Filing at a Glance

Company: General Star National Insurance Company
Product Name: Real Estate Agents Errors & Omissions
SERFF Tr Num: GNST-125841044
State: Arkansas
TOI: 17.1 Other Liability - Claims Made Only
SERFF Status: Closed
State Tr Num: EFT $100
Sub-TOI: 17.1019 Professional Errors & Omissions Liability
Co Tr Num: 08-117-3-REA R
State Status: Fees verified and received
Filing Type: Rate/Rule
Co Status:
Reviewer(s): Betty Montesi, Edith Roberts
Authors: Patricia Villegas, Ludmila Kandiba, Timothy Wilcox
Disposition Date: 10/28/2008
Date Submitted: 10/10/2008
Disposition Status: Filed
Effective Date Requested (New): 03/01/2009
Effective Date (New):
Effective Date Requested (Renewal): 03/01/2009
Effective Date (Renewal):
State Filing Description:

General Information

Project Name: General Star Real Estate Agents
Status of Filing in Domicile: Authorized
Project Number: 08-117-3-REA
Domicile Status Comments:
Reference Organization: N/A
Reference Number: N/A
Reference Title: N/A
Advisory Org. Circular: N/A
Filing Status Changed: 10/28/2008
State Status Changed: 10/28/2008
Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:

General Star National Insurance Company has been insuring members of the Realtors Insurance Purchasing Group Association since 2003. After gaining more experience with this program, General Star National has determined that a more effective rating approach would be realized by changing our countrywide rating method from one based on agent count and a per agent / state base rate, to the more commonly used methodology of a rate per 1000 of agency’ revenues. Our proposed plan assumes that frequency is more closely related to revenues generated by the agency and that the high or low value of individual transactions (i.e. property value) will be the best indicator of a losses' potential severity.

Company and Contact

Filing Contact Information

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Filing Company Information

General Star National Insurance Company	CoCode: 11967	State of Domicile: Ohio
695 East Main Street	Group Code: 31	Company Type: Property & Casualty
Stamford, CT 06904	Group Name: Berkshire Hathaway Co	State ID Number:
(203) 328-6079 ext. [Phone]	FEIN Number: 13-1958482	

Filing Fees

Fee Required?	Yes
Fee Amount:	$100.00
Retaliatory?	No
Fee Explanation:	$100 for a rate filing.
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
General Star National Insurance Company	$100.00	10/10/2008	23110279

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	10/28/2008	10/28/2008

Disposition

Disposition Date: 10/28/2008
Effective Date (New):
Effective Date (Renewal):
Status: Filed
Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
General Star National Insurance Company	1.660%	$143,511	5,848	$8,767,481	27.760%	-21.760%	1.660%

SERFF Tracking Number:	*GNST-125841044*	*State:*	*Arkansas*
Filing Company:	*General Star National Insurance Company*	*State Tracking Number:*	*EFT $100*
Company Tracking Number:	*08-117-3-REA R*		
TOI:	*17.1 Other Liability - Claims Made Only*	*Sub-TOI:*	*17.1019 Professional Errors & Omissions Liability*
Product Name:	*Real Estate Agents Errors & Omissions*		
Project Name/Number:	*General Star Real Estate Agents/08-117-3-REA*		

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Filing Memo and Supporting Documents	Filed	Yes
Rate	Real Estate Agents Errors & Omissions Rating Rules	Filed	Yes
Rate	Arkansas Rates	Filed	Yes

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	10.000%
Effective Date of Last Rate Revision:	09/21/2004
Filing Method of Last Filing:	Prior Approval

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
General Star National Insurance Company	1.660%	1.660%	$143,511	5,848	$8,767,481	27.760%	-21.760%

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	Real Estate Agents Errors & Omissions Rating Rules	Pages 1 to 6 04/01/2008 Ed. (v. 13)	Replacement	Not available	GSN RE. Agents Rating Rules (04-2008) Ed v 13.pdf
Filed	Arkansas Rates	AR-RE-R-1 05/2008 Edition	Replacement	Not available	Arkansas Rates.pdf

GeneralStar™

REAL ESTATE AGENTS ERRORS & OMISSIONS
RATING RULES - *04/01/2008 Edition*

Following are rating rules for determining premiums for the Real Estate Agents Errors and Omissions Claims-Made Insurance Policies provided by General Star National Insurance Company (The Company) to members of the Realtors Insurance Purchasing Group Association. Exceptions to these rules, if any, are contained on the individual State Rate Pages.

A. Standard Program

1. **Determine Agency's Total Gross Revenue** from application process.
   *Note: As a separate charge is made for activities as a Mortgage Broker or Insurance Agent, revenues from either activity are not included in the agency's **Total Gross Revenues** for rating purposes.*

2. **Determine Premium Rate per 1000 in Revenue** from the State Rate Pages for appropriate revenue bands:

Total Gross Revenue **Agencies with 2 agents or more**	**Total Gross Revenue** **Agencies with single agent**
First $150,000	First $75,000
Next $350,000	Next $150,000
Next $500,000	Next $300,000
Over $1,000,000	Over $525,000

3. **Determine Base Rate** by multiplying Item **2.** above - Premium Rate per 1000 in Revenue from State Rate Page by Item **1.** above - Total Gross Revenue.

4. **Determine the number of ratable employees** (all licensed agents, appraisers, licensed assistants, and property managers) from application process. Note: Include in-active principals in the number of ratable employees, unless specifically excluded by endorsement. Part-time employees will be rated as Full Time Equivalents (FTE's); i.e., 2 part-time employees = 1 FTE.

5. **Determine the number of agency transactions** from the application**.**

6. **Determine Average (residential or commercial) Property Value**
   If commercial revenues are greater than 50% of Item **1.** above - Total Gross Revenues, assume 100% commercial revenue and use Item **6.a.** or **6.c.** below. Otherwise use Item **6.a.** or **6.b.** below.
   a. Total Gross Revenue (residential and commercial) / total number of transactions (agency transactions for last fiscal year) <u>for agencies in operation more than 12 months</u> / .025 (National Association of Realtors (NAR) average commission per transaction) = **Average Property Value**; or
   b. Total Gross Revenue / 13 transactions (NAR average # of transactions) times number of agents <u>for residential agencies in operation less than 12 months</u> / .025 (NAR average commission per transaction) = **Average Property Value**; or

c. Total Gross Revenue / 6 transactions (NAR average # of transactions) times number of agents for commercial agencies in operation less than 12 months / .025 (NAR average commission per transaction) = **Average Property Value**.

