

**State:** Arkansas **Filing Company:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## Filing at a Glance

Company: Shelter Mutual Insurance Company  
 Product Name: HO  
 State: Arkansas  
 TOI: 04.0 Homeowners  
 Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Filing Type: Rate/Rule  
 Date Submitted: 02/06/2015  
 SERFF Tr Num: SHEL-129908810  
 SERFF Status: Closed-Filed  
 State Tr Num:  
 State Status:  
 Co Tr Num: 03M20115  
 Effective Date: 05/01/2015  
 Requested (New):  
 Effective Date: 05/01/2015  
 Requested (Renewal):  
 Author(s): Brian Marcks, Phyllis Partise, Dani McCarty  
 Reviewer(s): Becky Harrington (primary)  
 Disposition Date: 03/04/2015  
 Disposition Status: Filed  
 Effective Date (New): 05/01/2015  
 Effective Date (Renewal): 05/01/2015

State Filing Description:

**State:** Arkansas **Filing Company:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## General Information

Project Name: Jaegers Status of Filing in Domicile:  
 Project Number: Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 03/04/2015  
 State Status Changed: Deemer Date:  
 Created By: Brian Marcks Submitted By: Brian Marcks  
 Corresponding Filing Tracking Number:

**Filing Description:**

Homeowners base rates have been revised for Forms HO-4 and HO-6. Rates and zone definitions have been revised for earthquake coverage.

The overall effect of this filing is expected to be a revenue increase of 0.4% or \$233,856.

## Company and Contact

### Filing Contact Information

Brian Marcks, Coordinator of Insurance BCMarcks@shelterinsurance.com  
 Department Affairs  
 1817 West Broadway 573-214-4165 [Phone]  
 Columbia, MO 65218 573-446-7317 [FAX]

### Filing Company Information

Shelter Mutual Insurance CoCode: 23388 State of Domicile: Missouri  
 Company Group Code: 123 Company Type:  
 1817 West Broadway Group Name: State ID Number:  
 Columbia, MO 65218 FEIN Number: 43-0613000  
 (573) 445-8441 ext. [Phone]

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation: \$100 per rate/rule filing.  
 Per Company: No

Company	Amount	Date Processed	Transaction #
Shelter Mutual Insurance Company	\$100.00	02/06/2015	92138386

SERFF Tracking #:

SHEL-129908810

State Tracking #:

Company Tracking #:

03M20115

State: Arkansas

Filing Company: Shelter Mutual Insurance Company

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

Product Name: HO

Project Name/Number: Jaegers/

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/04/2015	03/04/2015

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	02/06/2015	02/06/2015

#### Response Letters

Responded By	Created On	Date Submitted
Brian Marcks	03/02/2015	03/02/2015

**State:** Arkansas **Filing Company:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## Disposition

Disposition Date: 03/04/2015

Effective Date (New): 05/01/2015

Effective Date (Renewal): 05/01/2015

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):
Shelter Mutual Insurance Company	4.100%	0.400%	\$233,856	54,928	\$61,300,566	26.600%	-15.400%

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 (revised)	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Supporting Document	Rate Indications and Supporting Exhibits	Filed	Yes
Supporting Document	Histogram	Filed	Yes
Supporting Document	Response of March 2: Objection 2	Filed	Yes
Supporting Document	Response of March 2: Objection 3	Filed	Yes
Rate	General Rules Page	Filed	Yes
Rate	General Rules Page	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes

---

**State:** Arkansas **Filing Company:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	02/06/2015
Submitted Date	02/06/2015
Respond By Date	

---

Dear Brian Marcks,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- HPCS-Homeowners Premium Comparison Survey (Supporting Document)*

*Comments:*

*Companies may not change the form in any way or include formulas; worksheets and formulas have been added.*

**Objection 2**

*- Explanatory Memorandum (Supporting Document)*

*Comments: Please provide additional details regarding changes to earthquake zones and rates.*

**Objection 3**

*- Explanatory Memorandum (Supporting Document)*

*Comments: Provide additional support for the age of construction factors for earthquake.*

**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:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## Response Letter

Response Letter Status Submitted to State  
 Response Letter Date 03/02/2015  
 Submitted Date 03/02/2015

Dear Becky Harrington,

### Introduction:

Reference is made to your note of February 6. Following are responses to your questions in the same order as they appeared in the note.

### Response 1

#### Comments:

Attached is a corrected Excel version of the premium comparison.

### Related Objection 1

Applies To:

- HPCS-Homeowners Premium Comparison Survey (Supporting Document)

Comments:

Companies may not change the form in any way or include formulas; worksheets and formulas have been added.

### Changed Items:

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	HPCS 5-1-2015 filing.pdf HPCS 5-1-2015 filing DOI.xls
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	HPCS 5-1-2015 filing.pdf HPCS 5-1-2015 filing.xls

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**State:** Arkansas **Filing Company:** Shelter Mutual Insurance Company  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** HO  
**Project Name/Number:** Jaegers/

## Response 2

### Comments:

Attached is additional detail regarding the revised earthquake rates and revised earthquake zone definitions.

## Related Objection 2

Applies To:

- Explanatory Memorandum (Supporting Document)

Comments: Please provide additional details regarding changes to earthquake zones and rates.

## Changed Items:

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Response of March 2: Objection 2
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	AR HO3 rate change proposal.pdf AR HO4 rate change proposal.pdf AR HO6 rate change proposal.pdf AR Map.pdf EARTHQUAKE ZONE DEFINITIONS.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

## Response 3

### Comments:

We utilized the RMS RiskLink Version 13.1 Model in developing the revisions submitted in this filing. Attached is documentation from RMS regarding Year of Construction and support for the Age of Construction factors we filed.

## Related Objection 3

Applies To:

- Explanatory Memorandum (Supporting Document)

Comments: Provide additional support for the age of construction factors for earthquake.

## Changed Items:

SERFF Tracking #:

SHEL-129908810

State Tracking #:

Company Tracking #:

03M20115

State: Arkansas

Filing Company: Shelter Mutual Insurance Company

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

Product Name: HO

Project Name/Number: Jaegers/

### Supporting Document Schedule Item Changes

<b>Satisfied - Item:</b>	Response of March 2: Objection 3
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	RMS Year of Construction Documentation.pdf AR Year factor explanation.pdf

*No Form Schedule items changed.*

*No Rate/Rule Schedule items changed.*

**Conclusion:**

*I hope this helps. Please let me know if you have questions.*

*Sincerely,*

*Brian Marcks*

SERFF Tracking #:

SHEL-129908810

State Tracking #:

Company Tracking #:

03M20115

State: Arkansas

Filing Company: Shelter Mutual Insurance Company

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

Product Name: HO

Project Name/Number: Jaegers/

### Rate Information

Rate data applies to filing.

Filing Method: File and Use

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: -0.010%

Effective Date of Last Rate Revision: 05/15/2014

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):
Shelter Mutual Insurance Company	4.100%	0.400%	\$233,856	54,928	\$61,300,566	26.600%	-15.400%

**SERFF Tracking #:**

SHEL-129908810

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

03M20115

**State:** Arkansas**Filing Company:** Shelter Mutual Insurance Company**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations**Product Name:** HO**Project Name/Number:** Jaegers/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 03/04/2015	General Rules Page	GR-28	Replacement		Prop Manual Page GR-28.pdf
2	Filed 03/04/2015	General Rules Page	GR-29	Replacement		Prop Manual Page GR-29.pdf
3	Filed 03/04/2015	Rate Page	PD-1	Replacement		Prop Manual Page PD-1.pdf
4	Filed 03/04/2015	Rate Page	PD-2	Replacement		Prop Manual Page PD-2.pdf
5	Filed 03/04/2015	Rate Page	PD-3	Replacement		Prop Manual Page PD-3.pdf
6	Filed 03/04/2015	Rate Page	R-7	Replacement		Prop Manual Page R-7.pdf

**6. FARMING EXPOSURES (Cont.)****3) Limited Pollution Liability - Increased Limits**

The \$10,000 agricultural pollution coverage provided may be increased to \$100,000. This amount is a part of, and not in addition to, the Coverage E Policy Liability Limit, and is the **aggregate** limit for losses under Limited Pollution Liability for any annual period.

<u>Total Number of Acres</u>	<u>Premium</u>
0-500	\$130
Over 500	\$182

**7. BACK-UP OF SEWER OR DRAIN (B-494-B)**

Coverage may be added for water, or water borne contaminants or materials, which backs up or overflows from sewers, drains or pumps if it is caused by the inadequacy of the sewer, drain or pump system, or by an obstruction of such which is located off of the insured premises.

Policy Deductible	<u>\$500</u>
Premium Charge	\$50

**8. CONSTRUCTION THEFT COVERAGE (B-391-B)**

Coverage for theft losses from a dwelling under construction may be added by endorsement.

The premium for this endorsement is fully earned when added to the policy.

A 12 month policy term is mandatory when this coverage is added.

Policy Deductible	<u>\$500</u>
Premium Charge	\$68

**9. EARTHQUAKE COVERAGE (B-422-B)**

Coverage for the peril of earthquake may be provided by endorsement. This coverage will apply to all Section I coverages for the same limits as provided under the policy. The deductible for the Earthquake Damage Assumption Endorsement is based on a percent of the amount of insurance for each coverage and is applied separately to each coverage.

ZONE 1 -- Clay, Craighead, Crittenden, Cross, Greene, Jackson, Mississippi, Poinsett, and St. Francis Counties.

ZONE 2 -- Arkansas, Independence, Jefferson, Lawrence, Lee, Lonoke, Monroe, Phillips, Prairie, Randolph, Sharp, White, and Woodruff Counties.

ZONE 3 -- Ashley, Baxter, Bradley, Chicot, Cleburne, Cleveland, Conway, Desha, Drew, Faulkner, Fulton, Grant, Icard, Lincoln, Perry, Pulaski, Saline, Stone, and Van Buren Counties.

ZONE 4 -- Remainder of State.

**Property located in the following counties MUST be written with a minimum Earthquake deductible of 15%:** Arkansas, Clay, Craighead, Crittenden, Cross, Greene, Independence, Jackson, Lawrence, Lee, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White and Woodruff

**EARTHQUAKE COVERAGE (Cont.) - Earthquake Coverage - Rates per \$1,000**

Form HO-3					Form HO-6								
		Coverage A		Increased Limits Personal Property		Increased Limits ALE/Loss of Rents		Coverage C		Increased Limits Building Property		Increased Limits ALE/Loss of Rents	
Zones	Ded.	Frame	All Other	Frame	All Other	Frame	All Other	Frame	All Other	Frame	All Other	Frame	All Other
1	15%	\$1.41	\$2.07	\$0.66	\$0.97	\$1.19	\$2.08	\$1.20	\$1.16	\$1.34	\$1.93	\$1.79	\$2.35
1	20%	1.32	1.95	0.54	0.90	1.19	2.08	1.19	1.09	1.33	1.82	1.79	2.35
1	25%	1.24	1.84	0.44	0.84	1.19	2.08	0.93	1.03	1.25	1.72	1.79	2.35
2	5%	0.89	1.32	0.46	0.90	0.39	0.68	0.81	0.89	0.99	1.34	0.83	1.06
2	10%	0.79	1.22	0.36	0.76	0.39	0.68	0.71	0.79	0.89	1.24	0.83	1.06
2	15%	0.69	1.12	0.26	0.48	0.39	0.68	0.61	0.69	0.79	1.14	0.83	1.06
2	20%	0.64	1.05	0.21	0.44	0.39	0.68	0.57	0.65	0.74	1.07	0.83	1.06
2	25%	0.60	0.97	0.16	0.40	0.39	0.68	0.53	0.60	0.69	1.00	0.83	1.06
3	5%	0.69	1.10	0.25	0.50	0.21	0.37	0.63	0.56	0.79	1.15	0.51	0.66
3	10%	0.52	0.87	0.20	0.37	0.21	0.37	0.48	0.54	0.60	0.92	0.51	0.66
3	15%	0.48	0.81	0.15	0.34	0.21	0.37	0.44	0.51	0.56	0.86	0.51	0.66
3	20%	0.44	0.76	0.12	0.31	0.21	0.37	0.41	0.47	0.52	0.80	0.51	0.66
3	25%	0.41	0.70	0.10	0.28	0.21	0.37	0.38	0.44	0.49	0.75	0.51	0.66
4	5%	0.17	0.30	0.06	0.14	0.05	0.10	0.28	0.42	0.27	0.36	0.14	0.19
4	10%	0.15	0.27	0.05	0.12	0.05	0.10	0.24	0.38	0.24	0.32	0.14	0.19
4	15%	0.13	0.24	0.04	0.10	0.05	0.10	0.21	0.34	0.22	0.29	0.14	0.19
4	20%	0.11	0.21	0.03	0.09	0.05	0.10	0.19	0.31	0.20	0.26	0.14	0.19
4	25%	0.10	0.19	0.02	0.07	0.05	0.10	0.17	0.28	0.18	0.24	0.14	0.19

