

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Arkansas Dwelling Fire - Rates and Rules
Project Name/Number: Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC

Filing at a Glance

Company: State Auto Property and Casualty Insurance Company
Product Name: Arkansas Dwelling Fire - Rates and Rules
State: Arkansas
TOI: 30.1 Dwelling Fire/Personal Liability
Sub-TOI: 30.1000 Dwelling Fire/Personal Liability
Filing Type: Rate/Rule
Date Submitted: 05/19/2014
SERFF Tr Num: STAT-129481425
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: AR_DF_RR_20140917_SPC

Effective Date 09/17/2014
Requested (New):
Effective Date 09/17/2014
Requested (Renewal):
Author(s): Doug Griffith, Amanda Scott
Reviewer(s): Becky Harrington (primary)
Disposition Date: 06/02/2014
Disposition Status: Filed
Effective Date (New): 09/17/2014
Effective Date (Renewal): 09/17/2014

State Filing Description:

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
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General Information

Project Name: Rates and Rules eff 09-17-14 Status of Filing in Domicile:
 Project Number: AR_DF_RR_20140917_SPC Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 06/02/2014
 State Status Changed: Deemer Date:
 Created By: Amanda Scott Submitted By: Amanda Scott
 Corresponding Filing Tracking Number:

Filing Description:

With this filing we are revising our Dwelling Fire program, as detailed in the attached exhibits and Summary of Manual Revisions.

We estimate these revisions will result in an overall impact of 9.7%.

Attached are copies of the revised manual pages and Rate Document.

(All factors and rates are located within the Rate Document.)

Your consideration and acknowledgement of our filing will be very much appreciated.

Company and Contact

Filing Contact Information

Jon Eshelman, Actuarial Manager Jon.Eshelman@StateAuto.com
 518 E. Broad Street 614-917-4592 [Phone] 4592 [Ext]
 Columbus, OH 43215

Filing Company Information

State Auto Property and Casualty Insurance Company	CoCode: 25127	State of Domicile: Iowa
1300 Woodland Ave	Group Code: 175	Company Type: Property and Casualty
PO Box 66150	Group Name: State Auto Group	State ID Number:
West Des Moines, IA 50265-0150	FEIN Number: 57-6010814	
(614) 464-5000 ext. [Phone]		

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: \$100.00 fee for Rates/Rules
 Per Company: No

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company

TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability

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Project Name/Number: Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC

Company	Amount	Date Processed	Transaction #
State Auto Property and Casualty Insurance Company	\$100.00	05/19/2014	82349914

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	06/02/2014	06/02/2014

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
No response necessary	Becky Harrington	05/28/2014	05/28/2014
Pending Industry Response	Becky Harrington	05/20/2014	05/20/2014

Response Letters

Responded By	Created On	Date Submitted
Doug Griffith	05/28/2014	05/28/2014

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
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Disposition

Disposition Date: 06/02/2014
 Effective Date (New): 09/17/2014
 Effective Date (Renewal): 09/17/2014
 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):
State Auto Property and Casualty Insurance Company	16.900%	9.700%	\$110,562	1,012	\$1,140,174	12.000%	0.500%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Exhibits	Filed	Yes
Supporting Document	Exhibits VIII & IX	Filed	Yes
Rate	Rate Document	Filed	Yes
Rate	Revised Manual Pages	Filed	Yes

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Objection Letter

Objection Letter Status	No response necessary
Objection Letter Date	05/28/2014
Submitted Date	05/28/2014
Respond By Date	

Dear Jon Eshelman,

Introduction:

This will acknowledge receipt of the recent response.

This filing is being referred to the Commissioner for review due to the requested increase amount being greater than 6%. Please do not respond at this time.

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:** State Auto Property and Casualty Insurance Company
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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 05/20/2014
Submitted Date 05/20/2014
Respond By Date

Dear Jon Eshelman,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

- Exhibits (Supporting Document)

Comments: All request for rate changes submitted to the Department must include supporting data as required by Arkansas Code Annotated § 23-67-209 (d). Explain the consideration given to all investment income attributable to premiums and to the reserves associated with those premiums and to loss reserve funds.

Objection 2

- Exhibits (Supporting Document)

Comments: Please explain/provide documentation showing the development of the total adjusted wind/hail losses and trended w/h pure premium (exhibit VI, page 2)

Objection 3

- Exhibits (Supporting Document)

Comments: Please explain or provide documentation showing the development of trended winter pure premium and total adjusted winter losses. (Exhibit VI, page 4)

Objection 4

- Exhibits (Supporting Document)

Comments: Justify the use of 2008-2012 data for rate indications, while Exhibit VI uses 2009-2013.

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 05/28/2014
 Submitted Date 05/28/2014

Dear Becky Harrington,

Introduction:

Please see our responses below.

Response 1

Comments:

Please see new Exhibit VIII which explicitly shows how investment income has been taken into account in the the calculation of the selected profit provision for Fire/Allied Lines and General Liability. Note that the selected profit provisions for Fire and Liability shown in Exhibit VIII can be found in the sections of Exhibit III that detail expenses on pages 1 and 3. For Allied Lines, Exhibit III shows a Profit & Contingencies provision of 3.9% rather than 7.8%. This is because in the calculation of the Extended Coverage indication, we have accounted for a Retained Risk Provision (RRP) to cover the cost of holding capital to pay for catastrophe losses retained by State Auto. We have historically accounted for this cost as part of a single countrywide profit provision, which is now being reduced to avoid overlap with the RRP. Locations that are most (least) likely to contribute to catastrophe events that deplete State Autos capital will have a higher (lower) RRP. The companywide RRP for Allied Lines is 3.9%. The Profit & Contingencies provision of 3.9% for Allied Lines, shown on page 2 of Exhibit III, represents the selected profit provision of 7.8% minus the companywide RRP of 3.9%. Note that page 2 of Exhibit III shows that the RRP for Arkansas is 2.2%, which is less than the companywide RRP, indicating that Arkansas is less likely than average to contribute to catastrophe events that deplete State Autos capital.

Related Objection 1

Applies To:

- Exhibits (Supporting Document)

Comments: All request for rate changes submitted to the Department must include supporting data as required by Arkansas Code Annotated § 23-67-209 (d). Explain the consideration given to all investment income attributable to premiums and to the reserves associated with those premiums and to loss reserve funds.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Exhibits VIII & IX
Comments:	
Attachment(s):	AR_DF_RR_ActExhibits_VIII&IX.pdf

No Form Schedule items changed.

State:	Arkansas	Filing Company:	State Auto Property and Casualty Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Arkansas Dwelling Fire - Rates and Rules		
Project Name/Number:	Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC		

No Rate/Rule Schedule items changed.

Response 2

Comments:

In order to keep from over-reacting to wind/hail losses, which can be very volatile year-to-year, we have included a process to smooth wind/hail losses based on considering a longer time frame than the five year experience period. Because our Arkansas Dwelling Fire experience is very limited compared to our Arkansas Homeowners experience, and because both lines are very similar in their coverages and perils, we have considered the results of our Homeowners wind/hail smoothing process in the calculation of our Dwelling Fire smoothed wind/hail losses.

Please see new Exhibit IX for support for the development of the wind/hail (and winter) pure premiums shown in Exhibit VI. As the label in Exhibit IX shows, the exhibit contains State Auto Arkansas Homeowners exposures, incurred claims, and incurred losses for the 15 year period from 7/1/1999 through 6/30/2013. Page 1 of Exhibit IX shows wind/hail frequencies for each of the 15 years, which are used in determining the selected frequency of 0.062. (The time weights referred to allocate 10% weight to each of the five most recent years in the period, then the weights reduce by approximately 1% a year so that the oldest year (accident fiscal year 1999) receives a weight of 0.9%. Following this system of weighting the years helps stabilize the impacts of an extremely high or low frequency dropping out of the 15 year period when the associated year becomes older than 15 years of age).

Page 2 of Exhibit IX is similar to page 1, except that severities are shown, and an expected trended severity of \$8,048 is selected. The time weights for the severities are the same as those used for the frequencies. For the severities, we have used a 15-point exponential regression to determine a severity trend that is applied to the actual severities for each year. Column (3) shows the unadjusted severities, while column (4) shows the severities trended using the calculated trend in row (5). The unnumbered column labeled New Projected Severity shows the severities trended using the selected trend in row (6), which in this case is the same as the calculated trend shown in row (5).

Page 2 of Exhibit VI shows the resulting trended wind/hail pure premium of 502.46 in column (1) of section (1). The pure premium is the product of the selected frequency and the selected severity: $0.062 \times \$8,048 = \502.46 (rounded numbers are shown in this calculation for convenience, but unrounded numbers were used in calculating the pure premium). The wind/hail pure premium is multiplied by earned house years and a non-cat prospective loss trend is applied in order to yield expected wind/hail losses in column (4). (All of these calculations are based on Arkansas Homeowners experience). In section (2) on page 2 of Exhibit VI, expected hurricane losses are calculated. This has no effect in Arkansas. Section (3) on page 2 of Exhibit VI shows the calculation of actual trended, developed wind/hail losses. Page 1 of Exhibit VI compares the expected wind/hail losses to the actual wind/hail losses to determine that using the smoothing process to calculate expected wind/hail losses yields a result that is 1.6% higher than the actual wind/hail losses over the past 5 years. This figure is used in column (11) of page 2 of Exhibit IV and is labeled % Change W/H Losses From Home. The actual Arkansas Dwelling Fire wind/hail losses from column (10) are then adjusted by the 1.6% in order to reflect the effect of the smoothing process. Again, we have used Homeowners experience to calculate the percentage difference rather than directly using Dwelling Fire experience to select frequencies and severities because the Dwelling Fire experience is much more limited than the Homeowners experience and the results are expected to be the same because of the similarities between the lines.

Related Objection 2

Applies To:

- Exhibits (Supporting Document)

Comments: Please explain/provide documentation showing the development of the total adjusted wind/hail losses and trended w/h pure premium (exhibit VI, page 2)

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
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Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 3**Comments:**

Please refer to response 2. The winter smoothing procedure is identical to the wind/hail smoothing procedure. The support can be seen on pages 3-4 of new Exhibit IX.

Related Objection 3

Applies To:

- Exhibits (Supporting Document)

Comments: Please explain or provide documentation showing the development of trended winter pure premium and total adjusted winter losses. (Exhibit VI, page 4)

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 4**Comments:**

Please excuse the lack of clarity in the Year label in Exhibit VI. As discussed in response 2, the Years 2009-2013 shown in Exhibit VI are actually fiscal years that end June 30th. For example, the 2009 shown in Exhibit VI actually refers to the year ending 6/30/2009. The reason for using an experience period shifted six months forward for the smoothing procedure (relative to the experience period of 2008-2012 used in calculating the statewide indication) is that refreshed Homeowners data through June was available at the time of the review, and we wanted to use the latest available information. Updated Dwelling Fire information was not readily available at the time of the review. Although the smoothing procedure uses information from a slightly more recent experience period, the intent of the smoothing procedure is still to use a long-term view to determine the adjustment that should be made to actual Dwelling Fire losses.