Note: Commercial (non-residential) revenues are revenues from:

a). Commercial real estate commissions
b). Industrial real estate commissions
c). Non-residential farm and/or raw land commissions
d). Property management fees (4 stories or above = Commercial)
e). Real estate appraisal fees
f). Title agent activities
g). Real estate consultation fees (determination of Residential or Commercial is based off of breakdown of Agency Revenues from Real Estate Consultation)
h). Other (excluding auctioneering or insurance revenues)
i). Escrow Services

7. Increased Limits Adjustment:

a. Multiply the premium derived from Item **3.** above by the appropriate limit factor in Column A below if the Average Property Value from Item **6.** above is $500,000 or less.

b. Multiply the premium derived from Item **3.** above by the appropriate limit factor in Column B below if the Average Property Value from Item **6.** above is greater than $500,000.

Limit	**Column A**	**Column B**
$100,000/$100,000	1.00	1.00
$100,000/$300,000	1.12	1.24
$250,000/$250,000	1.19	1.39
$500,000/$500,000	1.32	1.65
$500,000/$1,000,000	1.39	1.80
$1,000,000/$1,000,000	1.49	2.00
$1,000,000/$2,000,000	1.58	2.18
Refer to Company for higher limits	--	--

c. If claim expenses are within the limits of liability, multiply the premium derived under Item **7.** above by .90 (*does not apply in FL*).

8. Deductible applicable to loss and expenses *(not available in NY)* **or loss only***:*

a. Multiply the premium derived under Item **7.** above by the appropriate deductible factor (*does not apply in FL*).

Deductible	Loss & Expense Factor	Loss Only Factor
$0	1.25	1.25
$1,000	1.10	1.20
$2,500	1.00	1.10
$5,000	.95	1.05
$10,000	.85	N/A
$15,000	.80	N/A
$25,000	.70	N/A

Refer to Company for deductible options in excess of $25,000. The Company prefers not to offer loss only options on deductibles exceeding $5,000. Exceptions to this must be referred to the Company.

b. If an aggregate deductible has been requested, multiply the deductible factor by:

Aggregate Deductible	Factor
Equal to the per claim	1.15
2x the per claim deductible	1.10
3x the per claim deductible	1.05

Aggregate deductibles are not available unless the deductible is a minimum of $5,000.

9. Prior acts adjustment:

If a prior acts date is applicable to the policy, multiply the premium calculated in Item **8.** above by the appropriate factor below:

Years of Prior Insurance	Factor
None	.70
1	.85
2+	1.00

10. Professional designation credit adjustment:

If more than 25% of the ratable employees have professional designation(s) listed below, multiply the premium developed in Item **9.** above by .90.

Acceptable Designations	
Accredited Land Consultant (ALC)	Certified Real Estate Broker (CRB)
Accredited Management Organization (AMO)	Graduate Realtors Institute (GRI)
Associate Broker	Member, Appraisal Institute (MAI)
Broker	Senior Residential Appraiser (SRA)
Certified Commercial Investment Member (CCIM)	Senior Residential Property Appraiser (SRPA)
Certified Property (CPM)	Society of Industrial and Office Realtors (SIOR)
Certified Residential Specialist (CRS)	

11. Experience Rating Plan:

Determine the appropriate experience rating plan factor using the method outlined below and apply it to the premium derived to this point. Only claims reported within the past five (5) years, and meeting *one* of the following two criteria may be considered for purposes of this Plan:

1) Indemnity and/or expense payments greater than $1,000 have been made; or
2) An insurance company is carrying an open reserve of more than $1,000.

When a loss has been declared and, after inquiry, the claim reserve remains unknown, 5% of the demand amount may be used as the best approximation of the claim value.

Agencies with 1 – 34 agents:

Experience Period Loss Ratio	**Debit**	**Credit**
30% or Less	0%	15%
31 – 40%	0%	10%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

Agencies from 35 to 50 agents:

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	20%
31 – 40%	0%	12%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

Agencies with 51 or more agents:

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	25%
31 – 40%	0%	15%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

12. **Continuing education credit adjustment:**
If more than 50% of the agency's sales staff have participated in an accredited continuing real estate education program, including a company-approved risk reduction seminar, within the last 12 months, multiply the premium derived under Item **11.** above by .95.
13. **Dual Agency Credit adjustment:** Agencies which have had no transactions in which they represented both buyer and seller of the same property for the past two years and a written policy which prohibits acting in dual agency, multiply the premium derived under Item **12.** above by .95.
14. **Home warranty program credit adjustment:**
If a Home Warranty Program is offered, multiply the premium attributable to the residential exposure derived under Item **13.** above by a factor of .95.

15. **Additional Coverages:**

Coverage	Premium Charge (% of previously developed premium)
Additional Insureds (other than Franchise)	5%
Insurance Agents E & O	15% (Refer to Company for Agencies with Insurance Agent revenues of greater than 20% of Total Gross Revenues after Mortgage Brokering and Insurance Agent revenues are subtracted)
Extended Reporting Period Options:	
12 months	100%
24 months	135%
36 months	150%
Retiree(s)	160%

Mortgage Brokering	
$100 for	1st $10,000 of mortgage broker revenue
$150 for	mortgage broker revenue of $10,001 to $25,000
$200 for	mortgage broker revenue of $25,001 to $50,000
$250 for	mortgage broker revenue of $50,001 to $100,000
Refer to Company for	mortgage broker revenue greater than $100,000 or mortgage broker revenues greater than or equal to 50% of agency Total Gross Revenues after Mortgage Brokering and Insurance Agency revenues are subtracted.

16. Individual Risk Premium Modification Plan:

To recognize individual and unique characteristics within each real estate account, an Individual Risk Premium Modification (IRPM) factor may be applied to the previously developed premium.

