

State: Arkansas **Filing Company:** Republic Underwriters Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: Standard Homeowners (ISO 2000 Program)
Project Name/Number: Base Rate Revision/

Filing at a Glance

Company: Republic Underwriters Insurance Company
 Product Name: Standard Homeowners (ISO 2000 Program)
 State: Arkansas
 TOI: 04.0 Homeowners
 Sub-TOI: 04.0003 Owner Occupied Homeowners
 Filing Type: Rate
 Date Submitted: 03/11/2015
 SERFF Tr Num: TRGR-129959855
 SERFF Status: Closed-Filed
 State Tr Num:
 State Status:
 Co Tr Num: 15-0116

 Effective Date: 05/15/2015
 Requested (New):
 Effective Date: 06/15/2015
 Requested (Renewal):
 Author(s): William Bradford, Michael McDowell, Jose Aguilar
 Reviewer(s): Becky Harrington (primary)
 Disposition Date: 03/13/2015
 Disposition Status: Filed
 Effective Date (New): 05/15/2015
 Effective Date (Renewal): 06/15/2015

State Filing Description:

State: Arkansas **Filing Company:** Republic Underwriters Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: Standard Homeowners (ISO 2000 Program)
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General Information

Project Name: Base Rate Revision Status of Filing in Domicile: Not Filed
 Project Number: Domicile Status Comments: Arkansas specific
 Reference Organization: N/A Reference Number: N/A
 Reference Title: N/A Advisory Org. Circular: N/A
 Filing Status Changed: 03/13/2015
 State Status Changed: Deemer Date:
 Created By: William Bradford Submitted By: William Bradford
 Corresponding Filing Tracking Number:

Filing Description:

The Republic Group of Insurance Companies is filing a proposed change to our Homeowners program in Arkansas.

Due to an indication of +19.2%, we are increasing our base rates in order to achieve greater rate adequacy in Arkansas.

The overall effect to the homeowners program is +6.9%.

Company and Contact

Filing Contact Information

William Bradford, Senior Products Filing Specialist bill.bradford@republicgroup.com
 5525 LBJ Freeway 972-788-6617 [Phone]
 Dallas, TX 75240 972-788-6022 [FAX]

Filing Company Information

Republic Underwriters Insurance Company CoCode: 24538 State of Domicile: Texas
 5525 LBJ Freeway Group Code: 3489 Company Type:
 Dallas, TX 75240-6241 Group Name: Republic Group State ID Number:
 (972) 788-6001 ext. [Phone] FEIN Number: 75-1221537

Filing Fees

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

Company	Amount	Date Processed	Transaction #
Republic Underwriters Insurance Company	\$100.00	03/11/2015	93373056

SERFF Tracking #:

TRGR-129959855

State Tracking #:

Company Tracking #:

15-0116

State:

Arkansas

Filing Company:

Republic Underwriters Insurance Company

TOI/Sub-TOI:

04.0 Homeowners/04.0003 Owner Occupied Homeowners

Product Name:

Standard Homeowners (ISO 2000 Program)

Project Name/Number:

Base Rate Revision/

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/13/2015	03/13/2015

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: Standard Homeowners (ISO 2000 Program)
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Filing Company: Republic Underwriters Insurance Company

Disposition

Disposition Date: 03/13/2015
 Effective Date (New): 05/15/2015
 Effective Date (Renewal): 06/15/2015
 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):
Republic Underwriters Insurance Company	19.200%	6.900%	\$263,276	3,780	\$3,815,590	%	%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Filing Memorandum and Exhibits	Filed	Yes
Supporting Document	Text Comparison	Filed	Yes
Rate	Base Rates	Filed	Yes

SERFF Tracking #:

TRGR-129959855

State Tracking #:

Company Tracking #:

15-0116

State: Arkansas
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 Project Name/Number: Base Rate Revision/

Filing Company: Republic Underwriters Insurance Company

Rate Information

Rate data applies to filing.

Filing Method: 20 day waiting period
 Rate Change Type: Increase
 Overall Percentage of Last Rate Revision: 5.900%
 Effective Date of Last Rate Revision: 05/15/2014
 Filing Method of Last Filing: 20 day waiting period

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):
Republic Underwriters Insurance Company	19.200%	6.900%	\$263,276	3,780	\$3,815,590	%	%

SERFF Tracking #:

TRGR-129959855

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

15-0116

State:

Arkansas

Filing Company:

Republic Underwriters Insurance Company

TOI/Sub-TOI:

04.0 Homeowners/04.0003 Owner Occupied Homeowners

Product Name:

Standard Homeowners (ISO 2000 Program)

Project Name/Number:

Base Rate Revision/

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 03/13/2015	Base Rates	B-1	Replacement	TRGR-129463267	AR HO 00 03 Manual 05 15 base rate 41.pdf

**ARKANSAS HOMEOWNERS POLICY PROGRAM MANUAL
BASE CLASS PREMIUM TABLES**

Territory	Description	Base Rate
1	Benton and Washington Counties	\$622
2	Carroll and Madison Counties	\$679
3	Baxter, Boone and Marion Counties	\$721
4	Fulton, Independence, Izard and Sharp Counties	\$773
5	Lawrence County	\$930
6	Clay, Greene and Randolph Counties	\$910
7	Crawford and Sebastian Counties	\$747
8	Conway, Franklin, Johnson, Newton and Pope Counties	\$729
9	Cleburne, Searcy, Stone and Van Buren Counties	\$741
10	Jackson and Woodruff Counties	\$1,011
11	Craighead County	\$886
12	Mississippi County	\$984
13	Logan County	\$753
14	Yell County	\$824
15	Faulkner County	\$687
16	White County	\$788
17	Cross, Lee, Poinsett and St. Francis Counties	\$947
18	Crittenden County	\$824
19	Montgomery, Polk and Scott Counties	\$846
20	Garland, Hot Spring and Perry Counties	\$762
21	Grant and Saline Counties	\$748
22	Remainder of Pulaski County	\$754
23	Lonoke County	\$762
24	Prairie County	\$871
25	Monroe County	\$937
26	Jefferson County	\$994
27	Arkansas County	\$833
28	Phillips County	\$1,104
29	Clark, Howard, Pike and Sevier Counties	\$812
30	Bradley, Calhoun, Cleveland, Dallas and Lincoln Counties	\$888
31	Desha County	\$996
32	Little River and Miller Counties	\$877
33	Hempstead and LaFayette Counties	\$982
34	Nevada and Ouachita Counties	\$982
35	Columbia County	\$876
36	Union County	\$852
38	Cities of Little Rock and North Little Rock (Pulaski County)	\$841
39	Hot Springs Village	\$644
40	Drew County	\$888
41	Ashley and Chicot Counties	\$1,086

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Supporting Document Schedules

Satisfied - Item:	H-1 Homeowners Abstract
Comments:	
Attachment(s):	FORM H-1 Homeowners abstract - Reviewed.pdf
Item Status:	Filed
Status Date:	03/13/2015
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	
Attachment(s):	HO Survey FORM HPCS.pdf HO Survey FORM HPCS.xls
Item Status:	Filed
Status Date:	03/13/2015
Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	FORM RF-1 Rate Filing Abstract.pdf
Item Status:	Filed
Status Date:	03/13/2015
Satisfied - Item:	Filing Memorandum and Exhibits
Comments:	
Attachment(s):	Filing Memorandum-AR HO3.pdf Filing Exhibits.pdf
Item Status:	Filed
Status Date:	03/13/2015
Satisfied - Item:	Text Comparison
Comments:	
Attachment(s):	Comparison.pdf
Item Status:	Filed
Status Date:	03/13/2015