Form HO-4				All Forms				
		Coverage C		Increased Limits ALE/Loss of Rents	Incr Lmts/Added Other Structures		Incr Lmts/Added Loss Assessments	
Zones	Ded.	Frame	All Other	All Construction	Frame	All Other	Frame	All Other
1	15%	\$1.06	\$1.06	\$2.41	\$1.29	\$1.86	\$1.29	\$1.86
1	20%	0.99	0.99	2.41	1.22	1.76	1.22	1.76
1	25%	0.93	0.93	2.41	1.14	1.65	1.14	1.65
2	5%	0.81	0.81	1.15	0.82	1.17	0.82	1.17
2	10%	0.71	0.71	1.15	0.72	1.07	0.72	1.07
2	15%	0.61	0.61	1.15	0.62	0.97	0.62	0.97
2	20%	0.57	0.57	1.15	0.57	0.90	0.57	0.90
2	25%	0.53	0.53	1.15	0.53	0.84	0.53	0.84
3	5%	0.64	0.64	0.70	0.52	0.78	0.52	0.78
3	10%	0.48	0.48	0.70	0.46	0.70	0.46	0.70
3	15%	0.45	0.45	0.70	0.41	0.63	0.41	0.63
3	20%	0.41	0.41	0.70	0.36	0.57	0.36	0.57
3	25%	0.38	0.38	0.70	0.33	0.51	0.33	0.51
4	5%	0.30	0.30	0.20	0.12	0.19	0.12	0.19
4	10%	0.26	0.26	0.20	0.10	0.17	0.10	0.17
4	15%	0.23	0.23	0.20	0.09	0.15	0.09	0.15
4	20%	0.20	0.20	0.20	0.08	0.13	0.08	0.13
4	25%	0.18	0.18	0.20	0.07	0.12	0.07	0.12

AGE FACTOR		
Form HO-3 Only		
Coverage A , Incr Lmts/Added Personal Property, ALE/Loss of Rents, and Loss Assessments		
Age of Construction	Frame	All Other
Prior to 1937	1.21	1.13
1937 to 1991	1.15	1.09
1992 to 2000	1.04	1.02
2001 to Present	1.00	1.00
All Forms		
Increased Limits and Added Other Structures		
Age of Construction	Frame	All Other
All	1.00	1.00

**ARKANSAS HOMEOWNERS FORM HO-3  
PREMIUM DETERMINATION CHART**

**Dwelling Package Premium**

Step	Description	Reference	Round	Calculation
1	Base Rate	R-1,2	\$	+
2	Amount of Insurance	R-3	\$	x
3	Heating System Discount	GR-10	\$	x
4	Renovation Cost	R-1,2	\$	x
5	Townhouse/Rowhouse	GR-13	\$	x
6	Tier	GR-15	\$	x
7	Claim Free Discount	GR-10	\$	x
8	Claim Surcharge	GR-12	\$	x
9	Deductible	R-4 thru R-6	\$	x
10	Companion Policy Discount	GR-10	\$	x
11	New or Improved Home Discount	GR-10/11	\$	x
12	New Home Under Construction Disc	GR-9	\$	x
13	Protective Device Discount	GR-9	\$	x
14	Term	GR-14	\$	x
Total Premium				

**Increased Limits / Mandatory / Optional Coverages**

Description	Page	Base Rate	Page GR-8 *Deductible	Additional Calculation	Applicable Exposure Units	Term Factor	Total Premium
Additional Living Expense	GR-17	+			per \$1,000 Increase	x	
Fire Department Charges	GR-17	+			per \$100 Increase	x	
Money	GR-17	+	x		per \$100 Increase	x	
Other Structures	GR-17	per Structure +	x		per \$1,000 Increase	x	
Outdoor Antennas & Equip	GR-18	+	x		per \$1,000 Increase	x	
Personal Property	GR-18	+	x		per \$1,000 Increase	x	
Personal Liability	GR-19	+				x	
Additional Residence Liab	GR-21	+				x	
Permitted Business Activity	GR-21						
Incidental Business (Basic)	GR-21	+					
Optional Stock of Merchandise	GR-22	+	x		per \$1,000 Total Cov		
Child Day Care (Basic)	GR-22	+					
Foster Care (Basic)	GR-23	+					
Increased Limits on Other Structures	GR-22	per Structure +	x		per \$1,000 Increase		
Total Permitted Business Activity		= Total Permitted Business Activity Premium				x	
Additional Premises Rented to Others (Liab)	GR-24	per Dwelling +				x	
Other Structures Rented to Others (Liab)	GR-24	per Structure +				x	
Off Premises Structures	GR-25	+	x			x	
Incidental Farm Liability (On Premises)	GR-26	+				x	
Farmers Comprehensive Liab (Off Premises)	GR-26						
Acreage Charge	GR-27	+ 0 - 500 acres rate		+	per add'l 500 acres		
Farm Employees	GR-27	+ 1-2 employees rate		+	per add'l employee		
Animal Collision	GR-27	+					
Limited Pollution Liability	GR-28	+ 0 - 500 acres rate		+ >500 acres rate			
Total Farm Comp Pers Liab		= Total Farmers Comprehensive Liab Premium				x	
Back-Up Of Sewer or Drain	GR-28	+	x			x	
Construction Theft	GR-28	+	x			x	
Earthquake	GR-29						
Dwelling Charge (Cov A)	GR-29	+	x	x Age Factor	per \$1,000 Coverage		
Personal Property Increased Limit	GR-29	+	x	x Age Factor	per \$1,000 Increase		
ALE Increased Limit	GR-29	+	x	x Age Factor	per \$1,000 Increase		
Loss Assessment Limit	GR-29	+	x	x Age Factor	per \$1,000 Increase		
Other Structures Increased Limit	GR-29	per Structure +	x	x Age Factor	per \$1,000 Increase		
Total Earthquake		= Total Earthquake Premium				x	
Expanded Restoration Cost - Structures	GR-30	per Policy +	x			x	
Guns and Related Equipment	GR-31	+	x			x	
Archery Equipment	GR-31	+	x			x	
Jewelry and Furs	GR-32	+	x			x	
Personal Computer	GR-33	+	x			x	
Piers, Wharves and Docks (On Premises)	GR-33	per Structure +	x		per \$1,000	x	
Piers, Wharves and Docks (Off Premises)	GR-33	per Structure +				x	
Expanded Restoration Cost - Contents	GR-34	Min Prem Applies +		x Step 13		x	
Silverware and Goldware	GR-35	+	x			x	
Trees, Shrubs, Plants & Lawns W/H	GR-36	+	x		per \$1,000 Cov A	x	
Identity Fraud Expense	GR-36	+				x	
Business Endorsement	GR-37	per Person +				x	
Loss Assessment	GR-38	+ 0 - \$5,000 Limit rate		+ >\$5,000 Limit rate	all rates per \$1,000	x	
Personal Injury Liability	GR-38	+				x	
Watercraft Liability	GR-39	per Watercraft +		x Class Factor		x	

\* When the deductible is applied, the result should be rounded to the same number of digits as the item Base Rate.  
Term Fee applies to final policy premium per non-annual policy term.  
The minimum premium of \$1 shall be charged per item or per endorsement for each coverage written regardless of policy term.

**ARKANSAS HOMEOWNERS FORM HO-4  
PREMIUM DETERMINATION CHART**

**Package Premium**

Step	Description	Reference	Round	Calculation
1	Base Rate	R-7	\$	+
2	Amount of Insurance	R-8	\$	x
3	Form 4 or 6 Multi-Family Factor	R-7	\$	x
4	Tier	GR-15	\$	x
5	Claim Free Discount	GR-10	\$	x
6	Claim Surcharge	GR-12	\$	x
7	Deductible	R-9	\$	x
8	Companion Policy Discount	GR-10	\$	x
9	Protective Device Discount	GR-9	\$	x
10	Term	GR-13	\$	x
Total Premium				

**Increased Limits / Mandatory / Optional Coverages**

Description	Page	Base Rate	Page GR-8 *Deductible	Additional Calculation	Applicable Exposure Units	Term Factor	Total Premium
Additional Living Expense	GR-17	+			per \$1,000 Increase	x	
Fire Department Charges	GR-17	+					
Money	GR-17	+	x		per \$100 Increase	x	
Building Additions and Alterations	GR-18	+	x		per \$1,000	x	
Outdoor Antennas & Equip	GR-18	+	x		per \$1,000 Increase	x	
Personal Liability	GR-19	+				x	
Additional Residence Liab	GR-21	+				x	
Permitted Business Activity	GR-21						
Incidental Business	GR-21	+					
Optional Stock of Merchandise	GR-22	+	x		per \$1,000 Total Cov		
Child Day Care	GR-22	+					
Foster Care	GR-23	+					
Total Permitted Business Activity		= Total Permitted Business Activity Premium				x	
Additional Premises Rented to Others (Liab)	GR-24	per Dwelling	+			x	
Other Structures Rented to Others (Liab)	GR-24	per Structure	+			x	
Off Premises Structures	GR-25	+	x			x	
Incidental Farm Liability (On Premises)	GR-26	+				x	
Farmers Comprehensive Liab (Off Premises)	GR-26						
Acreage Charge	GR-27	+ 0 - 500 acres rate		+	per add'l 500 acres		
Farm Employees	GR-27	+ 1-2 employees rate		+	per add'l employee		
Animal Collision	GR-27	+					
Limited Pollution Liability	GR-28	+ 0 - 500 acres rate		+ >500 acres rate			
Total Farm Comp Pers Liab		= Total Farmers Comprehensive Liab Premium				x	
Back-Up Of Sewer or Drain	GR-28	+	x			x	
Construction Theft	GR-28	+	x			x	
Earthquake	GR-29						
Personal Property (Cov C)	GR-29	+	x		per \$1,000 Coverage		
ALE Increased Limit	GR-29	+	x		per \$1,000 Increase		
Loss Assessment Limit	GR-29	+	x		per \$1,000 Increase		
Other Structures- Added or Increased Limit	GR-29	per Structure	+	x Age Factor	per \$1,000 Increase		
Total Earthquake		= Total Earthquake Premium				x	
Guns and Related Equipment	GR-31	+	x			x	
Archery Equipment	GR-31	+	x			x	
Jewelry and Furs	GR-32	+	x			x	
Personal Computer	GR-33	+	x			x	
Piers, Wharves and Docks (On Premises)	GR-33	per Structure	+	x	per \$1,000	x	
Piers, Wharves and Docks (Off Premises)	GR-33	per Structure	+			x	
Expanded Restoration Cost - Contents	GR-34	Min Prem Applies	+	x Step 9		x	
Silverware and Goldware	GR-35	+	x			x	
Trees, Shrubs, Plants & Lawns W/H	GR-36	+	x		per \$1,000 Cov C	x	
Identity Fraud Expense	GR-36	+				x	
Business Endorsement	GR-37	per Person	+			x	
Loss Assessment	GR-38	+ 0 - \$5,000 Limit rate		+ >\$5,000 Limit rate	all rates per \$1,000	x	
Personal Injury Liability	GR-38	+				x	
Tenants Waterbed Liability	GR-38	+				x	
3 or 4 Family Dwelling-Premises Liability	GR-38	+				x	
Watercraft Liability	GR-39	per Watercraft	+	x Class Factor		x	

\* When the deductible is applied, the result should be rounded to the same number of digits as the item Base Rate.  
Term Fee applies to final policy premium per non-annual policy term.  
The minimum premium of \$1 shall be charged per item or per endorsement for each coverage written regardless of policy term.

**ARKANSAS HOMEOWNERS FORM HO-6  
PREMIUM DETERMINATION CHART**

**Package Premium**

Step	Description	Reference	Round	Calculation
1	Base Rate	R-7	\$	+
2	Amount of Insurance	R-8	\$	x
3	Form 6 Factor	R-7	\$	x
4	Form 4 or 6 Multi-Family Factor	R-7	\$	x
5	Tier	GR-15	\$	x
6	Claim Free Discount	GR-10	\$	x
7	Claim Surcharge	GR-12	\$	x
8	Deductible	R-9	\$	x
9	Companion Policy Discount	GR-10	\$	x
10	Protective Device Discount	GR-9	\$	x
11	Term	GR-13	\$	x
Total Premium				

