/2011	4,920,996	2,815	1,748	1,725		1,683
3/2012	4,243,604	2,779	1,527	1,706		1,687
6/2012	4,673,450	2,613	1,789	1,687		1,691
9/2012	4,797,383	2,740	1,751	1,669		1,695
12/2012	4,435,716	2,682	1,654	1,651		1,699
Annual Percentage Change				-4.29%	0.95%	
r^2				0.423	0.006	

Frequency Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	2,091	203,428	1.03	1.05		
6/2010	2,182	206,527	1.06	1.06		
9/2010	2,211	210,082	1.05	1.07		
12/2010	2,156	214,168	1.01	1.08		
3/2011	2,316	218,498	1.06	1.09		
6/2011	2,579	222,903	1.16	1.10		
9/2011	2,696	227,263	1.19	1.11		1.05
12/2011	2,815	231,262	1.22	1.12		1.06
3/2012	2,779	235,225	1.18	1.13		1.07
6/2012	2,613	239,261	1.09	1.14		1.08
9/2012	2,740	243,454	1.13	1.15		1.09
12/2012	2,682	247,987	1.08	1.16		1.10
Annual Percentage Change				3.57%	3.77%	
r^2				0.276	0.726	

Severity Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2010	749,992	477	1,572	1,712		
6/2010	776,844	475	1,635	1,648		
9/2010	818,714	452	1,811	1,587		
12/2010	795,780	417	1,908	1,528		
3/2011	624,841	422	1,481	1,471		
6/2011	653,337	484	1,350	1,416		
9/2011	566,753	499	1,136	1,363		1,114
12/2011	641,358	552	1,162	1,313		1,146
3/2012	618,391	557	1,110	1,264		1,179
6/2012	621,759	505	1,231	1,217		1,212
9/2012	668,485	538	1,243	1,171		1,247
12/2012	710,554	546	1,301	1,128		1,282
Annual Percentage Change				-14.09%	11.87%	
r^2				0.555	0.749	

Frequency Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	477	38,571	1.24	1.15		
6/2010	475	38,616	1.23	1.16		
9/2010	452	38,731	1.17	1.18		
12/2010	417	38,959	1.07	1.20		
3/2011	422	39,187	1.08	1.22		
6/2011	484	39,447	1.23	1.24		
9/2011	499	39,635	1.26	1.26		1.32
12/2011	552	39,714	1.39	1.28		1.32
3/2012	557	39,832	1.40	1.30		1.33
6/2012	505	39,942	1.26	1.32		1.33
9/2012	538	40,121	1.34	1.34		1.34
12/2012	546	40,452	1.35	1.36		1.34
Annual Percentage Change				6.25%	1.52%	
r^2				0.387	0.022	

Severity Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Incurred Loss and LAE	Non-Catastrophe Paid Claims	Severity	Curve of Best Fit		
				12 Point	6 Point	
9/2009	215,396,325	22,648	9,511	9,215		
12/2009	208,929,307	23,728	8,805	9,242		
3/2010	216,238,166	23,943	9,031	9,270		
6/2010	217,598,247	23,738	9,167	9,298		
9/2010	201,873,869	21,606	9,343	9,325		
12/2010	202,673,488	20,917	9,689	9,353		
3/2011	201,948,453	20,530	9,837	9,381		9,700
6/2011	210,407,361	21,926	9,596	9,409		9,612
9/2011	218,626,282	23,298	9,384	9,438		9,526
12/2011	216,592,195	23,108	9,373	9,466		9,440
3/2012	207,497,735	22,270	9,317	9,494		9,356
6/2012	186,992,752	19,888	9,402	9,523		9,272
Annual Percentage Change				1.21%	-3.54%	
r^2				0.127	0.674	

Frequency Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Paid Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
9/2009	22,648	342,752	6.61	6.81		
12/2009	23,728	343,043	6.92	6.79		
3/2010	23,943	343,045	6.98	6.76		
6/2010	23,738	340,984	6.96	6.73		
9/2010	21,606	336,582	6.42	6.70		
12/2010	20,917	331,798	6.30	6.67		
3/2011	20,530	326,557	6.29	6.64		6.79
6/2011	21,926	324,475	6.76	6.61		6.72
9/2011	23,298	326,820	7.13	6.58		6.65
12/2011	23,108	329,589	7.01	6.56		6.58
3/2012	22,270	333,540	6.68	6.53		6.52
6/2012	19,888	336,064	5.92	6.50		6.45
Annual Percentage Change				-1.66%	-4.02%	
r^2				0.076	0.074	

Trend Factor					
Fiscal Acc Year	Midpoint of Experience Period	Number of Years to 12/31/2012	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Trend Factor
12/31/2008	7/01/2008	4.5000	1.1930	1.0000	1.1930
12/31/2009	7/01/2009	3.5000	1.1471	1.0000	1.1471
12/31/2010	7/01/2010	2.5000	1.1030	1.0000	1.1030
12/31/2011	7/01/2011	1.5000	1.0606	1.0000	1.0606
12/31/2012	7/01/2012	0.5000	1.0198	1.0000	1.0198

Projection Factor				
Years from 12/31/2012 to 7/01/2014	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Projection Factor	Combined Trend and Projection Factor
1.4986	1.0605	1.0000	1.0605	1.2652
1.4986	1.0605	1.0000	1.0605	1.2165
1.4986	1.0605	1.0000	1.0605	1.1697
1.4986	1.0605	1.0000	1.0605	1.1248
1.4986	1.0605	1.0000	1.0605	1.0815

Shelter Mutual Insurance Company
Arkansas
Fire
Determination of Underwriting Profit & Contingencies Provision

Target Total Return on Surplus (after federal income tax):	12.0%	(I)
Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):	4.3%	(II)
Expected Net Income (% of surplus, after federal income tax):	7.7%	(III)=(I)-(II)
Target Premium to Surplus Ratio:	1.00	(IV)
Expected Net Income (% of earned premium, after federal income tax):	7.7%	(V)=(III)/(IV)
Expected Investment Income on Unearned Premium Reserves and Loss & LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):	2.0%	(VI)
Underwriting Profit Provision (% of earned premium, after federal income tax):	5.7%	(VII)=(V)-(VI)
Expected Federal Income Tax Rate:	24.2%	(VIII)
Underwriting Profit Provision (% of earned premium, before federal income tax):	7.5%	(IX)=(VII)/[1-(VIII)]

Shelter Mutual Insurance Company

Companywide

Fire

Development of Expense Ratios

Note: 000 s omitted.	2009	2010	2011	Total
1.) Direct Commission and Brokerage	\$ 4,581	\$ 4,618	\$ 4,472	\$ 13,671
2.) Direct Written Premium	35,007	35,233	37,311	107,551
Ratio: 1 / 2	13.1%	13.1%	12.0%	12.7%
3.) Other Acquisition Expense	\$ 1,529	\$ 1,441	\$ 1,509	\$ 4,479
4.) Direct Written Premium	35,007	35,233	37,311	107,551
Ratio: 3 / 4	4.4%	4.1%	4.0%	4.2%
5.) General Expense	\$ 2,554	\$ 2,601	\$ 2,619	\$ 7,774
6.) Direct Written Premium	35,007	35,233	37,311	107,551
Ratio: 5 / 6	7.3%	7.4%	7.0%	7.2%
7.) Taxes, Licenses and Fees	\$ 653	\$ 836	\$ 789	\$ 2,278
8.) Direct Written Premium	35,007	35,233	37,311	107,551
Ratio: 7 / 8	1.9%	2.4%	2.1%	2.1%
9.) Direct Loss Adjustment Expense	\$ 2,244	\$ 2,113	\$ 2,110	\$ 6,467
10.) Direct Losses Incurred	22,692	19,003	23,117	64,812
Ratio: 9 / 10	9.9%	11.1%	9.1%	10.0%

Source: Insurance Expense Exhibit.