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 Republic Underwriters Insurance Company
 NAIC # (including group #) 24538

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.
 Replacement Cost Estimator (from MSB) is used for new business only to determine appropriate values for new business. It is not possible to estimate the impact of program business because some new homes would have been under-insured and others over-insured when issued as new business.
3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.
 100% of the Dwelling Replacement Cost.
4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.
 The cost estimating systems furnishes the user with a guide for making general estimates of cost to replace specific types of residential construction. Annual changes are published based on residential cost index for zip codes and territories in Arkansas.
5. Specify the percentage given for credit or discounts for the following:

a. Fire Extinguisher	0%
b. Burglar Alarm	3%
c. Smoke Alarm	3%
d. Insured who has both homeowners and auto with your company	15%
e. Deadbolt Locks	0%
f. Window or Door Locks	0%
g. Other (specify) Mature Homeowner Credit (from 2% to 20%)	20%
Metal 5% & Hail Resistive Roof Credit (Class IV) 15%	15%
Gated Community Credit	5%
New Home Credit (varies from 2% to 35%)	35%
Loss Free Credit (varies from 5% to 10%)	10%
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 (special)	In-force WP as of 12/31/2014: \$3,941,963

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes No
9. Is there a surcharge on risks with wood heat? Yes.
If yes, state the surcharge Charge varies by tier up to 30%
Does the surcharge apply to conventional fire places? Only if central or thermostatically controlled heating systems not available.
If yes, state the surcharge If that is the case, up to 30%

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

Signature
William R. Bradford

Printed Name
Senior Products Filing Specialist

Title
972-788-6617

Telephone Number
Bill.bradford@republicgroup.com

Email address

NAIC Number: 24538
 Company Name: Republic Underwriters Insurance Company
 Contact Person: Bill Bradford
 Telephone No.: 972-788-6617
 Email Address: bill.bradford@republicgroup.com
 Effective Date: 5/15/2015(NB); 6/15/2015 (Renewal)

**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	\$626.00	\$699.00	\$726.00	\$810.00	\$892.00	\$996.00	\$954.00	\$1,064.00	\$1,003.00	\$1,119.00	\$858.00	\$957.00	\$883.00	\$985.00	\$752.00	\$839.00	\$847.00	\$945.00
	\$120,000	\$878.00	\$980.00	\$1,018.00	\$1,136.00	\$1,251.00	\$1,396.00	\$1,337.00	\$1,492.00	\$1,406.00	\$1,569.00	\$1,203.00	\$1,342.00	\$1,238.00	\$1,381.00	\$1,055.00	\$1,177.00	\$1,187.00	\$1,325.00
	\$160,000	\$1,139.00	\$1,271.00	\$1,321.00	\$1,473.00	\$1,623.00	\$1,811.00	\$1,735.00	\$1,935.00	\$1,824.00	\$2,036.00	\$1,561.00	\$1,741.00	\$1,606.00	\$1,792.00	\$1,368.00	\$1,527.00	\$1,540.00	\$1,719.00
6	\$80,000	\$725.00	\$804.00	\$841.00	\$932.00	\$1,033.00	\$1,146.00	\$1,104.00	\$1,225.00	\$1,161.00	\$1,288.00	\$993.00	\$1,102.00	\$1,023.00	\$1,134.00	\$871.00	\$966.00	\$981.00	\$1,088.00
	\$120,000	\$1,017.00	\$1,128.00	\$1,179.00	\$1,307.00	\$1,448.00	\$1,606.00	\$1,548.00	\$1,717.00	\$1,628.00	\$1,806.00	\$1,393.00	\$1,545.00	\$1,434.00	\$1,590.00	\$1,221.00	\$1,354.00	\$1,375.00	\$1,525.00
	\$160,000	\$1,319.00	\$1,463.00	\$1,529.00	\$1,696.00	\$1,879.00	\$2,084.00	\$2,008.00	\$2,227.00	\$2,112.00	\$2,343.00	\$1,807.00	\$2,004.00	\$1,860.00	\$2,063.00	\$1,584.00	\$1,757.00	\$1,784.00	\$1,978.00
9	\$80,000	\$1,418.00	\$1,714.00	\$1,643.00	\$1,987.00	\$2,019.00	\$2,442.00	\$2,158.00	\$2,610.00	\$2,270.00	\$2,745.00	\$1,942.00	\$2,348.00	\$1,999.00	\$2,417.00	\$1,702.00	\$2,059.00	\$1,917.00	\$2,318.00
	\$120,000	\$1,987.00	\$2,403.00	\$2,304.00	\$2,786.00	\$2,831.00	\$3,423.00	\$3,026.00	\$3,659.00	\$3,182.00	\$3,848.00	\$2,722.00	\$3,292.00	\$2,802.00	\$3,388.00	\$2,387.00	\$2,886.00	\$2,687.00	\$3,249.00
	\$160,000	\$2,578.00	\$3,118.00	\$2,989.00	\$3,614.00	\$3,673.00	\$4,441.00	\$3,926.00	\$4,747.00	\$4,129.00	\$4,993.00	\$3,532.00	\$4,271.00	\$3,635.00	\$4,396.00	\$3,096.00	\$3,745.00	\$3,486.00	\$4,216.00

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000																		
	\$15,000																		
	\$25,000																		
6	\$5,000																		
	\$15,000																		
	\$25,000																		
9	\$5,000																		
	\$15,000																		
	\$25,000																		

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

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

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

HO3 and HO4 only

Fire Extinguisher	0%	Deadbolt Lock	0%
Burglar Alarm	3%	Window Locks	0%
Smoke Alarm	3%	\$1,000 Deductible	14%
		Other (specify)	

EARTHQUAKE INSURANCE

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

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

WHAT IS YOUR PERCENTAGE DEDUCTIBLE? 5%

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE? Zone Highest Risk Brick \$ 2.47 Frame \$ 2.17

Maximum Credit Allowed	%	Lowest Risk	\$ 0.78	\$ 0.29
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I

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	15-0116
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number		
3.	A.	Republic Underwriters Insurance Company	B.	24538

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	04.0 Homeowners	B.	04.0003 Owner Occupied Homeowners

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Homeowners Form 3	19.2%	6.9%					
TOTAL OVERALL EFFECT		6.9%					

6.		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2014	3,780	+6%	6/15/2014	3,953	2,891	73.1%	
2013	4,216	+15%	4/1/2013	4,287	1,834	42.8%	46.6%
2012	5,066	N/A	N/A	4,115	2,609	63.4%	43.5%
2011	4,329	+10%	12/15/2011	2,983	4,014	134.6%	58.9%
2010	3,133	+10%	7/1/2010	1,857	1,331	71.6%	39.5%
2009	1,570	N/A	N/A	674	404	59.9%	64.3%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	23.0%
B. General Expense	5.4%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	11.2%
E. Other (reinsurance)	0.9%
F. TOTAL	44.3%

* 2013 - 9 months

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

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

PC RLC

U:LossCostDraft/DataEntry.doc

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

The Republic Group of Insurance Companies is filing a proposed change to our Homeowners program in Arkansas.