**Increased Limits / Mandatory / Optional Coverages**

Description	Page	Base Rate	Page GR-8 *Deductible	Additional Calculation	Applicable Exposure Units	Term Factor	Total Premium
Condo Unit Rental Seasonal/Occasional	GR-13	+		x Step 10		x	
Additional Living Expense	GR-17	+			per \$1,000 Increase	x	
Fire Department Charges	GR-17	+			per \$100 Increase	x	
Loss Assessment (Increased Limits)	GR-17	+ 0 - \$5,000 Limit rate		+ >\$5,000 Limit rate	all rates per \$1,000	x	
Money	GR-17	+	x		per \$100 Increase	x	
Building Property	GR-18	+	x		per \$1,000 Increase	x	
Outdoor Antennas & Equip	GR-18	+	x		per \$1,000 Increase	x	
Personal Liability	GR-19	+				x	
Additional Residence Liab	GR-21	+				x	
Permitted Business Activity	GR-21						
Incidental Business	GR-21	+					
Optional Stock of Merchandise	GR-22	+	x		per \$1,000 Total Cov		
Child Day Care	GR-22	+					
Foster Care	GR-23	+					
Total Permitted Business Activity		= Total Permitted Business Activity Premium				x	
Additional Premises Rented to Others (Liab)	GR-24	per Dwelling	+			x	
Other Structures Rented to Others (Liab)	GR-24	per Structure	+			x	
Off Premises Structures	GR-25	+	x			x	
Incidental Farm Liability (On Premises)	GR-26	+				x	
Farmers Comprehensive Liab (Off Premises)	GR-26						
Acreage Charge	GR-27	+ 0 - 500 acres rate		+	per add'l 500 acres		
Farm Employees	GR-27	+ 1-2 employees rate		+	per add'l employee		
Animal Collision	GR-27	+					
Limited Pollution Liability	GR-28	+ 0 - 500 acres rate		+ >500 acres rate			
Total Farm Comp Pers Liab		= Total Farmers Comprehensive Liab Premium				x	
Back-Up Of Sewer or Drain	GR-28	+	x			x	
Construction Theft	GR-28	+	x			x	
Earthquake	GR-29						
Building Property	GR-29	per Structure	+	x	per \$1,000 Increase		
Personal Property (Cov C)	GR-29	+	x		per \$1,000 Coverage		
ALE Increased Limit	GR-29	+	x		per \$1,000 Increase		
Loss Assessment Increased Limit	GR-29	+	x		per \$1,000 Increase		
Other Structures- Added or Increased Limit	GR-29	per Structure	+	x	x Age Factor	per \$1,000 Increase	
Total Earthquake		= Total Earthquake Premium				x	
Guns and Related Equipment	GR-31	+	x			x	
Archery Equipment	GR-31	+	x			x	
Jewelry and Furs	GR-32	+	x			x	
Personal Computer	GR-33	+	x			x	
Piers, Wharves and Docks (On Premises)	GR-33	per Structure	+	x	per \$1,000	x	
Piers, Wharves and Docks (Off Premises)	GR-33	per Structure	+			x	
Expanded Restoration Cost - Contents	GR-34	Min Prem Applies	+	x Step 10		x	
Silverware and Goldware	GR-35	+	x			x	
Trees, Shrubs, Plants & Lawns W/H	GR-36	+	x		per \$1,000 Cov C	x	
Identity Fraud Expense	GR-36	+				x	
Business Endorsement	GR-37	per Person	+			x	
Personal Injury Liability	GR-38	+				x	
Watercraft Liability	GR-39	per Watercraft	+	x Class Factor		x	

\* When the deductible is applied, the result should be rounded to the same number of digits as the item Base Rate.  
Term Fee applies to final policy premium per non-annual policy term.  
The minimum premium of \$1 shall be charged per item or per endorsement for each coverage written regardless of policy term.

## Arkansas Homeowners Form HO-4 Base Rates

**\$10,000 Base, \$250 Deductible, \$100,000 Liability, \$1,000 Medical Payments  
Apartment Units in 1-4 Family Residences of Any Construction**

Zones	curve	
4	112	1
12	112	1
13	112	1
15	112	1
16	112	1
18	112	1
20	112	1
21	112	1
23	112	1
24	112	1
26	112	1
28	112	1
29	112	1
31	112	1
32	112	1
34	112	1
35	112	1
36	112	1
38	112	1
40	112	1
41	112	1
44	112	1
45	112	1
48	125	2
49	112	1
50	112	1
51	112	1
53	112	1
55	112	1
57	125	2
58	112	1
62	112	1
68	112	1
75	112	1
77	112	1
78	112	1
79	112	1
87	112	1
88	112	1
91	112	1
95	112	1

**FOR FORM HO-6 PREMIUM, MULTIPLY FORM HO-4 PREMIUM BY.90.**

FOR APARTMENTS IN ALL OTHER BUILDINGS MUTIPLY THE 1-4 FAMILY DWELLING PREMIUMS BY 1.30.

State: Arkansas

Filing Company:

Shelter Mutual Insurance Company

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

Product Name: HO

Project Name/Number: Jaegers/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	H-1 Homeowners Abstract
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	AR Form H1.pdf Supplement to H-1.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	HPCS-Homeowners Premium Comparison Survey
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	HPCS 5-1-2015 filing.pdf HPCS 5-1-2015 filing DOI.xls
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	NAIC loss cost data entry document
<b>Comments:</b>	Please see attachment.
<b>Attachment(s):</b>	AR HO RF1.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	Explanatory Memorandum
<b>Comments:</b>	Please see attachment.
<b>Attachment(s):</b>	AR HO Explanatory Memo.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	Rate Indications and Supporting Exhibits
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	AR HO Explanation of Exhibits.pdf HO Exhibits 1-12.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	Histogram
<b>Comments:</b>	Please see attachment.

**SERFF Tracking #:**

SHEL-129908810

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

03M20115

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

Shelter Mutual Insurance Company

**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations**Product Name:** HO**Project Name/Number:** Jaegers/

<b>Attachment(s):</b>	HO Graph.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	Response of March 2: Objection 2
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	AR HO3 rate change proposal.pdf AR HO4 rate change proposal.pdf AR HO6 rate change proposal.pdf AR Map.pdf EARTHQUAKE ZONE DEFINITIONS.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

<b>Satisfied - Item:</b>	Response of March 2: Objection 3
<b>Comments:</b>	Please see attachments.
<b>Attachment(s):</b>	RMS Year of Construction Documentation.pdf AR Year factor explanation.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	03/04/2015

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 Shelter Mutual Insurance Company  
 NAIC # (including group #) NAIC #23388, Group #123

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.  
 Not Applicable
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.  
 Please see additional information attached.
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.  
 Please see additional information attached.
4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.  
 Please see additional information attached.

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

a. Fire Extinguisher	0	%
b. Burglar Alarm	2	%
c. Smoke Alarm	2	%
d. Insured who has both homeowners and auto with your company	25	%
e. Deadbolt Locks	0	%
f. Window or Door Locks	0	%
g. Other (specify)		%
Complete Home Burglar alarm	5	%
<u>Fire or Burglar alarm reporting to station.</u>	5	%

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	\$ 60,257,005
<u>HO-4 &amp; HO-6</u>	<u>1,043,561</u>

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? Rather than a surcharge, premiums in protection Classes 8Y, 6N-8N, 8, 9, 10 & 11 reflect the added exposure due to the use of solid fuel heating. Policyholders in these protection classes who have no type of solid fuel heating devices are given a credit of 15% (Form 3 Only).
- If yes, state the surcharge See above.
- Does the surcharge apply to conventional fire places? No
- If yes, state the surcharge Not Applicable

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

\_\_\_\_\_  
Signature

Brian Marcks

\_\_\_\_\_  
Printed Name

Coordinator of Insurance Dept. Affairs

\_\_\_\_\_  
Title

573-214-4165

\_\_\_\_\_  
Telephone Number

bcmarcks@shelterinsurance.com

\_\_\_\_\_  
Email Address

The following are answers to questions two through four of Form H-1, Homeowners Abstract:

2. We have used cost estimators in Arkansas since 6/1/1979. We converted from the Boeckh cost estimator system to the Marshall & Swift cost estimator system on 3/1/2001. We now use the Boeckh/Marshall & Swift cost estimator system as Boeckh merged with Marshall & Swift.
3. For an HO-3 with the Expanded Restoration Cost endorsement, we require the amount of insurance to be at least 100% of restoration cost. For an HO-3 with Modified Renovation Cost endorsement attached, we require the amount of insurance to be at least 100% of market value. For an HO-3 without the Expanded Restoration Cost endorsement or the Modified Renovation Cost endorsement, we require the amount of insurance to be at least 100% of restoration cost.
4. We have a mandatory annual amount of insurance rollup for HO-3s, based on construction cost indices. Our policy size trending procedure accounts for the additional premium expected to be generated by our rollup programs.

NAIC Number: 23388  
 Company Name: Shelter Mutual Insurance Company  
 Contact Person: Brian Marcks  
 Telephone No.: 573-214-4165  
 Email Address: BCMarcks@Shelterinsurance.com  
 Effective Date: 1-May-15

**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	\$986	\$1,086	\$868	\$947	\$946	\$1,041	\$1,192	\$1,304	\$1,047	\$1,156	\$1,127	\$1,233	\$1,127	\$1,233	\$1,045	\$1,147	\$969	\$1,063
	\$120,000	\$1,414	\$1,558	\$1,246	\$1,359	\$1,357	\$1,494	\$1,710	\$1,871	\$1,503	\$1,658	\$1,617	\$1,769	\$1,617	\$1,769	\$1,499	\$1,645	\$1,390	\$1,525
	\$160,000	\$1,843	\$2,031	\$1,624	\$1,771	\$1,769	\$1,947	\$2,229	\$2,439	\$1,959	\$2,162	\$2,109	\$2,306	\$2,109	\$2,306	\$1,954	\$2,145	\$1,812	\$1,988
6	\$80,000	\$1,160	\$1,286	\$1,017	\$1,131	\$1,121	\$1,252	\$1,391	\$1,559	\$1,229	\$1,373	\$1,318	\$1,475	\$1,318	\$1,475	\$1,229	\$1,368	\$1,143	\$1,273
	\$120,000	\$1,664	\$1,845	\$1,458	\$1,623	\$1,608	\$1,797	\$1,996	\$2,237	\$1,763	\$1,970	\$1,891	\$2,116	\$1,891	\$2,116	\$1,763	\$1,963	\$1,640	\$1,826
	\$160,000	\$2,169	\$2,405	\$1,901	\$2,116	\$2,096	\$2,342	\$2,603	\$2,916	\$2,299	\$2,569	\$2,465	\$2,759	\$2,465	\$2,759	\$2,299	\$2,559	\$2,137	\$2,381
9	\$80,000	\$1,649	\$1,934	\$1,460	\$1,716	\$1,609	\$1,891	\$2,005	\$2,356	\$1,808	\$2,108	\$1,898	\$2,229	\$1,898	\$2,229	\$1,746	\$2,063	\$1,638	\$1,932
	\$120,000	\$2,366	\$2,775	\$2,094	\$2,462	\$2,308	\$2,713	\$2,877	\$3,380	\$2,594	\$3,025	\$2,723	\$3,197	\$2,723	\$3,197	\$2,504	\$2,960	\$2,350	\$2,772
	\$160,000	\$3,085	\$3,617	\$2,730	\$3,210	\$3,009	\$3,537	\$3,750	\$4,406	\$3,382	\$3,943	\$3,550	\$4,168	\$3,550	\$4,168	\$3,265	\$3,859	\$3,064	\$3,613

**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	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
	\$15,000	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00
	\$25,000	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00
6	\$5,000	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
	\$15,000	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00
	\$25,000	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00
9	\$5,000	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
	\$15,000	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00	\$128.00
	\$25,000	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00

**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	NA	%	Deadbolt Lock	NA	%
Burglar Alarm	5	%	Window Locks	NA	%
Smoke Alarm	2	%	\$1,000 Deductible	36	%
			Other (specify)		%
			See Manual Pgs GR-8, 9 & 29		%

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	yes	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5 thru 25	%
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone Highest Risk	Brick \$ 2.34
		Frame \$ 1.71

Maximum Credit Allowed

67

%

Lowest Risk

\$

0.19

\$

0.10

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

<b>1.</b>	This filing transmittal is part of Company Tracking #	03M20115
-----------	---	----------

<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/Item Filing Number	N/A
-----------	--	-----

<b>3.</b>		<b>A.</b>	Company Name	<b>B.</b>	Company NAIC Number
			Shelter Mutual Insurance Company		23388

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

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	FOR LOSS COSTS ONLY			
				(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Homeowners Form 3	3.8	0.2	N/A	N/A	N/A	N/A	N/A
Homeownere Forms 4 & 6	30.3	13.5	N/A	N/A	N/A	N/A	N/A
<b>TOTAL OVERALL EFFECT</b>	<b>4.1</b>	<b>0.4</b>					

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	50,012	+14.9	02/02/2010	44,874	24,256	54.1	62.9	A. Total Production Expense	16.3
2011	50,723	+5.0	05/19/2011	48,146	41,563	86.3	98.5	B. General Expense	7.2
2012	51,737	+10.0	06/07/2012	50,929	24,346	47.8	68.5	C. Taxes, Licenses & Fees	2.6
2013	52,824	+2.9	08/08/2013	55,791	23,941	42.9	67.8	D. Underwriting Profit & Contingencies	6.6
2014	54,928	-0.01	05/15/2014	59,573	37,462	62.9	57.0	E. Other (explain)	
								F. TOTAL	32.7

- 8.** N/A Apply Loss Cost Factors to Future filings? (Y or N)
- 9.** 26.6 Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): 24
- 10.** -15.4 Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 23

**SHELTER MUTUAL INSURANCE COMPANY  
ARKANSAS HOMEOWNERS  
EXPLANATORY MEMORANDUM**

**SUMMARY**

Base Rate changes to Forms HO-4 and HO-6. Earthquake Rates and Zones have been revised.

The overall change in revenue is 0.4% for \$233,856.

**GENERAL RULE (GR) PAGES**

**GR-28 & 29 9. Earthquake Coverage** – Rates and Zones for Earthquake Coverage have been revised. An Age Factor has been added.