Related Objection 4

Applies To:

- Exhibits (Supporting Document)

SERFF Tracking #:

STAT-129481425

State Tracking #:

Company Tracking #:

AR_DF_RR_20140917_SPC

State:

Arkansas

Filing Company:

State Auto Property and Casualty Insurance Company

TOI/Sub-TOI:

30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability

Product Name:

Arkansas Dwelling Fire - Rates and Rules

Project Name/Number:

Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC

Comments: Justify the use of 2008-2012 data for rate indications, while Exhibit VI uses 2009-2013.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,

Doug Griffith

SERFF Tracking #:

STAT-129481425

State Tracking #:

Company Tracking #:

AR_DF_RR_20140917_SPC

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
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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: 18.100%
Effective Date of Last Rate Revision: 09/17/2013
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):
State Auto Property and Casualty Insurance Company	16.900%	9.700%	\$110,562	1,012	\$1,140,174	12.000%	0.500%

SERFF Tracking #:

STAT-129481425

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

AR_DF_RR_20140917_SPC

State: Arkansas**Filing Company:**

State Auto Property and Casualty Insurance Company

TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability**Product Name:** Arkansas Dwelling Fire - Rates and Rules**Project Name/Number:** Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 06/02/2014	Rate Document	Entire Document	Replacement		20140917_AR_DF_RR_Rate Doc_SPC.pdf
2	Filed 06/02/2014	Revised Manual Pages	Various Pages	Replacement		20140917_AR_DF_RR_MNL-Rev_SPC.pdf

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Base Premium Rating Steps

FIRE – BUILDING RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Base Rate X Protection/Construction Relativity
2. Result #1 X Owner/Nonowner Relativity
3. Result #2 X Number of Families Relativity
- Result #3 is the Fire Building Key Premium*
4. Result #3 X Policy Size Relativity (use the relativity for the lesser of the actual coverage amount and the maximum listed in the PSR table)
5. Result #3 X Additional \$10,000 Factor (round result to 2 decimal places)
6. Result #5 X Coverage amount in excess of the maximum listed in PSR table, in ten thousands (round result to 2 decimal places)
7. Result #4 + Result #6
8. Result #7 X Superior Construction Factor
9. Result #8 X Dwelling Under Construction Factor
10. Result #9 X Deductible Factor
11. Result #10 X Employee Discount Factor
12. Result #11 X Loss Experience Rating Factor
13. Result #12 X ACV Wind/Hail Loss to Roof Factor
14. Result #13 X Premium Fire Tax Factor (AZ only)
15. Result #14 X Building Item Condo Unit-Owner Factor (if applicable)
16. Result #15 X Term Factor
- Result #16 is the preliminary Fire Building Base Premium*
17. Result #16 X Capping Factor (round down to nearest whole dollar)
- Result #17 is the final Fire Building Base Premium*

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Base Premium Rating Steps (continued)

FIRE – CONTENTS RATING STEPS
(round to whole dollar after each step)

1. Base Rate X Protection/Construction Relativity
2. Result #1 X Owner/Nonowner Relativity
3. Result #2 X Number of Families Relativity
- Result #3 is the Fire Contents Key Premium*
4. Result #3 X Policy Size Relativity (use the relativity for the lesser of the actual coverage amount and the maximum listed in the PSR table)
5. Result #3 X Additional \$10,000 Factor (round result to 2 decimal places)
6. Result #5 X Coverage amount in excess of the maximum listed in PSR table, in ten thousands (round result to 2 decimal places)
7. Result #4 + Result #6
8. Result #7 X Superior Construction Factor
9. Result #8 X Deductible Factor
10. Result #9 X Employee Discount Factor
11. Result #10 X Loss Experience Rating Factor
12. Result #11 X ACV Wind/Hail Loss to Roof Factor
13. Result #12 X Premium Fire Tax Factor (AZ only)
14. Result #13 X Term Factor
- Result #14 is the preliminary Fire Contents Base Premium*
15. Result #14 X Capping Factor (round down to nearest whole dollar)
- Result #15 is the final Fire Contents Base Premium*

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Base Premium Rating Steps (continued)

EXTENDED COVERAGE – BUILDING RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Base Rate X Form (DP2/DP3) Relativity

Result #1 is the Extended Coverage Building Key Premium

2. Result #1 X Policy Size Relativity (use the relativity for the lesser of the actual coverage amount and the maximum listed in the PSR table)
3. Result #1 X Additional \$10,000 Factor (round result to 2 decimal places)
4. Result #3 X Coverage amount in excess of the maximum listed in PSR table, in ten thousands (round result to 2 decimal places)
5. Result #2 + Result #4
6. Result #5 X Dwelling Under Construction Factor
7. Result #6 X Deductible Factor
8. Result #7 X Employee Discount Factor
9. Result #8 X Loss Experience Rating Factor
10. Result #9 X ACV Wind/Hail Loss to Roof Factor
11. Result #10 X Building Item Condo Unit-Owner Factor (if applicable)
12. Result #11 X Term Factor

Result #12 is the preliminary Extended Coverage Building Base Premium

13. Result #12 X Capping Factor (round down to nearest whole dollar)

Result #13 is the final Extended Coverage Building Base Premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Base Premium Rating Steps (continued)

EXTENDED COVERAGE – CONTENTS RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Base Rate X Form (DP2/DP3) Relativity
Result #1 is the Extended Coverage Contents Key Premium
2. Result #1 X Policy Size Relativity (use the relativity for the lesser of the actual coverage amount and the maximum listed in the PSR table)
3. Result #1 X Additional \$10,000 Factor (round result to 2 decimal places)
4. Result #3 X Coverage amount in excess of the maximum listed in PSR table, in ten thousands (round result to 2 decimal places)
5. Result #2 + Result #4
6. Result #5 X Deductible Factor
7. Result #6 X Employee Discount Factor
8. Result #7 X Loss Experience Rating Factor
9. Result #8 X ACV Wind/Hail Loss to Roof Factor
10. Result #9 X Term Factor
Result #10 is the preliminary Extended Coverage Contents Base Premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
Result #11 is the final Extended Coverage Contents Base Premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Base Premium Rating Steps (continued)

PROTECTIVE DEVICE CREDIT RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Final Fire Building Base Premium + Final Extended Coverage Building Base Premium
2. Result #1 X Protective Device Credit (negative %)
Result #2 is the final Building Protective Device credit amount

3. Final Fire Contents Base Premium + Final Extended Coverage Contents Base Premium
4. Result #3 X Protective Device Credit (negative %)
Result #4 is the final Contents Protective Device credit amount

5. Final V&MM Premium X Protective Device Credit (negative %)
Result #5 is the final V&MM Protective Device credit amount

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Rate Tables A and B Rating Steps

RATE TABLE A PREMIUMS RATING STEPS

Use these steps for the following Endorsements or Coverage Options:

- Other Structures
- Fair Rental Value
- Additional Living Expense
- Plants, Shrubs, Trees (DP-1)

Fire Rating Steps

1. Fire Building Key Premium (developed previously)
2. Additional amount per \$10,000 for Coverage A (from Key Factor Table)/10 rounded to 3 decimals.
3. Result #1 X Result #2 rounded to 2 decimals.
4. Result #3 is the Fire Table A rate per \$1,000 of coverage.

Extended Coverage Rating Steps

1. EC Building Key Premium (developed previously)
2. Additional amount per \$10,000 for Coverage A (from Key Factor Table)/10 rounded to 3 decimals.
3. Result #1 X Result #2 rounded to 2 decimals.
4. Result #3 is the EC Table A rate per \$1,000 of coverage.

RATE TABLE B PREMIUMS RATING STEPS

Use these steps for the following Endorsements or Coverage Options:

- Improvements, Alterations and Additions
- Merchandise in Storage

Fire Rating Steps

1. Fire Contents Key Premium (developed previously)
2. Additional amount per \$10,000 for Coverage C (from Key Factor Table)/10 rounded to 3 decimals.
3. Result #1 X Result #2 rounded to 2 decimals.
4. Result #3 is the Fire Table B rate per \$1,000 of coverage.

Extended Coverage Rating Steps

1. EC Contents Key Premium (developed previously)
2. Additional amount per \$10,000 for Coverage C (from Key Factor Table)/10 rounded to 3 decimals.
3. Result #1 X Result #2 rounded to 2 decimals.
4. Result #3 is the EC Table B rate per \$1,000 of coverage.

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps

VANDALISM AND MALICIOUS MISCHIEF (V&MM) RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

Use these steps to add V&MM Coverage to Form DP0001

1. V&MM Rate per \$1,000 X Coverage A amount, in thousands
2. Result #1 X Extended Coverage All-Peril Deductible Factor
3. Result #2 X Employee Discount Factor
4. Result #3 X Loss Experience Rating Factor
5. Result #4 X Building Items Condo Unit-Owner Factor (if applicable)

6. V&MM Rate per \$1,000 X Coverage C amount, in thousands
7. Result #6 X Extended Coverage All-Peril Deductible Factor
8. Result #7 X Employee Discount Factor
9. Result #8 X Loss Experience Rating Factor

10. Result #5 + Result #9
11. Result #10 X Term Factor
Result #11 is the preliminary V&MM Premium

12. Result #11 X Capping Factor (round down to nearest whole dollar)
Result #12 is the final V&MM Premium

OTHER STRUCTURES RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Other Structures Coverage amount / 1,000
2. Result #1 X Fire Table A rate per \$1,000
3. Result #2 X Fire Deductible Factor

Note A: If Extended Coverage (DP0001) or Broad or Special Coverage (DP0002 or DP0003) applies, follow the steps below. Otherwise, skip to Note B.

4. Other Structures Coverage amount / 1,000
5. Result #4 X EC Table A rate per \$1,000
6. Result #5 X EC Deductible Factor

Note B: If Vandalism & Malicious Mischief applies, follow the steps below. Otherwise, skip to step 10.

7. Other Structures Coverage amount / 1,000
8. Result #7 X V&MM rate per \$1,000
9. Result #8 X Extended Coverage All-Peril Deductible Factor

10. Result #3 + Result #6 (if applicable) + Result #9 (if applicable)
11. Result #10 X Employee Discount Factor
12. Result #11 X Term Factor
Result #12 is the preliminary Other Structures premium

13. Result #12 X Capping Factor (round down to nearest whole dollar)
Result #13 is the final Other Structures premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps (continued)

FAIR RENTAL VALUE RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Fair Rental Value Coverage amount / 1,000
2. Result #1 X Fire Table A rate per \$1,000

Note A: If Extended Coverage (DP0001) or Broad or Special Coverage (DP0002 or DP0003) applies, follow steps below. Otherwise, skip to Note B.

3. Fair Rental Value Coverage amount / 1,000
4. Result #3 X EC Table A rate per \$1,000

Note B: If Vandalism & Malicious Mischief applies, follow the steps below. Otherwise, skip to step 8.