Due to an indication of +19.2%, we are increasing our rates in order to achieve greater rate adequacy in Arkansas. This filing implements the following:

- Increase Base Rates by Territory

The overall effect to the homeowners program is +6.9%.

In support of the rate level revision, we have attached exhibits of our Homeowner's experience in Arkansas, which is conducted based on 5 years of loss and premium experiences from October 2009-September 2014, as of December 31, 2014.

The proposed effective date for implementing these changes is May 15, 2015 for new business and June 15, 2015 for renewal business.

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Table of Contents

Attachments in support of this filing:

Explanatory Memorandum

Exhibit I: Indication

Exhibit II: Premium Trend & Rate Change History

Exhibit III: Loss Development

Exhibit IV: Loss Trend

Exhibit V: Loss Adjustment Expense (LAE)

Exhibit VI: Expected Catastrophe Loss and LAE Ratio

Exhibit VII: Permissible Loss and Loss Adjustment Expense Ratio

Exhibit VIII: Credibility of Experience

Exhibit IX: Return on Equity Calculation

Exhibit X: Proposed Changes by Group

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Exhibit I presents Republic experience in Arkansas for each of the last five accident years ending September 30, evaluated as of 12/31/2014. Loss data excludes catastrophes. Other adjustments to the data are also described below. The indicated rate level change is developed in this exhibit using the standard loss ratio method. The filed rate level change is also provided.

Exhibit II provides the calculation of Republic premium trend factors for Arkansas. These factors reflect increasing amounts of insurance and other distributional changes. The average earned premium at present rates, shown in column 2, has been fit to an exponential model using 16-, 12-, 8-, and 4-point values. The selected annual trend value is shown on this exhibit. Premium trend factors are derived by indexing historical premium levels to the current year and then projecting the selected annual trend factors to the average earned date of the proposed policy period.

To adjust for prior rate changes, historical premium is brought to the present rate level using the parallelogram method. Historical rate changes are shown on page 2 of Exhibit II.

Exhibit III displays the calculation of Republic Group Countrywide loss development factors. Loss data used for these calculations are net of salvage/subrogation and exclude catastrophes and mold losses. Due to the similarity of Homeowners development between different states, countrywide data were used to reduce volatility and provide more credible development factors.

Exhibit IV shows the loss trend underlying the rate level indication. Various exponential fits including 16, 12, 8, and 4 points are shown. The selected historical trend factor and projected trend factor are based on the results of these exponential fits. A loss trend was selected using industry (ISO Fast Track) data and Republic experience.

Exhibit V develops the loss adjustment expense (LAE) factor used in calculating the indication in Exhibit I. Republic Arkansas and Countrywide data are used to calculate the Allocated LAE factor. The Unallocated LAE factor is based on Republic Countrywide data for calendar years 2009 - 2013 using the consolidated Insurance Expense Exhibit, Part III, Line 4.

Exhibit VI provides the data and calculation of the catastrophe loss and LAE ratio used to determine the indication in Exhibit I. Republic's Oklahoma homeowner experience is considered in selecting the catastrophe provision due to the lack of experience in Arkansas. Non-hurricane catastrophe losses and total direct earned premiums from the past twenty years in Oklahoma are used to calculate an average non-hurricane catastrophe loss ratio, which is then compared to Arkansas experience for reasonableness.

Exhibit VII shows the development of the permissible loss and LAE ratio. General and Other Acquisition Expenses are based on Republic Group Countrywide data from the Insurance Expense Exhibit while all other data are based on Arkansas experience for Republic from Page 15 of the Annual Statement. A 4% fixed expense trend was applied to the Fixed Expenses to adjust for the cost of these services over the projected policy period. The premium received from policy fees has been removed from the expense load. The marginal cost of reinsurance, calculated on page 2, Exhibit VII, is included as an expense. Marginal cost means the charge for the coverage over and above the expected losses included in the rate indication. The calculation of the Profit and Contingencies Provision is provided on Exhibit IX.

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Exhibit VIII details the calculation of credibility assigned to the rate indications developed in Exhibit I. The calculation is based on the claim standard of 1,082 claims providing a 90% chance of being within 5% of the mean.

Exhibit IX develops the investment income generated from held reserves used in calculating the underwriting profit provision incorporated in the rate indications. The return on investment income is based on the average of 2012 and 2013. A total after-tax return on equity of 12.0% is targeted.

Exhibit X shows the group indications, proposed group changes and overall effect for this filing. Territories were grouped based on similar loss experience to increase credibility. The selected changes by groups, on Page 1, were made in consideration of the actuarial indication and the types of losses and/or expenses being generated in each group.

Page 2 displays the proposed base rates by territory.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Statewide Rate Level Indications

Exhibit I

Data as of: Dec-14

Proposed Effective Dates

New: 5/15/2015
Renewal: 6/15/2015

Republic Group Of Insurance Companies

Losses

Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ending	Non-Cat		Development	Ultimate	Current	Projection	Trended Ult
September	Incurred	Catastrophe	Factor	Non-Hurr	Cost	Factor	Non-Hurr
				Cat Adjusted	Factors	6/15/2016	Cat Adjusted
2010	933,862	325,640	1.000	1,354,100	0.922	1.065	1,330,365
2011	1,629,987	2,267,456	1.000	2,363,482	0.941	1.065	2,369,443
2012	1,704,552	604,405	1.000	2,471,600	0.960	1.065	2,528,403
2013	1,940,736	2,549	1.005	2,828,137	0.980	1.065	2,952,177
2014	1,726,894	1,573,097	1.010	2,529,099	1.000	1.065	2,693,901

Premiums & Loss Ratio

Fiscal Year	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Ending	<u>Earned Premiums</u>			Current	On-Level	Projection	Trended	Ultimate	
September	Actual	Onlevel	at Current	Amount	at Current	Factor	at Current	On-Level	Loss Ratio Weights
		Factor	Rate	Factors	Amounts	6/15/2016	Rate Level	Loss Ratio	Weights
2010	1,455,012	1.471	2,140,656	0.953	2,039,335	1.000	2,039,335	65.2%	0.10
2011	2,552,469	1.383	3,529,976	0.969	3,419,201	1.000	3,419,201	69.3%	0.15
2012	3,580,517	1.307	4,678,957	0.991	4,638,110	1.000	4,638,110	54.5%	0.20
2013	4,068,475	1.204	4,897,487	1.004	4,917,621	1.000	4,917,621	60.0%	0.25
2014	3,734,393	1.077	4,020,905	1.000	4,020,905	1.000	4,020,905	67.0%	0.30

Indication

		(25)
		Earned House
(17) Premium Weighted Projected Loss Ratio	62.9%	Year
(18) Loss Adjustment Expense as % of Incurred Losses	12.8%	Years
(19) Weighted Loss & LAE Ratio	71.0%	2010
(20) Fixed Expense Ratio	9.6%	2011
(21) Permissible Loss & LAE Ratio	66.7%	2012
(22) Indicated Change before Credibility Weighting	20.9%	2013
(23) Compliment to Credibility	2.9%	2014
(24) Credibility Table Value	0.910	3,599

(26) Indicated Statewide Rate Level Change 19.2%

(27) Selected Statewide Rate Level Change 6.9%

Notes:

- (3) is from Exhibit III.
- (4) = (1) x (3) x Non-Hurr Cat Factor of 1.450. (see Exhibit VI)
- (5) is from Exhibit IV.
- (6) is from Exhibit IV.
- (7) = (4) x (5) x (6).
- (9) is from Exhibit II, Page 2.
- (10) = (8) x (9).
- (11) is from Exhibit II.
- (12) = (10) x (11).
- (13) is from Exhibit II.
- (14) = (12) x (13).
- (15) = (7) / (14).
- (17) = premium weighted average of (15).
- (18) is from Exhibit V.
- (19) = (17) x [1.000 + (18)].
- (20) is from Exhibit VII.
- (21) is from Exhibit V and Exhibit VII.
- (22) = { [(19)+(20)] / [(21)] } - 1
- (23) is [(1.029) / (1)] ^ 1 Years
- (24) = [(Total of (25) / 20577] ^ 0.5. See Exhibit VIII, .
- (26) = [(22) x (24)] + (23) x [1.000 - (24)].
- (27) is selected by the Republic group.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined

Premium Trend Development

Year-Qtr	Rolling 4 Quarter Basis		
	(1)	(2)	(3)
	Exposed	Earned Current Level Earned Prem	Average Earned Prem
2010-3	1,826	2,140,656	1,173
2010-4	2,200	2,575,520	1,171
2011-1	2,526	2,942,084	1,165
2011-2	2,806	3,256,375	1,161
2011-3	3,061	3,529,976	1,153
2011-4	3,312	3,792,683	1,145
2012-1	3,591	4,091,541	1,139
2012-2	3,879	4,390,430	1,132
2012-3	4,152	4,678,957	1,127
2012-4	4,355	4,888,613	1,123
2013-1	4,486	5,002,465	1,115
2013-2	4,506	5,015,174	1,113
2013-3	4,402	4,897,487	1,113
2013-4	4,217	4,692,470	1,113
2014-1	3,973	4,430,342	1,115
2014-2	3,756	4,188,194	1,115
2014-3	3,599	4,020,905	1,117

Average Earned Date	(4) Average Earned Prem	(5) Premium Index	<u>Premium Trend</u>	
4/1/2010	1,173	0.953	4-point	0.46%
4/1/2011	1,153	0.969	8-point	-0.14%
4/1/2012	1,127	0.991	12-point	-0.93%
4/1/2013	1,113	1.004	16-point	-1.41%
4/1/2014	1,117	1.000	(6) Selected	0.00%

Years From Midpoint Of Latest Year's Data	
(7) To 12 Months Past Renewal	2.2
(8) Premium Projection Factor	1.000

Notes:

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

(4) from respective quarters in (3).

(5) = Last Period of (4)/(4).

(8) = (1+(6))^(7)

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Rate History

Date of Change	Statewide Change All Tiers
2/1/2008	Initial Filing
8/1/2010	10.0%
1/15/2012	10.0%
4/1/2013	15.0%
6/15/2014	5.9%

Fiscal Year Ending September	On-Level Factor
2010	1.471
2011	1.383
2012	1.307
2013	1.204
2014	1.077

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined

Exhibit IV

Year-Qtr	Rolling 4 Quarter Basis					Countrywide						
	(1) Ultimate Counts	(2) Ultimate Losses	(3) Earned Exposures	(4) Ult. Counts	(5) Ult. Losses	(6) Frequency	(7) Severity	(8) Pure Premium	(9) Fast Track Frequency	(10) Fast Track Severity	(11) Fast Track Pure Premium	
2009-1	8	44,773										
2009-2	11	83,862										
2009-3	10	47,043										
2009-4	23	80,080	774	52	255,758	0.0672	4,918	330	0.0459	8,388	385	
2010-1	25	565,390	1,082	69	776,375	0.0638	11,252	718	0.0452	8,425	381	
2010-2	30	201,247	1,438	88	893,760	0.0612	10,156	621	0.0452	8,425	381	
2010-3	31	87,145	1,826	109	933,862	0.0597	8,568	512	0.0454	8,371	380	
2010-4	32	148,216	2,200	118	1,001,998	0.0536	8,492	455	0.0461	8,351	385	
2011-1	35	375,592	2,526	128	812,200	0.0507	6,345	322	0.0474	8,498	403	
2011-2	45	702,494	2,806	143	1,313,447	0.0510	9,185	468	0.0482	8,577	414	
2011-3	59	405,315	3,061	171	1,631,617	0.0559	9,542	533	0.0479	8,708	417	
2011-4	41	260,146	3,312	180	1,743,548	0.0544	9,686	526	0.0476	8,765	417	
2012-1	47	267,363	3,591	192	1,635,319	0.0535	8,517	455	0.0461	8,845	408	
2012-2	48	938,527	3,879	195	1,871,352	0.0503	9,597	482	0.0444	8,959	398	
2012-3	55	240,220	4,152	191	1,706,257	0.0460	8,933	411	0.0429	9,129	392	
2012-4	101	536,839	4,355	251	1,982,950	0.0577	7,897	455	0.0417	9,243	386	
2013-1	54	437,497	4,486	258	2,153,084	0.0576	8,339	480	0.0415	9,304	386	
2013-2	64	734,276	4,506	274	1,948,832	0.0609	7,102	432	0.0410	9,397	385	
2013-3	55	239,578	4,402	275	1,948,190	0.0624	7,094	443	0.0403	9,439	381	
2013-4	32	431,120	4,217	206	1,842,471	0.0488	8,955	437	0.0401	9,466	379	
2014-1	51	363,491	3,973	202	1,768,464	0.0509	8,744	445	0.0398	9,658	384	
2014-2	46	437,165	3,756	184	1,471,353	0.0490	7,995	392	0.0400	9,877	395	
2014-3	38	519,356	3,599	167	1,751,132	0.0465	10,472	487	0.0396	10,130	402	
						Frequency	Severity	Pure Premium	Fast Track Frequency	Fast Track Severity	Fast Track Pure Premium	
						4-point*	-7.41%	15.20%	7.78%	-1.09%	9.03%	7.94%
						8-point*	-14.77%	12.49%	-2.28%	-3.09%	4.88%	1.80%
						12-point*	-2.57%	-1.16%	-3.73%	-6.32%	4.71%	-1.62%
						16-point*	-0.93%	0.83%	-0.10%	-6.05%	4.52%	-1.53%
						(12) Selected Historical Trend	-2.00%	0.00%	-2.00%			
						(13) Selected Future Trend	-2.00%	5.00%	2.90%			

Notes:

(3), (4), (5) are on a four quarter rolling basis.

(6) = (4)/(3).

(7) = (5)/(4).

(8) = (6) x (7).

(9), (10), (11) from Fast Track Circular.

(14) = (1+Pure Premium from (13))^2.2

Midpoint of latest year 1 yr past Renewal
Project from 4/1/2014 -----> 6/15/2016 2.2 yrs.

