

**State:** Arkansas **Filing Company:** American Security Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** SCO - Choice Homeowners  
**Project Name/Number:** SCO - Choice Homeowners/AR07101AS00001

## Filing at a Glance

Company: American Security Insurance Company  
Product Name: SCO - Choice Homeowners  
State: Arkansas  
TOI: 04.0 Homeowners  
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Filing Type: Rate  
Date Submitted: 02/20/2014  
SERFF Tr Num: ASPX-G129423282  
SERFF Status: Closed-Filed  
State Tr Num:  
State Status:  
Co Tr Num: AR07101AS00001  
  
Effective Date: 06/15/2014  
Requested (New):  
Effective Date: 08/15/2014  
Requested (Renewal):  
Author(s): SPI AssurantPC  
Reviewer(s): Becky Harrington (primary)  
Disposition Date: 02/21/2014  
Disposition Status: Filed  
Effective Date (New): 06/15/2014  
Effective Date (Renewal): 08/15/2014

State Filing Description:

**State:** Arkansas **Filing Company:** American Security Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** SCO - Choice Homeowners  
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## General Information

Project Name: SCO - Choice Homeowners Status of Filing in Domicile:  
 Project Number: AR07101AS00001 Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 02/21/2014  
 State Status Changed: Deemer Date:  
 Created By: SPI AssurantPC Submitted By: SPI AssurantPC  
 Corresponding Filing Tracking Number:

### Filing Description:

American Security Insurance Company is proposing to revise the rates of its currently approved Choice Homeowners Program. The overall rate impact is +9.6%. The proposed effective date of this filing is June 15, 2014 for new business and August 15, 2014 for renewals.

The following summarizes the proposed changes to the State Exception Pages:

1. Page AR - 2. Section 2. Base Rates. New base rates have been provided.
2. Page AR - 3. Section 3. Deductible Options. For clarity the sentence "A optional 2%/\$2,000, 3%/\$3,000 and 5%/\$5,000 Windstorm and Hail deductible will be added to all six territories" has been changed to read "Optional 2%/\$2,000, 3%/\$3,000 and 5%/\$5,000 Windstorm and Hail deductibles are available to all territories." No rate impact or coverage change is associated with this change.

## Company and Contact

### Filing Contact Information

Wendy Sara, Regulatory Analyst wendy.sara@assurant.com  
 8655 East Via De Ventura 480-483-8666 [Phone] 563 [Ext]  
 Scottsdale, AZ 85258 480-443-3785 [FAX]

### Filing Company Information

American Security Insurance Company CoCode: 42978 State of Domicile: Delaware  
 260 Interstate N. Circle NW Group Code: 19 Company Type:  
 Atlanta, GA 33039 Group Name: Assurant, Inc. Group State ID Number:  
 (305) 253-2244 ext. [Phone] FEIN Number: 58-1529575

## Filing Fees

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

Company	Amount	Date Processed	Transaction #
American Security Insurance Company	\$100.00	02/20/2014	79527709

SERFF Tracking #:

ASPX-G129423282

State Tracking #:

Company Tracking #:

AR07101AS00001

State: Arkansas

Filing Company:

American Security Insurance Company

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

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	02/21/2014	02/21/2014

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	02/21/2014	02/21/2014

#### Response Letters

Responded By	Created On	Date Submitted
SPI AssurantPC	02/21/2014	02/21/2014

**State:** Arkansas **Filing Company:** American Security Insurance Company  
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## Disposition

Disposition Date: 02/21/2014

Effective Date (New): 06/15/2014

Effective Date (Renewal): 08/15/2014

Status: Filed

Comment: The requested increase was reviewed by the Commissioner on 2/21/14.

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
American Security Insurance Company	58.000%	9.600%	\$18,418	49	\$191,859	15.100%	0.000%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Filing memorandum	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	H-1 Homeowners Abstract		Yes
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	Actuarial support	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	AR CHH Histogram	Filed	Yes
Supporting Document	Objection #1 response to DOI	Filed	Yes
Rate	MSEP	Filed	Yes
Rate	MSEP	Filed	Yes

**State:** Arkansas **Filing Company:** American Security Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** SCO - Choice Homeowners  
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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 02/21/2014  
Submitted Date 02/21/2014  
Respond By Date

Dear Wendy Sara,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*Comments: Please provide preliminary loss experience for 2013 if available.*

**Objection 2**

*Comments: Please indicate the type of losses driving the loss ratio.*

**Objection 3**

*Comments: Please indicate the deductible amount for the majority of your policyholders.*

**Conclusion:**

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

*Arkansas does not allow the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."*

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

*Sincerely,*

*Becky Harrington*

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## Response Letter

Response Letter Status Submitted to State  
 Response Letter Date 02/21/2014  
 Submitted Date 02/21/2014

Dear Becky Harrington,

**Introduction:**

Reply.