The following schedule outlines the specific criteria upon which IRPM factors may be applied. IRPM plan debits and credits for each item in the schedule are added together to an overall IRPM factor. Acceptable ranges for IRPM factors are governed by individual state regulations found in the State Rate pages..

	Debit	**Credit**
Quality Management, Financial Condition, Years of Experience	0 – 15%	0 – 15%
Quality, Selection and Training of Employees	0 – 15%	0 – 15%
Use of Standard Contracts	0 – 15%	0 – 15%
Unusual Risk conditions	0 – 15%	0 – 15%

*See state-specific rate page for maximum debit/credit to be applied to each policy.

17. Minimum policy writing premium rule:

Minimum Premiums - All States (other than CA)

Deductible

Limit	**1,000**	**2,500**	**5,000**	**10,000**	**15,000**	**25,000**	**0**
100,000 / 100,000	485	440	420	N/A	N/A	N/A	550
100,000 / 300,000	496	451	429	N/A	N/A	N/A	564
250,000 / 250,000	527	479	455	440	N/A	N/A	599
500,000 / 500,000	585	532	505	492	480	468	665
500,000 / 1,000,000	616	560	532	519	506	493	700
1,000,000 / 1,000,000	660	600	570	556	542	528	750
1,000,000 / 2,000,000	700	636	605	590	575	560	795
2,000,000 / 2,000,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A

18. Transition Rate adjustment:

For renewal accounts (i.e. ***the Rate Transition Plan does not apply to new business.***), a three year transition period will be use to implement the above rating program.

a. In year one, 25% of the final revenue rated (i.e. REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - 04/01/2008 Edition) premium based on the current year information, is added to the inverse of this percentage (i.e. 75%) of the final per agent rated (i.e. REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - 07/22/2004 Edition) premium based on the current year information.

b. In year two, 50% of the final revenue rated (i.e. REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - 04/01/2008 Edition) premium based on the current year information, is added to 50% of the final per agent rated (i.e. REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - 07/22/2004 Edition) premium based on the current year information.

c. In year three, 100% of the final revenue rated (i.e. REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - 04/01/2008 Edition) premium based on the current year information, is used.

If a renewal account's premium under the new revenue rating method is greater than that calculated with the current per agent model; the risk will be transitioned per the above method. If a renewal risk's premium under the new revenue rating method is less than that calculated with the current per agent model; the new revenue rated premium will be used. This will apply to all renewal business. Every risk will be at the 100% revenue rate by the third year.

B. Realty Express Program

1. If an agency's total revenue over the past three (3) years does not exceed $300,000, it is eligible to complete an abbreviated application process. An affirmative response to each of the following six questions is required in order for the applicant to purchase one of several policy and deductible limits at our lowest premiums (see State Rate Pages).

1). No Owner, agent or member of the applicant company has had their license revoked or been subject to any disciplinary action by any licensing board, real estate association or other regulatory body within the last 5 years.
2). No owner, agent or member of applicant company has been cancelled, refused insurance or declined by another Carrier during the last 5 years (except due to loss of market or non payment of premium).
3). No owner, agent or member of the company is involved in property management, development or construction.
4). No owner, agent or member of the agency is an exclusive agent for a builder or developer.
5). The applicant's total gross revenues did not exceed $ 300,000 during the last three (3) year period. (gross revenues are defined as all fees and commissions before expenses payable to employees and independent contractors).
6). The applicant and anyone to whom this insurance will apply is not aware of any professional liability claim made against them or act, error or omission which might reasonably be expected to be the basis of a claim made against them within the past 5 years.

The Transition plan, and all debits or credits available in the Standard Program will not apply to the above Realty Express Program.

2. Determine premium based on the selected limit of liability and deductible as shown on the appropriate State Rate Page.

General Star National Insurance Company

Realtors Insurance Purchasing Group Association
Real Estate Agents & Brokers Errors and Omissions

Arkansas Rates

Real Estate Agents Standard Program Base Rates

Total Gross Revenue Solo Agent	Rate/ 1000	Total Gross Revenue 2+ Agents	Rate/ 1000
First $75,000	7.79	First $150,000	7.79
Next $150,000	4.674	Next $350,000	4.674
Next $225,000	3.87942	Next $500,000	3.87942
Next $300,000+	3.103536	Next $500,000+	3.103536

Individual Risk Premium Modifications (IRPM)

Individual Risk Factors

Maximum IRPM	
Credit	Debit
40%	40%

Realty Express Program

Claim Expenses are outside the Limits of Liability (separate amount equal to the Limits of Liability purchased)

Deductible (Loss & Expense)	$100,000/$300,000	$250,000/$250,000	$500,000/$500,000	$500,000/$1,000,000	$1,000,000/$1,000,000
$1,000	$496	$527	$585	$616	$660
$2,500	$451	$479	$532	$560	$600
$5,000	$429	$455	$505	$532	$570

Supporting Document Schedules

Review Status:
Bypassed -Name: Uniform Transmittal Document-Property & Casualty — Filed 10/28/2008
Bypass Reason: According to the Arkansas General Instructions a NAIC Uniform Transmittal Document is required only if all fields on Rate/Rule Schedule Tab are not completed correctly. We believe that all the fields on the Rate/Rule Schedule Tab are completed correctly.
Comments:

Review Status:
Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp — Filed 10/28/2008
Bypass Reason: This is not an adoption filing and not a loss cost filing.
Comments:

Review Status:
Bypassed -Name: NAIC loss cost data entry document — Filed 10/28/2008
Bypass Reason: This is not a loss cost filing.
Comments:

Review Status:
Satisfied -Name: Filing Memo and Supporting Documents — Filed 10/28/2008
Comments:
Attached please find our Rate And Rule Explanatory Memorandum, current rating rules (7/2/2004 Edition), and AR Rate Support.
Attachments:
Filing Memorandum R. E. Agents Rates & Rules.pdf
GSN RE. Agents Rating Rules (07-2004) Ed.pdf
AR Actuarial Support.pdf

GENERAL STAR NATIONAL INSURANCE COMPANY

REAL ESTATE AGENTS ERRORS AND OMISSIONS
2008 RATE AND RULE FILING

EXPLANATORY MEMORANDUM

Filing Designation: 08-117-3-REA R

General Star National is proposing the following changes to our currently filed Real Estate Agents Errors and Omissions Program – 07/22/2004 Edition. The overall countrywide impact of these changes is +1.66%.