(14) Loss Projection Factor 1.065

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Loss Adjustment Expense

Development of Allocated Loss Adjustment Expense (ALAE) Provision as a Percent of Incurred Losses
(Source of Data: Page 15)

Arkansas Data

Calendar Year	(1) Incurred Losses	(2) Incurred ALAE	(3) = (2) / (1) ALAE Percentage
2010	1,384,909	37,060	2.7%
2011	4,552,290	79,951	1.8%
2012	2,231,665	31,744	1.4%
2013	1,897,635	32,233	1.7%
Total:	10,066,499	180,988	1.9%

Countrywide Data

Calendar Year	(1) Incurred Losses	(2) Incurred ALAE	(3) = (2) / (1) ALAE Percentage
2009	83,852,826	2,033,544	2.4%
2010	50,981,816	1,618,389	3.2%
2011	73,817,232	2,192,594	3.0%
2012	52,792,281	1,800,316	3.4%
2013	54,138,255	1,715,768	3.2%
Total:	315,582,410	9,360,611	3.0%

Selected ALAE Provision as a Percent of Incurred Losses: 3.0%

Development of Unallocated Loss Adjustment Expense (ULAE) Provision as a Percent of Incurred Loss
(Source of Data: Insurance Expense Exhibits)

Countrywide Data

Calendar Year	(1) Incurred Loss (000's)	(2) Incurred ULAE (000's)	(3) = (2) / (1) ULAE Percentage
2009	83,853	12,498	14.9%
2010	50,983	5,133	10.1%
2011	73,818	4,833	6.5%
2012	52,791	2,979	5.6%
2013	54,137	6,432	11.9%
Total:	315,582	31,875	9.8%

Selected ULAE Provision as a Percent of Incurred Loss: 9.8%

Selected LAE Provision as a Percent of Incurred Loss: 12.8%

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)

All Tiers Combined

Expected Non-Hurricane Catastrophe Provision
(000 omitted)

Arkansas Homeowners

Fiscal Year Ending September	Non-Cat Ult Loss	Non-Hurricane Catastrophe Inc Losses	Non-Hurricane Catastrophe Factor
2009	245	148	0.603
2010	934	326	0.349
2011	1,632	2,270	1.392
2012	1,706	604	0.354
2013	1,948	3	0.001
2014	1,751	1,599	0.913
Total	7,971	4,802	0.602

Average Catastrophe Factor : 0.602

AR HO Selected Catastrophe Factor : 0.450

Oklahoma Homeowners¹

Fiscal Year Ending September	Non-Cat Ult Loss	Non-Hurricane Catastrophe Inc Losses	Non-Hurricane Catastrophe Factor
1995	926	431	0.465
1996	1,495	465	0.311
1997	1,232	149	0.121
1998	1,107	254	0.229
1999	1,823	303	0.166
2000	1,072	-	0.000
2001	1,205	49	0.041
2002	1,339	1,213	0.906
2003	1,460	430	0.295
2004	2,976	621	0.209
2005	2,481	1,512	0.610
2006	5,020	659	0.131
2007	3,464	4,050	1.169
2008	3,286	9,202	2.800
2009	4,165	1,581	0.380
2010	3,904	1,884	0.483
2011	4,878	3,796	0.778
2012	3,524	2,944	0.835
2013	2,532	10,209	4.032
2014	3,618	967	0.267

¹ Written in Southern Underwriters & Republic Fire and Casualty Insurance Companies

Average Catastrophe Factor : 0.711

10-Year Average Catastrophe Factor: 1.149

5-Year Average Catastrophe Factor: 1.279

OK HO Selected Catastrophe Factor: 0.711

Note: Republic's Oklahoma experience was considered in selecting the catastrophe provision due to the lack of experience in Arkansas

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined

Permissible Loss and Loss Adjustment Expense Ratio

Expenses	2011	2012	2013	Selected
Fixed				
General Expense ¹ :	5.0%	5.6%	5.5%	5.4%
Other Acquisition ¹ :	5.1%	6.0%	5.8%	5.6%
Policy Fees Received ² :	(0.5%)	(0.4%)	(0.5%)	(0.5%)
Total Fixed Expenses :	9.6%	11.2%	10.8%	10.5%
AR Homeowners Earned Premium	2,788,456	3,815,493	3,995,321	
Fixed Expense \$ Amount	268,294	426,262	430,521	
Fixed Expense Trend @ 4% Annual	1.203	1.157	1.112	
Trended Fixed Expenses	322,759	493,019	478,793	385,987
AR HO Projected Earned Premium	3,792,683	4,888,613	4,692,470	4,020,905
Proj. Fixed Expense as % of Premium	8.5%	10.1%	10.2%	9.6%
Variable				
Commission and Brokerage ³ :	17.5%	17.3%	17.4%	17.4%
Taxes, Licenses, and Fees ³ :	3.8%	3.8%	3.8%	3.8%
Profit and Contingencies Provision ⁴ :				11.2%
Cost of Reinsurance (2014)				0.9%
Total Variable Expenses :	32.5%	32.3%	32.4%	33.3%
Total Expense Provision :	41.0%	42.4%	42.6%	42.9%
Permissible Loss & LAE Ratio :				57.1%
Variable Expense Ratio :				33.3%
Variable Permissible Loss & LAE Ratio :				66.7%

¹ Insurance Expense Exhibit, Part III; as a percent of Earned Premium

Other Acquisition: Insurance Expense Exhibit, Part III; as a percent of Written Premium

² as a percent of Earned Premium

³ Annual Statement, Page 15, State of Arkansas; as a percent of Written Premium

⁴ Exhibit IX, Page 1

Cost of Reinsurance - 2014

Reinsurance Layer	Reinsurance Limit	2014 Property Reinsurance Cost Companywide	2014 Property Reinsurance Cost Arkansas HO	AR HO Reins. Cost as a % of Premium*
Per Risk Excess of Loss Reinsurance:				
1st Layer	1.0M xs 1.5M	1,302,431	1,197	
2nd Layer	2.5M xs 2.5M	936,836	-	
3rd Layer	5.0M xs 5.0M	<u>479,843</u>	<u>-</u>	
(A) Per Risk Excess Reinsurance Total Cost		2,719,110	1,197	
(B) Estimated Reinsurer Profit, Expense, & Risk Load			359	0.01%
Catastrophe Reinsurance:				
		2014 CAT Reins. Cost Companywide	2014 CAT Reins. Cost Arkansas HO	
2nd Layer	10M xs 15M 1 Event	2,900,000	35,512	
3rd Layer	50M xs 25M 1 Event	7,625,000	32,233	
4th Layer	105M xs 75M 1 Event	<u>6,300,000</u>	<u>9,793</u>	
(C) Cat Reinsurance Total Cost		16,825,000	77,538	
(D) AIR CLASIC v15.0 avg annual Severe Storm Loss & LAE		<u>Companywide</u> 12,544,557	<u>Arkansas HO</u> 1,041,389	
(E) Projected Cat Losses Excess of \$20M Retention			40,362	
(F) Estimated Reinsurer Profit, Expenses & Risk Load (C) - (E)			37,176	0.9%
(B) + (F) Property Reinsurance Cost Over Expected Premium:			37,536	0.9%

* Reinsurance Cost is expressed as a percentage of projected 2014 Arkansas Homeowners Earned Premium.

Allocation of Companywide Catastrophe Reinsurance Cost

Modeled Hurricane and Severe Thunderstorm Losses & LAE

(1) All States All Lines	(2) Arkansas Homeowners	(3) Modeled Loss Allocation
12,544,557	1,041,389	8.3%

Catastrophe Reinsurance Cost:

	(4) Companywide Cat Reins.	(5) % Arkansas Homeowners	(6) Arkansas Cat Reins.
2nd Layer 10M xs 15M	2,900,000	1.2%	35,512
3rd Layer 50M xs 25M	7,625,000	0.4%	32,233
4th Layer 105M xs 75M	6,300,000	0.2%	9,793
Cat Reinsurance Cost Total	16,825,000	0.5%	77,538

(1) Average annual losses based on the Applied Insurance Research model methodology and assumptions; using policies in force on 6/30/2013.