**Response 1**

**Comments:**

Attached you will find our response.

**Related Objection 1**

Comments: Please provide preliminary loss experience for 2013 if available.

**Related Objection 2**

Comments: Please indicate the type of losses driving the loss ratio.

**Related Objection 3**

Comments: Please indicate the deductible amount for the majority of your policyholders.

**Changed Items:**

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Objection #1 response to DOI
<b>Comments:</b>	
<b>Attachment(s):</b>	022114 objection #1 response to DOI.PDF

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**Conclusion:**

Thank you.

Sincerely,

SPI AssurantPC

**SERFF Tracking #:**

ASPX-G129423282

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

AR07101AS00001

**State:**

Arkansas

**Filing Company:**

American Security Insurance Company

**TOI/Sub-TOI:**

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

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## Rate Information

Rate data applies to filing.

**Filing Method:**

File and Use

**Rate Change Type:**

Increase

**Overall Percentage of Last Rate Revision:**

13.400%

**Effective Date of Last Rate Revision:**

09/01/2012

**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:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
American Security Insurance Company	58.000%	9.600%	\$18,418	49	\$191,859	15.100%	0.000%

**SERFF Tracking #:**

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**State:** Arkansas**Filing Company:** American Security Insurance Company**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations**Product Name:** SCO - Choice Homeowners**Project Name/Number:** SCO - Choice Homeowners/AR07101AS00001

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 02/21/2014	MSEP	AR-2	Replacement		CH_HO State Exceptions AR-2.PDF
2	Filed 02/21/2014	MSEP	AR-3	Replacement		CH_HO State Exceptions AR-3.PDF

**ARKANSAS**

Territory Definitions

**Territory 1**

CRITTENDEN

**Territory 2**

CRAIGHEAD

GREENE

**Territory 3**

FAULKNER

LONOKE

SALINE

**Territory 4**

PULASKI

**Territory 5**

BENTON

CRAWFORD

SEBASTIAN

WASHINGTON

**Territory 6**

ASHLEY	DESHA	JACKSON	LOGAN	PIKE	STONE
BRADLEY	DREW	JEFFERSON	MILLER	POINSETT	UNION
CHICOT	FRANKLIN	JOHNSON	MISSISSIPPI	POLK	VAN BUREN
CLARK	FULTON	LAFAYETTE	MONROE	POPE	WHITE
CLEBURNE	GARLAND	LAWRENCE	NEVADA	PRAIRIE	WOODRUFF
CLEVELAND	GRANT	LEE	OUACHITA	RANDOLPH	
COLUMBIA	HOT SPRING	LINCOLN	PERRY	SEARCY	
DALLAS	IZARD	LITTLE RIVER	PHILLIPS	ST. FRANCIS	

**Territory 7**

ARKANSAS	CARROLL	HEMPSTEAD	MARION	SEVIER
BAXTER	CLAY	HOWARD	MONTGOMERY	SHARP
BOONE	CONWAY	INDEPENDENCE	NEWTON	YELL
CALHOUN	CROSS	MADISON	SCOTT	

**2. BASE RATE(S)**

Premiums are determined by multiplying the applicable base rate by the Amount of Insurance for the Dwelling, rounded to the nearest hundred dollars. Rates shown below are for a 12-month term and include a \$250 Deductible.

Tier	Territory 1	Territory 2	Territory 3	Territory 4	Territory 5	Territory 6	Territory 7
1	1.13	1.06	1.00	1.49	0.96	1.53	1.07
2	1.20	1.13	1.07	1.58	1.02	1.63	1.14
3	1.34	1.25	1.19	1.77	1.13	1.82	1.26
4	1.41	1.32	1.25	1.86	1.19	1.92	1.33

**ARKANSAS**

**3. DEDUCTIBLE OPTIONS**

The All Other Perils deductible included in the base rate is \$250. If another deductible option is desired, apply the appropriate factor from the following table to the base rate to determine the adjusted base rate.

