

**State:** Arkansas **First Filing Company:** The Travelers Home and Marine Insurance Company, ...  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Quantum Homeowners / High Value Homeowners  
**Project Name/Number:** 661553/

### Filing at a Glance

Companies: The Travelers Home and Marine Insurance Company  
Travelers Commercial Insurance Company  
Product Name: Quantum Homeowners / High Value Homeowners  
State: Arkansas  
TOI: 04.0 Homeowners  
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Filing Type: Rate  
Date Submitted: 02/23/2015  
SERFF Tr Num: TRVA-129918340  
SERFF Status: Closed-Filed  
State Tr Num:  
State Status:  
Co Tr Num: 2015-02-0028  
Effective Date 03/20/2015  
Requested (New):  
Effective Date 05/09/2015  
Requested (Renewal):  
Author(s): Frank Roback, William Brown, Paul Jackson  
Reviewer(s): Becky Harrington (primary)  
Disposition Date: 02/25/2015  
Disposition Status: Filed  
Effective Date (New): 03/20/2015  
Effective Date (Renewal): 05/09/2015  
State Filing Description:

**State:** Arkansas **First Filing Company:** The Travelers Home and Marine Insurance Company, ...

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

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**Project Name/Number:** 661553/

### General Information

Project Name: 661553 Status of Filing in Domicile:  
 Project Number: Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 02/25/2015  
 State Status Changed: Deemer Date:  
 Created By: William Brown Submitted By: William Brown  
 Corresponding Filing Tracking Number:

Filing Description:  
 With this filing we are making revisions as detailed in the accompanying documentaion.

### Company and Contact

#### Filing Contact Information

William Brown, Regulatory and Filing Analyst  
 1 Tower Square  
 Hartford, CT 06183  
 WRBROWN@travelers.com  
 860-954-3452 [Phone]

#### Filing Company Information

The Travelers Home and Marine Insurance Company	CoCode: 27998	State of Domicile: Connecticut
One Tower Square	Group Code: 3548	Company Type:
Hartford, CT 06183	Group Name: Travelers	Property/Casualty
(860) 277-7395 ext. [Phone]	FEIN Number: 35-1838079	State ID Number:

Travelers Commercial Insurance Company	CoCode: 36137	State of Domicile: Connecticut
One Tower Square	Group Code: 3548	Company Type:
Hartford, CT 06183	Group Name: Travelers	Property/Casualty
(860) 277-7395 ext. [Phone]	FEIN Number: 06-1286268	State ID Number:

### Filing Fees

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

Company	Amount	Date Processed	Transaction #
The Travelers Home and Marine Insurance Company	\$100.00	02/23/2015	92726181

SERFF Tracking #:

TRVA-129918340

State Tracking #:

Company Tracking #:

2015-02-0028

State:

Arkansas

First Filing Company:

The Travelers Home and Marine Insurance Company, ...

TOI/Sub-TOI:

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name:

Quantum Homeowners / High Value Homeowners

Project Name/Number:

661553/

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	02/25/2015	02/25/2015

State: Arkansas  
 TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Quantum Homeowners / High Value Homeowners  
 Project Name/Number: 661553/

First Filing Company: The Travelers Home and Marine Insurance Company, ...

## Disposition

Disposition Date: 02/25/2015  
 Effective Date (New): 03/20/2015  
 Effective Date (Renewal): 05/09/2015  
 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):
The Travelers Home and Marine Insurance Company	%	4.990%	\$1,222,379	15,998	\$24,496,579	6.920%	0.000%
Travelers Commercial Insurance Company	%	4.980%	\$31,444	468	\$631,401	6.260%	0.000%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing 0.000%  
 Overall Percentage Rate Impact For This Filing 4.990%  
 Effect of Rate Filing-Written Premium Change For This Program \$1,253,823  
 Effect of Rate Filing - Number of Policyholders Affected 16,466

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	FILING PACKAGE	Filed	Yes
Rate	HO Rate Manual Pages	Filed	Yes
Rate	HVH Rate Manual Pages	Filed	Yes

SERFF Tracking #:

TRVA-129918340

State Tracking #:

Company Tracking #:

2015-02-0028

State: Arkansas

First Filing Company: The Travelers Home and Marine Insurance Company, ...

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

Product Name: Quantum Homeowners / High Value Homeowners

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## Rate Information

Rate data applies to filing.

Filing Method: File &amp; Use

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 4.980%

Effective Date of Last Rate Revision: 07/11/2014

Filing Method of Last Filing: File &amp; 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):
The Travelers Home and Marine Insurance Company	%	4.990%	\$1,222,379	15,998	\$24,496,579	6.920%	0.000%
Travelers Commercial Insurance Company	%	4.980%	\$31,444	468	\$631,401	6.260%	0.000%

**SERFF Tracking #:**

TRVA-129918340

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

2015-02-0028

**State:** Arkansas**First Filing Company:** The Travelers Home and Marine Insurance Company, ...**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations**Product Name:** Quantum Homeowners / High Value Homeowners**Project Name/Number:** 661553/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 02/25/2015	HO Rate Manual Pages	Rule 301.A.1-1	Replacement		HO Base Rates.pdf
2	Filed 02/25/2015	HVH Rate Manual Pages	Rule 301.A.1-1	Replacement		HVH Base Rates.pdf

*Quantum Home<sup>sm</sup>*

**Rule 301.A.1 Factors**

<b>Base Rate</b>					
<b>Form</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P5</b>	<b>P6</b>
HO-3	1308.880	122.620	166.260	368.870	49.010
HO-4	259.030	39.540	130.040	20.480	6.620
HO-6	49.880	6.650	41.640	214.610	12.540

Quantum<sup>®</sup> High Value Homeowners

Rule 301.A.1 Factors

Base Rate					
Form	P1	P2	P3	P5	P6
HV-3	1659.630	163.900	252.040	495.950	65.900
HV-6	118.800	8.930	56.870	291.220	16.840

**State:** Arkansas  
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**Product Name:** Quantum Homeowners / High Value Homeowners  
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**First Filing Company:** The Travelers Home and Marine Insurance Company, ...

## Supporting Document Schedules

<b>Satisfied - Item:</b>	H-1 Homeowners Abstract
<b>Comments:</b>	Please see attached.
<b>Attachment(s):</b>	THM H-1.pdf ACC H-1 .pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/25/2015

<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	Please see attached.
<b>Attachment(s):</b>	AR QTM HO Survey - THM.xls AR QTM HO Survey - THM.pdf AR QTM HO Survey - ACC.xls AR QTM HO Survey - ACC.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/25/2015

<b>Satisfied - Item:</b>	NAIC loss cost data entry document
<b>Comments:</b>	Please see attached.
<b>Attachment(s):</b>	RF-1 ACC_3-20-15.pdf RF-1 THM_3-20-15.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/25/2015

<b>Satisfied - Item:</b>	FILING PACKAGE
<b>Comments:</b>	Please see attached.
<b>Attachment(s):</b>	AR QTM HO 3-20-15_Ver 1.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	02/25/2015

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 The Travelers Home and Marine Insurance Company

NAIC # (including group #) 3548-27998

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

Travelers sent questionnaires to policyholders whose policy was written prior to January 1, 2005 and Coverage A less than \$600,000. Our results were:

62% of the policyholders who received questionnaires responded

42% of those responding were under insured and

90% of those underinsured accepted the increased coverage

2. If you use a cost estimator (or 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.

A Cost estimator is used for new business only to determine appropriate values for new business. It is not possible to estimate the impact of program business because some new homes would have been underinsured and others over insured when issued as new business.

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.

100% of the Dwelling Replacement Cost using costs associated with actual year built.

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

The cost estimating systems furnishes the user with a guide for making general estimates of cost to replace specific types of residential construction. Annual changes are published based on residential cost index for zip codes and territories in Arkansas.

5. Specify the percentage given for credit or discounts for the following:

a. Fire Extinguisher	Varies by Peril	%
b. Burglar Alarm	Varies by Peril	%
c. Smoke Alarm	Varies by Peril	%
d. Insured who has both homeowners and auto with your company	Varies by Peril	%
e. Deadbolt Locks	Varies by Peril	%
f. Window or Door Locks	Varies by Peril	%
g. Other (specify)	Varies by Peril	%
		%
		%

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.

No

7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.