(2) Average annual losses for Arkansas Homeowners

(3) = (2) / (1)

(4) Companywide catastrophe reinsurance cost for 2014, includes reinstatement premiums.

(5) = (6) / (4)

(6) Arkansas Homeowners catastrophe reinsurance cost for 2014, includes reinstatement premiums.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Assignment of Credibility

Exhibit VIII

Fiscal Year Ending September	Earned House Years
2010	1,826
2011	3,061
2012	4,152
2013	4,402
2014	3,599

(1) Total Earned House-Years :	17,040
(2) Claim Standard for Full Credibility ¹ :	1,082
(3) Selected Earned House-Years for Full Credibility	20,577
(4) Assigned Credibility $((1) / (3))^{0.5}$, maximum 100%	91.0%

¹ Frequency only; within 5% with 90% confidence

Calculation of After-tax Return on Equity

$$\begin{aligned} \text{After-tax Return on Equity} &= \text{After-tax return on surplus} \\ &+ (\text{Premium / Surplus}) \times \text{After-tax Return on Reserves} \\ &+ (1 - \text{tax rate}) \times (\text{Premium / Surplus}) \times (\text{targeted pre-tax underwriting profit}) \end{aligned}$$

(1) After-Tax return on investment earnings	1.3%
(2) Tax rate	35.0%
(3) Premium / surplus ratio	1.4
(4) Return on reserves, after tax	0.4%
(5) Targeted pre-tax underwriting profit	11.2%
(6) After-Tax Return on Equity	12.0%
(1) + (3)x(4) + [(1-(2)) x (3)x(5)]	

(1) Exhibit IX, Page 4

(4) Exhibit IX, Page 2 & Page 3

Estimated Investment Earnings On Loss & Loss Adjustment Expense Reserves

1. Loss and Loss Adjustment Expense Reserves as of December 31, 2012 (a)	\$14,580,838
2. Loss and Loss Adjustment Expense Reserves as of December 31, 2013 (a)	\$13,528,071
3. Mean Loss and Loss Adjustment Expense Reserves $[(1) + (2)] / 2$	\$14,054,455
4. Actual Incurred Loss and Loss Adjustment Expenses (b), (d) [$1.1205 \times 48,458,741$]	\$54,298,019
5. Average period \$1.00 of Loss and LAE remains in reserves (in years) $[(3) / (4)]$	0.259
6. Average Rate of Return on Invested Income (c)	1.33%
7. Expected investment earnings on \$1.00 of Loss and LAE while in reserves $[(1+(6))^{(5)} - 1]$	\$0.0034
8. Expected Loss and LAE Ratio = $(1.000 - \text{Expense Ratio})$ (e)	57.1%
9. Estimated Investment Earnings as a percentage of Net Earned Premium $[(7) * (8)]$	0.20%

- a. Source: Annual Statement, Part 2a, Column 8 + Column 9, Line 4
- b. Source: Annual Statement, Part 2, Column 7, Line 4
- c. Source: Exhibit IX, Page 4
- d. Sources: LAE factor, from the 2013 year-end D.O. Statement
- e. Source: Exhibit VII Page 1

Estimated Investment Earnings On Unearned Premium Reserves

	(h)		
	Installment	Prepaid	Total
1. Homeowners Unearned Premium Reserve as of December 31, 2012 (a)	47,477,499	10,365,394	57,842,893
2. Homeowners Unearned Premium Reserve as of December 31, 2013 (a)	47,174,920	6,281,211	53,456,131
3. Mean Homeowners Unearned Premium Reserve $\{[(1)+(2)]/2\}$	47,326,210	8,323,303	55,649,512
4. Reduction Due to Booking Installment as Full (b)	34,548,133	xxxxxxxx	34,548,133
5. Net Mean Homeowners Unearned Premium Reserve	12,778,077	8,323,303	21,101,379
6. Percentage of Prepaid Expenses (c)			
(A) Commissions and Brokerages (W.P.)	17.4%		
(B) Taxes, Licenses, & Fees (W.P.)	3.8%		
(C) 50% of Other Acq. & Gen. Expense (E.P.)	5.5%		
(D) Total Prepaid Expenses $[(A)+(B)+(C)]$			26.7%
7. Agents' balances as of December 31, 2012 (d)			82,695,936
8. Agents' balances as of December 31, 2013 (d)			102,068,863
9. Mean Agents' Balances $\{[(7)+(8)]/2\}$			92,382,400
10. All lines Net Earned Premium for 2013 (e)			312,300,310
11. Factor Representing Delayed Remission of Premium $[(9)/(10)]$			0.296
12. Net Mean Homeowners Unearned Premiums Subject to Investment $[(5) \times \{1.0 - (6D)\} \times \{1.0 - (11)\}]$			10,888,987
13. Average Rate-of-Return on Investible Income (f)			1.33%
14. Estimated Investment Earnings on Unearned Premium Reserves $[(12) \times (13)]$			145,111
15. Homeowners Net Earned Premium for 2013 (g)			92,878,360
16. Estimated Investment Earnings as a Percentage of Homeowners Net Earned Premiums $[(14)/(15)]$			0.16%

a) A. S., Part 2, Line 4, Columns 2 & 3

b) Republic Underwriters Insurance Company has several Installment Plans for payment of premiums.

By comparison, it can be shown that the average monthly unearned premium reserve on the installment plans is 14.61% of the written, while that on the prepaid basis is 54.17%. Hence, a reduction in the unearned premium reserve of 0.730 is appropriate on installment business $[(54.17 - 14.61) / 54.17]$.