1. Standard Program

General Star National Insurance Company has been insuring members of the Realtors Insurance Purchasing Group Association since 2003. After gaining more experience with this program, General Star National has determined that a more effective rating approach would be realized by changing our countrywide rating method from one based on agent count and a per agent / state base rate, to the more commonly used methodology of a rate per 1000 of agency' revenues. Our proposed plan assumes that frequency is more closely related to revenues generated by the agency and that the high or low value of individual transactions (i.e. property value) will be the best indicator of a losses' potential severity.

The volume of revenue and average transaction size (i.e. average property value) generated by a commercial risk will be priced with the same base rate per 1000 and ILF factors as a similar volume or transaction size generated by a residential risk (e.g. $3M residential home verses $3M commercial warehouse). The proposed methodology also reduces or eliminates several subjective pricing variables used in our current pricing (e.g. varying state base rates, nonresidential sales adjustment, size of firm credits, state average revenue adjustments) for which we have no means, on an on-going basis of verifying adequacy or updating accuracy.

We have implemented the above desired outcomes by taking the following steps in our "standard" program:

A. We largely consolidated state rates to as few revenue based rates per 1000 of gross revenue as possible on a countrywide basis. These were derived by our actuaries with consideration of our previous average revenue per agent (across all states including commercial and residential) and the current average base rate charge (across all states). Our assumption is that creation of a revenue driven base rate with consideration of the two should drive aggregate premiums and loss ratios, across the whole of the book, to levels at or near those obtained by the current rating method. This proved to be largely correct. There were, however, a number of states which became exceptions as a result of some combination of current loss activity (either high or low), market pricing necessity or state filing restraints. This same rate per 1000 in any single state at base ($100K / $100K) is applied to both residential and commercial accounts.

   The ILF for limits in excess of base ($100K / $100K), for either a residential or commercial account, will depend upon the **Average Property Value** of transactions completed by the agency in their most recent past year. For risks with an **Average Maximum Loss** of $100,000 or more, **Severity Loaded ILF** will be applied (see below), but only to limits in excess of the $100K / $100K basic limit.

ILF Loading

a. For agencies in operation more than 12 months: Gross agency revenue (residential and commercial) / agency transactions for last fiscal year / .025 (NAR average commission per transaction) = **Average Property Value**; or

b. Gross agency revenue / 13 transactions times number of residential agents (NAR average # of transactions per agent per year) for agencies in operation less than 12 months / .025 (NAR average commission per transaction) = **Average Property Value**; or

c. Gross agency revenue / 6 transactions times number of commercial agents (Estimated # of transactions per commercial agent per year) for agencies in operation less than 12 months / .025 (average commission per transaction) = **Average Property Value**.

d. **Average Property Value** X 20% = **Average Maximum Loss**;

e. Accounts with **Average Maximum Loss** greater than $100,000 to receive **Severity Loaded ILF:**

	Normal	**Severity Loaded**
100k / 100k	1.00	1.00
100k / 300k	1.12	1.24
250k / 250k	1.19	1.39
500k / 500k	1.32	1.65
500k / 1M	1.39	1.80
1M / 1M	1.49	2.00
1M / 2M	1.58	2.18

B. As is commonly done in the market, we reduce the rate/1000 of revenue (on both the residential and commercial segments of the book) as revenue bands increase (see below). Such decreases are in tune with levels used by the bulk of carriers currently in the market. Again, the same rates will be applied to both commercial and residential accounts. For example using a rate of $6.23/1000:

Revenue Band	Rate/ 1000
150000	6.23
350000	3.738
500000	3.10254
500000+	2.482032

For single agent firms; our step down of the rate/1000 begins at $75,000 verses the $150,000 common to the market on solos:

Revenue Band	Rate/ 1000
75000	6.23
150000	3.738
225000	3.10254
300000+	2.482032

Rate Transition Plan

The switch from a set rate per agent (regardless of agency' revenue volume) to a rate driven by the agent's or agencies' revenue volume will undoubtedly create relatively large increases for certain of our renewing Insureds. Our actuaries have suggested filing a formula which weights the old and the new rating plans and will enable us to transition the premium changes over a three year period. The details of the transition plan go like this:

1) A percentage (which will be 25% first year, 50% second year and 100% the third year) of the revenue rated premium based on an account's renewal information under the proposed rating guidelines, is added to
2) The inverse of that percentage (which will be 75% first year, 50% second year and 0% the third year)) of the per agent rated premium based on an account's renewal information under the old rating guidelines

If a renewal risk's premium under the new revenue rating method is greater than that calculated with the current per agent model; the risk would be transitioned per the above method. If a renewal risk's premium under the new revenue rating method is less than that calculated with the current per agent model; the new revenue rated premium would be used. This would apply to all eligible renewal business and the transition would effectively be accomplished in two years (i.e. every eligible risk would be at the 100% revenue rate by the third year. ***The Rate Transition Plan does not apply to new business.***

Additional Coverage and Pricing Modification of Current Plan Options

In addition to the above changes, the current pricing for various additional coverages and the experience rating plan will be modified. The overall impact of these changes is near to 0%.

a. Mortgage Brokering Endorsement – with a sublimit of $100,000 is currently priced at 1% of additional premium for each 1% of Insured revenue. The proposed change would provide a flat charge of:

b.