**PREMIUM DETERMINATION CHART**

**PD-1 thru PD-3** Updates were made to coincide with the revised GR pages.

**BASE RATES (R) PAGES**

**R-7** Base rates were revised for Forms HO-4 and HO-6.

**SHELTER MUTUAL INSURANCE COMPANY  
ARKANSAS HOMEOWNERS  
EXPLANATION OF STATISTICAL EXHIBITS**

In accordance with Arkansas Regulation 23, Section 6.B., the following exhibits supplement this filing:

RF-1	Rate Filing Abstract
H-1	Homeowners Abstract
HPCS	Comparison of Homeowners Insurance Cost
Exhibit 1	Investment Income Calculation - Homeowners Multiple Peril
Exhibit 2	Underwriting Expenses and Expected Loss Ratio
Exhibit 3	Revenue Summation
Exhibit 4	Credibility
Exhibit 5	Loss Trending
Exhibit 6	Current Rate Levels
Exhibit 7	Policy Size Trending
Exhibit 8	Excess Wind and Hail Losses
Exhibit 9	Accident Year Losses and Claims Count
Exhibit 10	Unallocated Loss Adjustment Expense Factor
Exhibit 11	Arkansas Indicated Statewide Change
Exhibit 12	Revenue Change by Zone

**Exhibit RF-1** displays the Arkansas Rate Filing Abstract (Form RF-1).

**Exhibit H-1** displays the Arkansas Homeowners Abstract (Form H-1).

**Exhibit HPCS** gives a comparison of Homeowners Insurance Cost (Form HPCS).

**Exhibit 1** displays the calculation of the estimate of investment income on net unearned premiums and loss reserves.

**Exhibit 2** displays underwriting expenses for Homeowners Multiple Peril and contains the development of Expected Loss Ratio.

**Exhibit 3** summarizes the expected revenue effect of Homeowners coverages.

**Exhibit 4** displays a credibility table based on a total number of exposure units.

**Exhibit 5** displays the calculation of loss trend factors separately for frequency and severity.

For the purpose of this calculation, a revision effective date of September 30, 2013 was used.

**Exhibit 6** shows the factors necessary to adjust earned premium for rate changes to current.

**Exhibit 7** displays the calculation of policy size trend factors.

For the purpose of this calculation, a revision effective date of September 30, 2013 was used. From our estimate of annual growth in amount of insurance, we project an average size curve factor to one year past the assumed effective date. The premium trend factor is then the change in average size curve factor from the midpoint of each experience year to the projected date. Forms 3 and forms 4 and 6 are then averaged using earned exposures as weights.

**Exhibit 8** displays the calculation of excess wind and hail loss loading and smoothing.

**Exhibit 9** displays the development of ultimate accident year incurred loss and allocated loss adjustment expense and ultimate accident year claim count.

**Exhibit 10** displays the development of the unallocated loss adjustment expense factor.

**Exhibit 11** contains the calculation of the Arkansas Statewide Indicated Change based on the following information:

Line 1 contains the recorded earned premiums without adjustment.

Line 2 contains factors necessary to adjust premiums for all rate changes during the experience period as noted in Exhibit 6.

Line 3 contains factors necessary to adjust premiums to reflect anticipated increases in the amounts of insurance purchased as developed in Exhibit 7.

Line 4 is the adjusted earned premium.

Line 5 displays fiscal accident year incurred losses and allocated loss adjustment expenses as developed in Exhibit 9.

Line 6 displays excess wind and hail loss adjustment amount as developed in Exhibit 8.

Line 7 shows incurred losses adjusted for excess Wind/Hail losses.

Line 8 displays the factors necessary to adjust losses to reflect anticipated changes in loss costs as developed in Exhibit 5.

Line 9 displays the Unallocated Loss Adjustment Expense Factor as developed in Exhibit 10.

Line 10 represents the adjusted incurred losses and loss adjustment expenses.

Line 11 shows the formula loss ratios for each year.

Line 12 displays the weights assigned to each year of the experience period.

Line 13 is the five-year weighted loss ratio.

Line 14 is the credibility for the experience period based on the table in Exhibit 4.

Line 15 shows the expected loss ratio, labeled "Available for Losses and Loss Adjustment Expense" in Exhibit 2, page 2.

Line 16 shows the trended expected loss ratio.

Line 17 shows the credibility weighted loss ratio with the complement of credibility given to trended expected loss ratio.

Line 18 displays the provision for variable expenses. It is the sum of commission and brokerage expenses, taxes, licenses, and fees, and profit and contingencies from Exhibit 2, page 2.

Line 19 displays the provision for fixed expenses. It is the sum of other acquisition expense and general expense from Exhibit 2, page 2.

Line 20 displays the factor selected to trend fixed expenses. It is based on the trend in the All Items component of the Consumer Price Index.

Line 21 displays the trended provision for fixed expenses. It is line 19 times line 20 raised to the Y power, where Y is the number of years from one year past the last significant rate change to one year past the expected effective date.

Line 22 shows the statewide indicated change with provisions for both variable and fixed expenses.

**Exhibit 12** displays revenue change by zone.

## Shelter Mutual Insurance Company

### Arkansas

### Homeowners Multiple Peril

Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve		
(1) Direct Earned Premium for Calendar Year 2013		\$ 62,116,769
(2) Mean Unearned Premium Reserve: (1.) x 0.516		\$ 32,052,253
(3) Deductions for Prepaid Expenses:		
a. Brokerage and Commission	11.7%	
b. 50% of Other Acquisition Expense	2.3%	
c. 50% of General Expense	3.6%	
d. Taxes, Licenses and Fees	2.6%	
e. Total		20.2%
(4) Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))		\$ 25,577,698
B. Loss Reserves		
1. Direct Earned Premium for Calendar Year 2013		\$ 62,116,769
2. Expected Incurred Loss and Loss Adjustment: (1.) x 0.739		\$ 45,904,292
3. Expected Mean Loss Reserve: (2.) x 0.426		\$ 19,555,228
C. Net Subject to Investment: A.4 + B.3		\$ 45,132,926
D. Average Rate of Return		0.0519
E. Investment Earnings on Net Subject to Investment: C x D		\$ 2,342,399
F. Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		3.8%
G. Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.769		2.9%

Please refer to the attached explanatory memorandum for details by line

Explanatory Memorandum re Investment Income - Arkansas - Homeowners Multiple Peril

Line A.1 - Direct earned premium as shown on page 14 for the State of Arkansas, Homeowners Multiple Peril, for Calendar Year 2013.

Line A.2 - The mean unearned premium reserve is determined by multiplying the direct earned premium in Line A.1 by the mean unearned premium ratio developed below.

1. Direct Earned Premium for Calendar Year 2013	\$ 57,007,381
2. Unearned Premium Reserve as of 12/31/2012	\$ 28,507,860
3. Unearned Premium Reserve as of 12/31/2013	\$ 30,311,066
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$ 29,409,463
5. Mean Unearned Premium Ratio: (4.) / (1.)	0.516

Line A.3 - Production and half of other company expenses are incurred with the initial writing and processing of insurance policies, exclusive of claim adjustment expenses. As these expenses are in effect prepaid, the funds will not be available to invest on behalf of the policyholder. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

Line B.2 - The expected loss and loss adjustment ratio reflects expense provisions used in this filing with no provision for profit.

Line B.3 - The expected mean loss reserve is determined by multiplying the expected incurred loss in Line B.2 by the mean loss and loss adjustment reserve ratio as shown below.

1. Incurred Losses for Calendar Year 2012	\$ 27,014,853
2. Incurred Losses for Calendar Year 2013	\$ 27,743,277
3. Loss Reserves as of 12/31/2011	\$ 12,214,986
4. Loss Reserves as of 12/31/2012	\$ 12,480,951
5. Loss Reserves as of 12/31/2013	\$ 9,383,143
6. Mean Loss Reserve 2012	\$ 12,347,969
7. Mean Loss Reserve 2013	\$ 10,932,047
8. 2012 Ratio: (6.) / (1.)	0.457
9. 2013 Ratio: (7.) / (2.)	0.394
10. Mean Ratio: ((8.) + (9.)) / 2	0.426

Explanatory Memorandum re Investment Income - Continued

Line D - The rate of return is the ratio of Net Income Earned and Net Realized Capital Gains/Losses to Mean Cash and Invested Assets. Due to the inherent variability of Capital Gains/Losses, we have used the most recent ten years of data. All data shown below is from the annual statement

1. Cash and Invested Assets 2011	0	\$	1,721,432,518
2. Cash and Invested Assets 2012	0	\$	1,937,420,334
3. Cash and Invested Assets 2013	0	\$	2,118,261,025
4. Net Investment Income Earned 2012	0	\$	65,643,862
5. Net Investment Income Earned 2013	0	\$	63,620,117
6. Mean Cash and Invested Assets 2012: (2. + 3.) / 2	0	\$	1,829,426,426
7. Mean Cash and Invested Assets 2013: (2. + 3.) / 2	0	\$	2,027,840,680
8. Mean Rate of Return: (4. + 5.) / (6. + 7.)			0.0335
9. Mean Cash and Invested Assets 2004 - 2013	0	\$	16,853,802,022
10. Net Realized Capital Gains/Losses 2004 - 2013	0	\$	309,967,197
11. Mean Rate of Return: 10. / 9.			0.0184
12. Total Rate of Return: 8. + 11.			0.0519

Line G - The average rate of Federal Income Tax was determined by applying the expected average tax rate for Net Investment Income and the expected tax rate applicable to Net Realized Capital Gains/Losses to the rates of return calculated in Line D.

	<u>Rate of Return</u>	<u>Federal Tax Rate</u>
Net Investment Income Earned	0.0335	0.166 (A)
Net Realized Capital Gains/Losses	<u>0.0184</u>	<u>0.350</u>
Total	0.0519	0.231

(A) The expected average rate of Federal Income Tax on Net Investment Income was determined by applying the expected 2014 tax rates to the distribution of investment income earned for the years 2012 and 2013. The calculations are shown below:

Type of Investment	Net Income Earned (1)			Tax Rate	Federal Tax
	2012	2013	Total		
Bonds (Taxable)	\$ 13,379,920	\$ 8,719,183	\$ 22,099,102	0.350	\$ 7,734,686
Bonds (Tax Exempt)	\$ 36,017,145	\$ 36,213,845	\$ 72,230,991	0.053	\$ 3,828,243
Stocks	\$ 8,306,445	\$ 8,587,732	\$ 16,894,177	0.210	\$ 3,547,777
Short Term	\$ 25,247	\$ 7,557	\$ 32,805	0.350	\$ 11,482
Real Estate	\$ 3,205,702	\$ 3,092,782	\$ 6,298,484	0.350	\$ 2,204,469
Other Investments	\$ 4,709,403	\$ 6,999,018	\$ 11,708,420	0.350	\$ 4,097,947
Total	\$ 65,643,862	\$ 63,620,117	\$ 129,263,979	0.166	\$ 21,424,604

(1) Investment deductions have been allocated to the appropriate type in the following manner:

- Real Estate - Income Earned less depreciation (Page 6, Line 12), Real Estate Expenses and Taxes (Page 11, Lines 19 and 20, Column 3).
- All Other - Investment Expenses less Real Estate Expenses and Taxes prorated by income earned to total income earned less Real Estate Income.

Shelter Mutual Insurance Company

Companywide

Homeowners Multiple Peril

Development of Expense Ratios

Note: 000 s omitted.	2011	2012	2013	Total
1.) Direct Commission and Brokerage	\$ 38,365	\$ 41,803	\$ 44,031	\$ 124,199
2.) Direct Written Premium	330,870	354,339	372,505	1,057,714
Ratio: 1 / 2	11.6%	11.8%	11.8%	11.7%
3.) Other Acquisition Expense	\$ 13,384	\$ 16,305	\$ 17,228	\$ 46,917
4.) Direct Earned Premium	323,370	341,524	364,951	1,029,845
Ratio: 3 / 4	4.1%	4.8%	4.7%	4.6%
5.) General Expense	\$ 23,238	\$ 25,219	\$ 25,689	\$ 74,146
6.) Direct Earned Premium	323,370	341,524	364,951	1,029,845
Ratio: 5 / 6	7.2%	7.4%	7.0%	7.2%
7.) Taxes, Licenses and Fees	\$ 7,262	\$ 8,048	\$ 8,188	\$ 23,498
8.) Direct Written Premium	330,870	354,339	372,505	1,057,714
Ratio: 7 / 8	2.2%	2.3%	2.2%	2.2%
9.) Direct Loss Adjustment Expense	\$ 27,974	\$ 24,467	\$ 27,508	\$ 79,949
10.) Direct Losses Incurred	335,273	239,305	253,187	827,765
Ratio: 9 / 10	8.3%	10.2%	10.9%	9.7%

Source: Insurance Expense Exhibit.

