

**State:** Arkansas **Filing Company:** Shelter General 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 General 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-129039842  
SERFF Status: Closed-Filed  
State Tr Num:  
State Status:  
Co Tr Num: 03G10113  
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: 05/24/2013  
Disposition Status: Filed  
Effective Date (New): 08/22/2013  
Effective Date (Renewal): 08/22/2013

State Filing Description:

**State:** Arkansas **Filing Company:** Shelter General 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: 05/24/2013  
 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 Extended Coverage and Fire base rates for Dwellings and Contents.

The overall effect of this filing is expected to be a revenue increase of 5.9% or \$46,976.

## 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 General Insurance CoCode: 23361 State of Domicile: Missouri  
 Company Group Code: Company Type:  
 1817 West Broadway Group Name: State ID Number:  
 Columbia, MO 65218 FEIN Number: 43-6031499  
 (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 General Insurance Company	\$100.00	05/23/2013	70568022

SERFF Tracking #:

SHEL-129039842

State Tracking #:

Company Tracking #:

03G10113

State:

Arkansas

Filing Company:

Shelter General Insurance Company

TOI/Sub-TOI:

01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name:

DF

Project Name/Number:

Fiore/

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	05/24/2013	05/24/2013

**State:** Arkansas

**Filing Company:** Shelter General 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: 05/24/2013

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 General Insurance Company	12.800%	5.900%	\$46,976	1,653	\$798,294	7.700%	0.000%

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		Yes
Supporting Document	P&C Actuarial Justification	Filed	Yes
Supporting Document	Distribution of Rate Changes	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes

SERFF Tracking #:

SHEL-129039842

State Tracking #:

Company Tracking #:

03G10113

State: Arkansas

Filing Company: Shelter General 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: 9.900%

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 General Insurance Company	12.800%	5.900%	\$46,976	1,653	\$798,294	7.700%	0.000%

**SERFF Tracking #:**

SHEL-129039842

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

03G10113

**State:** Arkansas**Filing Company:**

Shelter General 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 05/24/2013	Rate Page	R-1	Replacement		AR DFG R-1 Proposed.pdf
2	Filed 05/24/2013	Rate Page	R-2	Replacement		AR DFG R-2 Proposed.pdf

# Arkansas Dwelling Base Rates

**Shelter General**

**\$500 Deductible**

**\$15,000 Building, \$6,000 Contents**

**Masonry/Masonry Veneer Base Rates - FIRE**

All Zones												
Building												
# of Family	Owner						Tenant					
	1		2		3 or 4		1		2		3 or 4	
Prot. Class	Base curve											
1-3	65	1	83	1	113	1	75	1	92	1	120	1
4	75	1	93	1	126	1	83	1	103	1	133	1
5	83	1	104	1	134	1	92	1	114	1	143	1
6	93	1	116	1	148	1	103	1	126	1	156	1
7	142	1	169	1	208	1	148	1	177	1	214	1
8	195	1	214	1	277	1	204	1	239	1	279	1
9	409	1	463	1	542	1	411	1	463	1	542	1
10	439	1	495	1	580	1	440	1	495	1	580	1
11	502	1	566	1	658	1	502	1	566	1	658	1

All Zones												
Contents												
# of Family	Owner						Tenant					
	1		2		3+		1		2		3+	
Prot. Class	Base curve											
1-3	55	2	67	2	81	2	59	2	68	2	83	2
4	61	2	73	2	88	2	64	2	75	2	91	2
5	68	2	77	2	95	2	70	2	81	2	99	2
6	70	2	81	2	99	2	73	2	83	2	101	2
7	90	2	103	2	125	2	91	2	105	2	126	2
8	116	2	131	2	156	2	118	2	133	2	156	2
9	186	2	209	2	243	2	186	2	209	2	243	2
10	212	2	235	2	275	2	212	2	235	2	275	2
11	241	2	267	2	311	2	241	2	267	2	311	2

Extended Coverages					
All Zones, Construction & Protection Classes					
	Building			Contents	
	Base curve			Base curve	
<b>Owner</b>	81	1		28	2
<b>Tenant</b>	71	1		24	2

# Arkansas Dwelling Base Rates

**Shelter General**

**\$500 Deductible**

**\$15,000 Building, \$6,000 Contents**

**Frame/Mobile Home - Base Rates - FIRE**

All Zones												
Building												
# of Family	Owner						Tenant					
	1		2		3 or 4		1		2		3 or 4	
Prot. Class	Base curve											
1-3	87	1	106	1	139	1	93	1	116	1	146	1
4	95	1	117	1	151	1	104	1	127	1	157	1
5	106	1	129	1	164	1	116	1	136	1	171	1
6	119	1	143	1	178	1	128	1	151	1	188	1
7	171	1	201	1	245	1	178	1	207	1	249	1
8	231	1	266	1	318	1	235	1	271	1	322	1
9	467	1	528	1	615	1	472	1	528	1	615	1
10	502	1	566	1	658	1	502	1	566	1	658	1
11	566	1	633	1	737	1	573	1	640	1	743	1

All Zones												
Contents												
# of Family	Owner						Tenant					
	1		2		3+		1		2		3+	
Prot. Class	Base curve											
1-3	67	2	75	2	92	2	68	2	77	2	92	2
4	74	2	87	2	103	2	74	2	90	2	105	2
5	81	2	91	2	112	2	82	2	92	2	113	2
6	82	2	92	2	113	2	83	2	95	2	114	2
7	105	2	120	2	144	2	106	2	125	2	145	2
8	133	2	152	2	178	2	133	2	152	2	178	2
9	212	2	235	2	275	2	212	2	235	2	275	2
10	241	2	267	2	311	2	241	2	267	2	311	2
11	271	2	301	2	348	2	271	2	301	2	348	2

Extended Coverages						
All Zones, Construction & Protection Classes						
	Building			Contents		
	Base curve			Base curve		
<b>Owner</b>	81	1		28	2	
<b>Tenant</b>	71	1		24	2	

State: Arkansas

Filing Company:

Shelter General 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

<b>Satisfied - Item:</b>	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines
<b>Comments:</b>	Please see attachment.
<b>Attachment(s):</b>	AR RF1.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	05/24/2013