c) See Exhibit VII, Page 1

d) A. S., Page 2, Line 13.1 + Line 13.2

e) A. S., Part 2, Column 4, Line 32

f) Exhibit IX, Page 4

g) A. S., Part 2, Column 4, Line 4

Calculation of After-tax Return on Equity

	Southern	Republic- Vanguard	Republic Underwriters	Republic Lloyds	Southern Underwriters	Republic Fire & Cas.	Southern Cnty Mutual	Grand Total	
Investment Income Calendar Year 2013 (2013 AS)									
(1) Net Investment Income (Page 12, Line 17)	814,060	342,329	12,201,799	69,020	112,396	116,020	0	13,313,295	
(2) Common stock of affiliates (Page 12, Col. 1, Line 2.21)	0	0	2,277,000	0	0	0	0	2,277,000	
(3) Net Investment Income after consolidation (1) - (2)	814,060	342,329	9,924,799	69,020	112,396	116,020	0	11,036,295	(A)
Capital Gains Calendar Year 2012 (2012 AS)									
(4) Net Realized Capital Gains after Tax (Page 4, Line 10, Col. 1)	899,537	711,743	14,164,637	21,694	245,953	296,412	1,365,089	16,993,322	
(5) Net Unrealized Capital Gains after Tax (Page 4, Line 24, Col. 1)	0	0	-818,656	0	0	0	0	-818,656	
(6) Total Net Capital Gains after Tax (4) + (5)	899,537	711,743	13,345,981	21,694	245,953	296,412	1,365,089	16,174,666	(B)
Capital Gains Calendar Year 2013 (2013 AS)									
(7) Net Realized Capital Gains after Tax (Page 4, Line 10, Col. 1)	23,333	141,358	3,171,480	0	0	0	113,056	3,307,869	
(8) Net Unrealized Capital Gains after Tax (Page 4, Line 24, Col. 1)	0	0	-329,125	0	0	0	0	-329,125	
(9) Total Net Capital Gains after Tax (7) + (8)	23,333	141,358	2,842,355	0	0	0	113,056	2,978,744	(C)
Invested Assets as of 12/31/2012 (2012 AS)									
(10) Total Invested Assets (Page 2, Line 12, Col 3)	39,852,208	24,450,075	524,716,224	12,025,812	5,477,822	8,339,982	32,002,095	622,414,143	
(11) Value of consolidated affiliates (Page S104, Line 24, Col 2 - SchD)	0	0	89,929,483	0	0	0	0	89,929,483	
(12) Net invested assets after consolidation (10) - (11)	39,852,208	24,450,075	434,786,741	12,025,812	5,477,822	8,339,982	32,002,095	532,484,660	(D)
Invested Assets as of 12/31/2013 (2013 AS)									
(13) Total Invested Assets (Page 2, Line 12, Col 3)	39,433,845	24,637,653	537,124,983	11,879,753	5,241,316	8,219,316	31,691,568	633,590,781	
(14) Value of consolidated affiliates (Page SI04, Line 24, Col 2 - SchD)	0	0	89,477,782	0	0	0	0	89,477,782	
(15) Net invested assets after consolidation (13) - (14)	39,433,845	24,637,653	447,647,201	11,879,753	5,241,316	8,219,316	31,691,568	544,112,999	(E)
Capital Gains Rate of Return (After-Tax):		1.78%							(F)=((B)+(C)) / ((D)+(E))
Investment Income Rate of Return (Pre-Tax):		2.05%							(G) = (A) / (Avg ((D) , (E)))
Effective Tax-Rate in Investment Earnings:		0.35							(H)
Rate of Return (After-Tax) on Investment Income:		1.33%							(I) = (G) x (1.000 - (H))

Notes:

Item (1) is net of investment expenses.

Items (5) and (8) are valued at Market.

This is appropriate as this is how these items are carried in (4) and (7) respectively.

Republic Fire & Casualty
Arkansas Homeowners
Statewide Development of Indicated Rate Adjustment by Territory
Data as of 12/31/2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
	Fiscal Year Ending September 2010 to 2014		Capped Ult Cat	Regional	Group	Earned House	Credibility	Credibility	Reins.	Credibility	Weighted	Indicated	Selected
Group	Territory Description	OnLeveled Earned Premium	Adjusted Inc Loss	Cat Load	Loss Ratio	Years	Weighted Loss Ratio	Loss Ratio	Load	w/ Reins.	Relative Change	Statewide Need	Group Change
1	Baxter, Boone, Marion, Carroll, Madison	227,802	121,331	1.45	53.3%	208	0.100	42.5%	1.0%	43.5%	3.9%	24.4%	7.0%
2	Fulton, Independence, Izard, Sharp, Cleburne, Searcy, Stone, Van Buren, Jackson, Woodruff	1,043,807	605,342	1.45	58.0%	964	0.216	44.9%	0.9%	45.8%	9.4%	30.9%	10.0%
3	Lawrence, Clay, Greene, Randolph, Craighead	984,785	362,068	1.45	36.8%	839	0.202	40.4%	0.5%	40.8%	-2.4%	16.8%	7.0%
4	Mississippi, Cross, Lee Poinsett, St. Francis	441,095	90,919	1.45	20.6%	335	0.128	38.6%	0.6%	39.3%	-6.2%	12.3%	5.0%
5	Crittenden, Phillips	842,645	546,113	1.45	64.8%	687	0.183	45.6%	0.5%	46.1%	10.1%	31.8%	10.0%
6	Prairie, Monroe, Jefferson, Arkansas	355,887	229,175	1.45	64.4%	260	0.112	43.9%	0.8%	44.7%	6.7%	27.7%	10.0%
7	Desha, Drew, Ashley, Chicot	583,580	245,707	1.45	42.1%	366	0.133	41.4%	0.8%	42.2%	0.9%	20.7%	7.0%
8	Bradley, Calhoun, Cleveland, Dallas, Lincoln, Union	457,453	187,208	1.45	40.9%	324	0.126	41.2%	1.0%	42.2%	0.9%	20.8%	7.0%
9	Hempstead, LaFayette, Columbia	140,955	108,566	1.45	77.0%	75	0.060	43.4%	1.3%	44.8%	6.9%	28.0%	10.0%
10	Clark, Howard, Pike, Sevier, Little River, Miller	740,796	271,919	1.45	36.7%	556	0.164	40.5%	1.5%	42.0%	0.4%	20.1%	7.0%
11	Conway, Franklin, Johnson, Newton, Pope, Logan, Yell, Garland, Hot Spring, Perry, Montgomery, Polk, Scott	1,644,825	589,739	1.45	35.9%	1,397	0.261	39.9%	1.0%	40.9%	-2.4%	16.9%	7.0%
12	Nevada, Ouachita	94,668	171,908	1.45	181.6%	65	0.056	49.2%	1.0%	50.2%	19.9%	43.6%	10.0%
20	Benton, Washington	3,959,140	1,487,755	1.45	37.6%	4,334	0.459	39.6%	1.3%	40.8%	-2.4%	16.8%	7.0%
21	Crawford, Sebastian	397,592	63,323	1.45	15.9%	391	0.138	37.8%	1.0%	38.8%	-7.3%	11.0%	5.0%
30	Grant, Saline, Hot Springs Village	1,713,285	629,668	1.45	36.8%	1,594	0.278	40.0%	0.6%	40.6%	-3.0%	16.1%	5.0%
31	Faulkner, White, Lonoke	2,025,527	805,834	1.45	39.8%	1,926	0.306	40.8%	1.1%	41.9%	0.0%	19.8%	7.0%
32	Remainder of Pulaski	952,830	251,921	1.45	26.4%	842	0.202	38.3%	1.7%	40.0%	-4.5%	14.3%	5.0%
33	Cities of Little Rock and North Little Rock (Pulaski)	2,428,066	1,085,685	1.45	44.7%	1,875	0.302	42.3%	0.4%	42.7%	2.1%	22.2%	7.0%
Statewide		19,034,738	7,854,181		41.3%	17,040		40.9%	0.9%	41.8%	-0.4%	19.2%	6.9%

- (1) Current Level Earned Premium for the latest 5 complete calendar years for the companies of the Republic group.
- (2) Ultimate Losses for the latest 5 complete accident years for the companies of the Republic group, capped at \$50,000.
- (3) Regional cat load used in the calculation of (2).
- (4) = (2) / (1)
- (5) Annual Earned Exposure counts for the latest 5 complete calendar years for the companies of the Republic group.
- (6) Based on a 20577 standard for full credibility, with partial credibility calculated via the 'square-root' rule.
- (7) = (4) x (6) + [1.000 - (6)] x (Statewide (4))
- (8) = Reinsurance Expense Allocated by Territory
- (9) = (7) + (8)
- (10) = (9) / (9 Statewide) - 1
- (11) = [1.000 + (10)] x [1.000 + (11 Statewide)] / [1.000 + (10 Statewide)] - 1.000
- (12) = Selected