Optional 2%/\$2,000, 3%/\$3,000, and 5%/\$5,000 Windstorm and Hail deductibles are available to all territories.

All Perils Deductible		Adjustment Factor
\$ 250		included
\$ 500		0.900
\$ 1,000		0.850
\$ 2,500		0.800

All Perils Deductible	Windstorm or Hail Deductible	Adjustment Factor
\$ 250	2%/\$2,000	0.880
\$ 500	2%/\$2,000	0.792
\$ 1,000	2%/\$2,000	0.748
\$ 2,500	2%/\$2,000	0.704
\$ 250	3%/\$3,000	0.860
\$ 500	3%/\$3,000	0.774
\$ 1,000	3%/\$3,000	0.731
\$ 2,500	3%/\$3,000	0.688
\$ 250	5%/\$5,000	0.830
\$ 500	5%/\$5,000	0.747
\$ 1,000	5%/\$5,000	0.706
\$ 2,500	5%/\$5,000	0.664

**4. CREDITS**

Credits apply only to Base Premium.

<b>A. New Home Credit:</b>	
1) 1 <sup>st</sup> year	20%
2) 2 <sup>nd</sup> year	17%
3) 3 <sup>rd</sup> year	14%
4) 4 <sup>th</sup> year	11%
5) 5 <sup>th</sup> year	8%
6) 6 <sup>th</sup> year	5%
7) 7 <sup>th</sup> year	2%
8) 8 <sup>th</sup> year or more	0%
<b>B. New Loan Credit:</b>	
1) 1 <sup>st</sup> year	10%
2) 2 <sup>nd</sup> year	7%
3) 3 <sup>rd</sup> year	3%
* The New Home Credit and the New Loan Credit may not be combined. If both credits apply, use only the credit that allows the highest discount.	

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## Supporting Document Schedules

<b>Satisfied - Item:</b>	Filing memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	Filing memorandum 2014 06.PDF
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/21/2014
<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	
<b>Attachment(s):</b>	HO Survey FORM HPCS.PDF HO Survey FORM HPCS.XLS
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/21/2014
<b>Satisfied - Item:</b>	Actuarial support
<b>Comments:</b>	
<b>Attachment(s):</b>	AR ASIC CHH 4Q2012 Actuarial Support.PDF
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/21/2014
<b>Satisfied - Item:</b>	NAIC loss cost data entry document
<b>Comments:</b>	
<b>Attachment(s):</b>	FORM RF-1 Rate Filing Abstract.PDF
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/21/2014
<b>Satisfied - Item:</b>	AR CHH Histogram
<b>Comments:</b>	
<b>Attachment(s):</b>	AR CHH Histogram.PDF
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/21/2014
<b>Satisfied - Item:</b>	Objection #1 response to DOI
<b>Comments:</b>	
<b>Attachment(s):</b>	022114 objection #1 response to DOI.PDF
<b>Item Status:</b>	Filed

**SERFF Tracking #:**

ASPX-G129423282

**State Tracking #:**

**Company Tracking #:**

AR07101AS00001

**State:**

Arkansas

**Filing Company:**

American Security Insurance Company

**TOI/Sub-TOI:**

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

**Product Name:**

SCO - Choice Homeowners

**Project Name/Number:**

SCO - Choice Homeowners/AR07101AS00001

**Status Date:**

02/21/2014

**American Security Insurance Company  
Rate Filing Change Memorandum  
Arkansas Homeowners Program**

American Security Insurance Company is proposing to revise the rates of its currently approved Choice Homeowners Program. The overall rate impact is +9.6%. The proposed effective date of this filing is June 15, 2014 for new business and August 15, 2014 for renewals.