<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	HPCS General rates 08-22-2013.pdf HPCS General rates 08-22-2013.xls
<b>Item Status:</b>	Filed
<b>Status Date:</b>	05/24/2013

<b>Satisfied - Item:</b>	P&C Actuarial Justification
<b>Comments:</b>	Please see attachment.
<b>Attachment(s):</b>	AR DFG Indication Exhibits.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	05/24/2013

<b>Satisfied - Item:</b>	Distribution of Rate Changes
<b>Comments:</b>	Please see attachment.
<b>Attachment(s):</b>	AR DFG Histogram of Rate Change Distribution.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	05/24/2013

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

<b>1.</b>	This filing transmittal is part of Company Tracking #	03G10113
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/Item Filing Number	N/A
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Company Name		Company NAIC Number	
<b>3.</b>	<b>A.</b> Shelter General Insurance Company	<b>B.</b>	23361

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Business (i.e., Sub-type of Insurance)	
<b>4.</b>	<b>A.</b> 1.0	<b>B.</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	6.8%	5.9%	65.6%	N/A	N/A	N/A	N/A
Allied Lines	23.1%	6.7%	65.1%	N/A	N/A	N/A	N/A
<b>TOTAL OVERALL EFFECT</b>	12.8%	5.9%	65.4%				

**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	2906	NC		\$1396	\$2067	148.0%	86.5%
2009	2807	NC		\$1327	\$1163	87.7%	73.4%
2010	2311	NC		\$1086	\$616	56.7%	58.8%
2011	1968	NC		\$929	\$575	61.9%	61.3%
2012	1686	9.9%	04/06/2012	\$832	\$598	71.9%	70.3%

**7.**

Expense Constants	Selected Provisions
A. Total Production Expense	16.2/16.2
B. General Expense	8.3/8.3
C. Taxes, Licenses & Fees	2.9/2.9
D. Underwriting Profit & Contingencies	7.0/7.5
E. Other (explain)	
<b>F. TOTAL</b>	<b>34.4/34.9</b>

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

**9.** 7.7% Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): \_\_\_\_\_

**10.** 0.0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

NAIC Number: 23361  
 Company Name: Shelter General Insurance Company  
 Contact Person: Brian Marcks  
 Telephone No.: 573-214-4165  
 Email Address: BCMarcks@Shelterinsurance.com  
 Effective Date: 22-Aug-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																		
	\$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	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00	\$975.00	\$1,120.00
	\$120,000	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00	\$1,425.00	\$1,636.00
	\$160,000	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00	\$1,874.00	\$2,151.00
6	\$80,000	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00	\$1,158.00	\$1,316.00
	\$120,000	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00	\$1,691.00	\$1,922.00
	\$160,000	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00	\$2,224.00	\$2,528.00
9	\$80,000	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00	\$2,428.00	\$2,708.00
	\$120,000	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00	\$3,541.00	\$3,949.00
	\$160,000	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00	\$4,653.00	\$5,190.00

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

<b>HO3 and HO4 only</b>				<b>EARTHQUAKE INSURANCE</b>			
Fire Extinguisher	NA	%	Deadbolt Lock	NA	%	<b>IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this coverage</b>	
Burglar Alarm	NA	%	Window Locks	NA	%	ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	
Smoke Alarm	NA	%	\$1,000 Deductible	17	%	WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	
			Other (specify)		%	5 thru 25 %	
			See GR pages 4-6		%	Zone	
			Maximum Credit Allowed	No max	%	Highest Risk \$ 1.80 \$ 1.28	
					%	Lowest Risk \$ 0.72 \$ 0.40	

**SHELTER GENERAL 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 <sup>2</sup>		0.843		0.958		0.908
Annual Change		1.8%		2.6%		1.8%
<b>Selected Factor to Trend Fixed Costs</b>						<b>2.5%</b>

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

**Shelter General 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 General 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	1.0870
December 31, 2009	1.0870
December 31, 2010	1.0870
December 31, 2011	1.0870
December 31, 2012	1.0625

***Rate Change History (Percent Changes)***

<u>Effective Date</u>	<u>% Changes</u>
April 6, 2012	8.7 %
December 4, 2003	18.0 %
January 0, 1900	
January 0, 1900	

SHELTER GENERAL 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 General Insurance Company

### Arkansas

### Fire

#### Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve			
(1)	Direct Earned Premium for Calendar Year 2011	\$	763,893
(2)	Mean Unearned Premium Reserve: (1.) x 0.425	\$	324,654
(3)	Deductions for Prepaid Expenses:		
	a. Brokerage and Commission	12.0%	
	b. 50% of Other Acquisition Expense	2.1%	
	c. 50% of General Expense	4.2%	
	d. Taxes, Licenses and Fees	2.9%	
	e. Total		21.2%
(4)	Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))	\$	255,827
B. Loss Reserves			
1.	Direct Earned Premium for Calendar Year 2011	\$	763,893
2.	Expected Incurred Loss and Loss Adjustment: (1.) x 0.726	\$	554,586
3.	Expected Mean Loss Reserve: (2.) x 0.306	\$	169,703
C.	Net Subject to Investment: A.4 + B.3	\$	425,530
D.	Average Rate of Return		0.0565
E.	Investment Earnings on Net Subject to Investment: C x D	\$	24,042
F.	Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		3.1%
G.	Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.758		2.4%

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. Due to the low premium volume for this coverage in Arkansas, Companywide data is shown below.

1. Direct Earned Premium for Calendar Year 2011	\$	4,036,712
2. Unearned Premium Reserve as of 12/31/2010	\$	1,728,834
3. Unearned Premium Reserve as of 12/31/2011	\$	1,699,524
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$	1,714,179
5. Mean Unearned Premium Ratio: (4.) / (1.)		0.425

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. Companywide data is shown below.

