

State: Arkansas **Filing Company:** Liberty Mutual Fire Insurance Company
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)
Product Name: DF
Project Name/Number: 14-AR-P-DF-RR-GEN-ASR/14-AR-P-DF-RR-GEN-ASR

Filing at a Glance

Company: Liberty Mutual Fire Insurance Company
Product Name: DF
State: Arkansas
TOI: 01.0 Property
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Filing Type: Rate/Rule
Date Submitted: 01/30/2014
SERFF Tr Num: LBPM-129395546
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: 14-AR-P-DF-RR-GEN-ASR

Effective Date 02/24/2014
Requested (New):
Effective Date 04/17/2014
Requested (Renewal):
Author(s): Bogdan Siekirka
Reviewer(s): Becky Harrington (primary)
Disposition Date: 02/12/2014
Disposition Status: Filed
Effective Date (New): 02/24/2014
Effective Date (Renewal): 04/17/2014

State Filing Description:

State: Arkansas **Filing Company:** Liberty Mutual Fire Insurance Company
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General Information

Project Name: 14-AR-P-DF-RR-GEN-ASR Status of Filing in Domicile: Not Filed
 Project Number: 14-AR-P-DF-RR-GEN-ASR Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 02/12/2014
 State Status Changed: Deemer Date:
 Created By: Bogdan Siekirka Submitted By: Bogdan Siekirka
 Corresponding Filing Tracking Number:

Filing Description:

In accordance with the "file and use" provision, Liberty Mutual Fire Insurance Company is revising its Dwelling Fire Rating Manual.

Please see the attached cover letter for additional information.

Company and Contact

Filing Contact Information

Bogdan Siekirka, Industry Filings Analyst Bogdan.Siekirka@LibertyMutual.com
 175 Berkeley Street 617-357-9500 [Phone] 42774 [Ext]
 Mailstop 04G/H 617-654-3452 [FAX]
 Boston, MA 02116

Filing Company Information

Liberty Mutual Fire Insurance Company	CoCode: 23035	State of Domicile: Wisconsin
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name: Liberty Mutual	State ID Number:
(617) 357-9500 ext. [Phone]	Group	
	FEIN Number: 04-1924000	

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: Rate/loss cost—changes to loss cost multiplier or independent rate filing \$100
 Per Company: No

Company	Amount	Date Processed	Transaction #
Liberty Mutual Fire Insurance Company	\$100.00	01/30/2014	78865512

SERFF Tracking #:

LBPM-129395546

State Tracking #:

Company Tracking #:

14-AR-P-DF-RR-GEN-ASR

State:

Arkansas

Filing Company:

Liberty Mutual Fire Insurance Company

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

Product Name:

DF

Project Name/Number:

14-AR-P-DF-RR-GEN-ASR/14-AR-P-DF-RR-GEN-ASR

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	02/12/2014	02/12/2014

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	01/31/2014	01/31/2014

Response Letters

Responded By	Created On	Date Submitted
Bogdan Siekirka	02/11/2014	02/11/2014

SERFF Tracking #:

LBPM-129395546

State Tracking #:

Company Tracking #:

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Disposition

Disposition Date: 02/12/2014

Effective Date (New): 02/24/2014

Effective Date (Renewal): 04/17/2014

Status: Filed

Comment:

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):
Liberty Mutual Fire Insurance Company	5.500%	5.500%	\$9,921	190	\$180,912	5.700%	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	No
Supporting Document	Cover Letter	Filed	Yes
Rate	Rating Manual	Filed	Yes

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 01/31/2014
Submitted Date 01/31/2014
Respond By Date

Dear Bogdan Siekirka,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

Comments: Please provide 2013 loss figure estimations, if available.

Conclusion:

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

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

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

Sincerely,

Becky Harrington

State: Arkansas **Filing Company:** Liberty Mutual Fire Insurance Company
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Product Name: DF
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	02/11/2014
Submitted Date	02/11/2014

Dear Becky Harrington,

Introduction:

Thank you for your review.

Response 1

Comments:

The Dwelling Fire indications are compiled once a year, in the middle of the year containing the most recent full calendar year of data. The newest indication with 2013 loss data will be available by Q3 2014.

Additionally, historical calendar year results are currently unavailable due to internal controls related to Liberty Mutuals forthcoming earnings release.

Related Objection 1

Comments: Please provide 2013 loss figure estimations, if available.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Please feel free to let me know if you have any other questions.