Form	Premium Volume
HO-3	\$ 23,950,340
HO-4	\$ 380,927
HO-6	\$ 165,312

8. Do you write homeowner risks which have aluminum, steel, or vinyl siding?     Yes     No
9. Is there a surcharge on risks with wood heat?    Yes  
If yes, state the surcharge    Varies by Peril  
Does the surcharge apply to conventional fire places?    No  
If yes, state the surcharge    \_\_\_\_\_

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

Peter Gulbrandsen  
Signature  
Peter Gulbrandsen  
Printed Name  
Vice President of Product Management  
Title  
(860) 277-8172  
Telephone Number  
PGULBRAN@travelers.com  
Email Address

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 Travelers Commercial Insurance Company  
 NAIC # (including group #) 3548-36137

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

Travelers sent questionnaires to policyholders whose policy was written prior to January 1, 2005 and Coverage A less than \$600,000. Our results were:

- 62% of the policyholders who received questionnaires responded
- 42% of those responding were under insured and
- 90% of those underinsured accepted the increased coverage

2. If you use a cost estimator (or 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.

A Cost estimator is used for new business only to determine appropriate values for new business. It is not possible to estimate the impact of program business because some new homes would have been underinsured and others over insured when issued as new business.

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100% of the Dwelling Replacement Cost using costs associated with actual year built.

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

The cost estimating systems furnishes the user with a guide for making general estimates of cost to replace specific types of residential construction. Annual changes are published based on residential cost index for zip codes and territories in Arkansas.

5. Specify the percentage given for credit or discounts for the following:

a. Fire Extinguisher	Varies by Peril	%
b. Burglar Alarm	Varies by Peril	%
c. Smoke Alarm	Varies by Peril	%
d. Insured who has both homeowners and auto with your company	Varies by Peril	%
e. Deadbolt Locks	Varies by Peril	%
f. Window or Door Locks	Varies by Peril	%
g. Other (specify)	Varies by Peril	%
		%
		%

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.

No

7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.

Form	Premium Volume
HO-3	\$ 606,775
HO-4	\$ 23,529
HO-6	\$ 1,097

8. Do you write homeowner risks which have aluminum, steel, or vinyl siding?     Yes     No
9. Is there a surcharge on risks with wood heat?    Yes  
If yes, state the surcharge    Varies by Peril  
Does the surcharge apply to conventional fire places?    No  
If yes, state the surcharge    \_\_\_\_\_

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

Peter Gulbrandsen  
Signature  
Peter Gulbrandsen  
Printed Name  
Vice President of Product Management  
Title  
(860) 277-8172  
Telephone Number  
PGULBRAN@travelers.com  
Email Address

NAIC Number: 3548  
 Company Name: The Travelers Home and Marine Insurance Company  
 Contact Person: William Brown  
 Telephone No.: 860-954-3452  
 Email Address: wfbrown@travelers.com  
 Effective Date: 3/20/2015

**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	\$526.00	\$553.00	\$452.00	\$471.00	\$692.00	\$728.00	\$564.00	\$589.00	\$602.00	\$631.00	\$529.00	\$551.00	\$667.00	\$690.00	\$525.00	\$545.00	\$640.00	\$671.00
	\$120,000	\$641.00	\$673.00	\$553.00	\$575.00	\$849.00	\$891.00	\$692.00	\$722.00	\$739.00	\$774.00	\$649.00	\$675.00	\$831.00	\$858.00	\$648.00	\$671.00	\$785.00	\$822.00
	\$160,000	\$765.00	\$801.00	\$646.00	\$670.00	\$990.00	\$1,038.00	\$811.00	\$843.00	\$865.00	\$903.00	\$779.00	\$808.00	\$1,012.00	\$1,042.00	\$782.00	\$809.00	\$940.00	\$983.00
6	\$80,000	\$552.00	\$702.00	\$473.00	\$585.00	\$727.00	\$929.00	\$591.00	\$737.00	\$633.00	\$797.00	\$553.00	\$685.00	\$698.00	\$850.00	\$549.00	\$674.00	\$672.00	\$852.00
	\$120,000	\$674.00	\$855.00	\$579.00	\$714.00	\$892.00	\$1,137.00	\$726.00	\$902.00	\$778.00	\$976.00	\$680.00	\$839.00	\$871.00	\$1,054.00	\$679.00	\$829.00	\$825.00	\$1,042.00
	\$160,000	\$804.00	\$1,015.00	\$677.00	\$829.00	\$1,042.00	\$1,318.00	\$851.00	\$1,050.00	\$912.00	\$1,135.00	\$817.00	\$1,001.00	\$1,061.00	\$1,273.00	\$820.00	\$994.00	\$989.00	\$1,241.00
9	\$80,000	\$951.00	\$955.00	\$785.00	\$783.00	\$1,267.00	\$1,272.00	\$996.00	\$994.00	\$1,085.00	\$1,082.00	\$922.00	\$919.00	\$1,146.00	\$1,135.00	\$906.00	\$900.00	\$1,158.00	\$1,160.00
	\$120,000	\$1,163.00	\$1,165.00	\$963.00	\$957.00	\$1,555.00	\$1,556.00	\$1,224.00	\$1,218.00	\$1,333.00	\$1,326.00	\$1,133.00	\$1,126.00	\$1,424.00	\$1,405.00	\$1,118.00	\$1,107.00	\$1,421.00	\$1,420.00
	\$160,000	\$1,386.00	\$1,382.00	\$1,122.00	\$1,110.00	\$1,806.00	\$1,801.00	\$1,427.00	\$1,414.00	\$1,555.00	\$1,539.00	\$1,358.00	\$1,344.00	\$1,725.00	\$1,693.00	\$1,347.00	\$1,326.00	\$1,699.00	\$1,690.00

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	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
	\$15,000	\$125.00	\$125.00	\$125.00	\$125.00	\$147.00	\$147.00	\$125.00	\$125.00	\$132.00	\$132.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$145.00	\$145.00
	\$25,000	\$155.00	\$155.00	\$129.00	\$129.00	\$200.00	\$200.00	\$151.00	\$151.00	\$179.00	\$179.00	\$144.00	\$144.00	\$148.00	\$148.00	\$127.00	\$127.00	\$197.00	\$197.00
6	\$5,000	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
	\$15,000	\$125.00	\$125.00	\$125.00	\$125.00	\$159.00	\$159.00	\$125.00	\$125.00	\$143.00	\$143.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$156.00	\$156.00
	\$25,000	\$171.00	\$171.00	\$140.00	\$140.00	\$219.00	\$219.00	\$164.00	\$164.00	\$196.00	\$196.00	\$156.00	\$156.00	\$160.00	\$160.00	\$139.00	\$139.00	\$216.00	\$216.00
9	\$5,000	\$125.00	\$125.00	\$125.00	\$125.00	\$154.00	\$154.00	\$125.00	\$125.00	\$138.00	\$138.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$151.00	\$151.00
	\$15,000	\$166.00	\$166.00	\$137.00	\$137.00	\$213.00	\$213.00	\$161.00	\$161.00	\$190.00	\$190.00	\$153.00	\$153.00	\$156.00	\$156.00	\$136.00	\$136.00	\$210.00	\$210.00
	\$25,000	\$240.00	\$240.00	\$190.00	\$190.00	\$306.00	\$306.00	\$219.00	\$219.00	\$271.00	\$271.00	\$207.00	\$207.00	\$212.00	\$212.00	\$188.00	\$188.00	\$300.00	\$300.00

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

**SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:**  
**HO3 and HO4 only**

Fire Extinguisher	Varies by pe %	Deadbolt Lock	Varies by pe %
Burglar Alarm	Varies by pe %	Window Locks	N/A %
Smoke Alarm	Varies by pe %	\$1,000 Deductible	Varies by pe %
		Other (specify)	
		None	N/A %
		Maximum Credit Allowed	None %

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	Varies %
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone Highest Risk \$ 2.9 Lowest Risk \$ 0.61
	Brick \$ 2.9 Frame \$ 0.4



NAIC Number: 3548  
 Company Name: Travelers Commercial Insurance Company  
 Contact Person: William Brown  
 Telephone No.: 860-954-3452  
 Email Address: wfbrown@travelers.com  
 Effective Date: 3/20/2015