1. Incurred Losses for Calendar Year 2010	\$	2,070,398
2. Incurred Losses for Calendar Year 2011	\$	2,336,663
3. Loss Reserves as of 12/31/2009	\$	882,561
4. Loss Reserves as of 12/31/2010	\$	603,739
5. Loss Reserves as of 12/31/2011	\$	573,362
6. Mean Loss Reserve 2010	\$	743,150
7. Mean Loss Reserve 2011	\$	588,551
8. 2010 Ratio: (6.) / (1.)		0.359
9. 2011 Ratio: (7.) / (2.)		0.252
10. Mean Ratio: ((8.) + (9.)) / 2		0.306

## 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 General Insurance Company****Arkansas****Fire**

## Calculation of Expected Loss Ratio

---

Commission and Brokerage (a)	12.0%
Other Acquisition Expense (a)	4.2%
General Expense (a)	8.3%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	7.0%
	<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 General Insurance Company  
Arkansas  
Dwelling Fire - Fire Coverage  
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter General Insurance Companywide						
Fiscal Acc Year	Ultimate Loss and LAE	Ultimate Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2010	1,623,052	199	8,156	8,036		
6/2010	1,609,879	180	8,944	8,188		
9/2010	1,777,938	193	9,212	8,342		
12/2010	1,829,878	193	9,481	8,499		
3/2011	1,767,216	195	9,063	8,659		
6/2011	1,404,694	192	7,316	8,822		
9/2011	1,260,710	155	8,134	8,988	6,966	
12/2011	836,854	127	6,589	9,157	7,770	
3/2012	797,543	109	7,317	9,329	8,667	
6/2012	1,114,098	98	11,368	9,505	9,667	
9/2012	1,097,033	95	11,548	9,684	10,783	
12/2012	1,210,981	106	11,424	9,866	12,027	
Annual Percentage Change				7.74%	54.79%	
r^2				0.131	0.648	

Frequency Trends - Shelter General Companywide						
Fiscal Acc Year	Ultimate Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	199	19,201	1.04	1.18		
6/2010	180	18,388	0.98	1.14		
9/2010	193	17,504	1.10	1.10		
12/2010	193	16,693	1.16	1.06		
3/2011	195	15,954	1.22	1.03		
6/2011	192	15,297	1.26	0.99		
9/2011	155	14,699	1.05	0.96	1.18	
12/2011	127	14,134	0.90	0.93	1.14	
3/2012	109	13,607	0.80	0.89	1.10	
6/2012	98	13,104	0.75	0.86	1.06	
9/2012	95	12,626	0.75	0.83	1.03	
12/2012	106	12,169	0.87	0.80	0.99	
Annual Percentage Change				-13.98%	-13.16%	
r^2				0.477	0.412	

Severity Trends - Shelter General Arkansas						
Fiscal Acc Year	Ultimate Loss and LAE	Ultimate Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2010	420,859	41	10,265	10,662		
6/2010	378,263	37	10,223	10,275		
9/2010	521,468	41	12,719	9,903		
12/2010	463,660	39	11,889	9,544		
3/2011	445,139	42	10,599	9,197		
6/2011	370,213	41	9,030	8,864		
9/2011	192,749	27	7,139	8,542	4,919	
12/2011	136,909	23	5,953	8,233	5,685	
3/2012	60,488	19	3,184	7,934	6,570	
6/2012	210,685	25	8,427	7,646	7,592	
9/2012	234,390	29	8,082	7,369	8,774	
12/2012	403,923	30	13,464	7,102	10,139	
Annual Percentage Change				-13.74%	78.35%	
r^2				0.113	0.324	

Frequency Trends - Shelter General Arkansas						
Fiscal Acc Year	Ultimate Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	41	3,643	1.13	1.19		
6/2010	37	3,484	1.06	1.17		
9/2010	41	3,318	1.24	1.15		
12/2010	39	3,171	1.23	1.13		
3/2011	42	3,034	1.38	1.11		
6/2011	41	2,924	1.40	1.10		
9/2011	27	2,835	0.95	1.08	0.79	
12/2011	23	2,755	0.83	1.06	0.86	
3/2012	19	2,671	0.71	1.05	0.92	
6/2012	25	2,582	0.97	1.03	1.00	
9/2012	29	2,493	1.16	1.02	1.08	
12/2012	30	2,408	1.25	1.00	1.16	
Annual Percentage Change				-5.66%	34.88%	
r^2				0.075	0.474	

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 General Insurance Company  
Arkansas  
Fire  
Determination of Underwriting Profit & Contingencies Provision**

<b>Target Total Return on Surplus (after federal income tax):</b>	<b>12.0%</b>	(I)
<b>Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):</b>	4.3%	(II)
<b>Expected Net Income (% of surplus, after federal income tax):</b>	7.7%	(III)=(I)-(II)
<b>Target Premium to Surplus Ratio:</b>	<b>1.00</b>	(IV)
<b>Expected Net Income (% of earned premium, after federal income tax):</b>	7.7%	(V)=(III)/(IV)
<b>Expected Investment Income on Unearned Premium Reserves and Loss &amp; LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):</b>	2.4%	(VI)
<b>Underwriting Profit Provision (% of earned premium, after federal income tax):</b>	5.3%	(VII)=(V)-(VI)
<b>Expected Federal Income Tax Rate:</b>	24.2%	(VIII)
<b>Underwriting Profit Provision (% of earned premium, before federal income tax):</b>	<b>7.0%</b>	(IX)=(VII)/[1-(VIII)]

## Shelter General Insurance Company

## Companywide

## Fire

## Development of Expense Ratios

Note: 000 s omitted.	2009	2010	2011	Total
1.) Direct Commission and Brokerage	\$ 653	\$ 507	\$ 410	\$ 1,570
2.) Direct Written Premium	4,922	4,182	4,007	13,111
Ratio: 1 / 2	13.3%	12.1%	10.2%	12.0%
3.) Other Acquisition Expense	\$ 216	\$ 171	\$ 161	\$ 548
4.) Direct Written Premium	4,922	4,182	4,007	13,111
Ratio: 3 / 4	4.4%	4.1%	4.0%	4.2%
5.) General Expense	\$ 413	\$ 354	\$ 321	\$ 1,088
6.) Direct Written Premium	4,922	4,182	4,007	13,111
Ratio: 5 / 6	8.4%	8.5%	8.0%	8.3%
7.) Taxes, Licenses and Fees	\$ 109	\$ 108	\$ 97	\$ 314
8.) Direct Written Premium	4,922	4,182	4,007	13,111
Ratio: 7 / 8	2.2%	2.6%	2.4%	2.4%
9.) Direct Loss Adjustment Expense	\$ 260	\$ 264	\$ 191	\$ 715
10.) Direct Losses Incurred	2,665	2,070	2,337	7,072
Ratio: 9 / 10	9.8%	12.8%	8.2%	10.1%

Source: Insurance Expense Exhibit.