Shelter Mutual Insurance Company
Dwelling Fire - Fire Coverage
Projected Ultimate Loss and Allocated Loss Adjustment Expense

Companywide Paid Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	11,271,058	12,771,175	12,901,333	12,954,260	12,856,615	12,852,349	12,849,067	12,845,209	12,842,442	12,839,618
12/31/2004	10,181,016	12,249,823	12,373,993	12,370,931	12,358,639	12,355,326	12,349,202	12,347,488	12,345,630	
12/31/2005	11,009,271	13,811,112	13,879,430	13,898,295	13,969,102	14,025,321	14,028,735	14,031,510		
12/31/2006	11,572,731	13,599,856	13,836,527	13,840,868	13,852,546	13,847,902	13,846,267			
12/31/2007	10,205,148	12,991,345	13,123,427	13,145,263	13,153,864	13,160,371				
12/31/2008	12,612,115	15,031,422	15,192,836	15,257,403	15,313,555					
12/31/2009	15,825,644	19,662,436	19,750,766	19,726,997						
12/31/2010	14,677,232	17,569,228	17,733,198							
12/31/2011	16,730,783	20,230,471								
12/31/2012	20,092,559									

Arkansas Paid Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	3,123,355	3,560,088	3,586,765	3,613,620	3,522,519	3,519,618	3,517,625	3,514,219	3,511,357	3,508,813
12/31/2004	2,644,219	3,375,395	3,389,373	3,390,581	3,367,385	3,363,586	3,359,858	3,358,762	3,357,593	
12/31/2005	2,648,027	3,066,143	3,066,924	3,067,547	3,063,355	3,060,519	3,058,465	3,057,595		
12/31/2006	2,628,167	3,004,693	3,003,727	2,999,833	2,998,150	2,995,296	2,993,386			
12/31/2007	2,306,729	2,849,010	2,880,353	2,880,618	2,877,460	2,877,475				
12/31/2008	3,339,092	3,713,004	3,709,073	3,708,630	3,708,764					
12/31/2009	4,203,117	4,852,128	4,867,587	4,840,869						
12/31/2010	3,448,653	3,871,609	3,871,981							
12/31/2011	3,599,690	4,357,816								
12/31/2012	3,694,444									

Companywide Reported Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	13,280,482	12,915,147	12,926,333	12,954,260	12,856,615	12,852,349	12,849,067	12,845,209	12,842,442	12,839,618
12/31/2004	12,513,867	12,403,937	12,472,931	12,466,597	12,454,305	12,355,326	12,349,202	12,347,488	12,345,630	
12/31/2005	14,262,505	13,872,047	14,016,430	14,012,647	14,001,455	14,057,673	14,028,735	14,031,510		
12/31/2006	14,298,077	13,814,664	13,847,527	13,840,868	13,852,546	13,847,902	13,846,267			
12/31/2007	12,999,407	13,058,380	13,132,427	13,145,263	13,153,864	13,160,371				
12/31/2008	15,764,100	15,243,617	15,310,811	15,296,333	15,313,555					
12/31/2009	20,044,469	19,682,836	19,750,766	19,727,497						
12/31/2010	17,595,207	17,618,683	17,740,698							
12/31/2011	20,815,802	20,578,671								
12/31/2012	24,294,298									

Arkansas Reported Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	3,587,404	3,560,088	3,586,765	3,613,620	3,522,519	3,519,618	3,517,625	3,514,219	3,511,357	3,508,813
12/31/2004	3,302,094	3,390,895	3,389,373	3,390,581	3,367,385	3,363,586	3,359,858	3,358,762	3,357,593	
12/31/2005	3,225,612	3,078,668	3,066,924	3,067,547	3,063,355	3,060,519	3,058,465	3,057,595		
12/31/2006	3,073,283	3,004,693	3,003,727	2,999,833	2,998,150	2,995,296	2,993,386			
12/31/2007	2,756,757	2,865,260	2,880,353	2,880,618	2,877,460	2,877,475				
12/31/2008	3,725,459	3,729,971	3,709,073	3,709,130	3,708,764					
12/31/2009	5,119,107	4,852,628	4,867,587	4,840,869						
12/31/2010	3,907,097	3,883,680	3,871,981							
12/31/2011	4,344,124	4,444,839								
12/31/2012	4,270,234									

Companywide Claims with Payment

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	1,421	1,465	1,470	1,471	1,472	1,472	1,473	1,473	1,476	1,477
12/31/2004	1,239	1,290	1,293	1,297	1,297	1,297	1,298	1,302	1,303	
12/31/2005	1,281	1,333	1,341	1,341	1,341	1,343	1,347	1,347		
12/31/2006	1,186	1,222	1,227	1,230	1,231	1,236	1,236			
12/31/2007	1,019	1,037	1,040	1,040	1,048	1,048				
12/31/2008	1,266	1,319	1,323	1,346	1,347					
12/31/2009	1,410	1,467	1,496	1,500						
12/31/2010	1,519	1,632	1,634							
12/31/2011	1,905	2,015								
12/31/2012	1,729									

Arkansas Claims with Payment

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	429	436	439	440	441	441	441	441	442	442
12/31/2004	361	375	376	378	378	378	378	379	379	
12/31/2005	332	345	345	345	345	345	346	346		
12/31/2006	313	320	321	321	321	324	324			
12/31/2007	275	278	281	281	283	283				
12/31/2008	444	455	455	460	460					
12/31/2009	346	360	372	372						
12/31/2010	278	287	287							
12/31/2011	328	354								
12/31/2012	236									

Companywide Selected Incurred Loss & ALAE

Fiscal Year-End	Losses							Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)		
12/31/2003	12,839,618	1.0000	12,839,618	12,839,618	1.0000	12,839,618	1,477	12,839,618	
12/31/2004	12,345,630	1.0000	12,345,630	12,345,630	1.0000	12,345,630	1,303	12,345,630	
12/31/2005	14,031,510	1.0000	14,031,510	14,031,510	1.0000	14,031,510	1,348	14,031,510	
12/31/2006	13,846,267	1.0000	13,846,267	13,846,267	1.0000	13,846,267	1,237	13,846,267	
12/31/2007	13,160,371	1.0000	13,160,371	13,160,371	1.0000	13,160,371	1,050	13,160,371	
12/31/2008	15,313,555	0.9999	15,312,023	15,313,555	1.0000	15,313,555	1,351	15,312,023	
12/31/2009	19,727,497	0.9998	19,723,551	19,726,997	1.0015	19,756,587	1,506	19,723,551	
12/31/2010	17,740,698	0.9995	17,731,829	17,733,198	1.0030	17,786,438	1,646	17,731,829	
12/31/2011	20,578,671	0.9945	20,465,541	20,230,471	1.0070	20,372,373	2,044	20,465,541	
12/31/2012	24,294,298	0.9746	23,677,527	20,092,559	1.2084	24,280,192	1,859	23,677,527	
5-yr Total			96,910,473			97,509,145	8,405	96,910,471	
10-yr Total			163,133,869			163,732,541		163,133,867	