**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	\$519.00	\$545.00	\$447.00	\$465.00	\$683.00	\$718.00	\$557.00	\$581.00	\$594.00	\$623.00	\$522.00	\$544.00	\$658.00	\$681.00	\$518.00	\$538.00	\$631.00	\$663.00
	\$120,000	\$633.00	\$664.00	\$546.00	\$568.00	\$837.00	\$879.00	\$683.00	\$712.00	\$729.00	\$763.00	\$640.00	\$666.00	\$820.00	\$847.00	\$639.00	\$662.00	\$774.00	\$811.00
	\$160,000	\$754.00	\$790.00	\$637.00	\$661.00	\$977.00	\$1,023.00	\$799.00	\$831.00	\$853.00	\$891.00	\$768.00	\$797.00	\$998.00	\$1,028.00	\$771.00	\$798.00	\$927.00	\$970.00
6	\$80,000	\$545.00	\$693.00	\$468.00	\$578.00	\$717.00	\$916.00	\$583.00	\$727.00	\$625.00	\$786.00	\$546.00	\$676.00	\$689.00	\$839.00	\$542.00	\$665.00	\$663.00	\$840.00
	\$120,000	\$665.00	\$843.00	\$572.00	\$704.00	\$880.00	\$1,121.00	\$716.00	\$890.00	\$767.00	\$962.00	\$671.00	\$827.00	\$859.00	\$1,039.00	\$670.00	\$817.00	\$813.00	\$1,027.00
	\$160,000	\$793.00	\$1,001.00	\$668.00	\$818.00	\$1,027.00	\$1,299.00	\$839.00	\$1,035.00	\$899.00	\$1,119.00	\$806.00	\$988.00	\$1,046.00	\$1,255.00	\$809.00	\$981.00	\$975.00	\$1,224.00
9	\$80,000	\$938.00	\$942.00	\$775.00	\$772.00	\$1,249.00	\$1,254.00	\$982.00	\$980.00	\$1,070.00	\$1,067.00	\$909.00	\$907.00	\$1,130.00	\$1,119.00	\$894.00	\$888.00	\$1,142.00	\$1,144.00
	\$120,000	\$1,147.00	\$1,148.00	\$949.00	\$943.00	\$1,533.00	\$1,534.00	\$1,207.00	\$1,201.00	\$1,314.00	\$1,307.00	\$1,117.00	\$1,111.00	\$1,404.00	\$1,385.00	\$1,103.00	\$1,091.00	\$1,401.00	\$1,400.00
	\$160,000	\$1,366.00	\$1,363.00	\$1,106.00	\$1,094.00	\$1,780.00	\$1,775.00	\$1,407.00	\$1,394.00	\$1,533.00	\$1,517.00	\$1,338.00	\$1,325.00	\$1,700.00	\$1,669.00	\$1,328.00	\$1,308.00	\$1,674.00	\$1,666.00

**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	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
	\$15,000	\$125.00	\$125.00	\$125.00	\$125.00	\$145.00	\$145.00	\$125.00	\$125.00	\$131.00	\$131.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$143.00	\$143.00
	\$25,000	\$153.00	\$153.00	\$127.00	\$127.00	\$197.00	\$197.00	\$150.00	\$150.00	\$177.00	\$177.00	\$143.00	\$143.00	\$146.00	\$146.00	\$126.00	\$126.00	\$194.00	\$194.00
6	\$5,000	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
	\$15,000	\$125.00	\$125.00	\$125.00	\$125.00	\$157.00	\$157.00	\$125.00	\$125.00	\$141.00	\$141.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$155.00	\$155.00
	\$25,000	\$169.00	\$169.00	\$139.00	\$139.00	\$217.00	\$217.00	\$162.00	\$162.00	\$193.00	\$193.00	\$154.00	\$154.00	\$158.00	\$158.00	\$137.00	\$137.00	\$213.00	\$213.00
9	\$5,000	\$125.00	\$125.00	\$125.00	\$125.00	\$152.00	\$152.00	\$125.00	\$125.00	\$136.00	\$136.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$149.00	\$149.00
	\$15,000	\$164.00	\$164.00	\$136.00	\$136.00	\$210.00	\$210.00	\$159.00	\$159.00	\$188.00	\$188.00	\$151.00	\$151.00	\$154.00	\$154.00	\$134.00	\$134.00	\$207.00	\$207.00
	\$25,000	\$237.00	\$237.00	\$187.00	\$187.00	\$301.00	\$301.00	\$216.00	\$216.00	\$267.00	\$267.00	\$204.00	\$204.00	\$209.00	\$209.00	\$185.00	\$185.00	\$296.00	\$296.00

**Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)**

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

**HO3 and HO4 only**

Fire Extinguisher	Varies by pe %	Deadbolt Lock	Varies by pe %
Burglar Alarm	Varies by pe %	Window Locks	N/A %
Smoke Alarm	Varies by pe %	\$1,000 Deductible	Varies by pe %
		Other (specify)	
		None	N/A %
		Maximum Credit Allowed	None %

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	Varies %
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone Highest Risk \$ 2.9 Lowest Risk \$ 0.61
	Brick \$ 2.9 Frame \$ 2.21
	Brick \$ 0.61 Frame \$ 0.4



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

1.	This filing transmittal is part of Company Tracking #	
2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
	Company Name	Company NAIC Number
3.	A. Travelers Commercial Insurance Company	B. 3548-36137
	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. Homeowners	B. Dwelling, Tenant, Condominium

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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 Policy Form	7.00%	4.97%	N/A	N/A	N/A	N/A	N/A
Tenant Policy Form	35.46%	5.58%	N/A	N/A	N/A	N/A	N/A
Condominium Policy Form	N/A	0.00%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		4.98%					

6. 5 Year History		Rate Change History				7.			
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	Expense Constants	Selected Provisions
2010	352	8.14%	4/18/2010	\$ 356	\$ 163	45.7%	55.6%	A. Total Production Expense	18.63%
2011	489 / 516	9.92% / -2.72%	4/1/2011 / 8/5/2011	\$ 473	\$ 593	125.4%	68.2%	B. General Expense	6.75%
2012	577	15.29%	4/22/2012	\$ 552	\$ 95	17.3%	44.1%	C. Taxes, License & Fees	3.93%
2013	565	11.40%	6/4/2013	\$ 609	\$ 522	85.8%	48.4%	D. Underwriting Profit & Contingencies	11.40%
2014	548	6.16%	7/11/2014	N/A *	N/A *	N/A *	N/A *	E. Other (ULAE & ALAE)	15.10%
								E.1. Installment Fees	-0.50%
								F. TOTAL	55.31%

\* 2014 data will be available March 1, 2015

8.	<u>    N    </u>	Apply Loss Cost Factors to Future Filings? (Y or N)	
9.	<u>  6.26%  </u>	Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):	<u>    N/A    </u>
10.	<u>  0.00%  </u>	Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable):	<u>    N/A    </u>

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

1.	This filing transmittal is part of Company Tracking #		
2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number		
	Company Name		Company NAIC Number
3.	A.	The Travelers Home and Marine Insurance Company	B. 3548-27998
	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.	Homeowners	B. Dwelling, Tenant, Condominium

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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 Policy Form	7.00%	5.02%	N/A	N/A	N/A	N/A	N/A
Tenant Policy Form	35.46%	4.99%	N/A	N/A	N/A	N/A	N/A
Condominium Policy Form	N/A	0.00%	N/A	N/A	N/A	N/A	N/A
<b>TOTAL OVERALL EFFECT</b>		4.99%					

6. 5 Year History			Rate Change History					7.	
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	Expense Constants	Selected Provisions
2010	15,787	10.78%	4/18/2010	\$ 18,793	\$ 15,145	80.6%	78.2%	A. Total Production Expense	18.63%
2011	20,775 / 21,506	10.53% / 0.05%	4/1/2011 / 8/5/2011	\$ 22,176	\$ 25,554	115.2%	109.2%	B. General Expense	6.75%
2012	21,454	15.30%	4/22/2012	\$ 23,322	\$ 8,579	36.8%	63.5%	C. Taxes, License & Fees	3.93%
2013	20,089	9.89%	6/4/2013	\$ 24,135	\$ 10,279	42.6%	46.8%	D. Underwriting Profit & Contingencies	11.40%
2014	19,021	4.95%	7/11/2014	N/A *	N/A *	N/A *	N/A *	E. Other (ULAE & ALAE)	15.10%
								E.1. Installment Fees	-0.50%
								F. TOTAL	55.31%

\* 2014 data will be available March 1, 2015

8.     N     Apply Loss Cost Factors to Future Filings? (Y or N)

9.   6.92%   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):           N/A          

10.   0.00%   Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable):           N/A

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

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ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Explanatory Memorandum**

Summary of Changes

This filing is being submitted with revisions to the Arkansas Quantum Homeowners and High Value Homeowners programs. The overall impact of this filing is 4.99%. With this filing we are making revisions to Base Rates by coverage. Please note that no policy will receive an impact greater than 25.00%.

Policy Form	Impact
Dwelling	5.02%
Tenant	5.02%
Condo	0.00%
Overall	4.99%

This change applies to all new business issued and effective on or after 03/20/2015 and to all renewals issued on or after 03/20/2015 and effective on or after 05/09/2015.

In an effort to improve and update our indications process we are proposing the following changes to methodology and data.