**Shelter General 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	1,198,027	1,409,178	1,965,448	1,965,820	1,965,700	1,965,980	1,965,776	1,965,660	1,965,188	1,964,523
12/31/2004	1,350,559	1,531,106	1,536,097	1,537,456	1,537,456	1,538,636	1,538,636	1,538,636	1,538,636	
12/31/2005	1,702,427	2,179,108	2,191,397	2,193,176	2,194,076	2,194,076	2,194,076	2,194,076		
12/31/2006	1,543,634	1,942,891	1,947,251	1,944,186	1,941,886	1,938,744	1,936,687			
12/31/2007	1,752,783	2,091,218	2,115,509	2,115,059	2,113,387	2,112,672				
12/31/2008	2,351,792	3,079,828	3,088,806	3,088,806	3,088,806					
12/31/2009	1,676,502	1,965,152	1,965,372	1,965,372						
12/31/2010	1,586,435	1,809,801	1,830,976							
12/31/2011	790,356	841,314								
12/31/2012	834,190									

**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	337,544	337,534	337,534	337,534	337,534	337,534	337,534	337,534	337,534	337,534
12/31/2004	342,495	342,336	342,214	342,314	342,314	342,314	342,314	342,314	342,314	342,314
12/31/2005	303,686	378,258	380,133	381,912	382,812	382,812	382,812	382,812	382,812	382,812
12/31/2006	332,965	351,156	351,156	351,156	351,156	351,156	351,156	351,156	351,156	351,156
12/31/2007	517,840	541,801	541,801	541,801	541,801	541,801	541,801	541,801	541,801	541,801
12/31/2008	631,830	792,777	802,755	802,755	802,755	802,755	802,755	802,755	802,755	802,755
12/31/2009	378,265	491,124	491,344	491,344						
12/31/2010	448,863	466,094								
12/31/2011	140,511	142,914								
12/31/2012	256,592									

**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	1,466,127	1,434,178	1,965,448	1,965,820	1,965,700	1,965,980	1,965,776	1,965,660	1,965,188	1,964,523
12/31/2004	1,527,074	1,531,106	1,536,097	1,537,456	1,537,456	1,538,636	1,538,636	1,538,636	1,538,636	
12/31/2005	2,255,058	2,179,108	2,191,397	2,193,176	2,194,076	2,194,076	2,194,076	2,194,076		
12/31/2006	1,974,830	1,942,891	1,947,251	1,944,186	1,941,886	1,938,744	1,936,687			
12/31/2007	2,076,793	2,117,219	2,115,509	2,115,059	2,113,387	2,112,672				
12/31/2008	3,021,518	3,116,328	3,088,806	3,088,806	3,088,806					
12/31/2009	2,085,134	1,965,652	1,965,372	1,965,372						
12/31/2010	1,911,496	1,845,025	1,830,976							
12/31/2011	855,872	841,564								
12/31/2012	1,249,022									

**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	337,544	337,534	337,534	337,534	337,534	337,534	337,534	337,534	337,534	337,534
12/31/2004	342,495	342,336	342,214	342,314	342,314	342,314	342,314	342,314	342,314	342,314
12/31/2005	352,686	378,258	380,133	381,912	382,812	382,812	382,812	382,812	382,812	382,812
12/31/2006	353,560	351,156	351,156	351,156	351,156	351,156	351,156	351,156	351,156	351,156
12/31/2007	523,705	541,801	541,801	541,801	541,801	541,801	541,801	541,801	541,801	541,801
12/31/2008	792,325	829,277	802,755	802,755	802,755	802,755	802,755	802,755	802,755	802,755
12/31/2009	525,565	491,124	491,344	491,344						
12/31/2010	492,863	491,594	466,094							
12/31/2011	150,011	143,164								
12/31/2012	416,612									

**Companywide Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	152	156	156	157	157	157	157	157	159	159
12/31/2004	119	122	122	122	122	122	122	122	122	122
12/31/2005	173	180	180	180	181	181	181	181	181	181
12/31/2006	135	141	142	142	142	143	143	143	143	143
12/31/2007	138	145	145	145	146	146	146	146	146	146
12/31/2008	192	200	200	200	200	200	200	200	200	200
12/31/2009	179	190	191	191						
12/31/2010	179	190	192							
12/31/2011	120	125								
12/31/2012	99									

**Arkansas Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	29	29	29	29	29	29	29	29	29	29
12/31/2004	29	29	29	29	29	29	29	29	29	29
12/31/2005	27	27	27	27	28	28	28	28	28	28
12/31/2006	28	28	28	28	28	28	28	28	28	28
12/31/2007	26	28	28	28	28	28	28	28	28	28
12/31/2008	57	61	61	61	61	61	61	61	61	61
12/31/2009	34	36	37	37						
12/31/2010	37	39	39							
12/31/2011	21	23								
12/31/2012	24									

**Companywide Selected Incurred Loss & ALAE**

Fiscal Accident Year (1)	Losses						
	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	1,964,523	1.0000	1,964,523	1,964,523	1.0000	1,964,523	1,964,523
12/31/2004	1,538,636	1.0000	1,538,636	1,538,636	1.0000	1,538,636	1,538,636
12/31/2005	2,194,076	1.0000	2,194,076	2,194,076	1.0000	2,194,076	2,194,076
12/31/2006	1,936,687	1.0000	1,936,687	1,936,687	1.0000	1,936,687	1,936,687
12/31/2007	2,112,672	0.9999	2,112,461	2,112,672	1.0000	2,112,672	2,112,461
12/31/2008	3,088,806	0.9998	3,088,188	3,088,806	1.0000	3,088,806	3,088,188
12/31/2009	1,965,372	0.9997	1,964,783	1,965,372	1.0015	1,968,320	1,964,783
12/31/2010	1,830,976	0.9994	1,829,878	1,830,976	1.0030	1,836,474	1,829,878
12/31/2011	841,564	0.9944	836,854	841,564	1.0070	847,216	836,854
12/31/2012	1,249,022	0.9695	1,210,981	834,190	1.1933	995,449	1,210,981
5-yr Total			8,930,684			8,736,264	8,930,684
10-yr Total			18,677,066			18,482,858	18,677,067