5. Fair Rental Value Coverage amount / 1,000
6. Result #5 X V&MM rate per \$1,000
7. Result #6 X Extended Coverage All-Peril Deductible Factor
8. Result #2 + Result #4 (if applicable) + Result #7 (if applicable)
9. Result #8 X Employee Discount Factor
10. Result #9 X Term Factor

Result #10 is the preliminary Fair Rental Value premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
- Result #11 is the final Fair Rental Value premium*

ADDITIONAL LIVING EXPENSE RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Additional Living Expense Coverage amount / 1,000
2. Result #1 X Fire Table A rate per \$1,000

Note A: If Extended Coverage (DP0001) or Broad or Special Coverage (DP0002 or DP0003) applies, follow steps below. Otherwise, skip to Note B.

3. Additional Living Expense Coverage amount / 1,000
4. Result #3 X EC Table A rate per \$1,000

Note B: If Vandalism & Malicious Mischief applies, follow the steps below. Otherwise, skip to step 8.

5. Additional Living Expense Coverage amount / 1,000
6. Result #5 X V&MM rate per \$1,000
7. Result #6 X Extended Coverage All-Peril Deductible Factor
8. Result #2 + Result #4 (if applicable) + Result #7 (if applicable)
9. Result #8 X Employee Discount Factor
10. Result #9 X Term Factor

Result #10 is the preliminary Additional Living Expense premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
- Result #11 is the final Additional Living Expense premium*

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps (continued)

IMPROVEMENTS, ALTERATIONS, & ADDITIONS RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

NOTE: This coverage will no longer be available for new business as of 11/15/2009.

1. Building Additions, Alterations, & Improvements Coverage amount / 1,000
2. Result #1 X Fire Table B rate per \$1,000

Note A: If Extended Coverage (DP0001) or Broad or Special Coverage (DP0002 & DP0003) applies, follow steps below. Otherwise, skip to Note B.

3. Building Additions, Alterations, & Improvements Coverage amount / 1,000
4. Result #3 X EC Table B rate per \$1,000

Note B: If Vandalism & Malicious Mischief applies, follow the steps below.
Otherwise, skip to step 8.

5. Building Additions, Alterations, & Improvements Coverage amount / 1,000
6. Result #5 X V&MM rate per \$1,000
7. Result #6 X Extended Coverage All-Peril Deductible Factor

8. Result #2 + Result #4 (if applicable) + Result #7 (if applicable)
9. Result #8 X Employee Discount Factor
10. Result #9 X Term Factor

Result #10 is the preliminary Building Additions, Alterations, & Improvements premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
Result #11 is the final Building Additions, Alterations, & Improvements premium

MERCHANDISE IN STORAGE RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Merchandise In Storage Coverage amount / 1,000
2. Result #1 X Fire Table B rate per \$1,000

Note A: If Extended Coverage (DP0001) or Broad or Special Coverage (DP0002 or DP0003) applies, follow steps below. Otherwise, skip to Note B.

3. Merchandise In Storage Coverage amount / 1,000
4. Result #3 X EC Table B rate per \$1,000

Note B: If Vandalism & Malicious Mischief applies, follow the steps below.
Otherwise, skip to step 8.

5. Merchandise In Storage Coverage amount / 1,000
6. Result #5 X V&MM rate per \$1,000
7. Result #6 X Extended Coverage All-Peril Deductible Factor

8. Result #2 + Result #4 (if applicable) + Result #7 (if applicable)
9. Result #8 X Employee Discount Factor
10. Result #9 X Term Factor

Result #10 is the preliminary Merchandise In Storage premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
Result #11 is the final Merchandise In Storage premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps (continued)

PLANTS, SHRUBS, AND TREES RATING STEPS
(round to whole dollar after each step, unless otherwise noted)

1. Plants, Shrubs, and Trees Coverage amount / 1,000

To add Plants, Shrubs, and Trees to form DP0001 only, follow the steps below. For adding windstorm or hail coverage (all forms), see step 5.

2. Result #1 X Fire Table A rate per \$1,000
3. Result #1 X EC Table A rate per \$1,000.
4. Result #2 + Result #3
5. Result #1 X Plants, Shrubs, and Trees -- Windstorm or Hail rate per \$1,000

If Vandalism & Malicious Mischief applies, follow the step below.
Otherwise, skip to step 8.

6. Result #1 X V&MM rate per \$1,000
7. Result #6 X Extended Coverage All-Peril Deductible Factor
8. Result #4 (DP0001 only) + Result #5 + Result #7 (if applicable)
9. Result #8 X Employee Discount Factor
10. Result #9 X Term Factor

Result #10 is the preliminary Plants, Shrubs, and Trees premium

11. Result #10 X Capping Factor (round down to nearest whole dollar)
- Result #11 is the final Plants, Shrubs, and Trees premium*

EARTHQUAKE COVERAGE RATING STEPS
(round to whole dollar after each step, unless otherwise noted)

1. Coverage A amount / 1,000
2. Result #1 X Earthquake Coverage rate per \$1,000
3. Coverage C amount / 1,000
4. Result #3 X Earthquake Coverage rate per \$1,000

Result #4 must be a minimum of \$1 if Result #3 is greater than zero.

5. Result #2 + Result #4
6. Result #5 X Earthquake Deductible Factor
7. Result #6 X Employee Discount Factor
8. Result #7 X Term Factor

Result #8 is the preliminary Earthquake Coverage premium

9. Result #8 X Capping Factor (round down to nearest whole dollar)
- Result #9 is the final Earthquake Coverage premium*

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps (continued)

**WINDSTORM OR HAIL COVERAGE – AWNINGS, SIGNS, AND OUTDOOR RADIO
AND TV EQUIPMENT RATING STEPS**

(round to whole dollar after each step, unless otherwise noted)

1. Windstorm or Hail Coverage -- Awnings, Signs, and Outdoor Radio and TV Equipment Coverage amount / 1,000
2. Result #1 X Windstorm or Hail Coverage -- Awnings, Signs, and Outdoor Radio and TV Equipment rate per \$1,000
3. Result #2 X Employee Discount Factor
4. Result #3 X Term Factor
Result #4 is the preliminary Windstorm or Hail Coverage -- Awnings, Signs, and Outdoor Radio and TV Equipment premium
5. Result #4 X Capping Factor (round down to nearest whole dollar)
Result #5 is the final Windstorm or Hail Coverage -- Awnings, Signs, and Outdoor Radio and TV Equipment premium

CONDITION CHARGE RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

Use these steps when condition charges apply. The steps should be applied separately to the coverage amounts for Coverage A, Coverage C, and Other Structures

1. Condition Charge Rate per \$1,000* X Coverage amount, in thousands
2. Result #2 X Employee Discount Factor
3. Result #3 X Term Factor
Result #3 is the preliminary Condition Charge

4. Result #3 X Capping Factor (round down to nearest whole dollar)
Result #5 is the final Condition Charge

* Condition Charge is determined by adding the charge for each condition that exists at the insured location. If the total charge exceeds \$5.00 per \$1,000, or there is a range of rates provided for a condition that exists, please contact your underwriter to determine acceptance and premium for this risk.

ORDINANCE OR LAW COVERAGE RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Preliminary Fire Building Base Premium + Preliminary Extended Coverage Building Base Premium
2. Result #1 X Ordinance or Law percent charge
Result #2 is the preliminary Ordinance or Law premium
3. Result #2 X Capping Factor (round down to nearest whole dollar)
Result #3 is the final Ordinance or Law premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Optional Coverages Rating Steps (continued)

BUILDING ITEMS CONDO UNIT-OWNER – STANDARD – DF 17 66 RATING STEPS
and
BUILDING ITEMS CONDO UNIT OWNER – MODIFIED – DF 17 71 RATING STEPS

Use Fire – Building Rating Steps and Extended Coverage – Building Rating Steps, using the Building Items Condo Unit-Owner endorsement coverage amount in place of the building coverage amount (the Coverage A limit). Rate contents coverage as usual with the selected contents coverage amount.

THEFT OF BUILDING MATERIALS RATING STEPS
(round to whole dollar after each step, unless otherwise noted)

1. Theft of Building Materials annual premium for amount of coverage selected
2. Result #1 X Employee Discount Factor
3. Result #2 X Term Factor

Result #3 is the preliminary Theft of Building Materials premium

4. Result #3 X Capping Factor (round down to nearest whole dollar)
- Result #4 is the final Theft of Building Materials premium*

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Dwelling Fire Liability Rating Steps

PREMISES LIABILITY (a.k.a. LANDLORDS LIABILITY) RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Premises (Non-Owner Occupied) Liability Premium + Premises (Non-Owner Occupied) Medical Payment Premium
(Premiums based on liability or medical payment limit, number of families, and occupancy)
2. Result #1 X Loss Experience Rating Factor
3. Result #2 X Employee Discount Factor
4. Result #3 X Term Factor

Result #4 is the preliminary Premises Liability premium

5. Result #4 X Capping Factor (round down to nearest whole dollar)

Result #5 is the final Premises Liability premium

PERSONAL LIABILITY (a.k.a. COMPREHENSIVE PERSONAL LIABILITY) RATING STEPS

(round to whole dollar after each step, unless otherwise noted)

1. Personal (Owner Occupied) Liability Premium + Personal (Owner Occupied) Medical Payment Premium
(Premiums based on liability or medical payment limit, number of families, and occupancy)
2. Result #1 X Loss Experience Rating Factor
3. Result #2 X Employee Discount Factor
4. Result #3 X Term Factor

Result #4 is the preliminary Personal Liability premium

5. Result #4 X Capping Factor (round down to nearest whole dollar)

Result #5 is the final Personal Liability premium

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Fire

Forms DP-1, DP-2, and DP-3

Base Class Rates		
Fire Coverage A and C		
	Coverage	
Territory	A	C
30	108	29
31	108	29
32	108	29
33	108	29

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Fire

Forms DP-1, DP-2, and DP-3

Protection Construction Relativities			
Fire Coverage A and C			
		Coverage	
Construction	PC	A	C
Frame	1	0.96	0.96
Frame	2	0.97	0.97
Frame	3	0.98	0.98
Frame	4	0.99	0.99
Frame	5	1.00	1.00
Frame	6	1.01	1.01
Frame	7	1.46	1.28
Frame	8	1.70	1.44
Frame	8B	2.27	1.82
Frame	9	2.40	1.95
Frame	10	3.11	2.48
Frame	1X-8X	2.40	1.95
Frame	1Y-8Y	2.27	1.82
Frame	10W	3.11	2.48
Masonry	1	0.71	0.71
Masonry	2	0.72	0.72
Masonry	3	0.73	0.73
Masonry	4	0.74	0.74
Masonry	5	0.75	0.75
Masonry	6	0.76	0.76
Masonry	7	1.10	0.93
Masonry	8	1.27	1.04
Masonry	8B	1.50	1.26
Masonry	9	1.59	1.35
Masonry	10	2.10	1.73
Masonry	1X-8X	1.59	1.35
Masonry	1Y-8Y	1.50	1.26
Masonry	10W	2.10	1.73

ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014

Fire

Forms DP-1, DP-2, and DP-3

	Owner/Non-Owner Relativities	
Coverage	Non-Owner	Owner
A	1.25	1.00
C	1.00	1.00

Number of Families	Coverage	
	A	C
1	1.00	1.00
2	1.10	1.00
3	1.60	1.30
4	1.60	1.30
5 or more	N/A	1.30