## Shelter Mutual Insurance Company

### Arkansas

### Homeowners Multiple Peril

#### Calculation of Expected Loss Ratio

---

Commission and Brokerage (a)	11.7%
Other Acquisition Expense (a)	4.6%
General Expense (a)	7.2%
Arkansas Taxes, Licenses and Fees (b)	2.6%
Profit and Contingencies (c)	6.6%
	<hr/>
Sub-total	32.7%
Available for Losses and Loss Adjustment Expense	67.3%

(a) From attached Companywide Expense Ratios

(b) 2013 Premium Tax ratio in Arkansas

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

**Shelter Mutual Insurance Company  
Arkansas  
Homeowners Multiple Peril  
Determination of Underwriting Profit & Contingencies Provision**

<b>Target Total Return on Surplus (after federal income tax):</b>	<b>12.0%</b>	(I)
<b>Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):</b>	4.0%	(II)
<b>Expected Net Income (% of surplus, after federal income tax):</b>	8.0%	(III)=(I)-(II)
<b>Target Premium to Surplus Ratio:</b>	<b>1.00</b>	(IV)
<b>Expected Net Income (% of earned premium, after federal income tax):</b>	8.0%	(V)=(III)/(IV)
<b>Expected Investment Income on Unearned Premium Reserves and Loss &amp; LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):</b>	2.9%	(VI)
<b>Underwriting Profit Provision (% of earned premium, after federal income tax):</b>	5.1%	(VII)=(V)-(VI)
<b>Expected Federal Income Tax Rate:</b>	23.1%	(VIII)
<b>Underwriting Profit Provision (% of earned premium, before federal income tax):</b>	<b>6.6%</b>	(IX)=(VII)/[1-(VIII)]

**Shelter Mutual Insurance Company  
Arkansas Homeowners  
Revenue Summation**

	Current Premium	Proposed Change	
		%	\$
HO-3	<u>60,257,005</u>	<u>0.2</u>	<u>93,315</u>
Sub-Total	60,257,005	0.2	93,315
HO-4	871,804	14.9	129,636
HO-6	<u>171,757</u>	<u>6.3</u>	<u>10,906</u>
Sub-Total	1,043,561	13.5	140,541
Total (Forms 3 thru 6)	61,300,566	0.4	233,856

SHELTER MUTUAL INSURANCE COMPANY  
 HOMEOWNERS  
 Credibility Table  
 Based on 20,000 Exposure Units

<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Credibility Factor</u>
0	12	0.00
13	112	0.05
113	312	0.10
313	612	0.15
613	1,012	0.20
1,013	1,512	0.25
1,513	2,112	0.30
2,113	2,812	0.35
2,813	3,612	0.40
3,613	4,512	0.45
4,513	5,512	0.50
5,513	6,612	0.55
6,613	7,812	0.60
7,813	9,112	0.65
9,113	10,512	0.70
10,513	12,012	0.75
12,013	13,612	0.80
13,613	15,312	0.85
15,313	17,112	0.90
17,113	19,012	0.95
19,013	20,000 +	1.00

**Assumptions:**

1. 10% claim frequency distribution with claims following a Poisson distribution.
2. Using the normal approximation with a 90% probability that the sample mean is within 3.5% of the true mean.
3. Partial credibility is based on the square root rule rounded to the nearest 5%.

**Shelter Mutual Insurance Company  
Arkansas  
Homeowners  
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2012	73,507,955	20,146	3,649	4,282		
6/2012	79,998,367	18,633	4,293	4,293		
9/2012	82,562,143	18,258	4,522	4,304		
12/2012	81,478,853	18,340	4,443	4,316		
3/2013	82,553,096	18,210	4,533	4,327		
6/2013	84,647,890	18,477	4,581	4,338		
9/2013	82,797,656	18,178	4,555	4,349		4,642
12/2013	79,752,593	17,801	4,480	4,361		4,529
3/2014	92,779,663	20,078	4,621	4,372		4,418
6/2014	86,149,561	20,085	4,289	4,384		4,310
9/2014	85,412,222	20,045	4,261	4,395		4,204
12/2014	78,513,551	19,597	4,006	4,406		4,102
Annual Percentage Change				1.03%		-9.43%
r^2				0.019		0.767

Frequency Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2012	20,146	265,800	7.58	6.97		
6/2012	18,633	264,918	7.03	7.02		
9/2012	18,258	263,982	6.92	7.07		
12/2012	18,340	263,075	6.97	7.12		
3/2013	18,210	262,100	6.95	7.17		
6/2013	18,477	261,162	7.07	7.23		
9/2013	18,178	260,445	6.98	7.28		6.97
12/2013	17,801	259,873	6.85	7.33		7.02
3/2014	20,078	259,455	7.74	7.39		7.07
6/2014	20,085	259,185	7.75	7.44		7.12
9/2014	20,045	258,965	7.74	7.50		7.17
12/2014	19,597	259,025	7.57	7.55		7.23
Annual Percentage Change				3.00%		2.99%
r^2				0.273		0.535

Severity Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
3/2012	13,138,228	4,105	3,201	3,492		
6/2012	13,127,516	3,701	3,547	3,612		
9/2012	12,429,483	3,655	3,401	3,736		
12/2012	14,648,289	3,897	3,759	3,864		
3/2013	16,296,470	3,804	4,284	3,996		
6/2013	16,765,671	3,773	4,444	4,134		
9/2013	18,718,046	3,721	5,030	4,275		5,053
12/2013	16,329,973	3,436	4,753	4,422		4,916
3/2014	19,694,343	3,956	4,978	4,574		4,783
6/2014	19,907,804	4,179	4,764	4,731		4,654
9/2014	18,645,609	4,158	4,484	4,893		4,528
12/2014	17,812,719	4,107	4,337	5,061		4,405
Annual Percentage Change				14.45%		-10.39%
r^2				0.625		0.783

Frequency Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
3/2012	4,105	45,650	8.99	8.23		
6/2012	3,701	45,680	8.10	8.25		
9/2012	3,655	45,758	7.99	8.27		
12/2012	3,897	45,864	8.50	8.29		
3/2013	3,804	45,993	8.27	8.31		
6/2013	3,773	46,132	8.18	8.34		
9/2013	3,721	46,310	8.03	8.36		7.81
12/2013	3,436	46,506	7.39	8.38		8.02
3/2014	3,956	46,722	8.47	8.40		8.25
6/2014	4,179	46,937	8.90	8.42		8.48
9/2014	4,158	47,159	8.82	8.44		8.71
12/2014	4,107	47,447	8.66	8.47		8.95
Annual Percentage Change				1.07%		11.60%
r^2				0.028		0.524

Severity Trends - Fast Track Arkansas						
Fiscal Acc Year	Non-Catastrophe Incurred Loss and LAE	Non-Catastrophe Paid Claims	Severity	Curve of Best Fit		
				12 Point	6 Point	
9/2011	213,278,092	22,910	9,309	9,007		
12/2011	210,959,096	22,587	9,340	9,089		
3/2012	201,038,749	21,709	9,261	9,172		
6/2012	180,964,314	19,377	9,339	9,255		
9/2012	175,056,948	18,130	9,656	9,340		
12/2012	175,167,962	18,101	9,677	9,424		
3/2013	169,756,431	19,595	8,663	9,510		8,243
6/2013	170,724,686	19,542	8,736	9,597		8,727
9/2013	163,381,133	18,679	8,747	9,684		9,239
12/2013	166,273,808	18,131	9,171	9,772		9,781
3/2014	185,388,662	17,198	10,780	9,861		10,354
6/2014	193,426,764	17,159	11,273	9,951		10,961
Annual Percentage Change				3.69%		25.60%
r^2				0.165		0.826

Frequency Trends - Fast Track Arkansas						
Fiscal Acc Year	Non-Catastrophe Paid Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
9/2011	22,910	315,035	7.27	6.89		
12/2011	22,587	317,351	7.12	6.73		
3/2012	21,709	320,890	6.77	6.58		
6/2012	19,377	323,133	6.00	6.43		
9/2012	18,130	322,253	5.63	6.29		
12/2012	18,101	321,222	5.64	6.15		
3/2013	19,595	318,857	6.15	6.01		6.24
6/2013	19,542	316,527	6.17	5.87		6.06
9/2013	18,679	316,364	5.90	5.74		5.88
12/2013	18,131	315,609	5.74	5.61		5.71
3/2014	17,198	316,025	5.44	5.48		5.55
6/2014	17,159	315,866	5.43	5.36		5.39
Annual Percentage Change				-8.69%		-11.06%
r^2				0.674		0.937

Trend Factor					
Fiscal Acc Year	Midpoint of Experience Period	Number of Years to 12/31/2014	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Trend Factor
12/31/2010	7/01/2010	4.5000	1.1930	1.0000	1.1930
12/31/2011	7/01/2011	3.5000	1.1471	1.0000	1.1471
12/31/2012	7/01/2012	2.5000	1.1030	1.0000	1.1030
12/31/2013	7/01/2013	1.5000	1.0606	1.0000	1.0606
12/31/2014	7/01/2014	0.5000	1.0198	1.0000	1.0198

Projection Factor				Combined Trend and Projection Factor
Years from 12/31/2014 to 6/30/2016	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Projection Factor	
1.4986	1.0605	1.0000	1.0605	1.2652
1.4986	1.0605	1.0000	1.0605	1.2165
1.4986	1.0605	1.0000	1.0605	1.1697
1.4986	1.0605	1.0000	1.0605	1.1248
1.4986	1.0605	1.0000	1.0605	1.0815

# Shelter Mutual Insurance Company Homeowners Arkansas

## *Current Rate Level Factors as of December 31, 2014*

The parallelogram method adjusted for exposure changes was used to develop the current rate level factors shown below.

<u>Fiscal Year Ending</u>	<u>Factors</u>
December 31, 2010	1.2842
December 31, 2011	1.1772
December 31, 2012	1.1170
December 31, 2013	1.0350
December 31, 2014	1.0050

## *Rate Change History (Percent Changes)*

<u>Effective Date</u>	<u>% Changes</u>
August 8, 2013	2.9 %
June 7, 2012	10.2 %
May 19, 2011	5.0 %
February 2, 2010	14.9 %

Shelter Mutual Insurance Company  
Homeowners Forms 3,4,6  
Arkansas

*Premium Adjustment for Increases in Amount of Insurance Purchased*

<b>Form 3</b>										
Calendar Year	All Policies Present Mid-Year		Policies Persisting to Subsequent Year							
	Policy Count	Average Amount of Insurance	Policy Count	Average Amount of Insurance in Current Year	Average Amount of Insurance in Subsequent Year	Average Size Curve Factor in Current Year	Average Size Curve Factor in Subsequent Year	Percentage Change in Premium In Year Due to Inflation in Coverage Amounts	Cumulative Premium Trend Factor	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (7)/(6) - 1	(9) = (1 + (8)) * Prior (9)	
2010	47,809	163,364	43,781	162,991	163,670	2.217	2.219	0.1%	1.092	
2011	47,423	163,517	43,732	163,758	165,230	2.225	2.235	0.4%	1.090	
2012	47,453	164,675	43,813	164,774	168,465	2.237	2.266	1.3%	1.086	
2013	48,352	167,965	44,616	168,234	173,622	2.277	2.320	1.9%	1.072	
2014*	49,163	173,584	47,279	173,851	176,771	2.340	2.363	1.0%	1.051	
Projected**								5.1%		

<b>Forms 4,6</b>										
Calendar Year	All Policies Present Mid-Year		Policies Persisting to Subsequent Year							
	Policy Count	Average Amount of Insurance	Policy Count	Average Amount of Insurance in Current Year	Average Amount of Insurance in Subsequent Year	Average Size Curve Factor in Current Year	Average Size Curve Factor in Subsequent Year	Percentage Change in Premium In Year Due to Inflation in Coverage Amounts	Cumulative Premium Trend Factor	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (7)/(6) - 1	(9) = (1 + (8)) * Prior (9)	
2010	4,620	32,699	3,387	31,717	32,002	2.024	2.027	0.2%	1.005	
2011	5,402	32,344	3,908	32,421	32,522	2.053	2.057	0.2%	1.003	
2012	6,033	31,464	4,358	31,867	31,999	2.030	2.030	0.0%	1.001	
2013	6,639	31,848	4,737	31,022	31,133	1.996	1.998	0.1%	1.001	
2014*	7,356	30,696	6,323	30,529	30,554	1.973	1.974	0.0%	1.000	
Projected**								0.0%		

<b>Combined</b>	
Premium Trend Factor	(10)
	1.090
	1.089
	1.084
	1.071
	1.051

\* 2014 Data compare December exposures to corresponding 12/31/2014 exposures for partial-year growth rate as 2014 data not yet realized.

\*\* Projection period is from midpoint of latest calendar year to one year past effective date (6/30/2015), which is 2. years.

Projection is based on factors in place to increase coverage amounts during 2015 and current amount of insurance rating factors.

**Notes:**

The calculation of Trend in Amount of Insurance is restricted to observed changes in specific policies for which amount of insurance data is available for the following experience field. The adjustment for a trend in amount of insurance seeks to restate past premium levels at the expected amount of insurance at current valuations for those past exposures. The changing composition of this book of business due to steady growth prevents the use of simple averages in each experience field, which would be skewed significantly by differences between existing book and new policies being added to book.

- (1) Total number of policies present in June of experience period.
- (2) Average Coverage A amount for Form 3 policies; average Coverage C amount for Form 4 & 6 policies as of June of experience period.
- (3) Number of policies present in June of experience period for which renewal data found during June of following experience period.
- (4) Average principle coverage amount for policies for which renewal data is available; number of policies and average amount indicate this should be a fully representative sample.
- (5) Average principle coverage amount for renewed policies.
- (6) Average of approximate size curve factor attached to each policy according to experience period amount of insurance. Current rather than historical size curves used, but should approximate past rating well.
- (7) Average of approximate size curve factor attached to each policy according to amount of insurance observed in subsequent experience period.
- (8) Overall average percentage change in size curve factors used in premium determination.
- (9) Cumulative factor to project amount of insurance premium increases from past level to mid-point of experience projection period. See notes above regarding use of most recent trend data to extrapolate into the near future.
- (10) Average Premium Trend Factor from Form 3 and Forms 4,6 weighted by premium distribution shown below.