**The following summarizes the proposed changes to the State Exception Pages:**

- 1. Page AR – 2. Section 2. Base Rates.** New base rates have been provided.
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NAIC Number: 42978  
 Company Name: American Security Insurance Company  
 Contact Person: Wendy Sara  
 Telephone No.: 800-535-1333 Ext 563  
 Email Address: wendy.sara@assurant.com  
 Effective Date: 6/15/2014

**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	\$691.00	\$691.00	\$770.00	\$770.00	\$763.00	\$763.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$691.00	\$691.00	\$1,073.00	\$1,073.00
	\$120,000	\$1,037.00	\$1,037.00	\$1,156.00	\$1,156.00	\$1,145.00	\$1,145.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,037.00	\$1,037.00	\$1,609.00	\$1,609.00
	\$160,000	\$1,382.00	\$1,382.00	\$1,541.00	\$1,541.00	\$1,526.00	\$1,526.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$1,382.00	\$1,382.00	\$2,146.00	\$2,146.00
6	\$80,000	\$691.00	\$691.00	\$770.00	\$770.00	\$763.00	\$763.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$1,102.00	\$691.00	\$691.00	\$1,073.00	\$1,073.00
	\$120,000	\$1,037.00	\$1,037.00	\$1,156.00	\$1,156.00	\$1,145.00	\$1,145.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,652.00	\$1,037.00	\$1,037.00	\$1,609.00	\$1,609.00
	\$160,000	\$1,382.00	\$1,382.00	\$1,541.00	\$1,541.00	\$1,526.00	\$1,526.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$2,203.00	\$1,382.00	\$1,382.00	\$2,146.00	\$2,146.00
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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

**HO3 and HO4 only**

Fire Extinguisher	<input type="text"/>	%	Deadbolt Lock	<input type="text"/>	%
Burglar Alarm	<input type="text" value="2"/>	%	Window Locks	<input type="text"/>	%
Smoke Alarm	<input type="text" value="2"/>	%	\$1,000 Deductible	<input type="text" value="15"/>	%
			Other (specify)		
			Sprinklers	<input type="text" value="5"/>	%

**EARTHQUAKE INSURANCE**

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

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

WHAT IS YOUR PERCENTAGE DEDUCTIBLE?  %

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE? Zone Highest Risk \$  Brick \$  Frame

Maximum Credit Allowed	n/a	%	Lowest Risk	\$		\$	
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**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Actuarial Memorandum**

We are proposing a rate level change of 9.6%. The indicated rate level change is 58%. Please see Exhibit 1 for the rate indication. Please see the filing memorandum for the specifics of the rate changes.

The indicated rate level change is determined using standard actuarial principles, based on 5 years of calendar year premiums and accident year losses. We have brought the premium to current level by using the parallelogram method based on prior rate changes. The premium has been trended to account for exposure level changes. Please see Exhibit 2

The losses have been developed to ultimate value using loss development factors, and have been trended to the average accident date for the effective policy year. Please see Exhibits 3 and 4. In addition, the losses have been offset for salvage and subrogation, are net of catastrophes, and have been capped at \$250,000. An excess loss factor and a cat factor are then included. Please see Exhibits 5 and 6.

Expenses are based on annual statement information and our profit provision is based on our investment income and total return on surplus. Please see exhibits 7 and 8.

Credibility is determined using the square root of  $P/K$  limited to 100%, where  $P$  is the 5 year claim count, and  $K$  is the credibility standard using a full credibility standard of 3,000 claims.

The credibility complement is the permissible loss ratio trended since the date of the last rate change. Please see Exhibit 9.

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Rate Indication  
Exhibit 1**

Evaluated as of 12/31/2012  
Assumed effective date of 8/15/2014

Year Ending:	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>Total</u>
Written Premium	280,938	309,584	304,866	279,896	191,859	1,367,143
Earned Premium	287,017	303,589	318,056	294,878	222,171	1,425,709
Current Rate Level Factor	1.247	1.247	1.247	1.197	1.126	
Premium Trend Factor	1.032	1.027	1.022	1.017	1.013	
Trended, On-Level Earned Premium	369,489	388,970	405,574	359,146	253,304	1,776,483
Incurred Non-Cat Limited Loss & LAE @ 4Q2012	456,428	874,819	190,971	355,809	258,434	2,136,461
Loss Development Factor	1.000	1.001	1.012	1.037	1.089	
Pure Premium Trend Factor	1.502	1.419	1.340	1.266	1.195	
Non-Modeled Catastrophe Factor	1.107	1.107	1.107	1.107	1.107	
Excess Loss Factor	1.083	1.083	1.083	1.083	1.083	
Modeled Catastrophe Loss Estimate	0	0	0	0	0	
Trended, Ultimate Loss & LAE	822,349	1,490,101	310,495	560,073	403,536	3,586,554
Loss & LAE Ratio	222.6%	383.1%	76.6%	155.9%	159.3%	201.9%
Selected Loss & LAE Ratio						201.9%
Credibility						24.4%
Complementary Loss & LAE Ratio						65.7%
Credibility-Weighted Loss & LAE Ratio						98.9%
Permissible Loss & LAE Ratio						59.3%
Indicated Rate Level Change						58.0%
<b>Selected Rate Level Change</b>						9.6%
Losses capped at \$250,000.						