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014**

Extended Coverage
Forms DP-1, DP-2, and DP-3

Base Class Rates		
EC Coverage A and C		
	Coverage	
Territory	A	C
30	125	9
31	125	9
32	125	9
33	125	9

Extended Coverage Form Relativities				
Seasonal or		Policy Form		
Non-Seasonal	Coverage	DP-1	DP-2	DP-3
NonSeasonal	A	1.00	1.50	1.80
	C	1.00	2.30	2.30
Seasonal	A	1.00	1.75	2.10
	C	1.00	2.75	2.75

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014**

Key Factors									
Limit of Liability	Fire		EC		Limit of Liability	Fire		EC	
	Cov. A	Cov. C	Cov. A	Cov. C		Cov. A	Cov. C	Cov. A	Cov. C
\$1,000	0.310	0.350	0.566	0.170	\$36,000	1.261	4.900	1.365	6.040
\$2,000	0.346	0.480	0.588	0.330	\$37,000	1.278	5.030	1.388	6.210
\$3,000	0.382	0.610	0.611	0.500	\$38,000	1.294	5.160	1.411	6.380
\$4,000	0.419	0.740	0.634	0.670	\$39,000	1.311	5.290	1.434	6.550
\$5,000	0.455	0.870	0.657	0.830	\$40,000	1.327	5.420	1.456	6.720
\$6,000	0.491	1.000	0.680	1.000	\$41,000	1.343	5.550	1.479	6.890
\$7,000	0.528	1.130	0.703	1.170	\$42,000	1.359	5.680	1.502	7.060
\$8,000	0.564	1.260	0.726	1.340	\$43,000	1.376	5.810	1.525	7.230
\$9,000	0.600	1.390	0.749	1.500	\$44,000	1.392	5.940	1.547	7.400
\$10,000	0.637	1.520	0.771	1.670	\$45,000	1.409	6.070	1.570	7.570
\$11,000	0.673	1.650	0.794	1.840	\$46,000	1.425	6.200	1.593	7.740
\$12,000	0.709	1.780	0.817	2.000	\$47,000	1.441	6.330	1.616	7.910
\$13,000	0.746	1.910	0.840	2.170	\$48,000	1.457	6.460	1.639	8.080
\$14,000	0.782	2.040	0.862	2.330	\$49,000	1.474	6.590	1.662	8.250
\$15,000	0.818	2.170	0.885	2.500	\$50,000	1.490	6.720	1.685	8.420
\$16,000	0.855	2.300	0.908	2.670	\$55,000	1.570	7.370	1.800	9.270
\$17,000	0.891	2.430	0.931	2.840	\$60,000	1.650	8.020	1.915	10.120
\$18,000	0.927	2.560	0.953	3.000	\$65,000	1.730	8.670	2.030	10.970
\$19,000	0.964	2.690	0.977	3.170	\$70,000	1.810	9.320	2.145	11.820
\$20,000	1.000	2.820	1.000	3.340	\$75,000	1.890	9.970	2.260	12.670
\$21,000	1.017	2.950	1.023	3.510	\$80,000	1.970	10.620	2.375	13.520
\$22,000	1.033	3.080	1.046	3.670	\$85,000	2.050	11.270	2.490	14.370
\$23,000	1.049	3.210	1.069	3.840	\$90,000	2.130	11.920	2.605	15.220
\$24,000	1.065	3.340	1.091	4.000	\$95,000	2.210	12.570	2.720	16.070
\$25,000	1.082	3.470	1.114	4.170	\$100,000	2.290	13.220	2.835	16.920
\$26,000	1.098	3.600	1.137	4.340	\$105,000	2.370	13.870	2.950	17.770
\$27,000	1.115	3.730	1.160	4.510	\$110,000	2.450	14.520	3.065	18.620
\$28,000	1.131	3.860	1.182	4.680	\$115,000	2.530	15.170	3.180	19.470
\$29,000	1.147	3.990	1.205	4.850	\$120,000	2.610	15.820	3.295	20.320
\$30,000	1.163	4.120	1.228	5.020	\$125,000	2.690	16.470	3.410	21.170
\$31,000	1.180	4.250	1.251	5.190	\$130,000	2.770	17.120	3.525	22.020
\$32,000	1.196	4.380	1.273	5.360	\$135,000	2.850	17.770	3.640	22.870
\$33,000	1.213	4.510	1.297	5.530	\$140,000	2.930	18.420	3.755	23.720
\$34,000	1.229	4.640	1.320	5.700	\$145,000	3.010	19.070	3.870	24.570
\$35,000	1.245	4.770	1.343	5.870	\$150,000	3.090	19.720	3.985	25.420
					Add'l 10k	0.160	1.300	0.230	1.700

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014**

Credits And Charges To The Basic Premium

Superior Construction Factor		
Fire Resistive, Masonry		
Non-Combustible, and		0.50
Non-Combustible		

Dwelling Under Construction Factor		
Named Insured is the Intended Occupant		0.65
Named Insured is not the Intended Occupant		0.65

Deductible Factors		
Deductible	Fire	Extended Coverage
\$1,000	1.00	1.00
\$1,500	0.98	0.90
\$2,500	0.95	0.71
\$5,000	0.90	0.43

Windstorm or Hail Deductible Factors		
Coverage A, B, C, D, Or E And Coverage Options For Buildings And Non-Building Structures		
All Other Perils Ded. Amt.	Windstorm Or Hail Deductible Amounts	
	\$2,000	\$5,000
\$1,000	0.84	0.53
\$1,500	0.82	0.51
\$2,500	--	0.47

Loss Experience Rating Factor		
Number of Losses	Surcharge	
	0-9 Years with State Auto	10 Plus Years with State Auto
1	+15%	0%
2 or more	+40%	+25%

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
EFFECTIVE 09-17-2014**

Credits And Charges To The Basic Premium

Protective Device Credit						Credits	
						Dwelling	Contents
Central Station Reporting Fire Alarm						-10%	-5%
Fire Department Reporting Fire Alarm						-10%	-5%
Local Fire Alarm						-5%	-3%
Automatic Sprinklers in all areas including attics, bathrooms, closets, attached structures						-15%	-10%
Automatic Sprinklers in all areas except attic, bathroom, closet, and attached structure areas that are protected by a fire detector						-5%	-3%
Smoke Detectors						-2%	-2%
Maximum Policy Credit Allowed Is						15%	

ACV Wind/Hail Loss To Roof Factor
N/A in Arkansas

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
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Optional Coverages

Vandalism And Malicious Mischief -- Form DP-1 Only			
Rates per \$1,000 of Coverage			
Seasonal & Not Vacant	Vacant	Builders Risk	All Other
\$0.57	\$9.19	\$0.12	\$0.12

Plants, Shrubs, and Trees -- Windstorm or Hail Coverage	
Rates per \$1,000	
DP-1	DP-2 or DP-3
\$55	\$55

Earthquake Coverage			
The following rates per \$1,000 shall apply:			
	Territory 1	Territory 2	
Masonry	\$1.46	\$0.92	
Frame	\$0.68	\$0.37	
Superior	\$0.68	\$0.34	
Earthquake Deductible Factors			
Deductible Percentage	Frame	Masonry	Superior
5%	1.00	1.00	1.00
10%	0.85	0.91	0.82
15%	0.71	0.83	0.65
20%	0.58	0.76	0.49
25%	0.46	0.70	0.34

Windstorm or Hail Coverage- Awnings, Signs, and Outdoor Radio and TV Equipment -- All Forms
Rate per \$1,000
\$55

Building Items Condo Unit-Owner Factors	
Standard, DF 1766	1.00
Modified, DF 1771	1.25

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
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Optional Coverages

Condition Charges
Rate per \$1,000
\$2.40

Ordinance Or Law Coverage		
DP-1		
Percentage of Coverage A		
Total Amount		Percent Charge
10%		3%
25%		8%
50%		15%
75%		23%
DP-2 and DP-3		
Increase In Amount	Total Amount	Percent Charge
15%	25%	5%
40%	50%	12%
65%	75%	20%
90%	100%	27%

Theft of Building Materials	
Coverage Amount	Annual Premium
\$2,000	\$35

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
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Liability Premiums

LIABILITY- COVERAGE L			
Number of Families	Liability Limit	Occupancy	
		Non-Owner	Owner
1	\$50,000	\$19	\$18
1	\$100,000	\$21	\$20
1	\$200,000	\$25	\$24
1	\$300,000	\$27	\$26
1	\$400,000	\$28	\$27
1	\$500,000	\$29	\$28
2	\$50,000	\$30	\$29
2	\$100,000	\$34	\$33
2	\$200,000	\$39	\$38
2	\$300,000	\$43	\$42
2	\$400,000	\$45	\$44
2	\$500,000	\$46	\$46
3	\$50,000	\$68	\$37
3	\$100,000	\$73	\$41
3	\$200,000	\$84	\$47
3	\$300,000	\$91	\$52
3	\$400,000	\$96	\$55
3	\$500,000	\$100	\$57
4	\$50,000	\$82	\$46
4	\$100,000	\$90	\$51
4	\$200,000	\$105	\$60
4	\$300,000	\$113	\$65
4	\$400,000	\$118	\$69
4	\$500,000	\$123	\$72

* Note: For 5+ family dwellings where contents-only coverage is provided, use the 1 family rates.

**ARKANSAS DWELLING FIRE RATING STEPS, RATES, AND RELATIVITIES
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Medical Payments Premiums

MEDICAL PAYMENTS - COVERAGE M			
Number of Families	Medical Payments Limit	Occupancy	
		Non-Owner	Owner
1	\$500	\$1	\$1
1	\$1,000	\$1	\$3
1	\$2,000	\$2	\$7
1	\$3,000	\$3	\$10
1	\$4,000	\$5	\$14
1	\$5,000	\$6	\$17
2	\$500	\$1	\$3
2	\$1,000	\$2	\$6
2	\$2,000	\$3	\$9
2	\$3,000	\$5	\$12
2	\$4,000	\$6	\$16
2	\$5,000	\$7	\$19
3	\$500	\$2	\$5
3	\$1,000	\$3	\$7
3	\$2,000	\$5	\$10
3	\$3,000	\$6	\$14
3	\$4,000	\$7	\$17
3	\$5,000	\$8	\$20
4	\$500	\$3	\$7
4	\$1,000	\$5	\$9
4	\$2,000	\$6	\$12
4	\$3,000	\$7	\$16
4	\$4,000	\$8	\$19
4	\$5,000	\$9	\$23

* Note: For 5+ family dwellings where contents-only coverage is provided, use the 1 family rates.

ARKANSAS DWELLING FIRE PROGRAM

25. SINGLE BUILDING DEFINITIONS

All buildings or sections of buildings which are accessible through unprotected openings shall be considered as a single building.

Buildings which are separated by space shall be considered separate buildings.

Buildings or sections of buildings which are separated by an 8 inch masonry party wall which pierces or rises to the underside of the roof and which pierces or extends to the inner side of the exterior wall shall be considered separate buildings. Accessibility between buildings with independent walls or through masonry party walls described above shall be protected by at least a Class A Fire Door installed in a masonry wall section.

26. PROTECTION CLASS

The protection class returned by ISO LOCATION[®] (PPC[™]) will apply to risks insured under Dwelling Fire Policies.