Sincerely,

Bogdan Siekirka

SERFF Tracking #:

LBPM-129395546

State Tracking #:

Company Tracking #:

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Filing Company: Liberty Mutual Fire Insurance Company

Rate Information

Rate data applies to filing.

Filing Method: File and Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 10.000%
Effective Date of Last Rate Revision: 02/24/2013
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):
Liberty Mutual Fire Insurance Company	5.500%	5.500%	\$9,921	190	\$180,912	5.700%	0.000%

SERFF Tracking #:

LBPM-129395546

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

14-AR-P-DF-RR-GEN-ASR

State:

Arkansas

Filing Company:

Liberty Mutual Fire Insurance Company

TOI/Sub-TOI:

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

Product Name:

DF

Project Name/Number:

14-AR-P-DF-RR-GEN-ASR/14-AR-P-DF-RR-GEN-ASR

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 02/12/2014	Rating Manual	LM-1	Replacement	LBPM-128785910	LM1 Proof.pdf LM1 Mock.pdf

LIBERTY MUTUAL FIRE INSURANCE COMPANY
DWELLING POLICY PROGRAM
LIBERTY MUTUAL FIRE INSURANCE COMPANY
PREMIUM DEVIATION PAGE

The Premium Deviation of +139.7% (2.397) is applicable to Forms DP 00 01, DP 00 02 and DP 00 03.

A +139.7% deviation (2.397 rating factor) is to be applied separately to the premium computation for these coverages when applicable.

- | | |
|---|-------------------------|
| 1. Fire building | 7. VMM building |
| 2. Fire other structure | 8. VMM other structures |
| 3. Fire contents | 9. VMM contents |
| 4. Extended, Broad and Special buildings | 10. Broad Form theft |
| 5. Extended, Broad and Special structures – other | 11. Limited Form theft |
| 6. Extended and Broad contents | 12. Personal liability |

Arkansas
LM-1

Effective: February 24, 2014

LIBERTY MUTUAL FIRE INSURANCE COMPANY
DWELLING POLICY PROGRAM
LIBERTY MUTUAL FIRE INSURANCE COMPANY
PREMIUM DEVIATION PAGE

The Premium Deviation of ~~+127.2% (-2.272)~~ +139.7% (2.397) is applicable to Forms DP 00 01, DP 00 02 and DP 00 03.

A ~~+127.2%~~ +139.7% deviation (~~2.272~~ 2.397 rating factor) is to be applied separately to the premium computation for these coverages when applicable.

- | | |
|---|-------------------------|
| 1. Fire building | 7. VMM building |
| 2. Fire other structure | 8. VMM other structures |
| 3. Fire contents | 9. VMM contents |
| 4. Extended, Broad and Special buildings | 10. Broad Form theft |
| 5. Extended, Broad and Special structures – other | 11. Limited Form theft |
| 6. Extended and Broad contents | 12. Personal liability |

Arkansas
LM-1

Effective: February 24, ~~2013-~~
2014

SERFF Tracking #:

LBPM-129395546

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Supporting Document Schedules

Satisfied - Item:	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines
Comments:	
Attachment(s):	FORM RF-1 Rate Filing Abstract.pdf
Item Status:	Filed
Status Date:	02/12/2014
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	
Attachment(s):	HO Survey FORM HPCS.pdf HO Survey FORM HPCS.xls
Item Status:	Filed
Status Date:	02/12/2014
Satisfied - Item:	P&C Actuarial Justification
Comments:	
Attachment(s):	AR_Actuarial_Justification.pdf
Item Status:	Filed
Status Date:	02/12/2014
Satisfied - Item:	Cover Letter
Comments:	
Attachment(s):	AR Cover Letter.pdf
Item Status:	Filed
Status Date:	02/12/2014

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AR DF SR 02 14
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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Company Name		Company NAIC Number		
3.	A.	Liberty Mutual Fire Insurance Company	B.	0111-23035

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	01.0 Property	B.	01.0002 Personal Property (Fire and Allied Lines)

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Dwelling Fire	5.5%	5.5%					
TOTAL OVERALL EFFECT	5.5%	5.5%					

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	184			132,788	152,291	114.7%	81.7%
2009	172	15.0%	04/15/09	130,651	144,478	110.6%	70.2%
2010	167	15.0%	04/15/10	148,549	90,594	61.0%	60.6%
2011	163	9.8%	04/17/11	166,833	145,983	87.5%	58.5%
2012	160	10.0%	04/17/13	179,837	29,121	16.2%	44.6%