$100 for	1st $10,000 of mortgage broker revenue
$150 for	mortgage broker revenue of $10,001 to $25,000
$200 for	mortgage broker revenue of $25,001 to $50,000
$250 for	mortgage broker revenue of $50,001 to $100,000
Refer to Company for	mortgage broker revenue greater than $100,000 or mortgage broker revenues greater than or equal to 50% of agency revenues

Note: As a separate charge is made for activities as a Mortgage Broker or Insurance Agent, revenues from either activity are not included in the agency's Total Gross Revenues for rating purposes.

c. Limited Pollution Endorsement – Claims Expense and/or Damages for a pollution related claim, currently offered for a charge of 10% of additional premium, will now be provided at no charge to a $1,000,000 limit or insured's policy limit, whichever is smaller.

d. Discrimination Coverage is currently provided as a result of Claims brought against an Insured for discrimination on the basis of age, sex, race, color, religion, disability, marital status, pregnancy, national origin, HIV or AIDS status, sexual origin, sexual orientation, or sexual preference, including resulting Personal Injury. Currently a $100,000 sublimit is provided at no charge. An additional limit of $150,000 in excess of $100,000 is provided for an additional 10% of total annual premiums (for defense only coverage) and at an additional 15% for defense and indemnity coverage. The proposed coverage will provide the full $250,000 defense and indemnity coverage at no charge.

e. The current Experience Rating Plan provides credits for favorable loss experience in the schedule below. This will remain in force for agencies of 1 to 34 agents.

Agencies of 1 to 34 agents

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	15%
31 – 40%	0%	10%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

Revised Experience Rating Plan schedules will be provide for agencies from 35 to 50 agents and agencies with 51 or more agents per the schedules below:

Agencies from 35 to 50 agents:

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	20%
31 – 40%	0%	12%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

Agencies with 51 or more agents:

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	25%
31 – 40%	0%	15%
41 – 60%	0%	0%
61 – 70%	20%	0%
71 – 80%	30%	0%
81 – 90%	40%	0%
91 – 100%	50%	0%
101% and Over	Refer to Company	Refer to Company

f. The following credit will be added under the proposed rating plan:

Dual Agency Credit: Agencies which have had no transactions in which they represented both buyer and seller of the same property for the past two years and a written policy which prohibits acting in dual agency will receive a 5% credit.

g. The following coverages or credits and debits offered under the current program will be eliminated from the proposed rating plan as the result of redundancies caused by the change in rating methodology proposed under this filing:

A. Standard Program:

A.2. Gross Revenue Adjustment
A.6. Size of Firm Adjustment
A.8. Non-Residential Sales Adjustment

B. Commercial and Industrial Program:

B.1. Gross Income Adjustment

Under both programs:

- Real Estate Appraisers E&O (is now filed as a separate program).
- Terrorism Risk Insurance Act Coverage (the "Act" rescinded for professional risks).

As both the current REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - *07/22/2004 Edition* and the proposed REAL ESTATE AGENTS ERRORS & OMISSIONS RATING RULES - *04/01/2008 Edition* are going to be used during the rate transition period, both are included for review in this filing.

2. Realty Express Program

We have also determined that the underwriting process can be streamlined for a significant portion of our less exposed Insureds and can be administered much more simply through an electronic application process. To determine their eligibility, the applicant simply has to respond in the affirmative to certain questions on the application. There are a limited number of policy limits and deductibles options available and the insured can select the limits they want by indicating such on the application. This eliminates the need for any rating system, avoids calculation errors and cuts down on acquisition expense which is one main reason/advantage for the formation of a Risk Purchasing Group. **Qualified new and renewal accounts are eligible for the Realty Express Program**

If an agency's total revenue over the past three (3) years does not exceed $300,000, it is eligible to complete an abbreviated application process. If it provides affirmative responses to the following six questions, the applicant will have the opportunity to purchase one of several policy and deductible limits at our lowest premiums:

1). No Owner, agent or member of the applicant company has had their license revoked or been subject to any disciplinary action by any licensing board, real estate association or other regulatory body within the last 5 years.
2). No owner, agent or member of applicant company has been cancelled, refused insurance or declined by another Carrier during the last 5 years (except due to loss of market or non payment of premium).
3). No owner, agent or member of the company is involved in property management, development or construction.
4). No owner, agent or member of the agency is an exclusive agent for a builder or developer.
5). The applicant's total gross revenues did not exceed $300,000 during the last three (3) year period (gross revenues are defined as all fees and commissions before expenses payable to employees and independent contractors).
6). The applicant and anyone to whom this insurance will apply is not aware of any professional liability claim made against them or acts, errors or omissions or **Personal Injuries** which might reasonably be expected to be the basis of a claim made against them within the past 5 years.

The Rate Transition Plan, and all debits or credits available in the Standard Program will not apply to the above Realty Express Program. Inasmuch as the Realty Express Program utilizes a simplified slot rated approach, there are no rating rules to file. We are, however, including the rates on the applicable State Rate Page.

GeneralStar™

REAL ESTATE AGENTS ERRORS & OMISSIONS
RATING RULES - *07/22/2004 Edition*

Following are rating rules for determining premiums for the Real Estate Agents Errors and Omissions Claims-Made Insurance Policies provided by General Star National Insurance Company (The Company) to members of the Realtors Insurance Purchasing Group Association. Exceptions to these rules, if any, are contained on the individual State Rate Pages.

A. Standard Program

1. Determine base rate

Refer to the individual rate from the state exception pages.

2. Gross revenues adjustment:

Determine the average revenue per agent per state from the rate pages. Divide the agency's total Gross Revenues by the number of ratable employees (all licensed agents, appraisers, licensed assistants, and property managers). This will provide the average gross revenues per agent. Divide this figure by the state average. For every 2% that the agency's average revenue is *higher* than the state average, *debit* 1 %. For every 2% that the agency's revenue is *lower* than the state average, *credit* 1 %. Total credit/debit may not exceed 25%. Multiply factor by the rate derived under 1.

Note: Need to include in-active principals in the number of ratable employees in number 2 above, unless specifically excluded by adding them to the specific individual exclusion which must be attached to the quote and or the policy (if bound).

3. Increased limits adjustment:

a.) Multiply the premium derived under 2. by the appropriate limit factor below.

Limit	Increased Limit Factor
$100,000/$100,000	1.00
$100,000/$300,000	1.12
$250,000/$250,000	1.19
$500,000/$500,000	1.32
$500,000/$1,000,000	1.39
$1,000,0001$1,000,000	1.49
$1,000,0001$2,000,000	1.58

Refer to Company for higher limits

b.) If claim expenses are within the limits of liability, multiply the premium derived under 3a above by .90.

4. Deductible applicable to loss and expenses *(not available in NY)* **or loss only***:*

a.) Multiply the premium derived under 3. by the appropriate deductible factor.