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
1,477	12,839,618
1,303	12,345,630
1,348	14,031,510
1,237	13,846,267
1,050	13,160,371
1,351	15,312,023
1,506	19,723,551
1,646	17,731,829
2,044	20,465,541
1,859	23,677,527
8,405	96,910,471
	163,133,867

Arkansas Selected Incurred Loss & ALAE

Fiscal Year-End	Losses							Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)		
12/31/2003	3,508,813	1.0000	3,508,813	3,508,813	1.0000	3,508,813	429	3,508,813	
12/31/2004	3,357,593	1.0000	3,357,593	3,357,593	1.0000	3,357,593	361	3,357,593	
12/31/2005	3,057,595	1.0000	3,057,595	3,057,595	1.0000	3,057,595	332	3,057,595	
12/31/2006	2,993,386	1.0000	2,993,386	2,993,386	1.0000	2,993,386	313	2,993,386	
12/31/2007	2,877,475	1.0000	2,877,475	2,877,475	1.0000	2,877,475	275	2,877,475	
12/31/2008	3,708,764	0.9999	3,708,393	3,708,764	1.0000	3,708,764	444	3,708,393	
12/31/2009	4,840,869	0.9998	4,839,901	4,840,869	1.0015	4,848,131	444	4,839,901	
12/31/2010	3,871,981	0.9995	3,870,045	3,871,981	1.0030	3,883,605	346	3,870,045	
12/31/2011	4,444,839	0.9945	4,420,404	4,444,839	1.0070	4,388,383	328	4,420,404	
12/31/2012	4,270,234	0.9846	4,204,291	3,694,444	1.1832	4,371,420	236	4,204,291	
5-yr Total			21,043,034			21,200,303		21,043,034	
10-yr Total			36,837,895			36,995,165		36,837,896	

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
429	3,508,813
379	3,357,593
346	3,057,595
324	2,993,386
283	2,877,475
461	3,708,393
374	4,839,901
289	3,870,045
359	4,420,404
287	4,204,291
1,770	21,043,034
	36,837,896

Shelter Mutual Insurance Company

Arkansas

Dwelling Fire - Fire Coverage - Indicated Rate Level Change

	Fiscal Year Ending 12/31/2008	Fiscal Year Ending 12/31/2009	Fiscal Year Ending 12/31/2010	Fiscal Year Ending 12/31/2011	Fiscal Year Ending 12/31/2012
1. Earned Premium	\$6,482,396	\$6,432,943	\$6,203,638	\$6,080,306	\$6,236,196
2. Current Rate Level Factor	0.9892	1.0003	1.0714	1.0802	1.0528
3. Effect of Trend in Amount of Insurance	1.1596	1.1313	1.1037	1.0768	1.0506
4. Trended Premium at Current Rates [(1) x (2) x (3)]	\$7,435,617	\$7,279,852	\$7,336,273	\$7,072,438	\$6,897,323
5. Incurred Loss and Allocated Loss Adjustment Expense	\$3,708,393	\$4,839,901	\$3,870,045	\$4,420,404	\$4,204,291
6. Factor to Trend and Project Losses to 7/1/2014	1.2652	1.2165	1.1697	1.1248	1.0815
7. Unallocated Loss Adjustment Expense Factor	1.0815	1.0815	1.0815	1.0815	1.0815
8. Trended Loss and Loss Adjustment Expense [(5) x (6) x (7)]	\$5,074,287	\$6,367,642	\$4,895,765	\$5,377,338	\$4,917,556
9. Formula Loss Ratio [(8) / (4)]	68.2%	87.5%	66.7%	76.0%	71.3%
10. Experience Year Weight	10%	15%	20%	25%	30%
11. Weighted Formula Loss Ratio [sum the products of (9) & (10)]			73.7%		
12. Credibility - Based on 20,000 Exposures			100.0%		
13. Expected Loss Ratio			65.5%		
14. Trended Expected Loss Ratio [(13) X (18) ^ 1]			67.1%		
15. Credibility Weighted Formula Loss Ratio [(11) X (12) + (14) X (1 - (12))]			73.7%		
16. Current Provision for Variable Expenses of Commissions, Taxes and Profit			23.1%		
17. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.4%		
18. Factor to Trend Fixed Costs			1.025		
19. Trended Fixed Costs [(17) X (18) ^ 1]			11.7%		
20. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(15) + (19)] / [1.000 - (16)] - 1.000			11.0%		

Line 12 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 14 & 19 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (04/06/2012) to one year past the expected effective date (07/01/2013), limited to one year.

Shelter Mutual Insurance Company Dwelling Fire - Allied Lines Coverages Arkansas

Current Rate Level Factors as of December 31, 2012

The parallelogram method was used to develop the current rate level factors shown below. The following rate change history shows the effective dates for new business. The actual dates used in the calculations were set 30 days past these dates to properly adjust for renewal effective dates.

<u>Fiscal Year Ending</u>	<u>Factors</u>
December 31, 2008	1.4431
December 31, 2009	1.4077
December 31, 2010	1.2296
December 31, 2011	1.1105
December 31, 2012	1.0239

Rate Change History (Percent Changes)

<u>Effective Date</u>	<u>% Changes</u>
April 6, 2012	3.4 %
January 26, 2011	16.4 %
July 12, 2009	19.9 %
December 4, 2003	9.7 %

SHELTER MUTUAL INSURANCE COMPANY
 DWELLING FIRE / ALLIED LINES
 Credibility Table
 Based on 20,000 Exposure Units

<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Credibility Factor</u>
0	12	0.00
13	112	0.05
113	312	0.10
313	612	0.15
613	1,012	0.20
1,013	1,512	0.25
1,513	2,112	0.30
2,113	2,812	0.35
2,813	3,612	0.40
3,613	4,512	0.45
4,513	5,512	0.50
5,513	6,612	0.55
6,613	7,812	0.60
7,813	9,112	0.65
9,113	10,512	0.70
10,513	12,012	0.75
12,013	13,612	0.80
13,613	15,312	0.85
15,313	17,112	0.90
17,113	19,012	0.95
19,013	20,000 +	1.00

Assumptions:

1. 10% claim frequency distribution with claims following a Poisson distribution.
2. Using the normal approximation with a 95% probability that the sample mean is within 4.0% of the true mean.
3. Partial credibility is based on the square root rule rounded to the nearest 5%.