7.	
Expense Constants	Selected Provisions
B. General Expense	25.5%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	16.6%
E. Other (explain)	0%
F. TOTAL	45.9%

- 8.** N Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 5.7% Territory 33 and 30
- 10.** Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 0.0% Territory 33

NAIC Number: 111-23035
 Company Name: Liberty Mutual Fire Insurance Company
 Contact Person:
 Telephone No.:
 Email Address:
 Effective Date: 24-Feb-14

**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	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00
	\$120,000	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00
	\$160,000	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00
6	\$80,000	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00	\$891.00	\$1,056.00
	\$120,000	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00	\$1,205.00	\$1,424.00
	\$160,000	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00	\$1,519.00	\$1,792.00
9	\$80,000	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00	\$1,226.00	\$1,596.00
	\$120,000	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00	\$1,650.00	\$2,140.00
	\$160,000	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00	\$2,070.00	\$2,682.00

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

HO3 and HO4 only

Fire Extinguisher %
 Burglar Alarm %
 Smoke Alarm %
 Deadbolt Lock %
 Window Locks %
 \$1,000 Deductible %
 Other (specify) %

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

Maximum Credit Allowed	%	Lowest Risk	\$		\$	
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I

Liberty Mutual Group
Dwelling Fire
Arkansas
Summary of Rate Indications

Narrative

The most current rate level indication for Arkansas Dwelling Fire is 5.5% with a new business effective date of 2/24/2014 and a renewal business effective date of 4/17/2014. The overall rate change proposed in this filing is 5.5% (+5.5% for Coverage A and +5.6% for Coverage C).

Past and Prospective Experience Within and Outside the State

Calendar year earned premiums and accident year incurred losses are utilized in the indication. Five years of experience are used beginning 1/1/2008 and ending 12/31/2012. Losses are evaluated as of 12/31/2012. The Dwelling Fire rate level indication is 5.5% (See Exhibit I). Our Fire & Allied Lines data used to develop the indication is 6.5% credible.

Direct earned premiums for the latest five calendar years are brought to current level by means of the parallelogram method (See Exhibit II). Premium is then adjusted to reflect changes in the amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The calculation of the actual trend factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level (See Exhibit IV).

Statewide total reported losses (excluding tornado/hail/severe storm/fire following losses and excluding catastrophes) for the five accident years are developed to their ultimate value by use of loss development factors (See Exhibit III). The selected loss development factors are based on an analysis of accident year losses evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. Losses are then adjusted to reflect the impact of inflation on past claim costs.

A two-step trending procedure is used to project both premiums and losses. The historical trend factor brings data from the average date of each year used in the experience period to the average date in the latest experience period (7/1/2012). The projected trend factor brings data from the average date in the latest experience period to one year beyond the proposed effective date (4/17/2015). The loss trend selections are based upon a review of least squares fitted trend lines to the last five years of Liberty Mutual non-owner occupied property loss data for Arkansas and Countrywide and are shown in Exhibit IV.

The data used to develop the indication is 6.5% credible, based on the full credibility standard of 200,000 earned house years (See Exhibit VII). The product of Liberty Mutual's countrywide ex-catastrophe ex-severe storm pure premium and the number of Liberty's earned exposures in the state of Arkansas is used as the Loss Complement (See Exhibit 1, Item 8a). The Trended and Developed Normal Losses are credibility weighted with the Loss Complement to determine the Credibility Adjusted Normal Losses (See Exhibit I, Item 8b).

The Weighted Normal Loss Ratio is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products. This Loss Ratio is then projected to the future period via the premium and loss projection factors to arrive at the Projected Normal Loss Ratio (See Exhibit 1, Item 16).

Catastrophic Hazards

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The Provision for Non-Modeled Catastrophes is for any expected catastrophic activity excluding hurricane, severe storm, and fire following earthquake. The factor is selected based upon a 20-year average ratio of Liberty Mutual historical non-modeled catastrophe losses to amount of insurance (in thousands) for Fire and Allied Lines in the state of Arkansas (See Exhibit V).

The provision for Tornado/Hail/Severe Thunderstorm Wind Losses is based on 5-year historical losses.

The provision for Hurricane Wind Losses has been removed from this filing.

The provision for Fire Following Earthquake Losses is based on average annual fire following earthquake losses for Arkansas modeled from the AIR CLASIC/2 v14.0 earthquake model

These models are based on scientific data and mathematical and empirical models. Liberty Mutual's recent policyholder exposure information is used with the model to estimate the average annual loss. The provisions are the ratios of Liberty Mutual's expected annual loss to the most recent year's projected earned premium at current level (See Exhibit V, Sheet 1), and are then added to the Projected Normal Loss Ratio (See Exhibit 1).