1. If a single class of fire protection is available for an entire area or municipality that is the class that applies (must be located within 6 miles of the primary responding fire department).
2. In classified area where two or more classifications are shown for the primary responding fire department, the classifications will be displayed as “#/#X” (e.g. 6/6X that was formerly published as 6/9), “#/#Y” (e.g. 6/6Y that was formerly published as 6/8B) or “#/10 (e.g. 6.10). The classification is as follows:

Distance to Primary Responding Fire Department	Protection Class
a. 5 road miles or less and within 1000 feet of hydrant	Use first class shown (e.g.6/6X, use Class 6)
b. 5 road miles or less and over 1000 feet to hydrant	(e.g., if 6/6X) use Class 6X or (e.g., if 6/6Y) use Class 6Y
c. More than five but less than seven road miles and within 1000 feet of hydrant	Use Class 10W
For properties not qualifying for a., b., or c. above	Use Class 10

State: Arkansas **Filing Company:** State Auto Property and Casualty Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Arkansas Dwelling Fire - Rates and Rules
Project Name/Number: Rates and Rules eff 09-17-14/AR_DF_RR_20140917_SPC

Supporting Document Schedules

Satisfied - Item:	H-1 Homeowners Abstract
Comments:	
Attachment(s):	20140917_AR_DF_RR_AID-PC-H-1_SPC.pdf
Item Status:	Filed
Status Date:	06/02/2014
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	
Attachment(s):	20140917_AR_DF_RR_HPCS_SPC.xls 20140917_AR_DF_RR_HPCS_SPC.pdf
Item Status:	Filed
Status Date:	06/02/2014
Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	20140917_AR_DF_RR_PC-RLC_SPC.pdf
Item Status:	Filed
Status Date:	06/02/2014
Satisfied - Item:	Exhibits
Comments:	
Attachment(s):	20140917_AR_DF_RR_Act-Exh_SPC.pdf 20140917_AR_DF_RR_MNL-SUMM_SPC.pdf
Item Status:	Filed
Status Date:	06/02/2014
Satisfied - Item:	Exhibits VIII & IX
Comments:	
Attachment(s):	AR_DF_RR_ActExhibits_VIII&IX.pdf
Item Status:	Filed
Status Date:	06/02/2014

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

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

Company Name _____

NAIC # (including group #) _____

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

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

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

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

5. Specify the percentage given for credit or discounts for the following:
 - a. Fire Extinguisher _____%
 - b. Burglar Alarm _____%
 - c. Smoke Alarm _____%
 - d. Insured who has both homeowners and auto with your company _____%
 - e. Deadbolt Locks _____%
 - f. Window or Door Locks _____%
 - g. Other (specify) _____%
 - _____%
 - _____%

*PLEASE REFER TO PAGE RD-20 OF THE RATE DOCUMENT FOR THE PROTECTIVE DEVICE CREDITS.

6. Are there any areas in the State of Arkansas In which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.
7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.

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

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

9. Is there a surcharge on risks with wood heat? _____
 If yes, state the surcharge _____
 Does the surcharge apply to conventional fire places? _____
 If yes, state the surcharge _____

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

Signature

Printed Name

Title

Telephone Number

Email address

NAIC Number: 25127
 Company Name: State Auto Property & Casualty Insurance Company
 Contact Person: Jon Eshelman
 Telephone No.: 614-917-4592
 Email Address: Jon.Eshelman@stateauto.com
 Effective Date: 9/17/2014

**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																		
	\$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	Please note that the following assumptions have also been made for the purposes of these premium calculations: Coverage C (personal property) limit of liability = \$5,000, non-owner occupied, 1 family, non-seasonal dwelling.																	
	\$25,000	Also, a \$1,000 all-peril deductible has been used for each category.																	

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	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00	\$677.00	\$750.00
	\$120,000	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00	\$912.00	\$1,007.00
	\$160,000	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00	\$1,149.00	\$1,265.00
6	\$80,000	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00	\$686.00	\$757.00
	\$120,000	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00	\$924.00	\$1,016.00
	\$160,000	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00	\$1,163.00	\$1,276.00
9	\$80,000	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00	\$922.00	\$1,152.00
	\$120,000	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00	\$1,231.00	\$1,532.00
	\$160,000	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00	\$1,542.00	\$1,912.00

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

HO3 and HO4 only

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

EARTHQUAKE INSURANCE

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

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

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking #	AR_DF_RR_20140917_SPC
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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	Insurance Services Office (ISO)
--	---------------------------------

Company Name		Company NAIC Number		
3.	A.	State Auto Property & Casualty Insurance Company	B.	25127

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.	30.1 Dwelling/Personal Liability	B.	30.1000 Dwelling Fire/Personal Liability

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 – Cov. A	-3.0%	0.0%					
Dwelling Fire – Cov. C	-3.0%	0.0%					
Dwelling Extended – Cov. A	+27.6%	+14.8%					
Dwelling Extended – Cov. C	+27.6%	+16.5%					
Liability	+12.7%	+12.3%					
TOTAL OVERALL EFFECT	+16.9%	+9.7%					

6.		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	1058	0%	12/17/07	560	81	14.5%	75.5%
2008	1172	11.4%	11/15/08	644	1459	226.6%	92.4%
2009	1289	14.4%	11/15/09	775	818	105.5%	88.6%
2011	1260	9.8%	05/20/11	922	942	102.2%	79.2%
2012	1225	15.0%	11/17/12	989	617	70.1%	51.2%
2013	1069	18.1%	9/17/13	1,008	684	67.9%	38.4%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	N/A
C. Taxes, License & Fees	N/A
D. Underwriting Profit & Contingencies	N/A
E. Other (explain)	N/A
F. TOTAL	N/A

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): +12.0% (Uniform Territory Relativities)
10. Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable): +0.5% (Uniform Territory Relativities)

State Auto Insurance Companies
Dwelling Fire Rate and Rule Filing – Arkansas

Index of Exhibits

Exhibit I	Actuarial Memo
Exhibit II	Summary of Overall Impacts
Exhibit III	Rate Level Indications
Exhibit IV	Premium and Loss Adjustments
Exhibit V	Companywide Rate Level Indications
Exhibit VI	Weather Smoothing Support
Exhibit VII	Impact Histogram

1. Base Rates

Base Rates will be revising for Extended Coverage A & C and Liability/Medical Payments. The impact of the Extended Coverage A uniform base rate change targets an overall adequacy impact of +14.8% on Extended Coverage A premiums. The impact of the Extended Coverage C uniform base rate change targets an overall adequacy impact of approximately +16.5% on Extended Coverage C premiums. The impact of the Liability/Medical Payments uniform base rate change targets an overall adequacy impact of approximately +12.3% on Liability/Medical Payments premiums.

2. Split Public Protection Classification:

We are submitting for adoption ISO's new Split Public Protection Classifications, which were filed and approved under ISO Filing Designation Numbers AL-2012-RCMC and AL-2012-RCMC (Amendment). This filing is for adoption of rules only, therefore there is no rate impact associated with this change.

Classifications are revised as follows:

- The former "9" portion of the split classification will now be indicated by "X", resulting in new Split Classes 1X – 8X: Our currently approved factors for Protection Class 9 will apply.
- The former "8B" portion of the split classification will now be indicated by "Y", resulting in new Split Classes 1Y – 8Y: Our currently approved factors for Protection Class 8B will apply.
- Introducing new split classification "10W": Our currently approved factors for Protection Class 10 will apply.

3. Capping

We will maintain the 20% cap on premium at renewal to policies, absent any changes in underwriting characteristics.

**Arkansas
Dwelling Program
Overall Impact**

<u>FIRE</u>	YE 02/2014 Uncapped On-Level Written Premium	<u>Credibility Weighted Indicated Changes</u>		<u>Adequacy Impact</u>		<u>Proposed Change</u>	
		<u>Indicated Change</u>	<u>Key Premium</u>	<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>
Coverage		Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change
Building	\$ 376,455	-3.0%	\$ (11,295)	0.0%	\$ -	0.0%	\$ -
Contents	\$ 13,446	-3.0%	\$ (403)	0.0%	\$ -	0.0%	\$ -
Both	\$ 389,901	-3.0%	\$ (11,698)	0.0%	\$ -	0.0%	\$ -
 <u>EXTENDED COVERAGE</u>							
Coverage	YE 02/2014 Uncapped On-Level Written Premium	<u>Indicated Change</u>		<u>Key Premium</u>		<u>Proposed Change</u>	
		<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>
Building	\$ 720,858	27.6%	\$ 199,195	14.8%	\$ 106,575	14.8%	\$ 106,575
Contents	\$ 8,670	27.6%	\$ 2,396	16.5%	\$ 1,433	16.5%	\$ 1,433
Both	\$ 729,528	27.6%	\$ 201,591	14.8%	\$ 108,008	14.8%	\$ 108,008
 <u>LIABILITY</u>							
Total	YE 02/2014 Uncapped On-Level Written Premium	<u>Indicated Change</u>		<u>Key Premium</u>		<u>Proposed Change</u>	
		<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>
Total	\$ 20,745	12.7%	\$ 2,628	12.3%	\$ 2,554	12.3%	\$ 2,554
OVERALL TOTAL	\$ 1,140,174	16.9%	\$ 192,520	9.7%	\$ 110,562	9.7%	\$ 110,562

**State Auto Insurance Companies
Arkansas Dwelling Fire**

FIRE

Rate Level Indications -- Assumed Effective Date 09/17/2014

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	485,929	1,200	222,400	45.8%	0.100
2009	537,238	1,342	419,280	78.0%	0.150
2010	535,680	1,353	84,014	15.7%	0.200
2011	510,638	1,307	365,742	71.6%	0.250
2012	493,149	1,262	466,431	94.6%	0.300
	<u>2,562,635</u>	<u>6,464</u>	<u>1,557,865</u>	<u>60.8%</u>	<u>1.000</u>

(7)	Weighted Experience Loss & LAE Ratio	65.7%
(8)	Fixed Expense Ratio	9.5%
(9)	Variable Permissible Loss & LAE Ratio (A)	63.8%
(10)	Indicated Rate Level Change Before Credibility	17.9%
(11)	Credibility (B)	0.40
(12)	Complement Loss & LAE Ratio (C)	43.4%
(13)	Credibility Weighted Loss & LAE Ratio	52.4%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	61.9%
(15)	Credibility Weighted Indication (D)	-3.0%

Expense	Variable	Fixed
Other Acquisition Expense	6.1%	6.1%
General Expenses	3.4%	3.4%
Commissions Expense	16.1%	0.0%
Taxes, Misc. Fees	2.8%	0.0%
Profit & Contingencies (E)	7.8%	0.0%
Reinsurance Costs	0.0%	0.0%
Retained Risk	0.0%	0.0%
<u>Expense Ratio</u>	<u>36.2%</u>	<u>9.5%</u>

(2) Exposures are approximated by earned premium months.

(A) Permissible Loss Ratio = 1 - Variable Expense Ratio

(B) Credibility Standard = 40,000

(C) Complement is the companywide Loss & LAE ratio.