Shelter Mutual Insurance Company

Arkansas

Allied Lines

Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve		
(1) Direct Earned Premium for Calendar Year 2011	\$	9,011,539
(2) Mean Unearned Premium Reserve: (1.) x 0.447	\$	4,028,158
(3) Deductions for Prepaid Expenses:		
a. Brokerage and Commission	12.6%	
b. 50% of Other Acquisition Expense	2.1%	
c. 50% of General Expense	3.6%	
d. Taxes, Licenses and Fees	2.9%	
e. Total		21.2%
(4) Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))	\$	3,174,189
B. Loss Reserves		
1. Direct Earned Premium for Calendar Year 2011	\$	9,011,539
2. Expected Incurred Loss and Loss Adjustment: (1.) x 0.731	\$	6,587,435
3. Expected Mean Loss Reserve: (2.) x 0.168	\$	1,106,689
C. Net Subject to Investment: A.4 + B.3	\$	4,280,878
D. Average Rate of Return		0.0565
E. Investment Earnings on Net Subject to Investment: C x D	\$	241,870
F. Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		2.7%
G. Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.758		2.0%

Please refer to the attached explanatory memorandum for details by line

Explanatory Memorandum re Investment Income - Arkansas - Allied Lines

Line A.1 - Direct earned premium as shown on page 14 for the State of Arkansas, Allied Lines, for Calendar Year 2011.

Line A.2 - The mean unearned premium reserve is determined by multiplying the direct earned premium in Line A.1 by the mean unearned premium ratio developed below.

1. Direct Earned Premium for Calendar Year 2011	\$	9,011,539
2. Unearned Premium Reserve as of 12/31/2010	\$	3,709,582
3. Unearned Premium Reserve as of 12/31/2011	\$	4,351,707
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$	4,030,645
5. Mean Unearned Premium Ratio: (4.) / (1.)		0.447

Line A.3 - Production and half of other company expenses are incurred with the initial writing and processing of insurance policies, exclusive of claim adjustment expenses. As these expenses are in effect prepaid, the funds will not be available to invest on behalf of the policyholder. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

Line B.2 - The expected loss and loss adjustment ratio reflects expense provisions used in this filing with no provision for profit.

Line B.3 - The expected mean loss reserve is determined by multiplying the expected incurred loss in Line B.2 by the mean loss and loss adjustment reserve ratio as shown below.

1. Incurred Losses for Calendar Year 2010	\$	3,339,832
2. Incurred Losses for Calendar Year 2011	\$	6,377,280
3. Loss Reserves as of 12/31/2009	\$	752,465
4. Loss Reserves as of 12/31/2010	\$	681,124
5. Loss Reserves as of 12/31/2011	\$	847,397
6. Mean Loss Reserve 2010	\$	716,794
7. Mean Loss Reserve 2011	\$	764,261
8. 2010 Ratio: (6.) / (1.)		0.215
9. 2011 Ratio: (7.) / (2.)		0.120
10. Mean Ratio: ((8.) + (9.)) / 2		0.168

Explanatory Memorandum re Investment Income - Continued

- Line D - The rate of return is the ratio of Net Income Earned and Net Realized Capital Gains/Losses to Mean Cash and Invested Assets. Due to the inherent variability of Capital Gains/Losses, we have used the most recent ten years of data. All data shown below is from the annual statement

1. Cash and Invested Assets 2009	0	\$	1,624,038,547
2. Cash and Invested Assets 2010	0	\$	1,785,588,727
3. Cash and Invested Assets 2011	0	\$	1,721,432,518
4. Net Investment Income Earned 2010	0	\$	64,331,358
5. Net Investment Income Earned 2011	0	\$	68,549,235
6. Mean Cash and Invested Assets 2010: (2. + 3.) / 2	0	\$	1,704,813,637
7. Mean Cash and Invested Assets 2011: (2. + 3.) / 2	0	\$	1,753,510,623
8. Mean Rate of Return: (4. + 5.) / (6. + 7.)			0.0384
9. Mean Cash and Invested Assets 2002 - 2011	0	\$	15,325,094,835
10. Net Realized Capital Gains/Losses 2002 - 2011	0	\$	277,517,436
11. Mean Rate of Return: 10. / 9.			0.0181
12. Total Rate of Return: 8. + 11.			0.0565

- Line G - The average rate of Federal Income Tax was determined by applying the expected average tax rate for Net Investment Income and the expected tax rate applicable to Net Realized Capital Gains/Losses to the rates of return calculated in Line D.

	<u>Rate of Return</u>	<u>Federal Tax Rate</u>
Net Investment Income Earned	0.0384	0.191 (A)
Net Realized Capital Gains/Losses	0.0181	0.350
Total	0.0565	0.242

- (A) The expected average rate of Federal Income Tax on Net Investment Income was determined by applying the expected 2012 tax rates to the distribution of investment income earned for the years 2010 and 2011. The calculations are shown below:

Type of Investment	Net Income Earned (1)			Tax Rate	Federal Tax
	2010	2011	Total		
Bonds (Taxable)	\$ 21,406,668	\$ 16,367,297	\$ 37,773,966	0.350	\$ 13,220,888
Bonds (Tax Exempt)	\$ 28,582,259	\$ 36,263,741	\$ 64,846,000	0.053	\$ 3,436,838
Stocks	\$ 6,237,644	\$ 7,492,773	\$ 13,730,417	0.210	\$ 2,883,388
Short Term	\$ 49,715	\$ 17,062	\$ 66,777	0.350	\$ 23,372
Real Estate	\$ 2,250,091	\$ 3,568,478	\$ 5,818,569	0.350	\$ 2,036,499
Other Investments	\$ 5,804,981	\$ 4,839,883	\$ 10,644,864	0.350	\$ 3,725,702
Total	\$ 64,331,358	\$ 68,549,235	\$ 132,880,593	0.191	\$ 25,326,687

- (1) Investment deductions have been allocated to the appropriate type in the following manner:
- Real Estate - Income Earned less depreciation (Page 6, Line 12), Real Estate Expenses and Taxes (Page 11, Lines 19 and 20, Column 3).
 - All Other - Investment Expenses less Real Estate Expenses and Taxes prorated by income earned to total income earned less Real Estate Income.

Shelter Mutual Insurance Company**Arkansas****Allied Lines**

Calculation of Expected Loss Ratio

Commission and Brokerage (a)	12.6%
Other Acquisition Expense (a)	4.2%
General Expense (a)	7.2%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	7.5%
	<hr/>
Sub-total	34.4%
Available for Losses and Loss Adjustment Expense	65.6%

(a) From attached Companywide Expense Ratios

(b) 2011 Premium Tax ratio in Arkansas

(c) From attached Determination of Underwriting Profit & Contingencies Provision

**Shelter Mutual Insurance Company
Arkansas
Dwelling Fire - Allied Lines Coverages
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter Mutual Insurance Companywide						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
6/2010	3,967,379	2,181	1,819	1,840		
9/2010	4,158,459	2,211	1,881	1,817		
12/2010	3,901,768	2,156	1,810	1,794		
3/2011	4,271,273	2,314	1,846	1,772		
6/2011	4,381,243	2,577	1,700	1,749		
9/2011	4,544,836	2,694	1,687	1,727		
12/2011	4,942,571	2,815	1,756	1,706	1,644	
3/2012	4,032,927	2,743	1,470	1,684	1,645	
6/2012	4,408,914	2,588	1,704	1,663	1,646	
9/2012	4,504,653	2,723	1,654	1,642	1,647	
12/2012	4,579,737	2,749	1,666	1,621	1,648	
3/2013	4,367,826	2,654	1,646	1,601	1,649	
Annual Percentage Change				-4.93%	0.24%	
r^2				0.469	0.000	