Average Premium Trend

The premium trend methodology has been revised to be more precise and responsive to changes in our book of business. The Average Annual Earned Premiums at Current Rates are now shown by Calendar Quarter. Previously they were shown by Calendar Year.

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY**Actuarial Memorandum**Summary of Methodology

A rate level indication is a test of the adequacy of expected revenues compared to expected costs during the period for which the proposed rates will be in effect. Premiums from the historical experience period are brought to the current rate level by the parallelogram method and additionally adjusted for other trends in average premiums over time. Losses and Allocated Loss Adjustment Expense (ALAE)<sup>1</sup> are adjusted to account for expected development and other trends over time. Losses and ALAE are further adjusted to account for expected Unallocated Loss Adjustment Expense (ULAE)<sup>2</sup>. All catastrophe losses and ALAE during the experience period are excluded and replaced with a provision that represents the expected level of these. Finally, expenses and the target profit provision are determined and combined with the above to calculate the indication. These data elements are specific to state and form unless otherwise noted. Details are provided below.

**Experience**Experience Period Data – Exhibit 3

Calendar year earned premiums and accident year incurred losses and ALAE are used in the indication. Premiums are on a direct basis. Losses and ALAE in this exhibit exclude those arising from catastrophes. Five years of experience ending December 31, 2014 are used. Losses are evaluated as of December 31, 2014.

Premium Trend – Exhibit 4

Premium trend reflects distributional shifts over time in policy variables such as amount of insurance, deductible, territory, etc. The trend data consists of five years of average annual Earned Premium at Current Rate Level (EPCR). A two-step trending procedure is used. Historical and prospective annual premium trends are selected considering the data. Factors are calculated to account for both the selected historical trend from the midpoint of each experience period to the midpoint of the last calendar year of premium trend data, and the selected prospective trend from that date to the average earned date underlying the proposed rates.

Loss Trend – Exhibit 5

The loss trend data consists of five years of non-catastrophe, calendar year paid losses and ALAE for both the Travelers and ISO Fastrack data. Each row in the table represents the average of 12 months of data ending on the date shown. This is done to account for known seasonal variations within a 12-month period. Similar to the method utilized in the Premium Trend exhibit, a two-step trending procedure is used. Historical and prospective annual trends for frequency and severity are selected considering the data. Factors are calculated to account for both the selected historical trends from the midpoint of each experience period to the midpoint of the last calendar year of loss trend data, and the selected prospective trend from that date to the average loss date underlying the proposed rates.

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY**Actuarial Memorandum**Loss Development Factors (LDFs) – Exhibit 6

Losses and ALAE are developed to their expected ultimate paid value by applying LDFs. These factors use loss and ALAE data to calculate historical age-to-age link ratios that represent loss and ALAE development between different evaluation periods. Factors are selected considering the data.

Unallocated Loss Adjustment Expenses (ULAE) – Exhibit 7

Losses and ALAE are adjusted to account for expected ULAE. A provision is developed using three years of the Travelers countrywide, line-specific, calendar year paid data. The ratio of ULAE to net paid losses and ALAE is calculated for each year. The average of the ratios is selected.

Experience Loss & LAE Ratios – Exhibits 2 and 3

Premiums and losses are adjusted by the factors noted above. The Projected Loss & LAE Ratio for each year is calculated by dividing the Trended Ultimate Losses & LAE by the Trended EPCR. Accident Year Weights are applied to determine the Weighted Loss & LAE Ratio.

**Catastrophe Provision**

Catastrophes are low frequency, high severity events whose average impact cannot always be fully and reasonably captured in a short experience period. Therefore, to properly account for the catastrophe hazard and maintain a degree of stability, it is necessary to eliminate actual catastrophe losses and ALAE from the experience period and to include a catastrophe provision which represents expected catastrophe losses and ALAE.

An event is categorized as a catastrophe according to the Insurance Services Office (ISO) definition. ISO defines a catastrophe as an occurrence such as a hailstorm, windstorm, tornado, hurricane, winter storm, wildfire, earthquake, etc., which results in insured property losses of \$25M or more (\$5M for experience years before 1997) and affects a significant number of policyholders and insurers.

Non-Hurricane Catastrophe Losses – Exhibit 8, Page 1

A non-hurricane catastrophe adjustment factor called the Weighted Catastrophe Loss Multiplier (WCLM) is applied to the non-catastrophe Loss & LAE Ratio to produce the Non-Hurricane Catastrophe-Adjusted Loss & LAE Ratio. The factor is selected based upon the long term (1994-2013) observed overall ratio of the Travelers historical non-hurricane catastrophe losses to non-catastrophe losses. This loss history contains all homeowners forms combined, as it is not readily available by form for all of those years.

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY**Actuarial Memorandum****Expenses And Profit – Exhibits 9 and 10**

Expenses are specific to each line of business. Fixed Expenses include Other Acquisition and General Expenses, and Installment Fees. Variable Expenses include Commissions as well as Taxes, Licenses and Fees. All expense provisions in Exhibit 9 are determined based on data that reconciles with the company's financial statements. The Other Acquisition and General Expenses are countrywide for all Travelers Personal Insurance writing companies, whereas the Variable Expenses and Installment Fees are state-specific for the writing companies in this filing. Exhibit 10 provides the details that support the selection of the Target Before-Tax Underwriting Profit.

The Variable Expenses and Profit Margin are subtracted from 100% to yield the Permissible Loss, LAE and Fixed Expense Ratio. All expenses and the Profit Margin are subtracted from 100% to yield the Permissible Loss & LAE Ratio.

**Indicated Rate Level Change – Exhibit 2**Credibility

The full credibility standard is 18,750 earned house years for Dwelling, and 3,750 earned house years for Tenant and for Condo. Credibility is calculated by dividing the total earned house years in the experience period by the full credibility standard, taking the square root, and capping the result at 1.00.

Complement of Credibility

The complement of credibility is the Trended Permissible Loss & LAE Ratio. The formula for this complement is shown at the bottom of the exhibit; the calculation applies net prospective trend to the Permissible Loss & LAE Ratio for the time period between the effective date of the most recent approved filing and the proposed effective date of the current filing.

Indication

The Total Loss & LAE Ratio is credibility weighted with the Trended Permissible Loss & LAE Ratio to produce the Credibility Weighted Loss & LAE Ratio. This ratio, plus Fixed Expenses, is divided by the Permissible Loss, LAE and Fixed Expense Ratio to produce the Indicated Rate Level Change.

<sup>1</sup> ALAE corresponds to Defense and Cost Containment (DCC) expenses in our statutory financial reporting.

<sup>2</sup> ULAE corresponds to Adjusting and Other (AAO) expenses in our statutory financial reporting.

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY**Statewide Rate Level Indication Summary**

<u>Policy Forms</u>	Accident Year Ending 12/31/2014 <u>EPCR</u>	Indicated Rate Level <u>Change</u>	Proposed Rate Level <u>Change</u>
Dwelling	25,448,702	7.00%	5.02%
Tenant	461,394	35.46%	5.02%

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Statewide Rate Level Indication**

Dwelling Policy Forms

Accident Year Ending <u>12/31</u>	Earned House <u>Years</u> (1)	Trended <u>EPCR</u> (2)	Trended Ultimate <u>Loss &amp; LAE</u> (3)	Incurred Claim <u>Count</u> (4)	Accident Year <u>Weights</u> (5)	Projected Loss & LAE <u>Ratio</u> (6) = (3) / (2)
2010	18,048	27,567,867	16,958,303	1,023	20%	61.5%
2011	19,212	29,485,322	15,578,732	1,131	21%	52.8%
2012	18,660	28,551,516	12,072,489	1,135	21%	42.3%
2013	17,712	26,915,004	10,228,112	748	20%	38.0%
2014	16,651	25,448,702	8,871,829	702	18%	34.9%
(7) Weighted Loss & LAE Ratio = sum [(5) x (6)]						46.2%
(8) Non-Hurricane Catastrophe-Adjusted Loss & LAE Ratio = (7) x WCLM						64.6%
(9) Credibility= [(1) / 18,750] ^ 0.5, cap result at 1.00						100.0%
(10) Trended Permissible Loss & LAE Ratio						62.3%
(11) Credibility Weighted Loss & LAE Ratio = (8) x (9) + (10) x [1.0 - (9)]						64.6%
(12) Permissible Loss, LAE and Fixed Expense Ratio						69.5%
(13) Indicated Rate Level Change = [(11) + (FE)] / (12) - 1.0						7.00%
(14) Proposed Rate Level Change						5.02%