Deductible	Loss & Expense	Loss Only Factor
$0	1.25	1.25
$1,000	1.10	1.20
$2,500	1.00	1.10
$5,000	.95	1.05
$10,000	.85	N/A
$25,000	.70	N/A

Refer to Company for deductible options in excess of $25,000

The Company prefers not to offer loss only options on deductibles exceeding $5,000. Exceptions to this must be referred to the Company

b.) If an aggregate deductible has been requested, multiply the deductible factor by:

Aggregate Deductible	Factor
Equal to the per claim deductible	1.15
2x the per claim deductible	1.10
3x the per claim deductible	1.05

Aggregate deductibles are not available unless the deductible is a minimum of $5,000.

5. Determine base premium:

Multiply the premium derived under 4. by the number of staff.

Note: Need to include in-active principals in the number of ratable employees in number 2 above, unless specifically excluded by endorsement. Part-time employees will be rated as Full Time Equivalents (FTE's); i.e., 2 part-time employees = 1 FTE.

6. Size of firm adjustment:

Multiply the premium derived under 5. by the appropriate size of firm factor below:

Total Staff	**Factor**	**Calculation**
1-10	1.00	# staff ____ x 1.00 = ________
Next 15 (staff #s 11-25)	0.90	# staff ____ x 0.90 = ________
Next 25 (staff #s 25-50)	0.80	# staff ____ x 0.80 = ________
Next 25 (staff #s 51-75)	0.75	# staff ____ x 0.75 = ________
Next 25 (staff #s 76-100)	0.70	# staff ____ x 0.70 = ________
Total staff 101 or more	Refer to Company	
		Sum total of all calculated factors = ________ Divided by # staff

7. Prior acts adjustment:

If a prior acts date is applicable to the policy, multiply the premium calculated in 6. by the appropriate factor below:

Years of Prior Insurance	Factor
None	.70
1	.85
2+	1.00

8. Non-Residential sales adjustment:

Referring to the distribution of gross revenue shown on the application, multiply the premium derived under 7. by the appropriate factor below:

New and Renewal Business:

*****Non-Residential Sales	Factor
00-05%	1.00
06-10%	1.10
11-15%	1.15
16-20%	1.20
21-25%	1.25
26-30%	1.30
31-35%	1.35
36-40%	1.40
41-45%	1.45
46-50%	1.50
Over 50%	Ineligible for Standard Program – rate in Commercial Program

*****Non-Residential Sales means a Firm's Gross Revenue from:

a) Commercial Real Estate Commissions
b) Industrial Real Estate Commissions
c) Non-residential Farm and/or Raw Land Commissions
d) Property Management Fees (4 stories or above = Commercial)
e) Real Estate Appraisal Fees
f) Title Agent Activities
g) Real Estate Consultation Fees (determination of Residential or Commercial is based off of breakdown of Agency Revenues from Real Estate Consultation)
h) Other (Excluding Auctioneering and Insurance Revenues)

9. Professional designation credit adjustment:

If more than 50% of the ratable employees have professional designation(s) listed below, multiply the premium developed in 8. by .90.

Acceptable Designations	
Accredited Land Consultant (ALC)	Certified Real Estate Broker (CRB)
Accredited Management Organization (AMO)	Graduate Realtors Institute (GRI)
Associate Broker	Member, Appraisal Institute (MAI)
Broker	Senior Residential Appraiser (SRA)
Certified Commercial Investment Member (CCIM)	Senior Residential Property Appraiser (SRPA)
Certified Property (CPM)	Society of Industrial and Office Realtors (SIOR)
Certified Residential Specialist (CRS)	

10. Experience Rating Plan:

Determine the appropriate experience rating plan factor using the method outlined below and apply it to the premium derived to this point. Only claims reported within the past five (5) years, and meeting *one* of the following two criteria may be considered for purposes of this Plan:

1) Indemnity and/or expense payments greater than $1,000 have been made; or
2) An insurance company is carrying an open reserve of more than $1,000.

When a loss has been declared and, after inquiry, the claim reserve remains unknown, 5% of the demand amount may be used as the best approximation of the claim value.

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	15%
31-40%	0%	10%
41-60%	0%	0%
61-70%	20%	0%
71-80%	30%	0%
81-90%	40%	0%
91-100%	50%	0%
101% and Over	Refer to Company	

11. Continuing education credit adjustment:

If more than 50% of the agency's sales staff have participated in an accredited continuing real estate education program, including a company-approved risk reduction seminar, within the last 12 months, multiply the premium derived under 10. by .95.

12. Home warranty program credit adjustment:

If a Home Warranty Program is offered, multiply the premium attributable to the residential exposure derived under 3. above by a factor of .95.

13. Additional Coverages:

Coverage	Premium Charge (% of annual premium)
Discrimination Coverage	
$250,000 Defense Only	10%
$250,000 Defense & Damages	15%
Additional Insureds (other than Franchise)	5%
Insurance Agents E & O	15% Not available for Agencies with > 20% of revenues generated from Insurance
Limited Pollution	10%
Mortgage Brokering	% surcharge will equal the % of MB revenues to total revenues. Not available for Agencies with > or = to 50% revenues generated from Mortgage Brokering
Claims Expenses included within policy limits	-10%
Extended Reporting Period Options:	
12 months	100%
24 months	135%
36 months	150%
Retiree(s)	160%

14. Individual Risk Premium Modification Plan:

To recognize individual and unique characteristics within each real estate account, an individual Risk Premium Modification (IRPM) factor may, at the underwriter's discretion, to be applied to the developed premium.

The following schedule outlines the specific criteria upon which IRPM factors may be applied. IRPM plan debits and credits for each item in the schedule are added together to derive an overall IRPM factor. Acceptable ranges for IRPM factors are governed by individual state regulations found in the State Rate pages. Refer to Company if greater than +/-25%.

	Debit	Credit
Quality Management, Financial Condition, Years of Experience	0 – 15%	0 – 15%
Quality, Selection and Training of Employees	0 – 15%	0 – 15%
Use of Standard Contracts	0 – 15%	0 – 15%
Unusual Risk conditions	0 – 15%	0 – 15%

*See state-specific rate page for maximum debit/credit to be applied to each policy.