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Premium Trend  
Exhibit 2**

Arkansas Data  
Evaluated as of 12/31/2012

Year Ending	Earned Exposures	On Level Earned Premium	Premium / Exposure
12/31/2006	132	203,599	1,539
12/31/2007	197	305,802	1,555
12/31/2008	222	358,024	1,612
12/31/2009	232	378,697	1,636
12/31/2010	240	396,743	1,651
12/31/2011	215	353,000	1,638
12/31/2012	162	250,158	1,542
Trends			Premium
1/1/2007 - 12/31/2012			0.5%
1/1/2008 - 12/31/2012			0.0%
1/1/2009 - 12/31/2012			-0.9%
1/1/2010 - 12/31/2012			-1.8%
1/1/2011 - 12/31/2012			-3.4%
Selected			0.5%

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Loss Development Factors  
Exhibit 3**

Countrywide Data  
Case Incurred Losses & LAE \*  
000s omitted

Accident Year Ending	Cumulative Amounts (age in quarters)						
	4	8	12	16	20	24	28
12/31/2006	14,184	14,957	15,832	16,017	16,044	16,046	16,047
12/31/2007	19,616	21,107	22,280	23,244	23,246	23,252	
12/31/2008	19,940	22,386	23,122	23,845	23,781		
12/31/2009	23,414	24,619	25,134	25,276			
12/31/2010	23,781	25,302	25,508				
12/31/2011	27,191	27,634					
12/31/2012	17,443						

Accident Year	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
12/31/2006	1.055	1.058	1.012	1.002	1.000	1.000
12/31/2007	1.076	1.056	1.043	1.000	1.000	
12/31/2008	1.123	1.033	1.031	0.997		
12/31/2009	1.051	1.021	1.006			
12/31/2010	1.064	1.008				
12/31/2011	1.016					
12/31/2012						

Straight Avg	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
All Yrs	1.064	1.035	1.023	1.000	1.000	1.000
5 Yrs	1.066	1.035				
3 Yrs	1.044	1.021	1.027	1.000		
2 Yrs	1.040	1.015	1.018	0.999	1.000	

Weighted Avg	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
All Yrs	1.061	1.032	1.023	0.999	1.000	1.000
5 Yrs	1.062	1.032				
3 Yrs	1.043	1.020	1.026	0.999		
2 Yrs	1.039	1.014	1.018	0.999	1.000	

Selected LDF Age to Ultimate	4	8	12	16	20	24
		1.061	1.032	1.023	0.999	1.000
	1.121	1.056	1.023	1.000	1.000	1.000

\* Losses are net of catastrophes and net of salvage and subrogation.

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Loss Development Factors  
Exhibit 3**

Countrywide Data  
Capped Case Incurred Losses & LAE \*  
000s omitted

Accident Year Ending	Cumulative Amounts (age in quarters)						
	4	8	12	16	20	24	28
12/31/2006	13,602	14,298	14,971	15,025	15,030	15,032	15,033
12/31/2007	17,631	18,863	19,665	19,664	19,663	19,670	
12/31/2008	18,519	19,931	20,392	21,022	21,070		
12/31/2009	22,613	23,523	24,012	24,165			
12/31/2010	22,766	24,139	24,233				
12/31/2011	24,526	24,936					
12/31/2012	16,368						

Accident Year	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
12/31/2006	1.051	1.047	1.004	1.000	1.000	1.000
12/31/2007	1.070	1.043	1.000	1.000	1.000	
12/31/2008	1.076	1.023	1.031	1.002		
12/31/2009	1.040	1.021	1.006			
12/31/2010	1.060	1.004				
12/31/2011	1.017					
12/31/2012						