**Notes:**

- (8) WCLM = Weighted Catastrophe Loss Multiplier, from Exhibit 8
- (10) Trended Permissible Loss & LAE Ratio =  
Permissible Loss & LAE Ratio  
x [(1.0 + Frequency Trend) x (1.0 + Severity Trend) / (1.0 + Premium Trend)]  
^ [(Effective Date - Prior Effective Date) / 365]
- (13) FE = Fixed Expense, from Exhibit 9

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Statewide Rate Level Indication**

Tenant Policy Forms

Accident Year Ending <u>12/31</u>	Earned House <u>Years</u>	Trended <u>EPCR</u>	Trended Ultimate <u>Loss &amp; LAE</u>	Incurred Claim <u>Count</u>	Accident Year <u>Weights</u>	Projected Loss & LAE <u>Ratio</u>
	(1)	(2)	(3)	(4)	(5)	(6) = (3) / (2)
2010	1,988	568,664	430,879	38	20%	75.8%
2011	2,346	678,266	341,176	48	21%	50.3%
2012	2,196	614,029	286,360	54	21%	46.6%
2013	1,857	526,244	458,302	39	20%	87.1%
2014	1,521	438,993	179,016	23	18%	40.8%
(7) Weighted Loss & LAE Ratio = sum [(5) x (6)]						60.3%
(8) Non-Hurricane Catastrophe-Adjusted Loss & LAE Ratio = (7) x WCLM						84.4%
(9) Credibility= [(1) / 3,750] ^ 0.5, cap result at 1.00						100.0%
(10) Trended Permissible Loss & LAE Ratio						61.4%
(11) Credibility Weighted Loss & LAE Ratio = (8) x (9) + (10) x [1.0 - (9)]						84.4%
(12) Permissible Loss, LAE and Fixed Expense Ratio						69.5%
(13) Indicated Rate Level Change = [(11) + (FE)] / (12) - 1.0						<b>35.46%</b>
(14) Proposed Rate Level Change						5.02%

Notes:

- (8) WCLM = Weighted Catastrophe Loss Multiplier, from Exhibit 8
- (10) Trended Permissible Loss & LAE Ratio =  
Permissible Loss & LAE Ratio  
x [(1.0 + Frequency Trend) x (1.0 + Severity Trend) / (1.0 + Premium Trend)]  
^ [(Effective Date - Prior Effective Date) / 365]
- (13) FE = Fixed Expense, from Exhibit 9

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Trended Premiums at Current Rates and Trended Ultimate Losses**

Dwelling Policy Forms

Accident Year Ending 12/31	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Premiums</b>					
(1) Earned Premium	18,506,825	21,888,478	23,108,288	24,042,363	24,168,240
(2) Earned Premium at Current Rates Factor	1.625	1.438	1.290	1.144	1.053
(3) Earned Premium at Current Rates = (1) x (2)	30,073,601	31,473,321	29,820,869	27,506,797	25,448,702
(4) Premium Trend Factor	0.917	0.937	0.957	0.978	1.000
(5) Trended Earned Premium at Current Rates = (3) x (4)	27,567,867	29,485,322	28,551,516	26,915,004	25,448,702
<b>Losses</b>					
(6) Incurred Losses & ALAE	11,969,252	11,244,002	9,000,129	7,878,628	6,420,384
(7) Loss Development Factor	1.001	1.008	1.006	1.002	1.099
(8) Ultimate Losses & ALAE = (6) x (7)	11,983,741	11,339,120	9,050,681	7,898,000	7,056,219
(9) ULAE Factor	1.136	1.136	1.136	1.136	1.136
(10) Ultimate Losses & LAE = (8) x (9)	13,615,312	12,882,926	10,282,920	8,973,303	8,016,915
(11) Loss Trend Factor	1.246	1.209	1.174	1.140	1.107
(12) Trended Ultimate Losses & LAE = (10) x (11)	16,958,303	15,578,732	12,072,489	10,228,112	8,871,829

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Trended Premiums at Current Rates and Trended Ultimate Losses**

Tenant Policy Forms					
Accident Year Ending 12/31	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Premiums</b>					
(1) Earned Premium	468,327	560,519	555,033	512,981	439,031
(2) Earned Premium at Current Rates Factor	1.466	1.411	1.246	1.116	1.051
(3) Earned Premium at Current Rates = (1) x (2)	686,490	790,929	691,648	572,589	461,394
(4) Premium Trend Factor	0.828	0.858	0.888	0.919	0.951
(5) Trended Earned Premium at Current Rates = (3) x (4)	568,664	678,266	614,029	526,244	438,993
<b>Losses</b>					
(6) Incurred Losses & ALAE	388,083	304,217	252,786	399,581	158,916
(7) Loss Development Factor	1.000	1.000	1.000	1.002	0.975
(8) Ultimate Losses & ALAE = (6) x (7)	388,083	304,217	252,786	400,523	154,882
(9) ULAE Factor	1.136	1.136	1.136	1.136	1.136
(10) Ultimate Losses & LAE = (8) x (9)	440,920	345,636	287,202	455,053	175,969
(11) Loss Trend Factor	0.977	0.987	0.997	1.007	1.017
(12) Trended Ultimate Losses & LAE = (10) x (11)	430,879	341,176	286,360	458,302	179,016

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Premium Trend**

Dwelling Policy Forms

Calendar Quarter Ending	Average Annual Earned Premium at Current Rates	Annual Change
03/31/2010	1,678.07	
06/30/2010	1,660.17	
09/30/2010	1,647.88	
12/31/2010	1,658.34	
03/31/2011	1,650.88	-1.6%
06/30/2011	1,647.22	-0.8%
09/30/2011	1,645.41	-0.2%
12/31/2011	1,632.33	-1.6%
03/31/2012	1,622.48	-1.7%
06/30/2012	1,603.16	-2.7%
09/30/2012	1,586.81	-3.6%
12/31/2012	1,585.71	-2.9%
03/31/2013	1,567.75	-3.4%
06/30/2013	1,578.92	-1.5%
09/30/2013	1,549.41	-2.4%
12/31/2013	1,526.49	-3.7%
03/31/2014	1,513.17	-3.5%
06/30/2014	1,513.84	-4.1%
09/30/2014	1,534.05	-1.0%
12/31/2014	1,555.36	1.9%
Fitted Annual Trend		
20 point	-2.2%	
12 point	-2.1%	
8 point	-1.3%	
4 point	3.9%	
Selected Historical Annual Trend	-2.2%	
Selected Prospective Annual Trend	0.0%	

Factors To Adjust Data Based on a 03/20/2015 Effective Date

Experience Period Ending (a)	Historical Trend Period (months) (b)	Factor to Adjust to 6/30/2014 (c)	Prospective Trend Period (months) (d)	Factor to Adjust from 06/30/2014 to 03/20/2016 (e)	Premium Trend Factor (f)
12/31/2010	48	0.917	20.7	1.000	0.917
12/31/2011	36	0.937	20.7	1.000	0.937
12/31/2012	24	0.957	20.7	1.000	0.957
12/31/2013	12	0.978	20.7	1.000	0.978
12/31/2014	0	1.000	20.7	1.000	1.000

**Notes:**

Fitted Annual Trend is calculated using exponential fits

(b) Duration from the midpoint of each experience period to 06/30/2014, which is the midpoint of the last calendar year of trend data ending 12/31/2014

(c) =  $(1 + \text{Historical Premium Trend})^{(b) / 12}$

(d) Duration from the midpoint of the last calendar year of trend data (06/30/2014) to the average earned date underlying the proposed rates (03/20/2016)

(e) =  $(1 + \text{Prospective Premium Trend})^{(d) / 12}$

(f) = (c) x (e)

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Premium Trend**

Tenant Policy Forms

Calendar Quarter Ending	Average Annual Earned Premium at Current Rates	Annual Change
03/31/2010	350.95	
06/30/2010	345.51	
09/30/2010	341.92	
12/31/2010	338.56	
03/31/2011	340.81	-2.9%
06/30/2011	342.34	-0.9%
09/30/2011	339.97	-0.6%
12/31/2011	332.00	-1.9%
03/31/2012	325.98	-4.4%
06/30/2012	317.23	-7.3%
09/30/2012	310.30	-8.7%
12/31/2012	307.92	-7.3%
03/31/2013	305.36	-6.3%
06/30/2013	310.17	-2.2%
09/30/2013	310.24	0.0%
12/31/2013	309.02	0.4%
03/31/2014	307.43	0.7%
06/30/2014	304.58	-1.8%
09/30/2014	300.18	-3.2%
12/31/2014	300.97	-2.6%
Fitted Annual Trend		
20 point	-3.4%	
12 point	-2.0%	
8 point	-1.5%	
4 point	-3.1%	
Selected Historical Annual Trend	-3.4%	
Selected Prospective Annual Trend	-2.8%	