	<b>Form 3</b>	<b>Forms 4,6</b>	<b>Combined</b>
% Distribution of Current Premium	99%	1%	100%

Shelter Mutual Insurance Company  
Homeowners  
Arkansas  
Development of Excess Wind and Hail Loss Loading

Fiscal Accident Year Ending	Earned Premium (1)	Wind Incurred Loss (2)	Wind Loss Ratio (3)	*Normal Wind Loss Ratio (4)	Excess Wind Incurred Loss (5)	**Adjusted Wind Incurred Loss (6)	Re-Distributed Excess Wind Incurred Loss Adjustment (7)	Net Wind Incurred Loss Adjustment (8)
12/31/1990	10,896,741	1,357,294	12%	15%	(289,984)	1,647,278	926,729	
12/31/1991	11,091,336	1,694,874	15%	15%	0	1,694,874	943,278	
12/31/1992	11,085,789	1,719,346	16%	16%	0	1,719,346	942,806	
12/31/1993	10,550,584	863,981	8%	15%	(730,968)	1,594,949	897,289	
12/31/1994	10,660,922	1,611,629	15%	15%	0	1,611,629	906,673	
12/31/1995	11,109,401	1,254,463	11%	15%	(424,963)	1,679,427	944,815	
12/31/1996	11,779,722	12,356,428	105%	39%	7,738,808	4,617,620	1,001,823	
12/31/1997	12,713,976	4,983,846	39%	39%	0	4,983,846	1,081,278	
12/31/1998	14,322,458	2,235,004	16%	16%	0	2,235,004	1,218,074	
12/31/1999	15,565,320	8,933,871	57%	39%	2,832,306	6,101,565	1,323,775	
12/31/2000	16,491,492	9,471,757	57%	39%	3,007,135	6,464,622	1,402,542	
12/31/2001	17,579,668	3,802,579	22%	22%	0	3,802,579	1,495,088	
12/31/2002	20,561,041	4,588,897	22%	22%	0	4,588,897	1,748,643	
12/31/2003	24,813,951	4,286,053	17%	17%	0	4,286,053	2,110,337	
12/31/2004	27,549,093	4,411,471	16%	16%	0	4,411,471	2,342,951	
12/31/2005	30,099,144	2,883,928	10%	15%	(1,666,210)	4,550,137	2,559,824	
12/31/2006	32,113,968	11,830,963	37%	37%	0	11,830,963	2,731,178	
12/31/2007	33,995,368	2,747,559	8%	15%	(2,391,577)	5,139,136	2,891,184	
12/31/2008	35,769,529	43,193,788	121%	39%	29,172,225	14,021,563	3,042,070	
12/31/2009	38,860,066	24,726,477	64%	39%	9,493,431	15,233,045	3,304,909	
12/31/2010	43,795,777	10,362,004	24%	24%	0	10,362,004	3,724,673	3,724,673
12/31/2011	47,025,184	27,952,021	59%	39%	9,518,271	18,433,751	3,999,323	(5,518,948)
12/31/2012	49,767,240	9,096,155	18%	18%	0	9,096,155	4,232,525	4,232,525
12/31/2013	54,638,535	7,387,639	14%	15%	(872,159)	8,259,798	4,646,811	5,518,970
12/31/2014	58,411,850	19,387,172	33%	33%	0	19,387,172	4,967,718	4,967,718
<b>Total</b>	<b>651,248,153</b>				<b>55,386,314</b>		<b>55,386,314</b>	<b>12,924,938</b>

**\*Normal Range:**

25th Percentile of (3) 15%

75th Percentile of (3) 39%

**\*\*Wind Load:** Total (5) / Total (1) = 8.5%

(3) = (2) / (1).

(4) = (3) capped at max and min specified by "Normal Range".

(5) = [(3) - (4)] x (1); the amount of wind loss outside the "Normal Range" to be removed (added) across all years.

(6) = (2) - (5); the actual non-excess or normal wind losses allocated by Fiscal Year.

(7) = Wind Load x (1); the excess losses allocated by Fiscal Accident Year.

(8) = (7) - (5); Net Wind Losses to be added (removed) by Fiscal Accident Year.

**Shelter Mutual Insurance Company  
Homeowners  
Projected Ultimate Loss and Allocated Loss Adjustment Expense**

**Companywide Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	107,126,617	131,112,365	136,214,235	137,456,778	137,964,234	137,910,318	138,024,062	138,002,958	138,787,600	138,788,465
12/31/2006	132,773,424	158,496,548	162,081,312	162,741,115	163,222,123	163,294,885	163,323,959	163,332,835	163,350,208	
12/31/2007	71,500,401	89,729,871	93,168,654	94,007,463	94,478,740	94,519,618	94,625,397	94,623,322		
12/31/2008	170,164,640	205,397,318	210,650,602	211,800,772	211,804,335	212,088,788	212,241,076			
12/31/2009	164,001,546	195,618,438	200,754,979	201,571,574	202,225,382	202,502,557				
12/31/2010	133,596,752	163,485,843	168,566,376	169,880,394	170,420,578					
12/31/2011	227,703,930	267,030,780	273,800,059	275,487,025						
12/31/2012	166,939,219	200,579,990	206,670,328							
12/31/2013	175,824,799	209,148,167								
12/31/2014	145,175,099									

**Companywide Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	161,627,051	136,687,208	137,909,182	138,421,943	138,483,468	138,353,982	138,413,790	138,388,686	139,122,088	139,122,953
12/31/2006	174,653,910	162,805,912	163,181,930	163,327,928	163,485,266	163,437,885	163,436,959	163,445,835	163,440,208	
12/31/2007	106,223,906	93,529,096	95,155,862	94,558,743	94,757,240	94,657,618	94,698,647	94,696,322		
12/31/2008	231,538,051	210,198,907	212,248,002	212,299,300	212,178,197	212,240,438	212,361,076			
12/31/2009	207,450,346	200,487,417	202,401,083	202,827,094	202,795,611	202,965,430				
12/31/2010	166,946,610	169,025,819	170,650,950	170,967,666	171,416,891					
12/31/2011	276,218,560	274,380,368	275,146,229	276,375,235						
12/31/2012	205,932,083	207,095,634	208,448,363							
12/31/2013	214,617,742	217,766,244								
12/31/2014	187,232,581									

**Companywide Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	36,756	37,990	38,112	38,143	38,161	38,169	38,210	38,215	38,217	38,219
12/31/2006	42,575	44,774	45,022	45,118	45,150	45,214	45,220	45,221	45,221	
12/31/2007	30,875	33,236	33,402	33,431	33,487	33,497	33,506	33,508		
12/31/2008	56,458	59,244	59,608	59,807	59,859	59,906	59,915			
12/31/2009	60,566	66,177	66,763	66,839	66,903	66,937				
12/31/2010	62,880	67,910	68,189	68,235	68,258					
12/31/2011	101,990	108,499	108,835	108,908						
12/31/2012	79,469	86,236	86,562							
12/31/2013	67,970	72,874								
12/31/2014	66,057									

**Companywide Selected Incurred Loss & ALAE**

Fiscal Accident Year	Non-Wind Losses						Wind		Total	
	Cumulative Reported Losses (1)	Ultimate Development Factors (2)	Estimated Incurred Loss/ALAE (3)	Estimated Paid Losses (4) = (2) x (3)	Ultimate Development Factors (5)	Estimated Incurred Loss/ALAE (6)	Selected Incurred Loss/ALAE (7) = (5) x (6)	Estimated Incurred Loss/ALAE (8)	Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10) = (8) + (9)
12/31/2005	55,171,491	1.0000	55,171,491	54,843,491	1.0000	54,843,491	55,171,491	83,951,462	38,219	139,122,953
12/31/2006	56,549,342	1.0001	56,554,794	56,459,342	1.0001	56,464,785	56,554,794	106,890,867	45,222	163,445,661
12/31/2007	57,073,522	1.0002	57,084,578	57,224,996	0.9964	57,017,084	57,084,578	37,622,799	33,510	94,707,377
12/31/2008	70,495,750	1.0003	70,516,190	70,385,750	1.0008	70,440,885	70,516,190	141,879,490	59,925	212,395,680
12/31/2009	80,082,596	1.0005	80,121,739	79,620,973	1.0015	79,738,877	80,121,739	122,919,627	66,965	203,041,366
12/31/2010	79,317,477	1.0007	79,371,978	78,328,164	1.0025	78,524,905	79,371,978	92,182,133	68,320	171,554,111
12/31/2011	79,353,124	1.0010	79,431,122	78,506,701	1.0056	78,943,742	79,431,122	197,355,890	109,100	276,787,011
12/31/2012	85,554,704	1.0029	85,804,222	83,809,228	1.0180	85,319,235	85,804,222	123,287,993	86,866	209,092,215
12/31/2013	83,080,698	1.0058	83,560,316	77,904,444	1.0636	82,859,381	83,560,316	136,471,007	73,441	220,031,323
12/31/2014	90,165,422	0.9907	89,323,821	60,534,424	1.3816	83,631,958	83,800,532	98,987,413	71,484	182,787,945
5-yr Total			417,491,459			409,279,221	411,968,169	648,284,436	409,211	*****
10-yr Total			736,940,250			727,784,343	731,416,961	*****		*****

**Arkansas Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	9,181,108	11,268,342	11,852,078	11,841,813	11,906,658	11,803,625	11,817,835	11,814,652	11,811,566	11,812,901
12/31/2006	17,849,037	20,403,580	21,047,697	21,055,268	21,090,853	21,110,558	21,110,076	21,109,296	21,108,946	
12/31/2007	8,240,544	10,306,082	10,690,972	10,742,744	10,745,085	10,744,175	10,742,721	10,734,521		
12/31/2008	46,847,049	53,109,300	54,372,541	54,611,420	54,635,763	54,646,013	54,650,542			
12/31/2009	33,166,646	38,084,470	38,982,504	39,048,662	39,362,986	39,450,969				
12/31/2010	20,357,419	24,572,473	25,799,040	26,341,990	26,542,050					
12/31/2011	34,488,128	40,751,868	41,334,293	42,084,413						
12/31/2012	15,941,800	23,132,273	23,895,130							
12/31/2013	19,690,429	23,277,364								
12/31/2014	30,258,502									

**Arkansas Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	13,369,492	11,689,434	11,928,545	11,905,731	11,961,878	11,829,275	11,817,835	11,814,652	11,811,566	11,812,901
12/31/2006	22,409,831	21,029,884	21,103,557	21,084,468	21,095,053	21,110,558	21,110,076	21,109,296	21,108,946	
12/31/2007	12,115,468	10,670,462	10,880,962	10,767,744	10,745,085	10,744,175	10,742,721	10,734,521		
12/31/2008	56,004,136	53,992,428	54,645,450	54,714,317	54,666,013	54,676,013	54,680,542			
12/31/2009	41,816,843	39,295,360	39,442,198	39,411,856	39,435,986	39,450,969				
12/31/2010	26,522,400	26,493,711	26,540,747	26,616,884	26,680,733					
12/31/2011	41,588,985	41,800,622	41,544,623	42,205,819						
12/31/2012	24,541,898	24,000,369	24,106,095							
12/31/2013	25,387,516	24,309,198								
12/31/2014	38,321,941									

**Arkansas Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
12/31/2005	6.661	3.824	3.832	3.836	3.840	3.843	3.853	3.854	3.854	3.854
12/31/2006	6.650	6.856	6.880	6.889	6.893	6.904	6.904	6.904	6.904	
12/31/2007	3.510	3.654	3.664	3.665	3.674	3.674	3.676	3.676		
12/31/2008	14,826	15,202	15,255	15,302	15,313	15,325	15,327			
12/31/2009	15,334	16,298	16,385	16,392	16,402	16,410				
12/31/2010	9,048	9,635	9,657	9,658	9,662					
12/31/2011	19,723	20,946	21,011	21,029						
12/31/2012	9,169	11,394	11,435							
12/31/2013	7,916	8,439								
12/31/2014	11,954									

**Arkansas Selected Incurred Loss & ALAE**

Fiscal Accident Year	Non-Wind Losses						Wind		Total	
	Cumulative Reported Losses (1)	Ultimate Development Factors (2)	Estimated Incurred Loss/ALAE (3)	Estimated Paid Losses (4) = (2) x (3)	Ultimate Development Factors (5)	Estimated Incurred Loss/ALAE (6)	Selected Incurred Loss/ALAE (7) = (5) x (6)	Estimated Incurred Loss/ALAE (8)	Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10) = (8) + (9)
12/31/2005	8,928,973	1.0000	8,928,973	8,928,973	1.0000	8,928,973	8,928,973	2,883,928	3,854	11,812,901
12/31/2006	9,277,983	1.0001	9,278,878	9,277,983	1.0001	9,278,878	9,278,877	11,830,962	6,904	21,109,839
12/31/2007	7,986,962	1.0002	7,988,510	7,986,962	1.0003	7,989,284	7,988,510	2,747,559	3,676	10,736,069
12/31/2008	11,491,069	1.0003	11,494,402	11,461,069	1.0008	11,470,408	11,494,402	43,193,788	15,329	54,688,190
12/31/2009	14,731,897	1.0005	14,739,143	14,731,897	1.0015	14,753,793	14,739,143	24,726,477	16,417	39,465,620
12/31/2010	16,328,037	1.0007	16,339,366	16,189,354	1.0025	16,229,941	16,339,366	10,362,004	9,671	26,701,370
12/31/2011	14,301,243	1.0010	14,315,409	14,180,338	1.0056	14,258,928	14,315,409	27,952,021	21,066	42,267,430
12/31/2012	15,039,022	1.0030	15,083,436	14,832,000	1.0179	15,097,443	15,083,435	9,096,155	11,479	24,179,590
12/31/2013	17,018,069	1.0058	17,116,350	16,066,121	1.0624	17,068,948	17,116,350	7,387,638	8,509	24,503,988
12/31/2014	19,471,760	0.9669	18,826,782	13,876,822	1.3759	19,093,573	18,826,782	19,387,173	12,936	38,213,955
5-yr Total			81,681,							

## Shelter Mutual Insurance Company Homeowners Companywide

### Development of Unallocated Loss Adjustment Expense Factor

	2011	2012	2013	Total
Note: Amounts in 000's				
1. Direct Loss and Defense/Cost Containment Expense Incurred	\$340,205	\$241,419	\$258,569	\$840,193
2. Direct Adjusting and Other Expense Incurred (ULAE)	\$23,042	\$22,353	\$22,126	\$67,521
3. Ratio of Direct ULAE Incurred to Direct Loss and Defense Incurred	6.8%	9.3%	8.6%	<b>8.0%</b>

Source: Insurance Expense Exhibit.