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
159	1,964,523
122	1,538,636
181	2,194,076
143	1,936,687
146	2,112,461
201	3,088,188
192	1,964,783
193	1,829,878
127	836,854
106	1,210,981
818	8,930,684
	18,677,067

**Arkansas Selected Incurred Loss & ALAE**

Fiscal Accident Year (1)	Losses						
	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	337,534	1.0000	337,534	337,534	1.0000	337,534	337,534
12/31/2004	342,314	1.0000	342,314	342,314	1.0000	342,314	342,314
12/31/2005	382,812	1.0000	382,812	382,812	1.0000	382,812	382,812
12/31/2006	351,156	1.0000	351,156	351,156	1.0000	351,156	351,156
12/31/2007	541,801	0.9999	541,747	541,801	1.0000	541,801	541,747
12/31/2008	802,755	0.9998	802,594	802,755	1.0000	802,755	802,594
12/31/2009	491,344	0.9997	491,197	491,344	1.0015	492,081	491,197
12/31/2010	466,094	0.9994	465,814	466,094	1.0030	467,493	465,814
12/31/2011	143,164	0.9944	142,363	142,914	1.0070	143,917	142,363
12/31/2012	416,612	0.9695	403,923	256,592	1.1933	306,194	403,923
5-yr Total			2,305,891			2,212,439	2,305,891
10-yr Total			4,261,453			4,168,056	4,261,454

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
29	337,534
29	342,314
28	382,812
28	351,156
28	541,747
61	802,594
37	491,197
39	465,814
23	142,363
30	403,923
191	2,305,891
	4,261,454

**Shelter General 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	\$844,370	\$792,743	\$643,564	\$547,782	\$484,214
2. Current Rate Level Factor	1.0870	1.0870	1.0870	1.0870	1.0625
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)]	<b>\$1,064,329</b>	<b>\$974,882</b>	<b>\$772,124</b>	<b>\$641,179</b>	<b>\$540,502</b>
5. Incurred Loss and Allocated Loss Adjustment Expense	\$802,594	\$491,197	\$465,814	\$142,363	\$403,923
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	1.0876	1.0876	1.0876	1.0876	1.0876
8. Trended Loss and Loss Adjustment Expense [(5) x (6) x (7)]	<b>\$1,104,364</b>	<b>\$649,868</b>	<b>\$592,576</b>	<b>\$174,152</b>	<b>\$475,097</b>
9. Formula Loss Ratio [(8) / (4)]	103.8%	66.7%	76.7%	27.2%	87.9%
10. Experience Year Weight	10%	15%	20%	25%	30%
11. Weighted Formula Loss Ratio [sum the products of (9) & (10)]			<b>68.9%</b>		
12. Credibility - Based on 20,000 Exposures			65.0%		
13. Expected Loss Ratio			65.6%		
14. Trended Expected Loss Ratio [(13) X (18) ^ 1]			67.2%		
15. Credibility Weighted Formula Loss Ratio [(11) X (12) + (Mutual Credibility) X (1 - (12))]			70.6%		
16. Current Provision for Variable Expenses of Commissions, Taxes and Profit			21.9%		
17. Current Provision for Fixed Expenses of General and Other Acquisition Expense			12.5%		
18. Factor to Trend Fixed Costs			1.025		
19. Trended Fixed Costs [(17) X (18) ^ 1]			12.8%		
20. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(15) + (19)] / [1.000 - (16)] - 1.000			<b><u>6.8%</u></b>		

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 General 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	1.1350
December 31, 2009	1.1350
December 31, 2010	1.1350
December 31, 2011	1.1350
December 31, 2012	1.0958

## *Rate Change History (Percent Changes)*

<u>Effective Date</u>	<u>% Changes</u>
April 6, 2012	13.5 %
December 4, 2003	2.9 %
January 0, 1900	
January 0, 1900	

SHELTER GENERAL 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 General 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	\$	561,231
(2)	Mean Unearned Premium Reserve: (1.) x 0.437	\$	245,258
(3)	Deductions for Prepaid Expenses:		
	a. Brokerage and Commission	12.0%	
	b. 50% of Other Acquisition Expense	2.1%	
	c. 50% of General Expense	4.2%	
	d. Taxes, Licenses and Fees	2.9%	
	e. Total		21.2%
(4)	Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))	\$	193,263
B. Loss Reserves			
1.	Direct Earned Premium for Calendar Year 2011	\$	561,231
2.	Expected Incurred Loss and Loss Adjustment: (1.) x 0.726	\$	407,454
3.	Expected Mean Loss Reserve: (2.) x 0.177	\$	72,119
C.	Net Subject to Investment: A.4 + B.3	\$	265,382
D.	Average Rate of Return		0.0565
E.	Investment Earnings on Net Subject to Investment: C x D	\$	14,994
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. Due to the low premium volume for this coverage in Arkansas, Companywide data is shown below.

1. Direct Earned Premium for Calendar Year 2011	\$	3,077,276
2. Unearned Premium Reserve as of 12/31/2010	\$	1,274,477
3. Unearned Premium Reserve as of 12/31/2011	\$	1,413,183
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$	1,343,830
5. Mean Unearned Premium Ratio: (4.) / (1.)		0.437

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. Companywide data is shown below.

1. Incurred Losses for Calendar Year 2010	\$	1,980,630
2. Incurred Losses for Calendar Year 2011	\$	3,755,862
3. Loss Reserves as of 12/31/2009	\$	481,769
4. Loss Reserves as of 12/31/2010	\$	423,699
5. Loss Reserves as of 12/31/2011	\$	514,910
6. Mean Loss Reserve 2010	\$	452,734
7. Mean Loss Reserve 2011	\$	469,304
8. 2010 Ratio: (6.) / (1.)		0.229
9. 2011 Ratio: (7.) / (2.)		0.125
10. Mean Ratio: ((8.) + (9.)) / 2		0.177

## 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 General Insurance Company****Arkansas****Allied Lines**

## Calculation of Expected Loss Ratio

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Commission and Brokerage (a)	12.0%
Other Acquisition Expense (a)	4.2%
General Expense (a)	8.3%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	7.5%
	<hr/>
Sub-total	34.9%
Available for Losses and Loss Adjustment Expense	65.1%