Insurer Operating Expenses

Incurring losses are adjusted to include all loss adjustment expenses. Based on the most recent 3 years of Liberty Mutual Dwelling LAE to premium ratios for the Liberty Mutual Southwest region we have selected an LAE load of 10.9% (as a percentage of Earned Premium).

Fixed expenses and reinsurance costs are then calculated as a percent of Earned Premium and added to the developed and trended loss ratio to determine the overall indicated loss, loss adjustment expense, fixed expense, and reinsurance ratio (See Exhibit I, Item 26). General and acquisition expenses are selected based on the planned Liberty Mutual Southwest region Dwelling expense projections (See exhibit VI). The total reinsurance cost to Liberty Mutual for Fire and Allied Lines was allocated to Arkansas based on the state's participation in all direct losses above \$900 million (Liberty Mutual's 2013 Personal Insurance reinsurance treaty attachment point).

Variable expenses include taxes, licenses, fees, profit and contingency, variable general and acquisition expenses. These items vary directly with premium (See Exhibit VI).

The projected permissible loss, loss adjustment expense, fixed expense, and reinsurance ratio is 72.7% (See Exhibit I, Item 27).

Reasonable Profit Margin

Our selected margin of 16.6% for profit and contingencies is calculated to allow a return on surplus of 15.0%, with a 1.25:1 premium-to-surplus model (See Appendix A).

Index of Exhibits

Exhibit	Description
I	Dwelling Fire Rate Level Indication
II	Rate Change History and On-Level Factors
III	Loss Development Triangle
IV	Trend Analysis
V	Catastrophe Provision Calculation
VI	Expense Calculation
VII	Credibility Standard
Appendix A	Profit Provision

Exhibit D: Expense Ratios for Homeowners' Insurance

1) Acquisition	21.3%
2) General	4.4%
3) Taxes	2.7%
4) Reinsurance	2.4%
5) Profit	15.6%
6) Contingency	1.0%
7) Total	47.5%
8) Permissible Loss and LAE Ratio	52.5%

Notes

Data from 2010 Insurance Expense Exhibit (Direct)

Not subject to Freedom of Information Act, confidential information pursuant to § 25-19-105(b)(9)(A) of the Arkansas Code Annotated



Liberty Mutual Insurance

Personal Insurance Product Management
175 Berkeley Street
Boston, MA 02116
(617) 357-9500
(617) 654-3452 Fax

January 29, 2014

Commissioner Jay Bradford
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

**Re: Dwelling Fire Rate/Rule Filing
Liberty Mutual Insurance Group
Liberty Mutual Fire Insurance Company, NAIC 111-23035**

Dear Commissioner Bradford:

In accordance with the “file and use” provision, Liberty Mutual Fire Insurance Company is revising its Dwelling Fire Rating Manual. Revisions are applicable to all new business policies produced on or after **February 24, 2014** and all renewal policies effective on or after **April 17, 2014**.

Summary of Changes
DWELLING FORMS (DP-1, DP-2, DP-3)

1. Revise the current dwelling policy loss cost multiplier from 2.272 to 2.397 for both dwelling and contents. This factor applies to following coverages when applicable:

Fire building	VMM building
Fire other structure	VMM other structure
Fire contents	VMM contents
Extended, Broad & Special buildings	Broad Form theft
Extended, Broad & Special other structures	Limited Form theft
Extended & Broad contents	Personal liability

The current and proposed deviation factors are detailed below:

Current Factors

	Coverage A	Coverage B	Coverage C
Fire	2.272	2.272	2.272
Extended	2.272	2.272	2.272
Special	2.272	2.272	--
Broad	2.272	2.272	2.272
Vandalism	2.272	2.272	2.272

Proposed Factors

	Coverage A	Coverage B	Coverage C
Fire	2.397	2.397	2.397
Extended	2.397	2.397	2.397
Special	2.397	2.397	--
Broad	2.397	2.397	2.397
Vandalism	2.397	2.397	2.397

Rating Manual Changes

Arkansas LM-1

Rate Effect

There is a 5.5% rate increase associated with this revision

If you have any questions, please do not hesitate to contact me at (617) 357-9500 x42774, fax (617) 654-3452 or by email at Bogdan.Siekirka@libertymutual.com

Sincerely,



Bogdan Siekirka
Industry & Regulatory Relations