15. Minimum policy writing premium rule:

Unless specified on the state-specific rate page, use the minimum premiums below:

Claims Expenses (see step 3. above)	**Deductible Application (see step 4. above)**	**Minimum Premium**
Included in the liability limit	Applies to Loss and Expenses	$500
Included in the liability limit	Applies to Loss Only	$550
Outside the liability limit, with a maximum equal to the liability limit	Applies to Loss and Expenses	$550
Outside the liability limit, with a maximum equal to the liability limit	Applies to Loss Only	$600

B. Commercial and Industrial Program

1. Gross Income Adjustment:

Determine the individual state ratable Gross Income of Agency from the application. Multiply the *commercial portion* by 2.00. Add the revised commercial gross income to the residential gross income in the total ratable gross income of the agency.

Note: Commercial (non-residential) means revenues from:
a) Commercial real estate commissions
b) Industrial real estate commissions
c) Non-residential farm and/or raw land commissions
d) Property management fees (4 stories or above = Commercial)
e) Real estate appraisal fees
f) Title agent activities
g) Real estate consultation fees (determination of Residential or Commercial is based off of breakdown of Agency Revenues from Real Estate Consultation)
h) Mortgage brokering
i) Insurance agents
j) Other (excluding auctioneering or insurance revenues)
k) Escrow Services

2. Determine base premium:

Refer to State Rate pages to determine the individual state rate per thousand and apply gross revenues to each layer. Add the premium generated per layer to derive base premium.

Example: (Assume firm has $500,000 in ratable gross income)

Ratable Gross Income	Rate Per $1,000	Result By Layer
First $150,000	5.40	150 x 5.40 = 810
Next $350,000	3.24	350 x 3.24 = 1,134
Next $500,000	2.70	
Over $1,000,000	2.16	

Base Premium for above example = 810 + 1,134 = $1,944.

3. Increased limits adjustment:

a.) Multiply the base premium derived in 2. by the appropriate limit factor below.

Limit	Increased Limit Factor
$100,000/$100,000	1.00
$100,000/$300,000	1.12
$250,000/$250,000	1.19
$500,000/$500,000	1.32
$500,000/$1,000,000	1.39
$1,000,0001$1,000,000	1.49
$1,000,0001$2,000,000	1.58

Refer to Company for higher limits

b.) If claim expenses are within the limits of liability, multiply the premium derived under 3a above by .90.

4. Deductible applicable to loss and expenses:

a.) Multiply the premium derived under 3. by the appropriate deductible factor.

Deductible	Loss & Expense	Loss Only Factor
$0	1.25	1.25
$1,000	1.10	1.20
$2,500	1.00	1.10
$5,000	.95	1.05
$10,000	.85	N/A
$25,000	.70	N/A

Refer to Company for deductible options in excess of $25,000

The Company prefers not to offer loss only options on deductibles exceeding $5,000. Exceptions to this must be referred to the Company

Note: Minimum deductible for accounts located in California with 100% Commercial Risks is $5,000.

b.) If an aggregate deductible has been requested, multiply the deductible factor in 4a above by:

Aggregate Deductible	Factor
Equal to the per claim deductible	1.15
2x the per claim deductible	1.10
3x the per claim deductible	1.05

Aggregate deductibles are not available unless the deductible is a minimum of $5,000.

5. Prior acts adjustment:

If a prior acts date is applicable to the policy, multiply the premium calculated in 4. by the appropriate factor below:

Years of Prior Insurance	Factor
None	.70
1	.85
2+	1.00

6. Professional designation credit adjustment:

If more than 50% of the applicant's employees have professional designation(s) listed below, multiply the premium developed in 5. by .90:

Acceptable Designations:	
Accredited Land Consultant (ALC)	Certified Real Estate Broker (CRB)
Accredited Management Organization (AMO)	Graduate Realtors Institute (GRI)
Associate Broker	Member, Appraisal Institute (MAI)
Broker	Senior Residential Appraiser (SRA)
Certified Commercial Investment Member (CCIM)	Senior Residential Property Appraiser (SRPA)
Certified Property Manager (CPM)	Society of Industrial and Office Realtors (SIOR)
Certified Residential Specialist (CRS)	

7. Experience Rating Plan:

Determine the appropriate experience rating plan factor using the method outlined below and apply it to the premium derived to this point. Only claims reported within the past five (5) years, and meeting *one* of the following two criteria may be considered for purposes of this Plan:

3) Indemnity and/or expense payments greater than $1,000 have been made; or
4) An insurance company is carrying an open reserve of more than $1,000.

When a loss has been declared and, after inquiry, the claim reserve remains unknown, 5% of the demand amount may be used as the best approximation of the claim value.

Experience Period Loss Ratio	Debit	Credit
30% or Less	0%	15%
31-40%	0%	10%
41-60%	0%	0%
61-70%	20%	0%
71-80%	30%	0%
81-90%	40%	0%
91-100%	50%	0%
101% and Over	Refer to Company	

8. Continuing education credit adjustment:

If more than 50% of the agency's sales staff have participated in an accredited continuing real estate education program, including a company-approved risk reduction seminar, within the last 12 months, multiply the premium derived under 7. by .95.

9. Home warranty program credit adjustment:

If a Home Warranty Program is offered, multiply the premium attributable to the residential exposure derived under 3. above by a factor of .95.

10. Additional Coverages:

Coverage	Premium Charge (% of annual premium)
Discrimination Coverage	
$250,000 Defense Only	10%
$250,000 Defense & Damages	15%
Additional Insureds (other than Franchise)	5%
Insurance Agents E & O	15% Not available for Agencies with > 20% of revenues generated from Insurance
Limited Pollution	10%
Claims Expenses included within policy limits	-10%
Extended Reporting Period Options:	
12 months	100%
24 months	135%
36 months	150%
Retiree(s)	160%

11. Individual Risk Premium Modification Plan:

To recognize individual and unique characteristics within each real estate account, an individual Risk Premium Modification (IRPM) factor may, at the underwriter's discretion, to be applied to the developed premium.