(a) From attached Companywide Expense Ratios

(b) 2011 Premium Tax ratio in Arkansas

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

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

Severity Trends - Shelter General 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	160,654	218	737	998		
6/2010	257,860	235	1,097	951		
9/2010	247,221	214	1,155	906		
12/2010	218,589	191	1,144	863		
3/2011	207,659	192	1,082	823		
6/2011	106,089	179	593	784		
9/2011	98,611	175	563	747		538
12/2011	88,742	166	535	712		571
3/2012	107,305	179	599	678		605
6/2012	117,608	182	646	646		642
9/2012	143,943	201	716	616		682
12/2012	137,427	195	705	587		723
<b>Annual Percentage Change</b>				<b>-17.56%</b>	<b>26.62%</b>	
<b>r^2</b>				<b>0.343</b>	<b>0.866</b>	

Frequency Trends - Shelter General Companywide						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	218	19,201	1.14	1.11		
6/2010	235	18,388	1.28	1.14		
9/2010	214	17,504	1.22	1.17		
12/2010	191	16,693	1.14	1.20		
3/2011	192	15,954	1.20	1.23		
6/2011	179	15,297	1.17	1.26		
9/2011	175	14,699	1.19	1.29		1.11
12/2011	166	14,134	1.17	1.32		1.14
3/2012	179	13,607	1.32	1.36		1.17
6/2012	182	13,104	1.39	1.39		1.20
9/2012	201	12,626	1.59	1.43		1.23
12/2012	195	12,169	1.60	1.47		1.26
<b>Annual Percentage Change</b>				<b>11.36%</b>	<b>10.53%</b>	
<b>r^2</b>				<b>0.580</b>	<b>0.928</b>	

Severity Trends - Shelter General 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	25,422	41	620	891		
6/2010	46,339	45	1,030	872		
9/2010	44,858	36	1,246	854		
12/2010	45,795	39	1,174	836		
3/2011	41,644	37	1,126	819		
6/2011	21,403	41	522	801		
9/2011	18,138	42	432	784		519
12/2011	20,649	40	516	768		583
3/2012	45,576	50	912	752		655
6/2012	50,568	54	936	736		736
9/2012	47,064	61	772	721		828
12/2012	42,845	56	765	705		930
<b>Annual Percentage Change</b>				<b>-8.20%</b>	<b>59.52%</b>	
<b>r^2</b>				<b>0.047</b>	<b>0.481</b>	

Frequency Trends - Shelter General Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2010	41	3,643	1.13	1.02		
6/2010	45	3,484	1.29	1.10		
9/2010	36	3,318	1.08	1.18		
12/2010	39	3,171	1.23	1.27		
3/2011	37	3,034	1.22	1.37		
6/2011	41	2,924	1.40	1.47		
9/2011	42	2,835	1.48	1.58		1.44
12/2011	40	2,755	1.45	1.70		1.61
3/2012	50	2,671	1.87	1.83		1.80
6/2012	54	2,582	2.09	1.97		2.02
9/2012	61	2,493	2.45	2.12		2.26
12/2012	56	2,408	2.33	2.28		2.53
<b>Annual Percentage Change</b>				<b>34.12%</b>	<b>57.14%</b>	
<b>r^2</b>				<b>0.869</b>	<b>0.890</b>	

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
<b>Annual Percentage Change</b>				<b>1.21%</b>	<b>-3.54%</b>	
<b>r^2</b>				<b>0.127</b>	<b>0.674</b>	

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
<b>Annual Percentage Change</b>				<b>-1.66%</b>	<b>-4.02%</b>	
<b>r^2</b>				<b>0.076</b>	<b>0.074</b>	

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

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

## Shelter General Insurance Company

Companywide

Allied Lines

## Development of Expense Ratios

Note: 000 s omitted.	2009	2010	2011	Total
1.) Direct Commission and Brokerage	\$ 462	\$ 365	\$ 332	\$ 1,159
2.) Direct Written Premium	3,448	2,998	3,216	9,662
Ratio: 1 / 2	13.4%	12.2%	10.3%	12.0%
3.) Other Acquisition Expense	\$ 151	\$ 123	\$ 129	\$ 403
4.) Direct Written Premium	3,448	2,998	3,216	9,662
Ratio: 3 / 4	4.4%	4.1%	4.0%	4.2%
5.) General Expense	\$ 290	\$ 254	\$ 257	\$ 800
6.) Direct Written Premium	3,448	2,998	3,216	9,662
Ratio: 5 / 6	8.4%	8.5%	8.0%	8.3%
7.) Taxes, Licenses and Fees	\$ 74	\$ 80	\$ 76	\$ 230
8.) Direct Written Premium	3,448	2,998	3,216	9,662
Ratio: 7 / 8	2.1%	2.7%	2.4%	2.4%
9.) Direct Loss Adjustment Expense	\$ 328	\$ 194	\$ 310	\$ 832
10.) Direct Losses Incurred	3,661	1,981	3,756	9,398
Ratio: 9 / 10	9.0%	9.8%	8.3%	8.9%

Source: Insurance Expense Exhibit.

**Shelter General 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	1,072,995	1,098,959	1,112,768	1,116,201	1,130,045	1,130,045	1,130,045	1,130,045	1,130,045	1,130,045
12/31/2004	416,272	436,101	438,951	438,867	438,886	438,886	437,742	437,422	437,422	
12/31/2005	2,645,638	2,850,617	2,854,468	2,855,589	2,854,305	2,854,334	2,854,334	2,854,334		
12/31/2006	1,437,116	1,463,258	1,471,522	1,481,910	1,486,975	1,486,975				
12/31/2007	487,912	511,918	523,980	524,114	524,114	524,114				
12/31/2008	3,028,120	3,284,754	3,291,026	3,294,788	3,294,788					
12/31/2009	2,519,089	2,662,687	2,669,895	2,677,501						
12/31/2010	1,255,694	1,376,831	1,386,409							
12/31/2011	1,963,752	2,090,767								
12/31/2012	1,526,155									