Frequency Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
6/2010	2,181	206,527	1.06	1.08		
9/2010	2,211	210,082	1.05	1.08		
12/2010	2,156	214,168	1.01	1.09		
3/2011	2,314	218,498	1.06	1.09		
6/2011	2,577	222,903	1.16	1.10		
9/2011	2,694	227,263	1.19	1.10		
12/2011	2,815	231,262	1.22	1.11	1.08	
3/2012	2,743	235,225	1.17	1.11	1.08	
6/2012	2,588	239,261	1.08	1.12	1.09	
9/2012	2,723	243,454	1.12	1.12	1.09	
12/2012	2,749	247,987	1.11	1.13	1.10	
3/2013	2,654	252,298	1.05	1.13	1.10	
Annual Percentage Change				1.80%	1.85%	
r^2				0.073	0.737	

Severity Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
6/2010	776,650	475	1,635	1,742		
9/2010	818,509	452	1,811	1,650		
12/2010	795,286	417	1,907	1,562		
3/2011	632,780	422	1,499	1,480		
6/2011	661,247	484	1,366	1,402		
9/2011	574,872	500	1,150	1,327		
12/2011	649,064	554	1,172	1,257	1,091	
3/2012	569,846	554	1,029	1,191	1,088	
6/2012	538,336	502	1,072	1,128	1,086	
9/2012	545,649	536	1,018	1,068	1,083	
12/2012	613,488	553	1,109	1,012	1,081	
3/2013	614,925	552	1,114	958	1,078	
Annual Percentage Change				-19.56%	-0.92%	
r^2				0.756	0.007	

Frequency Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
6/2010	475	38,616	1.23	1.14		
9/2010	452	38,731	1.17	1.16		
12/2010	417	38,959	1.07	1.18		
3/2011	422	39,187	1.08	1.20		
6/2011	484	39,447	1.23	1.22		
9/2011	500	39,635	1.26	1.25		
12/2011	554	39,714	1.39	1.27	1.36	
3/2012	554	39,832	1.39	1.29	1.36	
6/2012	502	39,942	1.26	1.32	1.35	
9/2012	536	40,121	1.34	1.34	1.35	
12/2012	553	40,452	1.37	1.37	1.34	
3/2013	552	40,814	1.35	1.39	1.34	
Annual Percentage Change				7.75%	-1.47%	
r^2				0.525	0.035	

Severity Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Incurred Loss and LAE	Non-Catastrophe Paid Claims	Severity	Curve of Best Fit		
				12 Point	6 Point	
12/2009	208,929,307	23,728	8,805	9,117		
3/2010	216,238,166	23,943	9,031	9,166		
6/2010	217,598,247	23,738	9,167	9,215		
9/2010	201,873,869	21,606	9,343	9,265		
12/2010	202,673,488	20,917	9,689	9,314		
3/2011	201,948,453	20,530	9,837	9,364		
6/2011	210,407,361	21,926	9,596	9,415	9,409	
9/2011	218,626,282	23,298	9,384	9,465	9,435	
12/2011	216,592,195	23,108	9,373	9,516	9,462	
3/2012	207,497,735	22,270	9,317	9,567	9,488	
6/2012	186,992,752	19,888	9,402	9,618	9,514	
9/2012	181,581,838	18,559	9,784	9,670	9,540	
Annual Percentage Change				2.17%	1.11%	
r^2				0.352	0.077	

Frequency Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Paid Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
12/2009	23,728	343,043	6.92	6.99		
3/2010	23,943	343,045	6.98	6.91		
6/2010	23,738	340,984	6.96	6.83		
9/2010	21,606	336,582	6.42	6.75		
12/2010	20,917	331,798	6.30	6.67		
3/2011	20,530	326,557	6.29	6.60		
6/2011	21,926	324,475	6.76	6.52	7.27	
9/2011	23,298	326,820	7.13	6.44	6.94	
12/2011	23,108	329,589	7.01	6.37	6.63	
3/2012	22,270	333,540	6.68	6.29	6.33	
6/2012	19,888	336,064	5.92	6.22	6.05	
9/2012	18,559	335,327	5.53	6.15	5.77	
Annual Percentage Change				-4.50%	-16.86%	
r^2				0.296	0.722	

Trend Factor					
Fiscal Acc Year	Midpoint of Experience Period	Number of Years to 3/31/2013	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Trend Factor
3/31/2009	10/01/2008	4.5000	1.1930	1.0000	1.1930
3/31/2010	10/01/2009	3.5000	1.1471	1.0000	1.1471
3/31/2011	10/01/2010	2.5000	1.1030	1.0000	1.1030
3/31/2012	10/01/2011	1.5000	1.0606	1.0000	1.0606
3/31/2013	10/01/2012	0.5000	1.0198	1.0000	1.0198

Projection Factor				
Years from 3/31/2013 to 10/01/2014	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Projection Factor	Combined Trend and Projection Factor
1.5041	1.0608	1.0000	1.0608	1.2655
1.5041	1.0608	1.0000	1.0608	1.2168
1.5041	1.0608	1.0000	1.0608	1.1701
1.5041	1.0608	1.0000	1.0608	1.1251
1.5041	1.0608	1.0000	1.0608	1.0818

**Shelter Mutual Insurance Company
Arkansas
Allied Lines
Determination of Underwriting Profit & Contingencies Provision**

Target Total Return on Surplus (after federal income tax):	12.0%	(I)
Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):	4.3%	(II)
Expected Net Income (% of surplus, after federal income tax):	7.7%	(III)=(I)-(II)
Target Premium to Surplus Ratio:	1.00	(IV)
Expected Net Income (% of earned premium, after federal income tax):	7.7%	(V)=(III)/(IV)
Expected Investment Income on Unearned Premium Reserves and Loss & LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):	2.0%	(VI)
Underwriting Profit Provision (% of earned premium, after federal income tax):	5.7%	(VII)=(V)-(VI)
Expected Federal Income Tax Rate:	24.2%	(VIII)
Underwriting Profit Provision (% of earned premium, before federal income tax):	7.5%	(IX)=(VII)/[1-(VIII)]

Shelter Mutual Insurance Company

Companywide

Allied Lines

Development of Expense Ratios

Note: 000 s omitted.	2009	2010	2011	Total
1.) Direct Commission and Brokerage	\$ 4,846	\$ 5,084	\$ 5,924	\$ 15,854
2.) Direct Written Premium	36,804	39,883	49,042	125,729
Ratio: 1 / 2	13.2%	12.7%	12.1%	12.6%
3.) Other Acquisition Expense	\$ 1,606	\$ 1,630	\$ 1,987	\$ 5,223
4.) Direct Written Premium	36,804	39,883	49,042	125,729
Ratio: 3 / 4	4.4%	4.1%	4.1%	4.2%
5.) General Expense	\$ 2,683	\$ 2,943	\$ 3,449	\$ 9,075
6.) Direct Written Premium	36,804	39,883	49,042	125,729
Ratio: 5 / 6	7.3%	7.4%	7.0%	7.2%
7.) Taxes, Licenses and Fees	\$ 677	\$ 993	\$ 1,063	\$ 2,733
8.) Direct Written Premium	36,804	39,883	49,042	125,729
Ratio: 7 / 8	1.8%	2.5%	2.2%	2.2%
9.) Direct Loss Adjustment Expense	\$ 2,893	\$ 3,114	\$ 4,602	\$ 10,609
10.) Direct Losses Incurred	32,804	31,975	59,219	123,998
Ratio: 9 / 10	8.8%	9.7%	7.8%	8.6%

Source: Insurance Expense Exhibit.