Factors To Adjust Data Based on a 03/20/2015 Effective Date

Experience Period Ending (a)	Historical Trend Period (months) (b)	Factor to Adjust to 6/30/2014 (c)	Prospective Trend Period (months) (d)	Factor to Adjust from 06/30/2014 to 03/20/2016 (e)	Premium Trend Factor (f)
12/31/2010	48	0.871	20.7	0.951	0.828
12/31/2011	36	0.901	20.7	0.951	0.858
12/31/2012	24	0.933	20.7	0.951	0.888
12/31/2013	12	0.966	20.7	0.951	0.919
12/31/2014	0	1.000	20.7	0.951	0.951

**Notes:**

Fitted Annual Trend is calculated using exponential fits

(b) Duration from the midpoint of each experience period to 06/30/2014, which is the midpoint of the last calendar year of trend data ending 12/31/2014

(c) =  $(1 + \text{Historical Premium Trend})^{(b) / 12}$

(d) Duration from the midpoint of the last calendar year of trend data (06/30/2014) to the average earned date underlying the proposed rates (03/20/2016)

(e) =  $(1 + \text{Prospective Premium Trend})^{(d) / 12}$

(f) = (c) x (e)

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

ALL COMPANIES COMBINED

Loss Trend

Dwelling Policy Forms

Calendar Year Ending	Frequency (per 100 Exposures)		Severity	
	Travelers	ISO Fastrack	Travelers	ISO Fastrack
12/31/2009		6.82		7,987
03/31/2010	7.93	6.89	7,424	8,032
06/30/2010	8.77	6.88	8,247	8,298
09/30/2010	7.11	6.35	9,017	8,247
12/31/2010	6.57	6.26	9,773	8,281
03/31/2011	6.09	6.26	10,118	8,643
06/30/2011	5.73	6.75	8,970	8,097
09/30/2011	6.07	7.10	9,788	8,200
12/31/2011	6.19	6.96	9,887	8,514
03/31/2012	6.46	6.61	8,823	8,485
06/30/2012	5.98	5.86	9,129	8,859
09/30/2012	5.45	5.50	9,017	8,968
12/31/2012	5.55	5.51	8,036	8,715
03/31/2013	6.55	5.99	7,486	8,199
06/30/2013	6.62	6.02	7,681	8,198
09/30/2013	6.48	5.76	7,148	8,303
12/31/2013	6.00	5.60	8,511	8,232
03/31/2014	4.90	5.14	10,436	8,416
06/30/2014	4.79	4.87	11,437	8,392
09/30/2014	4.89	4.25	12,032	8,659
12/31/2014	4.90		10,495	
Fitted Annual Trend				
20 point	-7.9%	-7.3%	3.1%	0.8%
12 point	-8.9%	-11.7%	11.3%	-1.2%
8 point	-19.9%	-14.7%	34.5%	0.7%
4 point	0.7%	-29.8%	2.7%	6.1%
Selected Historical Annual Trend				
	Frequency 0.0%		Severity 3.0%	
Selected Prospective Annual Trend				
	Frequency 1.0%		Severity 5.0%	

Factors To Adjust Data Based on a 03/20/2015 Effective Date

Experience Period Ending (a)	Historical Trend Period (months) (b)	Factor to Adjust to 06/30/2014 (c)	Prospective Trend Period (months) (d)	Factor to Adjust from 06/30/2014 to 03/20/2016 (e)	Loss Trend Factor (f)
12/31/2010	48	1.126	20.7	1.107	1.246
12/31/2011	36	1.093	20.7	1.107	1.209
12/31/2012	24	1.061	20.7	1.107	1.174
12/31/2013	12	1.030	20.7	1.107	1.140
12/31/2014	0	1.000	20.7	1.107	1.107

Notes:

Travelers and ISO Fastrack data are statewide, calendar year, paid losses and ALAE, excluding catastrophes

Fitted Annual Trend is calculated using exponential fits.

(b) Duration from the midpoint of each experience period to 06/30/2014, which is the midpoint of the last calendar year of trend data ending 12/31/2014

(c) =  $[(1 + \text{Historical Frequency Trend}) \times (1 + \text{Historical Severity Trend})]^{(b) / 12}$

(d) Duration from the midpoint of the last calendar year of trend data (06/30/2014) to the average earned date underlying the proposed rates (03/20/2016)

(e) =  $[(1 + \text{Prospective Frequency Trend}) \times (1 + \text{Prospective Severity Trend})]^{(d) / 12}$

(f) = (c) x (e)

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

ALL COMPANIES COMBINED

Loss Trend

Tenant Policy Forms

Calendar Year Ending	Frequency (per 100 Exposures)		Severity	
	Travelers	ISO Fastrack	Travelers	ISO Fastrack
12/31/2009		2.48		4,419
03/31/2010	2.16	2.46	10,086	4,609
06/30/2010	1.82	2.51	8,979	5,130
09/30/2010	2.12	2.59	7,396	5,004
12/31/2010	2.03	2.57	6,400	4,942
03/31/2011	2.09	2.54	7,570	4,986
06/30/2011	2.40	2.64	8,874	4,500
09/30/2011	2.28	2.62	8,929	4,373
12/31/2011	2.06	2.66	9,142	4,498
03/31/2012	1.96	2.63	8,528	4,488
06/30/2012	1.75	2.49	7,268	4,508
09/30/2012	1.61	2.47	8,766	4,501
12/31/2012	1.88	2.54	6,058	4,057
03/31/2013	2.56	2.62	4,947	3,826
06/30/2013	2.62	2.66	4,953	4,350
09/30/2013	2.87	2.58	4,425	4,614
12/31/2013	2.75	2.36	6,805	5,022
03/31/2014	1.90	2.29	7,927	5,520
06/30/2014	2.03	2.20	7,033	5,180
09/30/2014	1.97	1.97	8,839	5,115
12/31/2014	1.74		7,253	
Fitted Annual Trend				
20 point	0.7%	-2.7%	-5.8%	0.7%
12 point	2.5%	-7.6%	0.9%	7.5%
8 point	-23.2%	-14.2%	40.3%	20.6%
4 point	-11.3%	-20.9%	-1.5%	-0.3%
Selected Historical Annual Trend				
	Frequency 0.0%		Severity -1.0%	
Selected Prospective Annual Trend				
	Frequency 0.0%		Severity 1.0%	

Factors To Adjust Data Based on a 03/20/2015 Effective Date

Experience Period Ending	Historical Trend Period (months)	Factor to Adjust to 06/30/2014	Prospective Trend Period (months)	Factor to Adjust from 06/30/2014 to 03/20/2016	Loss Trend Factor
(a)	(b)	(c)	(d)	(e)	(f)
12/31/2010	48	.961	20.7	1.017	0.977
12/31/2011	36	.970	20.7	1.017	0.987
12/31/2012	24	.980	20.7	1.017	0.997
12/31/2013	12	.990	20.7	1.017	1.007
12/31/2014	0	1.000	20.7	1.017	1.017

Notes:

Travelers and ISO Fastrack data are statewide, calendar year, paid losses and ALAE, excluding catastrophes

Fitted Annual Trend is calculated using exponential fits.

(b) Duration from the midpoint of each experience period to 06/30/2014, which is the midpoint of the last calendar year of trend data ending 12/31/2014

(c) =  $[(1 + \text{Historical Frequency Trend}) \times (1 + \text{Historical Severity Trend})]^{(b) / 12}$

(d) Duration from the midpoint of the last calendar year of trend data (06/30/2014) to the average earned date underlying the proposed rates (03/20/2016)

(e) =  $[(1 + \text{Prospective Frequency Trend}) \times (1 + \text{Prospective Severity Trend})]^{(d) / 12}$

(f) = (c) x (e)

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

ALL COMPANIES COMBINED

**Loss Development**

Dwelling Policy Forms

Incurred Losses Including ALAE

Accident Year Ending 12/31	Evaluation Month:									
	12	24	36	48	60	72	84	96	108	120
2005	6,413,217	7,467,622	7,656,614	7,653,115	7,575,289	7,546,134	7,541,669	7,541,669	7,541,669	7,541,669
2006	10,036,434	10,597,948	10,444,037	10,532,940	10,758,190	10,763,933	10,806,557	10,809,417	10,808,077	
2007	8,207,649	9,425,150	9,517,540	9,387,976	9,387,793	9,387,793	9,388,650	9,388,650	9,388,650	
2008	15,654,483	14,533,234	14,385,941	14,354,236	13,618,828	13,625,008	13,625,008			
2009	12,421,491	14,271,390	14,238,651	14,176,078	14,519,163	14,523,772				
2010	14,510,959	15,365,556	15,060,553	15,272,859	15,278,276					
2011	13,913,737	14,839,599	14,884,234	14,856,584						
2012	9,264,443	11,906,943	11,954,920							
2013	8,774,540	9,419,856								
2014	7,328,822									