Straight Avg	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
All Yrs	1.052	1.027	1.010	1.001	1.000	1.000
5 Yrs	1.053	1.027				
3 Yrs	1.039	1.016	1.012	1.001		
2 Yrs	1.038	1.012	1.019	1.001	1.000	

Weighted Avg	Age-Age Factors					
	4-8	8-12	12-16	16-20	20-24	24-28
All Yrs	1.050	1.025	1.011	1.001	1.000	1.000
5 Yrs	1.050	1.025				
3 Yrs	1.039	1.015	1.012	1.001		
2 Yrs	1.038	1.012	1.018	1.001	1.000	

Selected LDF Age to Ultimate	4	8	12	16	20	24
		1.050	1.025	1.011	1.001	1.000
	1.089	1.037	1.012	1.001	1.000	1.000

\* Losses are net of catastrophes, net of salvage and subrogation, and capped at \$250,000.

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Pure Premium Trend  
Exhibit 4**

Countrywide Data  
Evaluated as of 12/31/2012

Accident Year	Earned Exposures	Reported Claims	Ultimate Loss & LAE	Frequency	Severity	Pure Premium
12/31/2006	32,336	1,786	16,047,276	5.52%	8,985	496
12/31/2007	37,186	2,194	23,253,556	5.90%	10,599	625
12/31/2008	35,547	2,273	23,787,450	6.39%	10,465	669
12/31/2009	33,278	2,403	25,268,913	7.22%	10,516	759
12/31/2010	31,542	2,697	26,095,472	8.55%	9,676	827
12/31/2011	29,157	2,358	29,185,085	8.09%	12,377	1,001
12/31/2012	25,222	1,786	19,555,013	7.08%	10,949	775

Trends	Frequency	Severity	Pure Premium
All Years	6.1%	3.0%	9.3%
12/31/2007 - 12/31/2012	5.2%	1.7%	7.0%
12/31/2008 - 12/31/2012	3.2%	2.6%	5.9%
12/31/2009 - 12/31/2012	-1.1%	3.7%	2.6%
12/31/2010 - 12/31/2012	-9.0%	6.4%	-3.2%
Selected	3.2%	2.6%	5.9%

All loss data above is net of catastrophes.

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Catastrophe Factor  
Exhibit 5**

Non-Modeled Cat Incurred Loss*	295,399
Non-Cat Incurred Loss*	2,758,011
Non-Modeled Cat/Non-Cat	10.7%
Non-Modeled Catastrophe Factor	1.107
Modeled Cat Loss/Premium	0.0%
Permissible Loss & LAE Ratio	59.3%
<b>Selected Non-Modeled Cat Factor</b>	<b>1.107</b>
<b>Selected Modeled Catastrophe Load</b>	<b>0.0%</b>

\* Incurred Losses from Accident Years 2001 thru 4Q 2012

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Excess Loss Factor  
Exhibit 6**

Countrywide Data  
000s omitted

Year	Capped Incurred Loss & LAE	Total Incurred Loss & LAE	Total/ Capped
2006	15,033	16,047	1.067
2007	19,671	23,254	1.182
2008	21,077	23,787	1.129
2009	24,195	25,269	1.044
2010	24,520	26,095	1.064
2011	25,862	29,185	1.128
2012	17,832	19,555	1.097
All Years	148,191	163,193	1.101
2007 - 2012	133,158	147,145	1.105
2008 - 2012	113,487	123,892	1.092
2009 - 2012	92,410	100,104	1.083
2010 - 2012	68,215	74,836	1.097
	Selected Excess Loss Factor		1.083

Claims are capped at \$250,000.