Shelter Mutual Insurance Company
Dwelling Fire - Allied Lines Coverages
Projected Ultimate Loss and Allocated Loss Adjustment Expense

Companywide Paid Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	14,614,862	15,555,310	15,622,313	15,666,973	15,694,842	15,721,687	15,727,014	15,726,494	15,725,349	15,725,311
12/31/2004	10,392,598	11,227,198	11,252,930	11,467,488	11,468,815	11,470,201	11,474,322	11,474,247	11,474,472	
12/31/2005	18,945,992	20,996,389	21,240,946	21,299,386	21,301,735	21,300,719	21,326,241	21,326,241	21,326,241	
12/31/2006	21,644,456	23,241,808	23,438,926	23,549,530	23,662,328	23,676,306	23,676,306			
12/31/2007	7,589,349	8,630,504	8,776,807	8,909,780	8,910,839	8,911,152				
12/31/2008	35,100,215	37,689,701	38,035,236	38,131,122	38,165,540					
12/31/2009	27,507,130	30,379,482	30,617,736	30,645,728						
12/31/2010	26,277,946	29,161,023	29,438,310							
12/31/2011	49,805,710	53,173,935								
12/31/2012	36,774,798									

Arkansas Paid Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	1,733,488	1,774,451	1,798,899	1,815,072	1,833,395	1,846,913	1,847,459	1,847,459	1,847,459	1,847,459
12/31/2004	1,679,797	1,755,538	1,755,836	1,758,814	1,758,814	1,759,462	1,759,462	1,759,462	1,759,462	
12/31/2005	884,079	991,315	997,835	997,335	997,838	996,821	996,821	996,821	996,821	
12/31/2006	4,228,466	4,432,743	4,460,136	4,460,171	4,460,171	4,460,171	4,460,171	4,460,171	4,460,171	
12/31/2007	1,150,399	1,256,338	1,259,985	1,259,818	1,257,684	1,257,684				
12/31/2008	14,725,659	15,324,043	15,403,803	15,420,984	15,443,549					
12/31/2009	5,290,875	5,634,511	5,653,655	5,654,369						
12/31/2010	2,637,188	2,860,658	2,905,479							
12/31/2011	5,682,951	6,091,281								
12/31/2012	2,455,874									

Companywide Reported Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	15,788,583	15,616,310	15,745,813	15,778,473	15,809,342	15,724,687	15,730,014	15,729,494	15,725,349	15,725,311
12/31/2004	11,307,662	11,383,938	11,466,430	11,475,488	11,476,815	11,478,201	11,474,322	11,474,247	11,474,472	
12/31/2005	21,473,785	21,182,462	21,353,550	21,369,509	21,341,765	21,340,749	21,326,241	21,326,241		
12/31/2006	23,227,773	23,381,822	23,463,026	23,566,330	23,662,328	23,677,056	23,676,306			
12/31/2007	9,101,660	8,930,139	9,043,169	9,044,780	8,916,089	8,916,152				
12/31/2008	37,298,536	37,930,228	38,062,688	38,152,123	38,185,890					
12/31/2009	29,439,371	30,521,987	30,633,799	30,660,978						
12/31/2010	27,969,955	29,273,481	29,448,338							
12/31/2011	52,662,818	53,235,535								
12/31/2012	40,124,704									

Arkansas Reported Loss & Paid ALAE

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	1,903,699	1,806,951	1,826,899	1,831,072	1,852,395	1,846,913	1,847,459	1,847,459	1,847,459	1,847,459
12/31/2004	1,813,214	1,755,538	1,855,836	1,758,814	1,758,814	1,759,462	1,759,462	1,759,462	1,759,462	
12/31/2005	1,069,850	991,315	997,835	997,335	997,838	996,821	996,821	996,821	996,821	
12/31/2006	4,431,982	4,471,502	4,460,136	4,460,171	4,460,171	4,460,171	4,460,171	4,460,171	4,460,171	
12/31/2007	1,285,876	1,297,338	1,259,985	1,259,818	1,257,684	1,257,684				
12/31/2008	15,114,419	15,324,043	15,404,303	15,421,484	15,443,899					
12/31/2009	5,630,383	5,650,893	5,653,655	5,654,619						
12/31/2010	2,836,214	2,903,908	2,905,479							
12/31/2011	5,992,532	6,093,281								
12/31/2012	3,304,568									

Companywide Claims with Payment

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	6,831	7,117	7,136	7,142	7,145	7,146	7,147	7,147	7,148	7,149
12/31/2004	5,987	6,221	6,235	6,244	6,246	6,248	6,249	6,251	6,251	
12/31/2005	7,373	7,644	7,667	7,674	7,675	7,675	7,678	7,678		
12/31/2006	9,189	9,728	9,774	9,800	9,807	9,816	9,816			
12/31/2007	5,436	5,818	5,834	5,839	5,848	5,849				
12/31/2008	13,540	14,113	14,177	14,213	14,227					
12/31/2009	11,421	12,323	12,411	12,424						
12/31/2010	11,634	12,579	12,639							
12/31/2011	18,981	20,266								
12/31/2012	18,404									

Arkansas Claims with Payment

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	1,401	1,441	1,446	1,448	1,449	1,449	1,449	1,449	1,449	1,449
12/31/2004	1,315	1,350	1,352	1,354	1,354	1,354	1,354	1,354	1,354	
12/31/2005	825	869	873	875	875	875	875	875	875	
12/31/2006	1,863	1,932	1,940	1,944	1,944	1,945	1,945			
12/31/2007	720	745	747	747	748	748				
12/31/2008	4,658	4,747	4,760	4,765	4,772					
12/31/2009	2,428	2,554	2,565	2,567						
12/31/2010	1,333	1,399	1,401							
12/31/2011	3,586	3,761								
12/31/2012	1,851									

Companywide Selected Incurred Loss & ALAE

Fiscal Accident Year (1)	Non-Wind Losses						Wind		Total	
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)	Selected Incurred Loss/ALAE (9)	Estimated Incurred Claim Count (10)	Selected Incurred Loss/ALAE (11) = (8) + (9)
12/31/2003	2,593,260	1.0000	2,593,260	2,593,260	1.0000	2,593,260	2,593,260	13,132,052	7,149	15,725,312
12/31/2004	2,638,177	1.0000	2,638,177	2,638,177	1.0000	2,638,177	2,638,177	8,836,295	6,251	11,474,472
12/31/2005	2,132,290	1.0000	2,132,290	2,132,290	1.0000	2,132,290	2,132,290	19,193,951	7,678	21,326,241
12/31/2006	2,565,214	1.0000	2,565,214	2,565,214	1.0000	2,565,214	2,565,214	21,111,092	9,816	23,676,306
12/31/2007	2,619,693	1.0000	2,619,693	2,619,693	1.0005	2,619,693	2,619,693	6,296,458	5,851	8,916,151
12/31/2008	3,361,893	1.0000	3,361,893	3,361,893	1.0035	3,373,665	3,361,893	34,823,997	14,235	38,185,890
12/31/2009	3,632,961	1.0000	3,632,961	3,617,961	1.0075	3,645,151	3,632,961	27,046,937	12,439	30,679,898
12/31/2010	3,895,584	1.0010	3,899,480	3,895,334	1.0126	3,944,233	3,899,480	25,647,352	12,678	29,546,832
12/31/2011	4,877,064	1.0090	4,920,996	4,866,564	1.0328	5,026,207	4,920,996	48,804,455	20,447	53,725,451
12/31/2012	4,463,062	0.9939	4,435,716	3,523,247	1.1981	4,221,036	4,435,716	37,430,151	19,949	41,865,867
5-yr Total			20,251,046			20,210,292	20,251,046	173,752,892	79,748	194,003,938
10-yr Total			32,799,680			32,755,233	32,799,680	242,322,740		275,122,420