**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	1,102,895	1,106,459	1,121,773	1,125,206	1,139,050	1,130,045	1,130,045	1,130,045	1,130,045	1,130,045
12/31/2004	432,272	436,101	438,951	438,867	438,886	438,886	437,742	437,422	437,422	
12/31/2005	2,813,509	2,851,887	2,854,468	2,855,589	2,854,305	2,854,334	2,854,334	2,854,334		
12/31/2006	1,505,020	1,513,258	1,521,522	1,531,910	1,536,975	1,486,975	1,486,975			
12/31/2007	524,840	511,918	523,980	524,114	524,114	524,114				
12/31/2008	3,177,438	3,288,954	3,291,026	3,294,788	3,294,788					
12/31/2009	2,626,198	2,678,187	2,669,895	2,677,501						
12/31/2010	1,299,944	1,378,081	1,400,409							
12/31/2011	2,061,770	2,098,517								
12/31/2012	1,645,260									

**Companywide Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	492	512	513	513	513	513	513	513	513	513
12/31/2004	333	351	352	352	352	352	352	353	353	
12/31/2005	885	913	916	917	917	917	917	917		
12/31/2006	721	743	744	744	744	744	744			
12/31/2007	418	439	444	445	445	445				
12/31/2008	1,384	1,451	1,454	1,457	1,458					
12/31/2009	1,143	1,210	1,217	1,218						
12/31/2010	764	812	819							
12/31/2011	1,019	1,085								
12/31/2012	886									

**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	132,104	1.0000	132,104	132,104	1.0000	132,104	132,104	997,941	513	1,130,045
12/31/2004	96,673	1.0000	96,673	96,673	1.0000	96,673	96,673	340,749	353	437,422
12/31/2005	191,491	1.0000	191,491	191,491	1.0000	191,491	191,491	2,662,843	917	2,854,334
12/31/2006	151,357	1.0000	151,357	151,357	1.0000	151,357	151,357	1,335,619	744	1,486,976
12/31/2007	80,073	1.0000	80,073	80,073	1.0005	80,113	80,073	444,041	445	524,114
12/31/2008	157,589	1.0000	157,589	157,589	1.0035	158,141	157,589	3,137,198	1,459	3,294,787
12/31/2009	151,170	1.0000	151,170	151,170	1.0075	152,306	151,170	2,528,099	1,219	2,679,269
12/31/2010	218,371	1.0010	218,589	218,371	1.0126	221,112	218,589	1,186,415	821	1,405,004
12/31/2011	87,950	1.0090	88,742	87,950	1.0277	90,390	88,742	2,029,110	1,095	2,117,852
12/31/2012	138,274	0.9939	137,427	124,115	1.1511	142,865	137,427	1,581,719	953	1,719,146
5-yr Total			753,517			764,814	753,517	10,462,541	5,547	11,216,058
10-yr Total			1,405,214			1,416,551	1,405,215	16,243,734		17,648,949

**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	56,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302
12/31/2004	55,707	55,397	56,494	56,494	56,494	56,494	56,494	56,494	56,494	56,494
12/31/2005	47,559	51,454	51,454	51,454	51,454	51,454	51,454	51,454	51,454	51,454
12/31/2006	361,189	364,093	364,093	364,093	364,093	364,093	364,093	364,093		
12/31/2007	42,522	44,219	45,572	45,572	45,572	45,572				
12/31/2008	1,295,135	1,370,508	1,370,670	1,370,670	1,370,670	1,370,670				
12/31/2009	560,797	576,042	578,145	578,145						
12/31/2010	161,467	169,322	169,322							
12/31/2011	422,036	449,960								
12/31/2012	151,690									

**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	59,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302	56,302
12/31/2004	59,907	55,397	56,494	56,494	56,494	56,494	56,494	56,494	56,494	56,494
12/31/2005	47,559	51,454	51,454	51,454	51,454	51,454	51,454	51,454		
12/31/2006	373,806	364,093	364,093	364,093	364,093	364,093	364,093	364,093		
12/31/2007	63,322	44,219	45,572	45,572	45,572	45,572				
12/31/2008	1,320,135	1,370,508	1,370,670	1,370,670	1,370,670	1,370,670				
12/31/2009	564,599	576,042	578,145	578,145						
12/31/2010	162,567	169,322	169,322							
12/31/2011	438,678	449,960								
12/31/2012	199,940									

**Arkansas Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2003	67	67	67	67	67	67	67	67	67	67
12/31/2004	61	65	65	65	65	65	65	65	65	65
12/31/2005	55	58	58	58	58	58	58	58		
12/31/2006	142	147	147	147	147	147	147			
12/31/2007	59	60	61	61	61	61				
12/31/2008	448	460	460	460	461					
12/31/2009	230	237	239	239						
12/31/2010	109	114	114							
12/31/2011	264	278								
12/31/2012	132									

**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	6,997	1.0000	6,997	6,997	1.0000	6,997	6,997	49,305	67	56,302
12/31/2004	20,576	1.0000	20,576	20,576	1.0000	20,576	20,576	35,918	65	56,494
12/31/2005	6,149	1.0000	6,149	6,149	1.0000	6,149	6,149	45,305	58	51,454
12/31/2006	27,180	1.0000	27,180	27,180	1.0000	27,180	27,180	336,913	147	364,093
12/31/2007	14,993	1.0000	14,993	14,993	1.0005	15,000	14,993	30,579	61	45,572
12/31/2008	22,313	1.0000	22,313	22,313	1.0035	22,391	22,313	1,348,357	461	1,370,670
12/31/2009	22,242	1.0000	22,242	22,242	1.0075	22,409	22,242	556,293	239	578,535
12/31/2010	45,749	1.0010	45,795	45,749	1.0126	46,323	45,795	124,031	114	169,826
12/31/2011	20,464	1.0090	20,649	20,464	1.0277	21,032	20,649	433,457	280	454,106
12/31/2012	43,109	0.9939	42,845	42,859	1.1511	49,334	42,845	164,609	141	207,454
5-yr Total			153,843			161,489	153,844	2,626,747	1,237	2,780,591
10-yr Total			229,737			237,391	229,739	3,124,767		3,354,506