(D) Credibility Weighted Indication = Row (14) / Row (9) -1

(E) Includes Offset For Investment Income

**State Auto Insurance Companies
Arkansas Dwelling Fire**

EXTENDED COVERAGE

Rate Level Indications -- Assumed Effective Date 09/17/2014

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	1,025,357	1,198	908,536	88.6%	0.100
2009	1,125,173	1,340	984,159	87.5%	0.150
2010	1,102,070	1,352	1,055,357	95.8%	0.200
2011	1,028,096	1,304	1,020,739	99.3%	0.250
2012	983,710	1,259	1,010,241	102.7%	0.300
	5,264,406	6,453	4,979,030	94.6%	1.000

(7)	Weighted Experience Loss & LAE Ratio	96.8%
(8)	Fixed Expense Ratio	11.8%
(9)	Variable Permissible Loss & LAE Ratio (A)	67.7%
(10)	Indicated Rate Level Change Before Credibility	60.4%
(11)	Credibility (B)	0.40
(12)	Complement Loss & LAE Ratio (C)	59.7%
(13)	Credibility Weighted Loss & LAE Ratio	74.6%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	86.4%
(15)	Credibility Weighted Indication (D)	27.6%

Expense	Variable	Fixed
Other Acquisition Expense	6.0%	6.0%
General Expenses	3.5%	3.5%
Commissions Expense	16.1%	0.0%
Taxes, Misc. Fees	2.8%	0.0%
Profit & Contingencies (E)	3.9%	0.0%
Reinsurance Costs	0.0%	0.1%
Retained Risk	0.0%	2.2%
Expense Ratio	32.3%	11.8%

- (2) Exposures are approximated by earned premium months.
- (A) Permissible Loss Ratio = 1 - Variable Expense Ratio
- (B) Credibility Standard = 40,000
- (C) Complement is the companywide Loss & LAE ratio for Extended Coverage.
- (D) Credibility Weighted Indication = Row (14) / Row (9) - 1
- (E) Includes Offset For Investment Income

**State Auto Insurance Companies
Arkansas Dwelling Fire**

LIABILITY

Rate Level Indications -- Assumed Effective Date 09/17/2014

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	20,809	716	376	1.8%	0.100
2009	23,698	813	0	0.0%	0.150
2010	24,634	829	0	0.0%	0.200
2011	24,527	819	7,022	28.6%	0.250
2012	24,127	805	86,226	357.4%	0.300
	117,795	3,983	93,624	79.5%	1.000

(7)	Weighted Experience Loss & LAE Ratio	114.6%
(8)	Fixed Expense Ratio	10.3%
(9)	Variable Permissible Loss & LAE Ratio (A)	69.7%
(10)	Indicated Rate Level Change Before Credibility	79.1%
(11)	Credibility (B)	0.32
(12)	Complement Loss & LAE Ratio (C)	46.9%
(13)	Credibility Weighted Loss & LAE Ratio	68.2%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	78.5%
(15)	Credibility Weighted Indication (D)	12.7%

Expense	Variable	Fixed
Other Acquisition Expense	6.6%	6.6%
General Expenses	3.7%	3.7%
Commissions Expense	16.1%	0.0%
Taxes, Misc. Fees	2.3%	0.0%
Profit & Contingencies (E)	1.6%	0.0%
Reinsurance Costs	0.0%	0.0%
Retained Risk	0.0%	0.0%
Expense Ratio	30.3%	10.3%

- (2) Exposures are approximated by earned premium months.
- (A) Permissible Loss Ratio = 1 - Variable Expense Ratio
- (B) Credibility Standard = 40,000
- (C) Complement is the companywide Loss & LAE ratio for Liability Coverage.
- (D) Credibility Weighted Indication = Row (14) / Row (9) -1
- (E) Includes Offset For Investment Income

State Auto Insurance Companies
Arkansas Dwelling Fire
Premiums and Losses

FIRE

Calendar Year Earned Premium

(1) Calendar Year	(2) EPOL	(3) Current Amount Factor	(4) Trended Projection Factor	(5) Adjusted Earned Premium
2008	395,812	1.122	1.094	485,929
2009	453,379	1.083	1.094	537,238
2010	458,228	1.069	1.094	535,680
2011	449,978	1.037	1.094	510,638
2012	451,002	1.000	1.093	493,149
Total	2,208,399			2,562,635

- (3) Premium-weighted average of the factors for Coverage A and Coverage C.
 (4) Premium-weighted average of annual projection factors for Coverage A and Coverage C trended from 07/01/2012 to 09/17/2015.

Accident Year Incurred Loss and Expense

(1) Accident Year	(2) Incurred Loss & ALAE	(3) Loss Development Factor	(4) ULAE Factor	(5) Incurred Loss & LAE	(6) Retrospective Trend Factor	(7) Prospective Trend Factor	(8) Adjusted Incurred Loss & LAE
2008	159,622	1.002	1.057	169,197	1.151	1.142	222,400
2009	310,850	1.005	1.057	330,464	1.111	1.142	419,280
2010	64,958	0.998	1.057	68,562	1.073	1.142	84,014
2011	295,471	0.989	1.057	309,135	1.036	1.142	365,742
2012	403,104	0.958	1.057	408,433	1.000	1.142	466,431
Total	1,234,004			1,285,791			1,557,865

- (4) ULAE Factor is for ASL 1.0
 (6) Retrospective loss trend of 3.6% per year from our AR Homeowners indications.
 (7) Prospective loss trend of 4.2% per year from our most recent AR Homeowners indications trended to 09/17/2015.

State Auto Insurance Companies
Arkansas Dwelling Fire
Premiums and Losses

EXTENDED COVERAGE

Calendar Year Earned Premium

(1) Calendar Year	(2) Earned Premium	(3) Current Amount Factor	(4) Trended Projection Factor	(5) Adjusted Earned Premium
2008	811,627	1.140	1.108	1,025,357
2009	927,767	1.095	1.108	1,125,173
2010	921,860	1.079	1.108	1,102,070
2011	889,286	1.044	1.108	1,028,096
2012	888,145	1.000	1.108	983,710
Total	4,438,686			5,264,406

- (3) Premium-weighted average of the factors for Coverage A and Coverage C.
(4) Premium-weighted average of the factors for Coverage A and Coverage C trended from 07/01/2012 to 09/17/2015.

Accident Year Incurred Loss and Expense

(1) Accident Year	(2) Total EC Incurred Loss & ALAE	(3) Earned Exposures	(4) Total EC Non-Weather Incurred Loss & ALAE	(5) Loss Development Factor	(6) Non-Weather Retrospective Trend Factor	(7) Trended Total EC Non-Weather Incurred Loss & ALAE	(8) Total EC Wind/Hail Incurred Loss & ALAE	(9) Selected Severity Trend from Wind Pure Premium Sheet	(10) Trended Total EC Wind/Hail Incurred Loss & ALAE	(11) % Change W/H Losses From Home	(12) Tot. Trended Adjusted EC Wind/Hail Incurred Loss & ALAE
2008	1,174,280	1,198	52,481	0.9985	1.151	60,316	1,121,799	1.327	1,488,627		556,958
2009	541,220	1,340	36,536	0.9982	1.111	40,517	412,029	1.236	509,268		623,166
2010	307,813	1,352	87,359	0.9928	1.073	93,063	218,351	1.152	251,541		628,571
2011	650,138	1,304	89,832	0.9859	1.036	91,752	552,960	1.073	593,326		606,560
2012	219,982	1,259	109,715	0.9964	1.000	109,320	110,267	1.000	110,267		585,518
Total	2,893,433	6,453	375,922			394,967	2,415,406		2,953,028	1.6%	3,000,774

(13) Total EC Winter Incurred Loss & ALAE	(14) Selected Severity Trend from Winter Pure Premium Sheet	(15) Trended Total EC Winter Incurred Loss & ALAE	(16) % Change Winter Losses From Home	(17) Tot. Trended Adjusted EC Winter Incurred Loss & ALAE	(18) Non-Weather Prospective Trend Factor	(19) Wind/Hail Prospective Trend Factor	(20) Winter Prospective Trend Factor	(21) Total Trended (7) x (18) + (12) x (19) + (17) x (20)	(22) ULAE Factor	(23) Adjusted Incurred Loss & LAE
0	1.250	0		21,195	1.142	1.390	1.000	864,248	1.051	908,536
92,655	1.182	109,518		23,715	1.142	1.390	1.000	936,185	1.051	984,159
2,103	1.118	2,351		23,920	1.142	1.390	1.000	1,003,912	1.051	1,055,357
7,347	1.057	7,766		23,083	1.142	1.390	1.000	970,982	1.051	1,020,739
0	1.000	0		22,282	1.142	1.390	1.000	960,996	1.051	1,010,241
102,105		119,635	-4.5%	114,195				4,736,323		4,979,030

- (6) Non-wind, non-winter retrospective loss trend of 3.6% per year from our AR Homeowners indications trended to 07/01/2012.
- (9) Severity trend of 7.3% applied to each year's EC Wind/Hail Incurred Loss & ALAE. 7.3% is the Homeowners W/H loss severity trend used in determining the Wind Pure Premium.
- (11) 1.6% is the total increase in Homeowners Wind/Hail losses resulting from the Wind smoothing procedure of replacing actual Wind/Hail losses with expected Wind/Hail losses based on the calculated Wind Pure Premium.
- (12) Total from (10) is adjusted by 1.6% (column (11)). The annual totals in column (12) equal the earned exposures for the year divided by the 5 year total earned exposures times the 5 year total in column (12).
- (14) Severity trend of 5.7% applied to each year's EC Winter Incurred Loss & ALAE. 5.7% is the Homeowners Winter loss severity trend used in determining the Winter Pure Premium.
- (16) -4.5% is the total decrease in Homeowners Winter losses resulting from the Winter smoothing procedure of replacing actual Winter losses with expected Winter losses based on the calculated Winter Pure Premium.
- (17) Total from (15) is adjusted by -4.5% (column (16)). The annual totals in column (17) equal the earned exposures for the year divided by the 5 year total earned exposures times the 5 year total in column (17).
- (18) - (20) Prospective loss trends from our most recent AR Homeowners indications trended to 09/17/2015.
- (22) ULAE Factor is for ASL 2.1

State Auto Insurance Companies
Arkansas Dwelling Fire
Premiums and Losses

LIABILITY

Calendar Year Earned Premium

(1) Calendar Year	(2) EPOL	(3) Current Amount Factor	(4) Trended Projection Factor	(5) Adjusted Earned Premium
2008	20,809	1.000	1.000	20,809
2009	23,698	1.000	1.000	23,698
2010	24,634	1.000	1.000	24,634
2011	24,527	1.000	1.000	24,527
2012	24,127	1.000	1.000	24,127
Total	117,795			117,795

Accident Year Incurred Loss and Expense

(1) Accident Year	(2) Incurred Loss & ALAE	(3) Loss Development Factor	(4) ULAE Factor	(5) Incurred Loss & LAE	(6) Retrospective Trend Factor	(7) Prospective Trend Factor	(8) Adjusted Incurred Loss & LAE
2008	248	1.0236	1.125	286	1.151	1.142	376
2009	0	1.0305	1.125	0	1.111	1.142	0
2010	0	1.0114	1.125	0	1.073	1.142	0
2011	4,098	1.2868	1.125	5,935	1.036	1.142	7,022
2012	41,619	1.6120	1.125	75,504	1.000	1.142	86,226
Total	45,966			81,726			93,624

(3) ULAE Factor is for ASL 17.0

(5) Retrospective loss trend of 3.6% per year from our Homeowners indications.