Arkansas Selected Incurred Loss & ALAE

Fiscal Accident Year (1)	Non-Wind Losses						Wind		Total	
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)	Selected Incurred Loss/ALAE (9)	Estimated Incurred Claim Count (10)	Selected Incurred Loss/ALAE (11) = (8) + (9)
12/31/2003	423,003	1.0000	423,003	423,003	1.0000	423,003	423,003	1,424,456	1,449	1,847,459
12/31/2004	380,819	1.0000	380,819	380,819	1.0000	380,819	380,819	1,378,643	1,354	1,759,462
12/31/2005	257,825	1.0000	257,825	257,825	1.0000	257,825	257,825	738,995	875	996,821
12/31/2006	534,812	1.0000	534,812	534,812	1.0000	534,812	534,812	3,925,359	1,945	4,460,171
12/31/2007	343,133	1.0000	343,133	343,133	1.0005	343,305	343,133	914,551	748	1,257,684
12/31/2008	443,219	1.0000	443,219	443,219	1.0035	444,771	443,219	15,000,681	4,775	15,443,900
12/31/2009	562,011	1.0075	562,011	562,011	1.0075	566,234	562,011	5,096,174	2,570	5,658,185
12/31/2010	794,985	1.0010	795,780	794,985	1.0126	804,965	795,780	2,118,307	1,405	2,914,087
12/31/2011	635,632	1.0090	641,358	635,632	1.0328	656,225	641,358	5,507,982	3,784	6,149,340
12/31/2012	753,166	0.9434	710,554	526,698	1.1774	620,133	710,554	2,639,305	1,955	3,349,859
5-yr Total			3,152,921			3,092,328	3,152,922	30,362,449	14,489	33,515,371
10-yr Total			5,092,513			5,032,091	5,092,514	38,744,453		43,836,967

Shelter Mutual Insurance Company

Arkansas

Dwelling Fire - Allied Lines Coverages - Indicated Rate Level Change

	Fiscal Year Ending 12/31/2008	Fiscal Year Ending 12/31/2009	Fiscal Year Ending 12/31/2010	Fiscal Year Ending 12/31/2011	Fiscal Year Ending 12/31/2012
1. Earned Premium	\$6,048,141	\$6,414,802	\$7,653,861	\$8,441,711	\$9,390,257
2. Current Rate Level Factor	1.4431	1.4077	1.2296	1.1105	1.0239
3. Effect of Trend in Amount of Insurance	1.1596	1.1313	1.1037	1.0768	1.0506
4. Trended Premium at Current Rates [(1) x (2) x (3)]	\$10,121,117	\$10,216,039	\$10,387,433	\$10,094,950	\$10,100,767
5. Incurred Loss and Allocated Loss Adjustment Expense	\$15,443,900	\$5,658,185	\$2,914,087	\$6,149,340	\$3,349,859
6. Expected Storm Loss Loading	(9,590,519)	641,972	960,686	1,059,575	1,178,633
7. Adjusted Losses [(5) + (6)]	\$5,853,381	\$6,300,157	\$3,874,773	\$7,208,915	\$4,528,492
8. Factor to Trend and Project Losses to 7/1/2014	1.2652	1.2165	1.1697	1.1248	1.0815
9. Unallocated Loss Adjustment Expense Factor	1.0788	1.0788	1.0788	1.0788	1.0788
10. Trended Loss and Loss Adjustment Expense [(7) x (8) x (9)]	\$7,989,314	\$8,268,125	\$4,889,499	\$8,747,596	\$5,283,524
11. Formula Loss Ratio [(10) / (4)]	78.9%	80.9%	47.1%	86.7%	52.3%
12. Experience Year Weight	10%	15%	20%	25%	30%
13. Weighted Formula Loss Ratio [sum the products of (11) & (12)]			66.8%		
14. Credibility - Based on 20,000 Exposures			100.0%		
15. Expected Loss Ratio			65.6%		
16. Trended Expected Loss Ratio [(15) X (20) ^ 1]			67.2%		
17. Credibility Weighted Formula Loss Ratio [(13) X (14) + (16) X (1 - (14))]			66.8%		
18. Current Provision for Variable Expenses of Commissions, Taxes and Profit			23.0%		
19. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.4%		
20. Factor to Trend Fixed Costs			1.025		
21. Trended Fixed Costs [(19) X (20) ^ 1]			11.7%		
22. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(17) + (21)] / [1.000 - (18)] - 1.000			1.9%		

Line 17 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 19 & 24 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (04/06/2012) to one year past the expected effective date (07/01/2013), limited to one year.

Shelter Mutual Insurance Company
Dwelling Fire - Allied Lines Coverages
Arkansas
Development of Excess Wind and Hail Loss Loading

Fiscal Accident Year Ending	Earned Premium (1)	Wind Incurred Loss (2)	Wind Loss Ratio (3)	*Normal Wind Loss Ratio (4)	Excess Wind Incurred Loss (5)	Adjusted Wind Incurred Loss (6)	Re-Distributed **Excess Wind Incurred Loss Adjustment (7)	Net Wind Incurred Loss Adjustment (8)	
12/31/93	12/31/1994	1,985,067	525,823	26.5%	27.5%	(19,883)	545,706.4	249,159	269,042
12/31/94	12/31/1995	2,126,040	422,028	19.9%	27.5%	(162,433)	584,460.9	266,853	429,286
12/31/95	12/31/1996	2,316,582	2,537,095	109.5%	76.9%	755,643	1,781,451.1	290,769	(464,874)
12/31/96	12/31/1997	2,489,019	2,373,817	95.4%	76.9%	459,763	1,914,054.7	312,413	(147,350)
12/31/97	12/31/1998	2,652,054	1,108,448	41.8%	41.8%	0	1,108,447.5	332,877	332,877
12/31/98	12/31/1999	2,776,832	3,223,765	116.1%	76.9%	1,088,383	2,135,382.7	348,538	(739,844)
12/31/99	12/31/2000	3,014,871	2,241,736	74.4%	74.4%	0	2,241,736.5	378,416	378,416
12/31/00	12/31/2001	3,259,445	1,688,858	51.8%	51.8%	0	1,688,857.8	409,114	409,114
12/31/01	12/31/2002	3,708,317	1,599,453	43.1%	43.1%	0	1,599,453.0	465,455	465,455
12/31/02	12/31/2003	4,380,853	1,424,456	32.5%	32.5%	0	1,424,455.6	549,870	549,870
12/31/03	12/31/2004	5,049,076	1,378,643	27.3%	27.5%	(9,378)	1,388,020.4	633,743	643,120
12/31/04	12/31/2005	5,529,897	738,995	13.4%	27.5%	(781,205)	1,520,200.9	694,094	1,475,299
12/31/05	12/31/2006	5,756,036	3,925,359	68.2%	68.2%	0	3,925,359.1	722,478	722,478
12/31/06	12/31/2007	5,847,114	914,551	15.6%	27.5%	(692,854)	1,607,405.7	733,910	1,426,764
12/31/07	12/31/2008	6,048,141	15,000,681	248.0%	76.9%	10,349,661	4,651,019.1	759,142	(9,590,519)
12/31/08	12/31/2009	6,414,802	5,096,174	79.4%	76.9%	163,192	4,932,981.3	805,164	641,972
12/31/09	12/31/2010	7,653,861	2,118,307	27.7%	27.7%	0	2,118,306.5	960,686	960,686
12/31/10	12/31/2011	8,441,711	5,507,982	65.2%	65.2%	0	5,507,982.5	1,059,575	1,059,575
12/31/11	12/31/2012	9,390,257	2,639,305	28.1%	28.1%	0	2,639,305.4	1,178,633	1,178,633
Total		88,839,974				11,150,889		11,150,889	(5,749,654)