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Expenses  
Exhibit 7**

	2010	2011	2012	Average 2010 - 2012	Selections
Commissions, Brokerage *	14.4%	14.4%	13.9%	14.2%	14.2%
Taxes, Licenses & Fees *	2.4%	2.5%	2.5%	2.5%	2.5%
Other Acquisition Expense **	3.0%	1.8%	2.0%	2.3%	2.3%
General Expenses **	16.1%	14.8%	16.6%	15.8%	15.8%
Profit Provision ***					5.9%
Total Expense & Profit					40.7%
Permissible Loss & LAE Ratio					59.3%

\* Source: Annual Statement, State Page 14 - Line 4

\*\* Source: Insurance Expense Exhibit Part 3 - Line 4

\*\*\* From Exhibit 8

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Total Return on Surplus  
Exhibit 8 - Page 1**

Expected Earned Premium	100.0%
Expected Ultimate Incurred Losses and LAE	59.3%
Expected Expenses	32.3%
Taxes, Licenses and Fees	2.5%
Expected Pre-Tax Underwriting Profit	5.9%
Federal Income Tax Rate on Underwriting Profit	35.0%
Federal Income Tax on Underwriting Profit	2.1%
Expected Investment Income from Reserve	3.5%
Federal Income Tax Rate on Investment Income	33.6%
Federal Income Tax on Investment Income on Reserve	1.2%
Expected After-Tax Operating Ratio to Earned Premium	6.2%
Premium to Surplus Ratio	1.80
Expected After-Tax Operating Ratio to Surplus	11.1%
Expected Investment Income on Statutory Surplus	5.8%
Federal Income Tax on Investment Income on Surplus	2.0%
Expected Total After-Tax Return on Surplus	15.0%

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Investment Income  
Exhibit 8 - Page 2**

	Realized Capital Gains	Surplus & Reserves
2007	(2,776,483)	1,353,329,884
2008	(38,277,038)	1,612,992,969
2009	(2,942,804)	1,607,833,394
2010	1,910,514	1,440,741,138
2011	1,964,290	1,479,996,342
2012	5,186,455	1,753,410,631

	Average Surplus & Reserves	Realized Gains/ Average Assets
2008	1,483,161,427	-2.6%
2009	1,610,413,182	-0.2%
2010	1,524,287,266	0.1%
2011	1,460,368,740	0.1%
2012	1,616,703,487	0.3%
	5 Yr Mean Capital Gains Ratio	-0.4%

	Net Investment Income	Imbedded Yield
2008	86,568,218	5.8%
2009	106,698,657	6.6%
2010	99,202,387	6.5%
2011	93,072,508	6.4%
2012	96,913,059	6.0%
	5 Yr Mean Imbedded Yield Ratio	6.3%

Projected Yield = Imbedded Yield + Capital Gains	5.8%
Expected Investment Income on Statutory Surplus	5.8%
Reserve to Premium Ratio	0.60
Expected Investment Income from Reserves	3.5%

**American Security Insurance Company  
Choice Homeowners  
Arkansas**

**Complementary Loss & LAE Ratio  
Exhibit 9**

Permissible Loss & LAE Ratio	[A]	59.3%
Loss Trend	[B]	5.9%
Premium Trend	[C]	0.5%
Loss Ratio Trend $(1 + [B]) / (1 + [C]) - 1$	[D]	5.4%
Last Rate Change Date		9/1/2012
Proposed Effective Date		8/15/2014
Trending Period, in years	[E]	1.956
Complementary Loss & LAE Ratio (Trended Permissible Loss & LAE Ratio) $[A] * (1 + [D]) ^ [E]$		65.7%

## NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>SC05 AR06006AS00001</b>
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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Company Name		Company NAIC Number		
<b>3.</b>	<b>A.</b>	<b>American Security Insurance Company</b>	<b>B.</b>	<b>42978</b>

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
<b>4.</b>	<b>A.</b>	<b>04.0</b>	<b>B.</b>	

<b>5.</b>			<b>FOR LOSS COSTS ONLY</b>				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>Homeowners</b>	<b>58.0%</b>	<b>9.6%</b>	<b>59.3%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>TOTAL OVERALL EFFECT</b>	<b>58.0%</b>	<b>9.6%</b>					