Development Factors

Accident Year Ending 12/31	Development Period:								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to 120
2005	1.164	1.025	1.000	0.990	0.996	0.999	1.000	1.000	1.000
2006	1.056	0.985	1.009	1.021	1.001	1.004	1.000	1.000	
2007	1.148	1.010	0.986	1.000	1.000	1.000	1.000		
2008	0.928	0.990	0.998	0.949	1.000	1.000			
2009	1.149	0.998	0.996	1.024	1.000				
2010	1.059	0.980	1.014	1.000					
2011	1.067	1.003	0.998						
2012	1.285	1.004							
2013	1.074								

Average Development Factors

	Development Period:								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to 120
All yr avg	1.103	0.999	1.000	0.997	0.999	1.001	1.000	1.000	1.000
All yr avg excluding Hi/Lo	1.102	0.998	1.000	1.003	1.000	1.000	1.000		
5 yr avg	1.127	0.995	0.998	0.999	0.999				
5 yr avg excluding Hi/Lo	1.096	0.997	0.997	1.007	1.000				
4 yr avg	1.121	0.996	1.001	0.993	1.000	1.001			
4 yr avg excluding Hi/Lo	1.070	1.000	0.998	1.000	1.000	1.000			
3 yr avg	1.142	0.996	1.003	0.991	1.000	1.001	1.000		
Selected LDF	1.096	0.997	0.997	1.007	1.000	1.001	1.000	1.000	1.000
Cumulative LDF	12 to Ult.	24 to Ult.	36 to Ult.	48 to Ult.	60 to Ult.	72 to Ult.	84 to Ult.	96 to Ult.	108 to Ult.
	1.099	1.002	1.006	1.008	1.001	1.001	1.000	1.000	1.000



## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

## ALL COMPANIES COMBINED

**Unallocated Loss Adjustment Expense Factor**

Homeowners			
<u>Calendar</u> <u>Year</u>	<u>Paid</u> <u>ULAE</u>	<u>Paid</u> <u>Losses</u> <u>&amp; ALAE</u>	<u>ULAE</u> <u>Factor</u>
	(1)	(2)	(3) = 1.0 + (1) / (2)
2011	\$273,198,476	\$2,764,994,002	1.099
2012	\$272,974,777	\$2,061,810,074	1.132
2013	\$268,987,930	\$1,517,611,044	1.177
Selected			1.136

Note:

Countrywide data, on a Net basis

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

## ALL COMPANIES COMBINED

**Catastrophe Losses**  
**Weighted Catastrophe Loss Multiplier**

## All Policy Forms Combined

Calendar Year	Total Incurred Losses (1)	Catastrophe Hurricane Losses (2)	Catastrophe Earthquake Losses (3)	Other Catastrophe Losses (4)	Non-Catastrophe Incurred Losses (5) = (1) - (2) - (3) - (4)
1994	33,681	0	0	0	33,681
1995	45,350	0	0	0	45,350
1996	16,622	0	0	3,250	13,372
1997	94,083	0	0	3,376	90,707
1998	140,013	0	0	21,130	118,883
1999	1,226,638	0	0	247,702	978,936
2000	667,848	0	0	85,139	582,709
2001	928,813	0	0	260,322	668,491
2002	1,322,681	0	0	120,703	1,201,978
2003	2,845,528	0	0	159,373	2,686,155
2004	4,007,483	0	0	301,816	3,705,667
2005	7,590,058	357,668	0	235,707	6,996,683
2006	12,961,298	127,285	0	1,737,918	11,096,095
2007	9,496,630	0	0	607,031	8,889,599
2008	29,256,103	1,756,392	0	10,830,292	16,669,419
2009	21,028,954	259,297	0	9,113,355	11,656,302
2010	18,961,689	6,378	0	2,629,912	16,325,399
2011	31,743,407	530	0	16,728,390	15,014,487
2012	11,882,875	0	0	2,690,266	9,192,609
2013	13,735,932	0	0	1,561,540	12,174,392
20-Year Total	167,985,686	2,507,550	0	47,337,222	118,140,914
(6)	Ratio of Other Catastrophe to Non-Catastrophe Total Losses = (4) / (5)				0.401
(7)	Weighted Catastrophe Loss Multiplier (WCLM) = 1.0 + (6)				1.401

## ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY**Expenses and Permissible Loss & LAE Ratios**Fixed Expense

(1) Other Acquisition and General Expenses	10.2%
(2) Installment Fees	-0.5%
(3) Total Fixed Expense = (1) + (2)	9.7%

Variable Expense

(4) Commissions	15.2%
(5) Taxes, Licenses and Fees	3.9%
(6) Total Variable Expense = (4) + (5)	19.1%

(7) Profit Margin 11.4%

(8) Permissible Loss, LAE and Fixed Expense Ratio =  $100\% - (6) - (7)$  69.5%

(9) Permissible Loss & LAE Ratio =  $100\% - (3) - (6) - (7)$  59.8%

ARKANSAS QUANTUM HOMEOWNERS AND HIGH VALUE HOMEOWNERS

THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  
TRAVELERS COMMERCIAL INSURANCE COMPANY

**Calculation of Underwriting Profit  
Summary Exhibit**

	<u>Homeowners</u>
A. <u>Direct Earned Premium</u>	24,743,689
B. <u>Funds Available for Investment from Unearned Premium Reserve</u>	
1. Direct Mean Unearned Premium Reserve (see Page 2)	13,070,687
2. Deduction for Federal Taxes (see Page 2)	29,683
3. Deduction for Prepaid Expenses (see Page 2)	3,166,358
4. Deduction for Delayed Remission of Premium (see Page 3)	4,218,436
5. Net Available for Investment = B1 - B2 - B3 - B4	5,656,209
C. <u>Funds Available for Investment from Loss &amp; LAE Reserve</u>	
1. Expected Mean Loss & LAE Reserve (see Page 3)	7,093,113
2. Deduction for Federal Taxes (see Page 4)	3,117
3. Net Available for Investment = C1 - C2	7,089,996
D. <u>Policyholder Surplus</u> (see Page 5)	21,331,000
E. <u>Net Available for Investment</u> = B5 + C3 + D	34,077,205
F. <u>Average Rate of Return</u> (see Page 5)	4.4%
G. <u>Projected Investment Earnings</u> = E x F	1,490,722
H. <u>Before Tax Return (% of EP)</u> = G / A	6.0%
I. <u>Federal Income Tax Provision</u> (see Page 5)	18.9%
J. <u>After-Tax Return (% of EP)</u> = H x (100% - I)	4.9%
K. <u>Target After-Tax Total Return (% of EP)</u> (see Page 5)	12.9%
L. <u>Target After-Tax Underwriting Profit (% of EP)</u> = K - J	8.1%
M. <u>Target Before-Tax Underwriting Profit (% of EP)</u> = L / 0.65	12.4%
N. <u>Selected Target Before-Tax Underwriting Profit</u>	11.4%

The Target After-Tax Total Return on earned premium from underwriting and investment activities is 12.9%.

Since the after-tax return on homeowners earned premium from investment earnings is 4.9%, the difference of 8.1% is the projected after-tax underwriting profit. Assuming a tax rate of 35%, the before-tax underwriting profit is 12.4% as a percent of earned premium.