*Normal Range:

25th Percentile of (3) 27.5%

75th Percentile of (3) 76.9%

**Wind Load: Total (6) / Total (1) = 12.6%

(3) = (2) / (1).

(4) = (3) capped at max and min specified by "Normal Range".

(5) = [(3) - (4)] x (1); the amount of wind loss outside the "Normal Range" to be removed (added) across all years.

(6) = (2) - (5); the smoothed ratio of wind losses to earned premium.

(7) = Wind Load x (1); the amount of excess wind losses to be loaded back into Total Losses.

(8) = (6) - (7) - (2); Net Wind Losses to be added (removed) by Fiscal Accident Year.

Shelter Mutual Insurance Company

Arkansas

Dwelling Fire - All Coverages Summary - Indicated Rate Level Change

	Fiscal Year Ending 12/31/2008	Fiscal Year Ending 12/31/2009	Fiscal Year Ending 12/31/2010	Fiscal Year Ending 12/31/2011	Fiscal Year Ending 12/31/2012
1. Earned Premium	\$12,530,537	\$12,847,745	\$13,857,499	\$14,522,017	\$15,626,453
2. Trended Premium at Current Rates	\$17,556,734	\$17,495,891	\$17,723,706	\$17,167,388	\$16,998,090
3. Incurred Loss and Allocated Loss Adjustment Expense	\$19,152,293	\$10,498,086	\$6,784,132	\$10,569,744	\$7,554,150
4. Trended Loss and Loss Adjustment Expense	\$13,063,601	\$14,635,767	\$9,785,264	\$14,124,934	\$10,201,080
5. Formula Loss Ratio [(4) / (2)]	74.4%	83.7%	55.2%	82.3%	60.0%
6. Experience Year Weight	10%	15%	20%	25%	30%
7. Weighted Formula Loss Ratio [sum the products of (5) & (6)]			69.6%		
8. Credibility - Based on 20,000 Exposures			100.0%		
9. Expected Loss Ratio			65.6%		
10. Trended Expected Loss Ratio [(9) X (14) ^ 1]			67.2%		
11. Credibility Weighted Formula Loss Ratio [(7) X (8) + (10) X (1 - (8))]			69.6%		
12. Current Provision for Variable Expenses of Commissions, Taxes and Profit			23.0%		
13. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.4%		
14. Factor to Trend Fixed Costs			1.025		
15. Trended Fixed Costs [(13) X (14) ^ 1]			11.7%		
16. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(11) + (15)] / [1.000 - (12)] - 1.000			<u>5.6%</u>		

Line 8 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 10 & 15 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (04/06/2012) to one year past the expected effective date (07/01/2013), limited to one year.

**SHELTER MUTUAL INSURANCE COMPANY
ARKANSAS DWELLING POLICY
EXPLANATORY MEMORANDUM**

SYNOPSIS

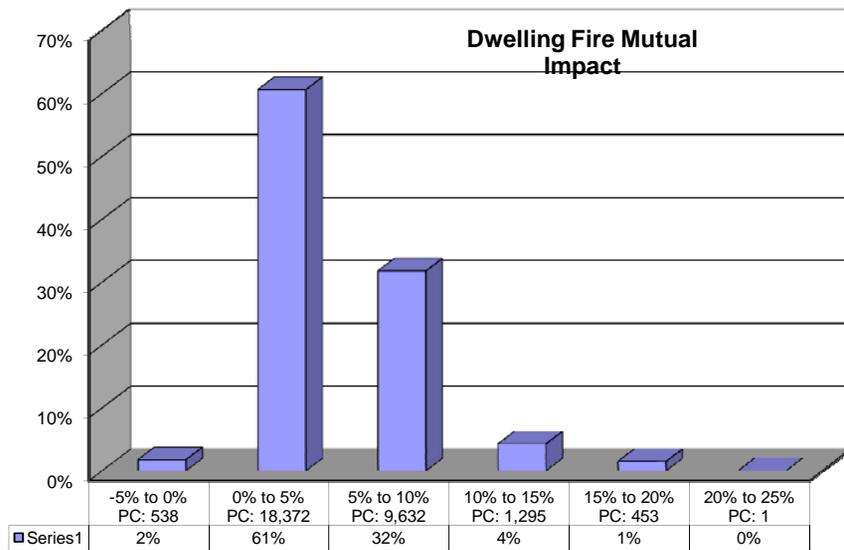
This filing contains revisions to the Fire and Extended Coverage Base Rates for Dwellings and Contents. The base Fire and Extended Coverage rates were divided by county into 3 zones and the base Extended Coverage rates were divided into Owner and Tenant occupied categories. There is a total change in revenue of 5.2% or \$868,866.

GENERAL RULE (GR) PAGES

- Z-1** The counties were separated into 3 zones for the purposes of the base Fire and Extended Coverage rates.

RATE (R) PAGES

- R-1-4** The Dwelling and Contents Fire and Extended Coverage Base Rates were revised. Extended Coverage rates were divided into Owner and Tenant occupied categories. The rate pages were revised to accommodate the division of Fire and Extended Coverage base rates into 3 zones.



**Shelter Mutual Insurance Company
 Dwelling Experience by Proposed Zone Definitions
 Arkansas**

Calendar Year Experience (2008 - 2012)

Perils	New Zone	Earned Premium	Incurred Loss Ratios
10 - Fire	Zone 1	23,659,475	54%
	Zone 2	5,807,904	104%
	Zone 3	1,968,099	121%
SubTotal		31,435,478	67%
Grand Total w/ ALL Perils		70,744,377	77%

Calendar Year Experience (2012 ONLY)

Perils	New Zone	Earned Premium	Incurred Loss Ratios
10 - Fire	Zone 1	4,721,128	51%
	Zone 2	1,143,316	123%
	Zone 3	371,752	142%
SubTotal		6,236,196	69%
Grand Total w/ ALL Perils		15,892,430	49%

***NOTE: Our proposal is to only vary the Fire Rates by Zone.**