(6) Prospective loss trend of 4.2% per year from our most recent AR Homeowners indications trended to 09/17/2015.

State Auto Insurance Companies
Companywide Dwelling Fire

FIRE
Companywide

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	15,799,712	38,741	6,274,635	39.7%	0.100
2009	16,412,257	40,515	8,445,015	51.5%	0.150
2010	17,598,213	42,802	8,721,734	49.6%	0.200
2011	17,345,326	42,539	7,290,030	42.0%	0.250
2012	15,393,653	39,020	5,811,894	37.8%	0.300
	82,549,161	203,617	36,543,308	44.3%	1.000

(7)	Weighted Experience Loss & LAE Ratio	43.4%
(8)	Fixed Expense Ratio	9.5%
(9)	Variable Permissible Loss & LAE Ratio (A)	63.6%
(10)	Indicated Rate Level Change Before Credibility	-16.8%
(11)	Credibility (B)	1.00
(12)	Complement Loss & LAE Ratio (C)	63.6%
(13)	Credibility Weighted Loss & LAE Ratio	43.4%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	52.9%
(15)	Credibility Weighted Indication (D)	-16.8%

Expense	Variable	Fixed
Other Acquisition Expense	6.1%	6.1%
General Expenses	3.4%	3.4%
Commissions Expense	16.7%	0.0%
Taxes, Misc. Fees	2.3%	0.0%
Profit & Contingencies (E)	7.8%	0.0%
Reinsurance Costs	0.0%	0.0%
Retained Risk	0.0%	0.0%
Expense Ratio	36.4%	9.5%

(2) Exposures are approximated by earned premium months.

(A) Permissible Loss Ratio = 1 - Variable Expense Ratio

(B) Credibility Standard = 40,000

(C) Complement is 1 - Expense Ratio for Fire.

(D) Credibility Weighted Indication = Row (14) / Row (8) -1

(E) Includes Offset For Investment Income

State Auto Insurance Companies
Companywide Dwelling Fire

EXTENDED COVERAGE
Companywide

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	23,078,628	38,596	13,743,614	59.6%	0.100
2009	24,166,642	40,369	14,178,764	58.7%	0.150
2010	24,909,552	42,627	15,610,161	62.7%	0.200
2011	23,920,391	42,333	14,761,203	61.7%	0.250
2012	21,220,931	38,797	12,027,435	56.7%	0.300
	117,296,143	202,721	70,321,178	60.0%	1.000

(7)	Weighted Experience Loss & LAE Ratio	59.7%
(8)	Fixed Expense Ratio	16.5%
(9)	Variable Permissible Loss & LAE Ratio (A)	68.3%
(10)	Indicated Rate Level Change Before Credibility	11.5%
(11)	Credibility (B)	1.00
(12)	Complement Loss & LAE Ratio (C)	68.3%
(13)	Credibility Weighted Loss & LAE Ratio	59.7%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	76.2%
(15)	Credibility Weighted Indication (D)	11.5%

Expense	Variable	Fixed
Other Acquisition Expense	6.0%	6.0%
General Expenses	3.5%	3.5%
Commissions Expense	16.5%	0.0%
Taxes, Misc. Fees	1.7%	0.0%
Profit & Contingencies (E)	3.9%	0.0%
Reinsurance Costs	0.0%	3.2%
Retained Risk	0.0%	3.8%
Expense Ratio	31.7%	16.5%

(2) Exposures are approximated by earned premium months.

(A) Permissible Loss Ratio = 1 - Variable Expense Ratio

(B) Credibility Standard = 40,000

(C) Complement is 1 - Expense Ratio for Extended Coverage.

(D) Credibility Weighted Indication = Row (14) / Row (8) -1

(E) Includes Offset For Investment Income

State Auto Insurance Companies
Companywide Dwelling Fire

LIABILITY
Companywide

Accident Year	(1) On-Level Earned Premiums	(2) Exposures	(3) Adjusted Incurred Loss & LAE	(4) (3) / (1) Loss & LAE Ratio	(5) Weights
2008	1,137,091	23,969	2,042,208	179.6%	0.100
2009	1,220,292	25,758	375,190	30.7%	0.150
2010	1,642,644	28,110	678,686	41.3%	0.200
2011	1,837,703	28,181	710,737	38.7%	0.250
2012	1,656,399	25,426	351,698	21.2%	0.300
	7,494,129	131,445	4,158,519	55.5%	1.000

(7)	Weighted Experience Loss & LAE Ratio	46.9%
(8)	Fixed Expense Ratio	10.3%
(9)	Variable Permissible Loss & LAE Ratio (A)	68.5%
(10)	Indicated Rate Level Change Before Credibility	-16.5%
(11)	Credibility (B)	1.00
(12)	Complement Loss & LAE Ratio (C)	68.5%
(13)	Credibility Weighted Loss & LAE Ratio	46.9%
(14)	Credibility Weighted Loss, LAE & Fixed Expense Ratio	57.2%
(15)	Credibility Weighted Indication (D)	-16.5%

Expense	Variable	Fixed
Other Acquisition Expense	6.6%	6.6%
General Expenses	3.7%	3.7%
Commissions Expense	18.0%	0.0%
Taxes, Misc. Fees	1.6%	0.0%
Profit & Contingencies (E)	1.6%	0.0%
Reinsurance Costs	0.0%	0.0%
Retained Risk	0.0%	0.0%
Expense Ratio	31.5%	10.3%

(2) Exposures are approximated by earned premium months.

(A) Permissible Loss Ratio = 1 - Variable Expense Ratio

(B) Credibility Standard = 40,000

(C) Complement is 1 - Expense Ratio for Liability.

(D) Credibility Weighted Indication = Row (14) / Row (8) -1

(E) Includes Offset For Investment Income

State Auto Insurance Companies
Arkansas Dwelling Fire

Computation of the Percent Change Wind/Hail Losses from Home

	Used in Dwelling <u>Fire Indications</u>
(1) Expected Wind/Hail Losses	\$37,746,300
(2) Expected Hurricane Losses	
Total Adjusted Earned Premium X	\$93,031,938
Expected Annual Hurricane and LAE Loss Ratio	x 0.0%
	<u> \$0</u>
(3) Actual Ultimate Wind/Hail Losses	
Total Adjusted Wind/Hail Losses	\$23,449,662
Annual Selected Non-Cat Retrospective Trend	7.3%
Annual Selected Non-Cat Prospective Trend	10.8%
	<u> \$37,145,710</u>
Percent Change Non-Hurricane Wind/Hail Losses	
= ((1) / (3)) - 1	1.6%

State Auto Insurance Companies
Arkansas Homeowners

(1) Expected Wind/Hail Losses

Year	(1) Trended W/H Pure Premium	(2) Earned House Years	(3) Trended Non-Cat Prospective Loss Trend	(4) (1) * (2) * (3) Expected Wind/Hail Losses
2009	502.46	11,258	1.320	7,466,766
2010	502.46	12,272	1.320	8,139,607
2011	502.46	11,686	1.320	7,750,901
2012	502.46	11,030	1.320	7,315,829
2013	502.46	10,664	1.320	7,073,198
		56,911		37,746,300

(2) Expected Hurricane Losses

(1) Expected Hurricane Loss Ratio	(2) 2008-2012 Trended Adjusted Earned Premium	(3) (1) * (2) Expected Hurricane Losses
0.0%	93,031,938	-

(3) Actual Ultimate Wind/Hail Losses

Year	(1) Total Adjusted Wind/Hail Losses	(2) Annual Selected Non- Cat Retrospective Loss Trend	(3) Trended Non-Cat Prospective Loss Trend	(4) (1) * (2) * (3) Actual Ultimate Wind/Hail Losses
2009	6,307,501	1.327	1.320	11,045,282
2010	5,106,651	1.236	1.320	8,332,553
2011	8,672,303	1.152	1.320	13,185,651
2012	1,477,566	1.073	1.320	2,093,169
2013	1,885,640	1.000	1.320	2,489,054
	23,449,662	7.3%		37,145,710

State Auto Insurance Companies
Arkansas Dwelling Fire

Computation of the Percent Change Winter Losses from Home

	<u>Used in Dwelling Fire Indications</u>
(1) Expected Winter Losses	\$2,699,548
(2) Actual Ultimate Winter Losses	
Total Adjusted Winter Losses	\$2,349,581
Annual Selected Non-Cat Retrospective Trend	5.7%
	<u>\$2,828,162</u>
 Percent Change Winter Losses = ((1) / (2)) - 1	 -4.5%

State Auto Insurance Companies
Arkansas Homeowners

(1) Expected Winter Losses

Year	(1) Trended Winter Pure Premium	(2) Earned House Years	(3) Trended Non-Cat Prospective Loss Trend	(4) (1) * (2) * (3) Expected Winter Losses
2009	47.43	11,258	1.000	534,010
2010	47.43	12,272	1.000	582,130
2011	47.43	11,686	1.000	554,331
2012	47.43	11,030	1.000	523,215
2013	47.43	10,664	1.000	505,863
		56,911		2,699,548

(2) Actual Ultimate Winter Losses

Year	(1) Total Adjusted Winter Losses	(2) Annual Selected Non- Cat Retrospective Loss Trend	(3) Trended Non-Cat Prospective Loss Trend	(4) (1) * (2) * (3) Actual Ultimate Winter Losses
2009	1,668,717	1.250	1.000	2,085,406
2010	281,560	1.182	1.000	332,800
2011	89,241	1.118	1.000	99,766
2012	2,193	1.057	1.000	2,319
2013	307,870	1.000	1.000	307,870
	2,349,581	5.7%		2,828,162

State Auto Insurance Companies
Percent and Dollar Impact Distribution Tables
Arkansas Dwelling Fire

Adequacy Impact from Rate Change

<u>Impact Range</u>	<u>Percent of Policies Impacted</u>	<u>Dollar Change</u>	<u>Percent of Policies Impacted</u>
Below -10%	0.00%	\$0-	0.00%
-10% to -5.1%	0.00%	\$0-\$50	13.26%
-5% to -0.01%	0.00%	\$50-\$100	46.52%
0% to 4.9%	1.57%	\$100-\$150	25.39%
5% to 9.99%	65.84%	\$150-\$200	10.11%
10% to 14.99%	32.58%	\$200-\$250	2.70%
15% to 19.99%	0.00%	\$250-\$300	1.12%
20.0% to 24.99%	0.00%	\$300-\$350	0.45%
25.0% to 29.99%	0.00%	\$350-\$400	0.22%
30.0% to 34.99%	0.00%	\$400-\$500	0.22%
35.0% to 39.99%	0.00%	\$500-\$600	0.00%
40.0%+	0.00%	\$600+	0.00%
Maximum Increase:	12.0%	Maximum Increase (\$):	\$408
Minimum Increase:	0.5%	Minimum Increase (\$):	\$2

Based on policies in-force 02/28/14 that have renewed since the prior rate change (renewals) on 9/17/13
Does not include the impacts of the inflation guard or unwinding the prior cap. Policies will be capped at 20% based on the current cap in Arkansas.