Notes:

A. Direct Earned Premium: State data, Page 14, Column 2, for 2013

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**B. Funds Available for Investment from Unearned Premium Reserve**

1. Direct Mean Unearned Premium Reserve		<u>Homeowners</u>
(a) Direct unearned premium reserve as of 12/31/2012		12,858,668
(b) Direct unearned premium reserve as of 12/31/2013		13,282,707
(c) Direct mean unearned premium reserve = (a + b) / 2		13,070,687
2. Deduction for Federal Taxes: The Internal Revenue Code allows only 80% of the change in unearned premium reserve as a deduction. The limitation of the deduction is accomplished through an adjustment to statutory income whereby 20% of the unearned premium reserve change is added to statutory income for tax purposes.		
	Deduction = 0.35 x 0.20 x (B1(b) - B1(a))	0.35 x 0.20 x (13,282,707 - 12,858,668) = 29,683
3. Deduction for Prepaid Expenses: Production costs and a large part of the other company expenses in connection with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures.		
(a) Commissions		15.20%
(b) Taxes, Licenses, and Fees		3.93%
(c) 50% of Other Acquisition		1.72%
(d) 50% of General		3.37%
(e) Total (% of premium)		24.22%
(f) Deduction = B1(c) x B3(e)	13,070,687 x 24.22% =	3,166,358

Notes:

(Data for year 2013 unless noted otherwise)

B1(a,b) State data, Page 14, Column 4

B3(a) [(Base Commission) + (3-Year Average Supplemental Commission)] / (State data, Page 14, Column 1)  
Commissions are state data from the financial database that reconciles to Page 14

B3(b) (State data, Page 14, Column 12) / (State data, Page 14, Column 1)

B3(c) Countrywide data from the financial database that reconciles to IEE, Part III, Column 27

B3(d) Countrywide data from the financial database that reconciles to IEE, Part III, Column 29

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**B. Funds Available for Investment from Unearned Premium Reserve (continued)**

4. Deduction for Delayed Remission of Premium: The ratio used for the Average Uncollected Balance is the countrywide agents' balances in the course of collection as a percentage of mean unearned premium reserve. This ratio is multiplied by the state mean unearned premium reserve to determine the deduction.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
(a) Direct Agents' Balances	583,022,285	583,798,490	571,699,227	
(b) Direct Mean Unearned Premium Reserve	1,776,824,784	1,814,829,010	1,795,468,051	
(c) Average Uncollected Balance Ratio = a / b	32.8%	32.2%	31.8%	32.3%
(d) Deduction = B1(c) x B4(c) <sub>Average</sub>	13,070,687 x 32.3% =		4,218,436	

**C. Funds Available for Investment from Loss & LAE Reserve**

This is determined by multiplying the expected Incurred Loss & LAE by the Mean Loss & LAE Reserve Ratio and deducting for Federal Taxes payable on loss reserves.

1. Expected Mean Loss & LAE Reserve

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
(a) Net Paid Loss & LAE	3,038,192,478	2,334,784,851	1,786,598,974	
(b) Net Loss & LAE Reserve as of end of prior year	1,004,857,491	1,118,891,945	1,085,983,309	
(c) Net Loss & LAE Reserve as of end of year	1,118,891,945	1,085,983,309	870,111,428	
(d) Net Incurred Loss & LAE = a + c - b	3,152,226,932	2,301,876,215	1,570,727,093	
(e) Net Mean Loss & LAE Reserve = (b + c) / 2	1,061,874,718	1,102,437,627	978,047,369	
(f) Reserve Ratio = e / d	0.3369	0.4789	0.6227	0.4795
(g) Permissible Loss & LAE Ratio (see Exhibit 9)			59.79%	
(h) Expected Mean Loss & LAE Reserve = A x C1(g) x C1(f) <sub>Average</sub>	24,743,689 x 59.79% x 0.4795 =		7,093,113	

Notes:

B4(a) Countrywide Homeowners data from the financial database that reconciles to IEE, Part III, Column 21

B4(b) Countrywide Homeowners data from the financial database that reconciles to IEE, Part III, Column 19

C1(a,b,c) Countrywide Homeowners data from the financial database that reconciles to IEE, Part II

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C. Funds Available for Investment from Loss & LAE Reserve (continued)

2. Deduction for Federal Taxes Payable on Loss Reserves

Year of Loss	Statutory Reserves ( <i>Undiscounted</i> )		Tax Reserves ( <i>Discounted</i> )	
	2012	2013	2012	2013
2002 & Prior	6,462,612	5,928,579	6,252,348	5,752,834
2003	1,508,658	509,742	1,406,923	486,957
2004	2,154,869	1,559,690	1,913,031	1,462,761
2005	33,769,751	2,985,659	30,839,196	2,678,053
2006	5,501,885	3,531,157	4,964,473	3,252,473
2007	11,429,649	7,633,408	10,306,842	6,929,957
2008	20,424,660	11,457,886	18,297,122	10,309,020
2009	33,010,356	17,446,750	29,689,144	15,646,931
2010	77,995,885	38,781,602	70,809,458	35,137,760
2011	233,816,158	91,999,432	213,683,536	84,200,211
2012	724,206,301	181,685,321	686,745,097	167,663,294
2013		575,658,791		552,932,170
Total	1,150,280,785	939,178,016	1,074,907,170	886,452,422

  

(a) Ratio of Total Tax to Total Statutory Reserves	2012 0.9345	2013 0.9439
(b) Arkansas Homeowners Loss & ALAE Reserve as of 12/31/2012 x (ULAE Factor) 4,943,483 x 1.136 =		5,615,797
(c) Arkansas Homeowners Loss & ALAE Reserve as of 12/31/2013 x (ULAE Factor) 5,911,563 x 1.136 =		6,715,536
(d) Deduction = $0.35 \times [c - b - (c \times a_{2013}) + (b \times a_{2012})]$ $0.35 \times [6,715,536 - 5,615,797 - (6,715,536 \times 0.9439) + (5,615,797 \times 0.9345)] =$		3,117

Notes:

C2(a) 2013 Federal Tax Return supporting documentation, Countrywide data  
C2(b,c) State data, Page 14, Column 7 and Column 10

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**D. Policyholder Surplus**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
(a) Year End Property Casualty Policyholder Surplus	18,586,650,960	19,317,409,143	20,405,302,698	
(b) Direct Written Premium	22,206,993,630	22,695,957,856	22,842,941,159	
(c) Premium to Surplus Ratio = b / a	1.19	1.17	1.12	1.16
(d) Direct Earned Premium (see Page 1, Item A)			24,743,689	
(e) Allocated Policyholder Surplus = d / c Average			21,331,000	

**F. Average Rate of Return**

The average rate of return is based on the three-year average ratio of net investment earnings to invested assets.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
(a) Net Investment Income	2,749,874,457	2,737,689,177	2,592,307,499	
(b) Net Realized Capital Gains	13,192,798	59,550,223	170,108,375	
(c) Invested Assets	62,801,070,216	63,331,666,728	64,136,293,702	
(d) Average Rate of Return = (a + b) / c	4.4%	4.4%	4.3%	4.4%

**I. Federal Income Tax Provision**

Detailed below is the calculation of the Federal Income Tax rate on Net Investment Income earned for Travelers Property Casualty Corporation. (Dollars are in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
(a) Net Investment Income (NII)	2,749,874	2,737,689	2,592,308	
(b) Dividends from Affiliates	0	0	(5,132)	
(c) Tax Exempt Interest (TEI)	(1,486,899)	(1,404,197)	(1,336,485)	
(d) 70% Dividends Received Deduction (DRD)	(9,336)	(10,008)	(10,439)	
(e) 42% DRD	(1,845)	(1,833)	(1,675)	
(f) 15% Proration Adj. on TEI and DRD = 0.15 x (c + d + e)	224,491	211,541	202,172	
(g) Other Adjustments	(23,134)	(31,573)	(38,036)	
(h) Taxable NII = a + b + c + d + e + f + g	1,453,151	1,501,619	1,402,713	
(i) Tax on NII = h x 0.35	508,603	525,567	490,950	
(j) Federal Income Tax Rate on NII = i / a	18.5%	19.2%	18.9%	18.9%

**K. Target After-Tax Total Return**

	<u>2013</u>
(a) Target Return on Equity	15.0%
(b) Target Return on Earned Premium = K(a) / D(c) Average	12.9%

**Notes:**

D(a) Consolidated Annual Statement, Page 3, Line 37

D(b) Consolidated Annual Statement, Page 8, Line 35, Column 1

F(a) Consolidated Annual Statement, Page 4, Line 9

F(b) Consolidated Annual Statement, Page 4, Line 10

F(c) Mean of current year and prior year:

[(Consolidated Annual Statement, Page 2, Line 12, Column 3) - (Consolidated Annual Statement Page 2, Line 5 (cash))]

I(a) Consolidated Annual Statement, Page 4, Line 9

I(b,c,d,e,f,g) Federal Income Tax Provision

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**Revision to Base Rates**

**Current**

Base Rate					
Form	P1	P2	P3	P5	P6
HO-3	1256.030	117.900	159.820	337.730	44.960
HO-4	242.070	36.920	122.070	20.480	6.620
HV-3	1592.620	157.600	242.270	454.090	60.460

**Proposed**

Base Rate					
Form	P1	P2	P3	P5	P6
HO-3	1308.880	122.620	166.260	368.870	49.010
HO-4	259.030	39.540	130.040	20.480	6.620
HV-3	1659.630	163.900	252.040	495.950	65.900

\*Note: Only forms being changed are shown.