**Shelter General 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	\$522,707	\$504,592	\$416,734	\$358,516	\$326,479
2. Current Rate Level Factor	1.1350	1.1350	1.1350	1.1350	1.0958
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)]	<b>\$687,967</b>	<b>\$647,928</b>	<b>\$522,061</b>	<b>\$438,174</b>	<b>\$375,855</b>
5. Incurred Loss and Allocated Loss Adjustment Expense	\$1,370,670	\$578,535	\$169,826	\$454,106	\$207,454
6. Expected Storm Loss Loading	(899,059)	(122,564)	145,405	(125,291)	113,914
7. Adjusted Losses [(5) + (6)]	\$471,611	\$455,971	\$315,231	\$328,815	\$321,368
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	1.0798	1.0798	1.0798	1.0798	1.0798
10. Trended Loss and Loss Adjustment Expense [(7) x (8) x (9)]	<b>\$644,296</b>	<b>\$598,951</b>	<b>\$398,150</b>	<b>\$399,364</b>	<b>\$375,294</b>
11. Formula Loss Ratio [(10) / (4)]	93.7%	92.4%	76.3%	91.1%	99.9%
12. Experience Year Weight	10%	15%	20%	25%	30%
13. Weighted Formula Loss Ratio [sum the products of (11) & (12)]			<b>91.2%</b>		
14. Credibility - Based on 20,000 Exposures			65.0%		
15. Expected Loss Ratio			65.1%		
16. Trended Expected Loss Ratio [(15) X (20) ^ 1]			66.7%		
17. Credibility Weighted Formula Loss Ratio [(13) X (14) + (Mutual Credibility) X (1 - (14))]			82.7%		
18. Current Provision for Variable Expenses of Commissions, Taxes and Profit			22.4%		
19. Current Provision for Fixed Expenses of General and Other Acquisition Expense			12.5%		
20. Factor to Trend Fixed Costs			1.025		
21. Trended Fixed Costs [(19) X (20) ^ 1]			12.8%		
22. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(17) + (21)] / [1.000 - (18)] - 1.000			<b>23.1%</b>		

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 General 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	2,466	0	0.0%	8.8%	(218)	218.0	860	1,078	
12/31/94	12/31/1995	3	0	0.0%	8.8%	(0)	0.2	1	1	
12/31/95	12/31/1996	0	0	0.0%	8.8%	0	-	0	0	
12/31/96	12/31/1997	(8)	0	0.0%	8.8%	1	(0.7)	(3)	(4)	
12/31/97	12/31/1998	39,868	19,934	50.0%	50.0%	0	19,934.1	13,911	13,911	
12/31/98	12/31/1999	147,209	58,994	40.1%	40.1%	0	58,994.4	51,364	51,364	
12/31/99	12/31/2000	218,767	80,721	36.9%	36.9%	0	80,721.4	76,332	76,332	
12/31/00	12/31/2001	247,427	83,278	33.7%	33.7%	0	83,278.0	86,331	86,331	
12/31/01	12/31/2002	249,075	128,796	51.7%	51.1%	1,607	127,189.0	86,907	85,300	
12/31/02	12/31/2003	255,431	49,305	19.3%	19.3%	0	49,305.3	89,124	89,124	
12/31/03	12/31/2004	307,884	35,918	11.7%	11.7%	0	35,918.2	107,426	107,426	
12/31/04	12/31/2005	376,399	45,305	12.0%	12.0%	0	45,304.9	131,332	131,332	
12/31/05	12/31/2006	454,482	336,913	74.1%	51.1%	104,834	232,079.0	158,576	53,742	
12/31/06	12/31/2007	508,162	30,579	6.0%	8.8%	(14,352)	44,930.7	177,306	191,658	
12/31/07	12/31/2008	522,707	1,348,357	258.0%	51.1%	1,081,440	266,917.3	182,381	(899,059)	
12/31/08	12/31/2009	504,592	556,293	110.2%	51.1%	298,625	257,667.4	176,061	(122,564)	
12/31/09	12/31/2010	416,734	124,031	29.8%	29.8%	0	124,030.6	145,405	145,405	
12/31/10	12/31/2011	358,516	433,457	120.9%	51.1%	250,383	183,074.1	125,092	(125,291)	
12/31/11	12/31/2012	326,479	164,609	50.4%	50.4%	0	164,608.8	113,914	113,914	
Total		4,936,193				1,722,319		1,722,319	(887,595)	(142,682)

\*Normal Range:

25th Percentile of (3) 8.8%

75th Percentile of (3) 51.1%

\*\*Wind Load: Total (6) / Total (1) = 34.9%

(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 General Insurance Company**

**Arkansas**

**Dwelling Fire - All Coverages Summary - Indicated Rate Level Change**

	<b>Fiscal Year Ending 12/31/2008</b>	<b>Fiscal Year Ending 12/31/2009</b>	<b>Fiscal Year Ending 12/31/2010</b>	<b>Fiscal Year Ending 12/31/2011</b>	<b>Fiscal Year Ending 12/31/2012</b>
1. Earned Premium	\$1,367,076	\$1,297,336	\$1,060,298	\$906,297	\$810,693
2. Trended Premium at Current Rates	\$1,752,296	\$1,622,810	\$1,294,185	\$1,079,353	\$916,357
3. Incurred Loss and Allocated Loss Adjustment Expense	\$2,173,264	\$1,069,732	\$635,640	\$596,469	\$611,377
4. Trended Loss and Loss Adjustment Expense	\$1,748,660	\$1,248,819	\$990,726	\$573,516	\$850,391
5. Formula Loss Ratio [(4) / (2)]	99.8%	77.0%	76.6%	53.1%	92.8%
6. Experience Year Weight	10%	15%	20%	25%	30%
7. Weighted Formula Loss Ratio [sum the products of (5) & (6)]			<b>78.0%</b>		
8. Credibility - Based on 20,000 Exposures			65.0%		
9. Expected Loss Ratio			65.4%		
10. Trended Expected Loss Ratio [(9) X (14) ^ 1]			67.0%		
11. Credibility Weighted Formula Loss Ratio [(7) X (8) + (Mutual Credibility) X (1 - (8))]			75.0%		
12. Current Provision for Variable Expenses of Commissions, Taxes and Profit			22.1%		
13. Current Provision for Fixed Expenses of General and Other Acquisition Expense			12.5%		
14. Factor to Trend Fixed Costs			1.025		
15. Trended Fixed Costs [(13) X (14) ^ 1]			12.8%		
16. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(11) + (15)] / [1.000 - (12)] - 1.000			<b><u>12.8%</u></b>		

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.