## Shelter Mutual Insurance Company

## Arkansas

## Homeowners Indicated Rate Level Change

	Fiscal Year Ending 12/31/2010	Fiscal Year Ending 12/31/2011	Fiscal Year Ending 12/31/2012	Fiscal Year Ending 12/31/2013	Fiscal Year Ending 12/31/2014
1. Earned Premium	\$43,795,777	\$47,025,184	\$49,767,240	\$54,638,535	\$58,411,850
2. Current Rate Level Factor	1.2842	1.1772	1.1170	1.0350	1.0050
3. Effect of Trend in Amount of Insurance	1.0904	1.0892	1.0844	1.0707	1.0507
4. Trended Premium at Current Rates [(1) x (2) x (3)]	<b>\$61,326,606</b>	<b>\$60,301,009</b>	<b>\$60,282,888</b>	<b>\$60,550,078</b>	<b>\$61,683,097</b>
5. Incurred Loss and Allocated Loss Adjustment Expense	\$26,701,370	\$42,267,430	\$24,179,590	\$24,503,989	\$38,213,955
6. Wind/Hail Loss Adjustment	\$3,724,673	-\$5,518,948	\$4,232,525	\$5,518,970	\$4,967,718
7. Losses Adjusted for Wind/Hail Losses [(5) + (6)]	\$30,426,044	\$36,748,482	\$28,412,115	\$30,022,959	\$43,181,672
8. Factor to Trend and Project Losses to 6/30/2016	1.2652	1.2165	1.1697	1.1248	1.0815
9. Unallocated Loss Adjustment Expense Factor	1.0804	1.0804	1.0804	1.0804	1.0804
10. Trended Loss and Loss Adjustment Expense [(7) x (8) x (9)]	<b>\$41,588,632</b>	<b>\$48,297,149</b>	<b>\$35,904,429</b>	<b>\$36,483,691</b>	<b>\$50,454,041</b>
11. Formula Loss Ratio [(10) / (4)]	67.8%	80.1%	59.6%	60.3%	81.8%
12. Experience Year Weight	10%	15%	20%	25%	30%
13. Weighted Formula Loss Ratio [sum the products of (11) & (12)]			<b>70.3%</b>		
14. Credibility - Based on 20,000 Earned House Years			100.0%		
15. Expected Loss Ratio			67.3%		
16. Trended Expected Loss Ratio [(15) X (20) ^ 1]			68.6%		
17. Credibility Weighted Formula Loss Ratio [(13) X (14) + (16) X (1 - (14))]			70.3%		
18. Current Provision for Variable Expenses of Commissions, Taxes and Profit			20.9%		
19. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.8%		
20. Factor to Trend Fixed Costs			1.02		
21. Trended Fixed Costs [(19) X (20) ^ 1]			12.0%		
22. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(17) + (21)] / [1.000 - (18)] - 1.000			<b>4.1%</b>		

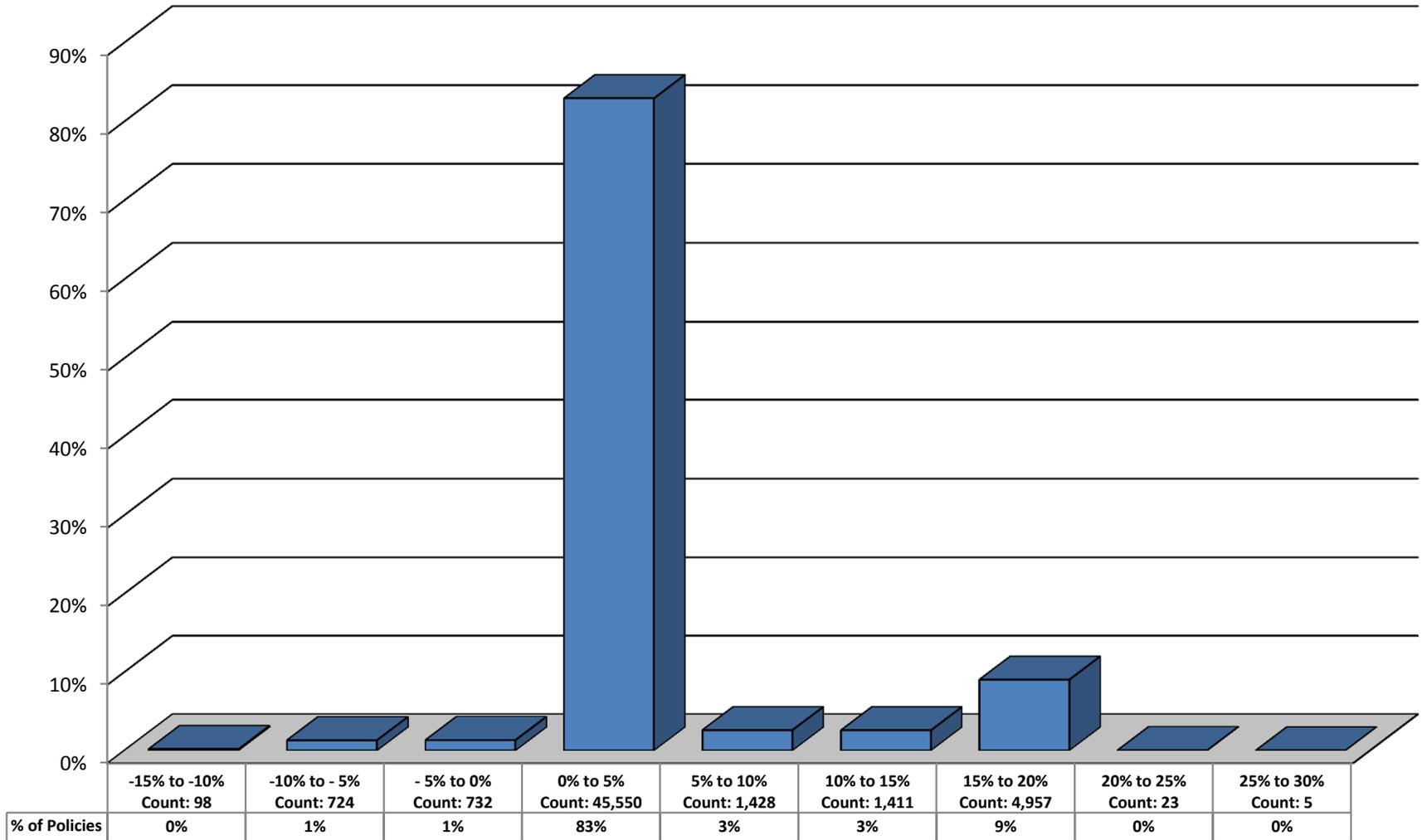
Line 14 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 16 & 21 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (08/08/2013) to one year past the expected effective date (06/30/2015), limited to one year.

**Shelter Mutual Insurance Company  
Revenue Change By Zone  
Arkansas Homeowners**

Zone	Current Premium	Total \$ Change	Total % Change
4	1,001,986	24,144	2.4%
12	427,166	1,585	0.4%
13	279,041	-619	-0.2%
15	651,265	-6,242	-1.0%
16	1,019,324	-2,370	-0.2%
18	2,502,577	16,611	0.7%
20	278,214	17	0.0%
21	177,568	860	0.5%
23	4,696,641	-20,921	-0.4%
24	6,556,427	39,473	0.6%
26	844,345	14,772	1.7%
28	803,164	2,610	0.3%
29	1,984,603	1,706	0.1%
31	535,605	-946	-0.2%
32	450,720	9,704	2.2%
34	345,275	1,727	0.5%
35	2,112,534	-7,397	-0.4%
36	2,896,183	-8,430	-0.3%
38	1,711,405	8,073	0.5%
40	208,893	806	0.4%
41	143,054	1,381	1.0%
44	1,359,466	3,072	0.2%
45	727,609	11,169	1.5%
48	134,149	60	0.0%
49	989,451	4,331	0.4%
50	837,581	426	0.1%
51	2,386,726	13,624	0.6%
53	4,205,416	-10,240	-0.2%
55	396,483	-1,479	-0.4%
57	1,083,352	-1,013	-0.1%
58	1,244,886	3,860	0.3%
62	3,086,440	81,573	2.6%
68	247,308	3,498	1.4%
75	563,837	4,514	0.8%
77	307,871	1,459	0.5%
78	5,806,364	37,997	0.7%
79	93,275	-259	-0.3%
87	887,074	-8,268	-0.9%
88	3,537,496	-4,479	-0.1%
91	3,527,996	17,971	0.5%
95	251,797	-508	-0.2%
<b>Grand Total</b>	<b>61,300,566</b>	<b>233,856</b>	<b>0.4%</b>

# Shelter Mutual Insurance Arkansas Homeowners Distribution of Rate Change



# Arkansas Earthquake Rate Change Proposal: HO3 Base Rate Detail

Current Cov A Rate			
Current Zone	Deductible	Construction	
		Frame	Masonry

Proposed Cov A Rate			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

Percentage Change (Corresponding Zones)			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

3	5			1	5			1	5		
3	10			1	10			1	10		
3	15	1.22	1.71	1	15	1.41	2.07	1	15	16%	21%
3	20	1.15	1.62	1	20	1.32	1.95	1	20	15%	20%
3	25	1.09	1.53	1	25	1.24	1.84	1	25	14%	20%
4	5			2	5			2	5		
4	10			2	10			2	10		
4	15	0.59	0.93	2	15	0.69	1.12	2	15	17%	20%
4	20	0.56	0.88	2	20	0.64	1.05	2	20	15%	19%
4	25	0.53	0.83	2	25	0.6	0.97	2	25	14%	16%
5	5	0.66	1.04	3	5	0.69	1.10	3	5	5%	6%
5	10	0.46	0.78	3	10	0.52	0.87	3	10	13%	12%
5	15	0.44	0.74	3	15	0.48	0.81	3	15	10%	9%
5	20	0.41	0.70	3	20	0.44	0.76	3	20	6%	8%
5	25	0.39	0.66	3	25	0.41	0.70	3	25	5%	6%
6	5	0.58	0.94	4	5	0.17	0.30	4	5	-71%	-68%
6	10	0.40	0.72	4	10	0.15	0.27	4	10	-63%	-63%
6	15	0.38	0.68	4	15	0.13	0.24	4	15	-66%	-65%
6	20	0.36	0.65	4	20	0.11	0.21	4	20	-69%	-68%
6	25	0.34	0.61	4	25	0.10	0.19	4	25	-71%	-69%

# Arkansas Earthquake Rate Change Proposal: HO4 Base Rate Detail

Current Cov C Rate			
Current Zone	Deductible	Construction	
		Frame	Masonry

Proposed Cov C Rate			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

Percentage Change (Corresponding Zones)			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

3	5			1	5			1	5		
3	10			1	10			1	10		
3	15	0.84	0.84	1	15	1.06	1.06	1	15	27%	27%
3	20	0.79	0.79	1	20	0.99	0.99	1	20	25%	25%
3	25	0.75	0.75	1	25	0.93	0.93	1	25	24%	24%
4	5			2	5			2	5		
4	10			2	10			2	10		
4	15	0.42	0.42	2	15	0.61	0.61	2	15	46%	46%
4	20	0.40	0.40	2	20	0.57	0.57	2	20	44%	44%
4	25	0.37	0.37	2	25	0.53	0.53	2	25	42%	42%
5	5	0.48	0.48	3	5	0.64	0.64	3	5	33%	33%
5	10	0.34	0.34	3	10	0.48	0.48	3	10	41%	41%
5	15	0.32	0.32	3	15	0.45	0.45	3	15	39%	39%
5	20	0.31	0.31	3	20	0.41	0.41	3	20	34%	34%
5	25	0.29	0.29	3	25	0.38	0.38	3	25	31%	31%
6	5	0.42	0.42	4	5	0.30	0.30	4	5	-29%	-29%
6	10	0.28	0.28	4	10	0.26	0.26	4	10	-7%	-7%
6	15	0.27	0.27	4	15	0.23	0.23	4	15	-14%	-14%
6	20	0.25	0.25	4	20	0.20	0.20	4	20	-21%	-21%
6	25	0.24	0.24	4	25	0.18	0.18	4	25	-24%	-24%