Republic Fire & Casualty
Arkansas Homeowners
Statewide Development of Indicated Rate Adjustment by Territory
Data as of 12/31/2014

Territory	Territory Description	Base Rates	
		Current	Proposed
1	Benton, Washington	\$581	\$622
2	Carroll, Madison	\$635	\$679
3	Baxter, Boone, Marion	\$674	\$721
4	Fulton, Independence, Izard, Sharp	\$703	\$773
5	Lawrence	\$869	\$930
6	Clay, Greene, Randolph	\$850	\$910
7	Crawford, Sebastian	\$711	\$747
8	Conway, Franklin, Johnson, Newton, Pope	\$681	\$729
9	Cleburne, Searcy, Stone, Van Buren	\$674	\$741
10	Jackson, Woodruff	\$919	\$1,011
11	Craighead	\$828	\$886
12	Mississippi	\$937	\$984
13	Logan	\$704	\$753
14	Yell	\$770	\$824
15	Faulkner	\$642	\$687
16	White	\$736	\$788
17	Cross, Lee, Poinsett, St. Francis	\$902	\$947
18	Crittenden	\$749	\$824
19	Montgomery, Polk, Scott	\$791	\$846
20	Garland, Hot Spring, Perry	\$712	\$762
21	Grant, Saline	\$712	\$748
22	Remainder of Pulaski	\$718	\$754
23	Lonoke	\$712	\$762
24	Prairie	\$792	\$871
25	Monroe	\$852	\$937
26	Jefferson	\$904	\$994
27	Arkansas	\$757	\$833
28	Phillips	\$1,004	\$1,104
29	Clark, Howard, Pike, Sevier	\$759	\$812
30	Bradley, Calhoun, Cleveland, Dallas, Lincoln	\$830	\$888
31	Desha	\$931	\$996
32	Little River, Miller	\$820	\$877
33	Hempstead, LaFayette	\$893	\$982
34	Nevada, Ouachita	\$893	\$982
35	Columbia	\$796	\$876
36	Union	\$796	\$852
38	Cities of Little Rock and North Little Rock (Pulaski County)	\$786	\$841
39	Hot Springs Village	\$613	\$644
40	Drew County	\$830	\$888
41	Ashley and Chicot Counties	\$1,015	\$1,086

Text Comparison

Initial Document:

AR HO 00 03 Manual 08 14 form.pdf

Changed Document:

AR HO 00 03 Manual 05 15 base rate.pdf

Summary

Differences exist between the documents.

42 word(s) added

42 word(s) deleted

18106 word(s) matched

1 page(s) replaced

Insert Word(s) inserted

~~Delete~~ Word(s) deleted

Move Word(s) moved

Different Word(s) different only in style

ARKANSAS HOMEOWNERS POLICY PROGRAM MANUAL BASE CLASS PREMIUM TABLES

Territory	Description	Base Rate
1	Benton and Washington Counties	\$581
2	Carroll and Madison Counties	\$635
3	Baxter, Boone and Marion Counties	\$674
4	Fulton, Independence, Izard and Sharp Counties	\$703
5	Lawrence County	\$869
6	Clay, Greene and Randolph Counties	\$850
7	Crawford and Sebastian Counties	\$711
8	Conway, Franklin, Johnson, Newton and Pope Counties	\$681
9	Cleburne, Searcy, Stone and Van Buren Counties	\$674
10	Jackson and Woodruff Counties	\$919
11	Craighead County	\$828
12	Mississippi County	\$937
13	Logan County	\$704
14	Yell County	\$770
15	Faulkner County	\$642
16	White County	\$736
17	Cross, Lee, Poinsett and St. Francis Counties	\$902
18	Crittenden County	\$749
19	Montgomery, Polk and Scott Counties	\$791
20	Garland, Hot Spring and Perry Counties	\$712
21	Grant and Saline Counties	\$712
22	Remainder of Pulaski County	\$718
23	Lonoke County	\$712
24	Prairie County	\$792
25	Monroe County	\$852
26	Jefferson County	\$904
27	Arkansas County	\$757
28	Phillips County	\$1,004
29	Clark, Howard, Pike and Sevier Counties	\$759
30	Bradley, Calhoun, Cleveland, Dallas and Lincoln Counties	\$830
31	Desha County	\$931
32	Little River and Miller Counties	\$820
33	Hempstead and LaFayette Counties	\$893
34	Nevada and Ouachita Counties	\$893
35	Columbia County	\$796
36	Union County	\$796
38	Cities of Little Rock and North Little Rock (Pulaski County)	\$786
39	Hot Springs Village	\$613
40	Drew County	\$830
41	Ashley and Chicot Counties	\$1,015

**ARKANSAS HOMEOWNERS POLICY PROGRAM MANUAL
BASE CLASS PREMIUM TABLES**

Territory	Description	Base Rate
1	Benton and Washington Counties	<u>\$622</u>
2	Carroll and Madison Counties	<u>\$679</u>
3	Baxter, Boone and Marion Counties	<u>\$721</u>
4	Fulton, Independence, Izard and Sharp Counties	<u>\$773</u>
5	Lawrence County	<u>\$930</u>
6	Clay, Greene and Randolph Counties	<u>\$910</u>
7	Crawford and Sebastian Counties	<u>\$747</u>
8	Conway, Franklin, Johnson, Newton and Pope Counties	<u>\$729</u>
9	Cleburne, Searcy, Stone and Van Buren Counties	<u>\$741</u>
10	Jackson and Woodruff Counties	<u>\$1,011</u>
11	Craighead County	<u>\$886</u>
12	Mississippi County	<u>\$984</u>
13	Logan County	<u>\$753</u>
14	Yell County	<u>\$824</u>
15	Faulkner County	<u>\$687</u>
16	White County	<u>\$788</u>
17	Cross, Lee, Poinsett and St. Francis Counties	<u>\$947</u>
18	Crittenden County	<u>\$824</u>
19	Montgomery, Polk and Scott Counties	<u>\$846</u>
20	Garland, Hot Spring and Perry Counties	<u>\$762</u>
21	Grant and Saline Counties	<u>\$748</u>
22	Remainder of Pulaski County	<u>\$754</u>
23	Lonoke County	<u>\$762</u>
24	Prairie County	<u>\$871</u>
25	Monroe County	<u>\$937</u>
26	Jefferson County	<u>\$994</u>
27	Arkansas County	<u>\$833</u>
28	Phillips County	<u>\$1,104</u>
29	Clark, Howard, Pike and Sevier Counties	<u>\$812</u>
30	Bradley, Calhoun, Cleveland, Dallas and Lincoln Counties	<u>\$888</u>
31	Desha County	<u>\$996</u>
32	Little River and Miller Counties	<u>\$877</u>
33	Hempstead and LaFayette Counties	<u>\$982</u>
34	Nevada and Ouachita Counties	<u>\$982</u>
35	Columbia County	<u>\$876</u>
36	Union County	<u>\$852</u>
38	Cities of Little Rock and North Little Rock (Pulaski County)	<u>\$841</u>
39	Hot Springs Village	<u>\$644</u>
40	Drew County	<u>\$888</u>
41	Ashley and Chicot Counties	<u>\$1,086</u>