Summary of Manual Revisions

Arkansas - Dwelling Fire Program
State Auto Property & Casualty Insurance Company
AR_DF_RR_20140917_SPC
Page 1 of 1

We are revising our manual as outlined in the following table:

Page # and Rule #	Rule Name and Brief Description of Change
Page 19, Rule 26	Protection Class - Revised Protection Class wording for clarification. Also, revised Protection Classes to reflect the adoption of ISO's new Split Public Protection Classifications, which were filed and approved under ISO Filing Designation Numbers AL-2012-RCMC and AL-2012-RCMC (Amendment) and added a registered trademark to the ISO LOCATION program name..

State Auto Insurance Companies
Companywide Cost of Capital
Fire/Allied Lines

Target Operating Return on Premium

(1) Premium - All Lines	1,709,910,347
(2) Target Premium to Surplus Ratio	1.5
(3) Required Capital - All Lines: (1) / (2)	1,139,940,232
(4) Premium - Line of Business	112,233,782
(5) Required Capital Allocated to Line of Business	74,333,770
(6) Target Return on Equity	15.0%
(7) Target Return - Line of Business: (5) x (6)	11,150,065
(8) After Tax Target Operating Return on Premium: (7) / (4)	9.9%
(9) Corporate Tax Rate	35.0%
(10) Pre Tax Target Operating Return on Premium: (8) / [1 - (9)]	15.3%

Investment Income - Key Variables

(11) Ratio of Investable Assets to Total Assets	79.7%
(12) Yield on Municipal Bonds	4.0%
(13) Tax Rate on Municipal Bonds	5.3%

Investment Income from Loss Reserves

(14) Permissible Loss Ratio (calculated iteratively using (24))	52.1%
(15) Average Discounted Paid Loss Duration (years)	0.84
After Tax Investment Income as % of Premium: (14) x	
(16) (15) x (11) x (12) [1 - (13)]	1.3%
(17) Pre Tax Investment Income as % of Premium: (16) / [1 - (9)]	2.0%

Investment Income from Unearned Premium Reserves

(18) Average Unearned Premium Reserve Duration (years)	0.50
After Tax Investment Income as % of Premium:	
(19) (18) x (11) x (12) x [1 - (13)]	1.5%
(20) Pre Tax Investment Income as % of Premium: (19) / [1 - (9)]	2.3%

Investment Income from Shareholder Funds

(21) Line of Business Premium to Surplus Ratio: (4) / (5)	1.51
After Tax Investment Income as % of Premium:	
(22) (11) x (12) x [1 - (13)] / (21)	2.0%
(23) Pre Tax Investment Income as % of Premium: (23) / [1 - (9)]	3.1%

Total Cost of Capital

(10) Pre Tax Target Operating Return on Premium	15.3%
(17) Investment Income From Loss Reserves	2.0%
(20) Investment Income From Unearned Premium Reserves	2.3%
(23) Investment Income From Shareholder Funds	3.1%
(24) Total Cost of Capital: (10) - (17) - (20) - (23)	7.8%
(25) Selected Profit Provision	7.8%

State Auto Insurance Companies
Companywide Cost of Capital
General Liability

Target Operating Return on Premium

(1) Premium - All Lines	1,709,910,347
(2) Target Premium to Surplus Ratio	1.5
(3) Required Capital - All Lines: (1) / (2)	1,139,940,232
(4) Premium - Line of Business	73,517,422
(5) Required Capital Allocated to Line of Business	48,395,182
(6) Target Return on Equity	15.0%
(7) Target Return - Line of Business: (5) x (6)	7,259,277
(8) After Tax Target Operating Return on Premium: (7) / (4)	9.9%
(9) Corporate Tax Rate	35.0%
(10) Pre Tax Target Operating Return on Premium: (8) / [1 - (9)]	15.2%

Investment Income - Key Variables

(11) Ratio of Investable Assets to Total Assets	79.7%
(12) Yield on Municipal Bonds	4.0%
(13) Tax Rate on Municipal Bonds	5.3%

Investment Income from Loss Reserves

(14) Permissible Loss Ratio (calculated iteratively using (24))	56.3%
(15) Average Discounted Paid Loss Duration (years)	3.14
After Tax Investment Income as % of Premium: (14) x	
(16) (15) x (11) x (12) [1 - (13)]	5.3%
(17) Pre Tax Investment Income as % of Premium: (16) / [1 - (9)]	8.2%

Investment Income from Unearned Premium Reserves

(18) Average Unearned Premium Reserve Duration (years)	0.50
After Tax Investment Income as % of Premium:	
(19) (18) x (11) x (12) x [1 - (13)]	1.5%
(20) Pre Tax Investment Income as % of Premium: (19) / [1 - (9)]	2.3%

Investment Income from Shareholder Funds

(21) Line of Business Premium to Surplus Ratio: (4) / (5)	1.52
After Tax Investment Income as % of Premium:	
(22) (11) x (12) x [1 - (13)] / (21)	2.0%
(23) Pre Tax Investment Income as % of Premium: (23) / [1 - (9)]	3.1%

Total Cost of Capital

(10) Pre Tax Target Operating Return on Premium	15.2%
(17) Investment Income From Loss Reserves	8.2%
(20) Investment Income From Unearned Premium Reserves	2.3%
(23) Investment Income From Shareholder Funds	3.1%
(24) Total Cost of Capital: (10) - (17) - (20) - (23)	1.6%
(25) Selected Profit Provision	1.6%

**State Auto Insurance Companies
Homeowners - Arkansas
Wind & Hail Incurred Claim Frequency**

	(1)	(2)	(3) (2) / (1)
Accident			
Fiscal Year	Earned Exposures	Incurred Claims (a)	Average Frequency
1999	6,975	721	0.103
2000	6,553	171	0.026
2001	6,270	197	0.031
2002	7,024	175	0.025
2003	8,126	158	0.019
2004	8,964	311	0.035
2005	9,271	227	0.024
2006	9,286	1,032	0.111
2007	9,138	232	0.025
2008	9,471	1,781	0.188
2009	11,258	908	0.081
2010	12,272	672	0.055
2011	11,686	1,021	0.087
2012	11,030	264	0.024
2013	10,664	319	0.030

Straight Average of Last 15 Years

Time-Weighted Average of Last 15 Years

Selected Frequency

(a) Incurred Losses and Claims evaluated at 06/30/2013

**State Auto Insurance Companies
Homeowners - Arkansas
Wind & Hail Incurred Claim Trended Severity**

Accident Fiscal Year	(1) Incurred Losses (a)	(2) Incurred Claims (a)	(3) (1) / (2) Average Severity	(4) Original Projected Severity (b)	New Projected Severity (b)
1999	2,432,433	721	\$3,374	\$9,071	\$9,071
2000	541,690	171	\$3,168	\$7,936	\$7,936
2001	595,564	197	\$3,023	\$7,057	\$7,057
2002	495,956	175	\$2,834	\$6,165	\$6,165
2003	565,159	158	\$3,577	\$7,250	\$7,250
2004	1,080,810	311	\$3,475	\$6,563	\$6,563
2005	1,087,397	227	\$4,790	\$8,430	\$8,430
2006	5,449,112	1,032	\$5,280	\$8,658	\$8,658
2007	1,164,074	232	\$5,018	\$7,666	\$7,666
2008	12,538,959	1,781	\$7,040	\$10,023	\$10,023
2009	6,275,276	908	\$6,911	\$9,168	\$9,168
2010	5,079,888	672	\$7,559	\$9,344	\$9,344
2011	8,641,095	1,021	\$8,463	\$9,748	\$9,748
2012	1,487,154	264	\$5,633	\$6,046	\$6,046
2013	1,857,813	319	\$5,824	\$5,824	\$5,824

(5) Calculated Severity Trend 7.3%
Based on 15 - Point Exponential Regression

(6) Selected Severity Trend 7.3%

(7) 15 -Year Straight Average Projected Severity \$7,930

(8) Time-Weighted Average Projected Severity \$8,048

(9) Selected Severity \$8,048

(a) Incurred Losses and Claims evaluated at 06/30/2013

(b) The Selected Severity Trend (6) is used to project losses from the midpoint of each accident year to the midpoint of the last year in the experience period (01/01/2013).

**State Auto Insurance Companies
Homeowners - Arkansas
Winter Incurred Claim Frequency**

	(1)	(2)	(3) (2) / (1)
Accident			
Fiscal Year	Earned Exposures	Incurred Claims (a)	Average Frequency
1999	6,975	42	0.006
2000	6,553	55	0.008
2001	6,270	711	0.113
2002	7,024	9	0.001
2003	8,126	28	0.003
2004	8,964	1	0.000
2005	9,271	5	0.001
2006	9,286	2	0.000
2007	9,138	8	0.001
2008	9,471	1	0.000
2009	11,258	518	0.046
2010	12,272	47	0.004
2011	11,686	18	0.002
2012	11,030	1	0.000
2013	10,664	69	0.006

Straight Average of Last 15 Years

Time-Weighted Average of Last 15 Years

Selected Frequency

(a) Incurred Losses and Claims evaluated at 06/30/2013

**State Auto Insurance Companies
Homeowners - Arkansas
Winter Incurred Claim Trended Severity**

Accident Fiscal Year	(1) Incurred Losses (a)	(2) Incurred Claims (a)	(3) Average Severity (2) / (1)	(4) Original Projected Severity (b)	New Projected Severity (b)
1999	102,688	42	\$2,445	\$4,074	\$5,334
2000	219,875	55	\$3,998	\$6,423	\$8,249
2001	1,822,015	711	\$2,563	\$3,970	\$5,001
2002	26,970	9	\$2,997	\$4,476	\$5,531
2003	40,260	28	\$1,438	\$2,071	\$2,510
2004	949	1	\$949	\$1,317	\$1,566
2005	53,750	5	\$10,750	\$14,393	\$16,788
2006	7,004	2	\$3,502	\$4,521	\$5,173
2007	34,241	8	\$4,280	\$5,327	\$5,979
2008	2,834	1	\$2,834	\$3,400	\$3,744
2009	1,668,717	518	\$3,221	\$3,727	\$4,026
2010	281,560	47	\$5,991	\$6,683	\$7,081
2011	89,152	18	\$4,953	\$5,328	\$5,537
2012	2,196	1	\$2,196	\$2,278	\$2,322
2013	301,051	69	\$4,363	\$4,363	\$4,363

(5) Calculated Severity Trend 3.7%
Based on 15 - Point Exponential Regression

(6) Selected Severity Trend 5.7%
[Selected Trend is the Companywide Trend](#)

(7) 15 -Year Straight Average Projected Severity \$5,316

(8) Time-Weighted Average Projected Severity \$5,028

(9) Selected Severity \$5,028
[Severities from low-frequency years given less weight](#)

(a) Incurred Losses and Claims evaluated at 06/30/2013

(b) The Selected Severity Trend (6) is used to project losses from the midpoint of each accident year to the midpoint of the last year in the experience period (01/01/2013).