## Arkansas Earthquake Rate Change Proposal: HO6 Base Rate Detail

Current Cov C Rate			
Current Zone	Deductible	Construction	
		Frame	Masonry

Proposed Cov C Rate			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

Percentage Change (Corresponding Zones)			
Proposed Zone	Deductible	Construction	
		Frame	Masonry

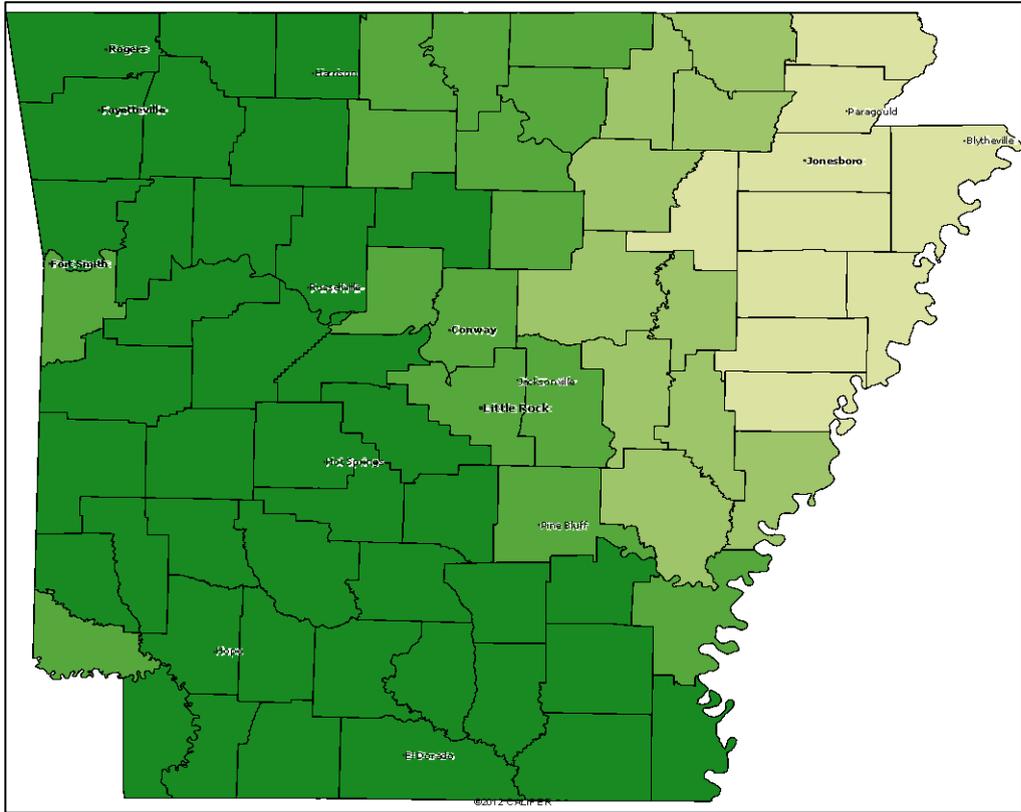
3	5		
3	10		
3	15	0.84	0.84
3	20	0.79	0.79
3	25	0.75	0.75
4	5		
4	10		
4	15	0.42	0.42
4	20	0.40	0.40
4	25	0.37	0.37
5	5	0.48	0.48
5	10	0.34	0.34
5	15	0.32	0.32
5	20	0.31	0.31
5	25	0.29	0.29
6	5	0.42	0.42
6	10	0.28	0.28
6	15	0.27	0.27
6	20	0.25	0.25
6	25	0.24	0.24

1	5		
1	10		
1	15	1.20	1.16
1	20	1.19	1.09
1	25	0.93	1.03
2	5		
2	10		
2	15	0.61	0.69
2	20	0.57	0.65
2	25	0.53	0.6
3	5	0.63	0.56
3	10	0.48	0.54
3	15	0.44	0.51
3	20	0.41	0.47
3	25	0.38	0.44
4	5	0.28	0.42
4	10	0.24	0.38
4	15	0.21	0.34
4	20	0.19	0.31
4	25	0.17	0.28

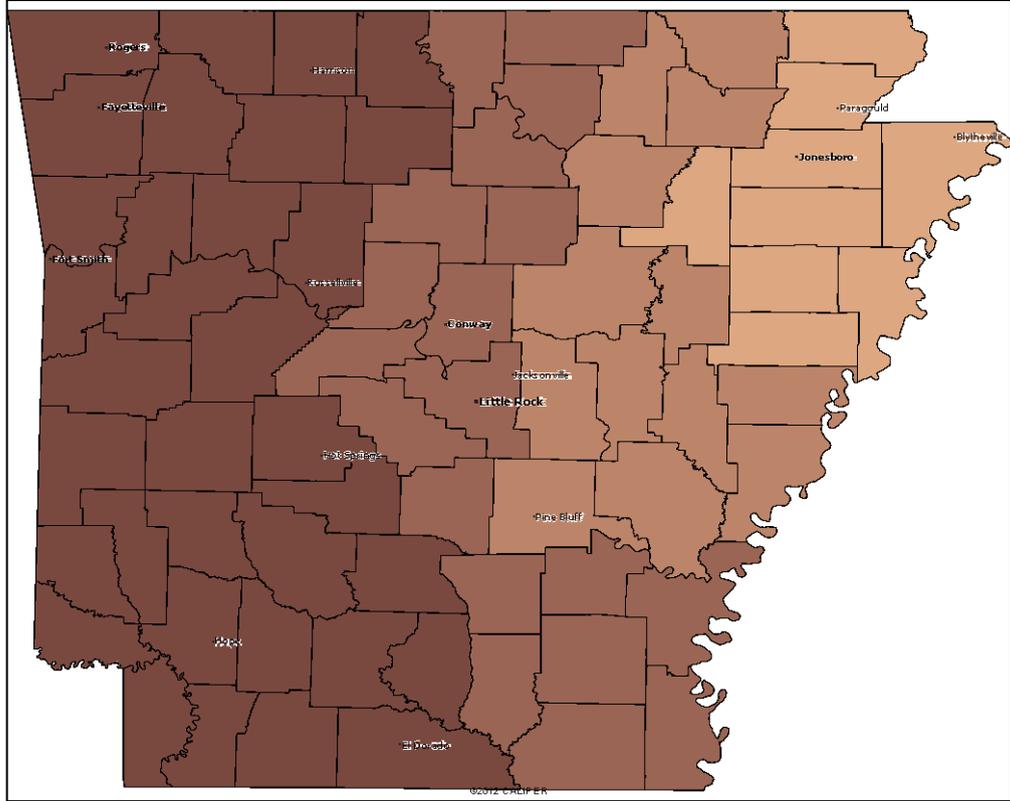
1	5		
1	10		
1	15	44%	39%
1	20	50%	38%
1	25	24%	38%
2	5		
2	10		
2	15	46%	65%
2	20	44%	64%
2	25	42%	60%
3	5	31%	17%
3	10	41%	59%
3	15	36%	58%
3	20	34%	54%
3	25	31%	52%
4	5	-33%	0%
4	10	-14%	36%
4	15	-21%	28%
4	20	-25%	23%
4	25	-29%	18%

# Current and Proposed EQ Zones

## Shelter Current Homeowners EQ Zones



## Shelter Proposed Homeowners EQ Zones



NOTE: Light Green Highest Rated Zone, Darkest Green Lowest. (Numbered 3,4,5,6)  
Lightest two shades of green have 15% minimum deductible.

Note: Lightest brown Highest rated zone, darkest brown lowest rated.  
Numbered 1, 2, 3, 4  
No change in counties that require 15% deductible.

# CURRENT AND PROPOSED EARTHQUAKE ZONE DEFINITIONS

## CURRENT

- ZONE 3 -- \*Clay, \*Craighead, \*Crittenden, \*Cross, \*Greene, \*Jackson, \*Lee, \*Mississippi, \*Poinsett and \*St. Francis Counties.
- ZONE 4 -- \*Arkansas, \*Independence, \*Lawrence, \*Monroe, \*Phillips, \*Prairie, \*Randolph, \*Sharp, \*White and \*Woodruff Counties.
- ZONE 5 -- Baxter, Cleburne, Conway, Desha, Faulkner, Fulton, Izard, Jefferson, Little River, Lonoke, Marion, Pulaski, Searcy, Sebastian and Stone Counties.
- ZONE 6 -- Remainder of State.

**\*Property located in these counties MUST be written with a minimum Earthquake deductible of 15%.**

## PROPOSED

- ZONE 1 -- Clay, Craighead, Crittenden, Cross, Greene, Jackson, Mississippi, Poinsett, and St. Francis Counties.
- ZONE 2 -- Arkansas, Independence, Jefferson, Lawrence, Lee, Lonoke, Monroe, Phillips, Prairie, Randolph, Sharp, White, and Woodruff Counties.
- ZONE 3 -- Ashley, Baxter, Bradley, Chicot, Cleburne, Cleveland, Conway, Desha, Drew, Faulkner, Fulton, Grant, Izard, Lincoln, Perry, Pulaski, Saline, Stone, and Van Buren Counties.
- ZONE 4 -- Remainder of State.

**Property located in the following counties MUST be written with a minimum Earthquake deductible of 15%:** Arkansas, Clay, Craighead, Crittenden, Cross, Greene, Independence, Jackson, Lawrence, Lee, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White and Woodruff

From the RMS "North America Earthquake Model Methodology" documentation:

## Year of Construction

The vulnerability of a building changes when seismic codes are updated or significant changes occur in construction practices. Vulnerability functions are different across the following year bands for Eastern and Western U.S. and Canada.

### *Year Bands - Eastern U.S.*

Building code enactment and enforcement varies among the eastern states as well as jurisdictions within states. As of 1992, the Standard Building Code (SBC) and the National Building Code (NBC) have adopted mandatory seismic design requirements. The year bands available for states in the eastern U.S. include:

*Table 57: Year Bands Available for Eastern U.S. States*

<b>Steel Moment Resisting Frames</b>	Pre - 1937
	1937 - 1991
	1992 - 1995
	Post 1995
<b>All Other Construction Classes</b>	Pre - 1937
	1937 - 1991
	1992 - 2000
	Post 2000

### Support for the Age of Construction Factors

We utilized the RMS RiskLink Version 13.1 model. The output from the model gave us the following year factors for both the HO3 and HO5 lines of business:

LINE	Year	Frame Factor	Masonry Factor
HO3	1936 and Earlier	1.048	1.572
HO3	1937 to 1991	0.953	1.481
HO3	1992 to 2000	0.797	1.300
HO3	2001 and later	0.736	1.255
HO5	1936 and Earlier	1.272	1.945
HO5	1937 to 1991	1.154	1.829
HO5	1992 to 2000	0.960	1.598
HO5	2001 and later	0.885	1.542

As we wanted to use a single year factor to cover every line of business, we took an average of the HO3 and HO5 factor and came up with the following:

LINE	Year	Frame Factor	Masonry Factor
HO3 and HO5	1936 and Earlier	1.160	1.759
HO3 and HO5	1937 to 1991	1.054	1.655
HO3 and HO5	1992 to 2000	0.879	1.449
HO3 and HO5	2001 and later	0.810	1.398

Next, we normalized the data so that the Frame and Masonry factor for years 2001 and later was equal to 1.00. We did this by dividing each of the frame factors by 0.810, and each of the masonry factors by 1.398. After rounding to two decimal places, this gave us:

LINE	Year	Frame Factor	Masonry Factor
HO3 and HO5	1936 and Earlier	1.43	1.26
HO3 and HO5	1937 to 1991	1.30	1.18
HO3 and HO5	1992 to 2000	1.08	1.04
HO3 and HO5	2001 and later	1.00	1.00

Finally, to minimize the impact of the rate increases, we took only half of the factor relativity increases. This gave us the following factors that are in the filing:

LINE	Year	Frame Factor	Masonry Factor
HO3 and HO5	1936 and Earlier	1.21	1.13
HO3 and HO5	1937 to 1991	1.15	1.09
HO3 and HO5	1992 to 2000	1.04	1.02
HO3 and HO5	2001 and later	1.00	1.00

Note: Due to Shelter's lack of exposure in Farmowners and Mobile Home, we decided to use the above year factors for both of those lines as well.

**SERFF Tracking #:**

SHEL-129908810

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

03M20115

**State:** Arkansas**Filing Company:** Shelter Mutual Insurance Company**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations**Product Name:** HO**Project Name/Number:** Jaegers/

## Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
02/03/2015		Supporting Document	HPCS-Homeowners Premium Comparison Survey	03/02/2015	HPCS 5-1-2015 filing.pdf HPCS 5-1-2015 filing.xls (Superseded)