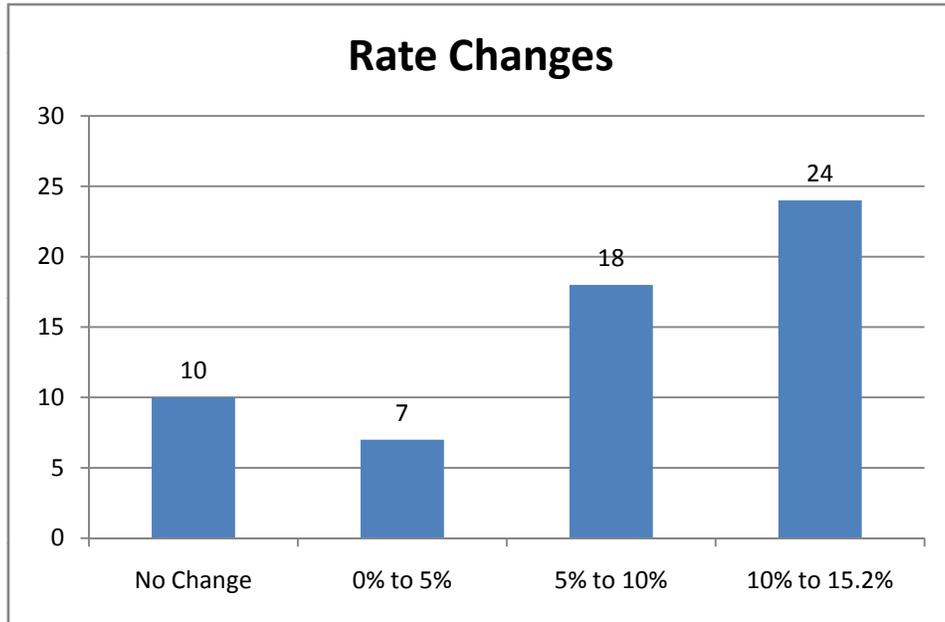
<b>6.</b>		5 Year History		Rate Change History			
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2012</b>	<b>150</b>	<b>13.4%</b>	<b>9/1/12</b>	<b>222</b>	<b>258</b>	<b>116.4%</b>	<b>50.1%</b>
<b>2011</b>	<b>215</b>			<b>294</b>	<b>396</b>	<b>134.7%</b>	<b>70.4%</b>
<b>2010</b>	<b>240</b>	<b>10%</b>	<b>12/1/10</b>	<b>318</b>	<b>191</b>	<b>60.1%</b>	<b>61.5%</b>
<b>2009</b>	<b>232</b>			<b>303</b>	<b>916</b>	<b>302.3%</b>	<b>59.9%</b>
<b>2008</b>	<b>222</b>			<b>287</b>	<b>456</b>	<b>158.9%</b>	<b>55.1%</b>
<b>2007</b>	<b>197</b>			<b>245</b>	<b>412</b>	<b>168.2%</b>	<b>53.6%</b>

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>16.5%</b>
B. General Expense	<b>15.8%</b>
C. Taxes, License & Fees	<b>2.5%</b>
D. Underwriting Profit & Contingencies	<b>5.9%</b>
E. Other (explain)	
<b>F. TOTAL</b>	<b>40.7%</b>

- 8.**   N   Apply Lost Cost Factors to Future filings? (Y or N)
- 9.**  15.1%  Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_
- 10.**   0.0%  Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

American Security Insurance Company  
Choice Homeowners  
Arkansas

Histogram



ASIC AR Choice Homeowners - AR07101AS00001 – rate

SERFF Filing ID: ASPX-G129423282

Date Letter Sent: February 21, 2014 - 08:20

Insurer Response Date: February 21, 2014

Objection Letter Status : Pending Industry Response

This will acknowledge receipt of the captioned filing.

### Objection 1

Comments: Please provide preliminary loss experience for 2013 if available.

Our previous experience was only through December of 2012. Below is a chart of Non-Catastrophe loss ratios for the latest five years updated through December of 2013.

Year	Accident YR Loss Ratio	Calendar YR Loss Ratio
2009	301.7%	296.3%
2010	60.0%	62.7%
2011	134.3%	89.2%
2012	140.5%	178.7%
2013	26.8%	65.4%

### Objection 2

Comments: Please indicate the type of losses driving the loss ratio.

Below is a chart of how the experience presented in objection #1 has been spread by peril. Note that similar to #1, we have excluded Catastrophes from this data.

Peril	% of Total Loss
Fire	62.5%
Wind/Weather/Hail	12.7%
Water	10.6%
Theft/Vandalism	7.6%
Liability	5.9%
Other	0.7%
Total	100.0%

### Objection 3

Comments: Please indicate the deductible amount for the majority of your policyholders.

Two-thirds of our policyholders have a \$1,000 deductible.

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.

Primary Reviewer: Becky Harrington - 501 371 2810