The following schedule outlines the specific criteria upon which IRPM factors may be applied. IRPM plan debits and credits for each item in the schedule are added together to derive an overall IRPM factor. Acceptable ranges for IRPM factors are governed by individual state regulations found in the State Rate pages. Refer to Company if greater than +/-25%.

	Debit	Credit
Quality Management, Financial Condition/ years of Experience	0 – 15%	0 – 15%
Quality, Selection and Training of Employees	0 – 15%	0 – 15%
Use of Standard Contracts	0 – 15%	0 – 15%
Unusual Risk conditions	0 – 15%	0 – 15%

*See state-specific rate page for maximum debit/credit applied to each policy.

12. Minimum policy writing premium rule:

Unless specified on the state-specific rate page, use the minimum premiums below:

Claims Expenses (see step 3. above)	**Deductible Application (see steps 4. and 5. above)**	**Minimum Premium**
Included in the liability limit	Applies to Loss and Expenses	$500
Included in the liability limit	Applies to Loss Only	$550
Outside the liability limit, with a maximum equal to the liability limit	Applies to Loss and Expenses	$550
Outside the liability limit, with a maximum equal to the liability limit	Applies to Loss Only	$600

C. Real Estate Appraisers E&O

Determine base rate based on selected limit of liability as shown on the state exception page. A standard deductible of $1,000 per claim is contemplated for each policy.

D. Terrorism Risk Insurance Act

The program, as required by the Federal Terrorism Risk Insurance Act of 2002 (TRIA), offers coverage for terrorism losses. Whenever coverage is added to the policy by endorsement to cover terrorism losses, the following factor shall be applied:

Terrorism Coverage 2% of total premium; or $100 minimum premium charge.

General Star National Insurance Company
Realtors Professional Liability Insurance Program
Insurers Ratemaking Calculations (1 of 13)
Premium Adjustment Factors
Arkansas

		Accident Year				
	Data of Arkansas	2003	2004	2005	2006	2007
1	Earned Premium put on original rate level	4,517	26,785	21,092	11,019	6,201
2	Earned Premium put on current rate level	5,350	30,118	21,092	11,019	6,201
3	Onlevel factors = (2)/(1)	1.184	1.124	1.000	1.000	1.000

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (2 of 13)

Allocated Loss Adjustment Expenses

Arkansas

Accident Year				
2003	2004	2005	2006	2007
276,653	2,827,936	3,151,365	2,140,018	1,817,602

Data Source: **Countrywide**

General Star National Insurance Company
Realtors Professional Liability Insurance Program
Insurers Ratemaking Calculations (3 of 13)
Incurred loss development and comparison to the All States data
Arkansas

State: Arkansas

Incurred Indemnity development

Accident Year	1	2	3	4	5
2003	-	-	-	-	-
2004	5,000	41,000	41,000	20,000	
2005	-	-	-		
2006	-	-			
2007	-				

Incurred ALAE development

Accident Year	1	2	3	4	5
2003	-	-	-	-	-
2004	4,000	25,000	25,000	9,448	
2005	-	-	-		
2006	-	-			
2007	-				

Incurred Indemnity+ALAE development

Accident Year	1	2	3	4	5
2003	-	-	-	-	-
2004	9,000	66,000	66,000	29,448	
2005	-	-	-		
2006	-	-			
2007	-				

Link Ratios

2003	-	-	-	-	
2004	7.333	1.000	0.446		
2005	-	-			
2006	-				
2007					
WAVG	7.333	1.000	0.446	-	
Selection	1.726	1.100	1.050	1.000	
Selection Cumulative	1.994	1.155	1.050	1.000	1.000
As of Year End	1.994	1.155	1.050	1.000	1.000

All Diagonals are at 12/31

All States (= Countrywide)

Incurred Indemnity development

Accident Year	1	2	3	4	5
2003	89,500	153,223	106,649	95,149	95,149
2004	1,050,223	2,102,655	2,205,354	1,949,854	
2005	1,222,581	2,571,643	2,201,221		
2006	1,009,500	1,735,575			
2007	1,152,588				

Incurred ALAE development

Accident Year	1	2	3	4	5
2003	127,500	310,757	305,530	276,653	276,653
2004	1,505,688	2,391,919	2,745,169	2,876,105	
2005	1,792,472	3,217,001	3,099,032		
2006	1,635,263	2,076,202			
2007	1,510,614				

Incurred Indemnity+ALAE development

Accident Year	1	2	3	4	5
2003	217,000	463,980	412,179	371,803	371,803
2004	2,555,911	4,494,574	4,950,522	4,825,958	
2005	3,015,053	5,788,644	5,300,254		
2006	2,644,763	3,811,778			
2007	2,663,201				

Link Ratios

2003	2.138	0.888	0.902	1.000	
2004	1.759	1.101	0.975		
2005	1.920	0.916			
2006	1.441				
AVG	1.814	0.968	0.938	1.000	
WAVG	1.726	0.992	0.969	1.000	
Selection	1.726	1.100	1.050	1.000	
Selection Cumulative	1.994	1.155	1.050	1.000	1.000
	12	24	36		
As of Year End	1.994	1.155	1.050	1.000	1.000

General Star National Insurance Company
Realtors Professional Liability Insurance Program
Insurers Ratemaking Calculations (4 of 13)
Credibility Adjustment
Arkansas

1 Number of Reported Claims in Experience		20
2 Claims full-credibility standard used		1,082
3 Partial Credibility Assigned = [(1)/(2)] ^.5	Longley-Cook	13.6%
	Selected *	**5.0%**

Data Source: Countrywide

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (5 of 13)

Complementary Losses

All States

				Accident Year		
		2003	**2004**	**2005**	**2006**	**2007**
1 Earned Premium		1,879,693	12,496,731	12,737,537	10,787,791	9,396,912
2 Premium (Exposure) Trend Factor		1.000	1.000	1.000	1.000	1.000
3 Premium Adjustment Factor		1.139	1.126	1.025	1.000	1.000
4 Trended Onleveled Premium		2,141,492	14,073,443	13,054,533	10,787,791	9,396,912
5 Reported Incurred Losses+ALAE		371,803	4,788,789	5,477,586	3,851,094	2,995,439
6 Loss+ALAE Development Factor		1.000	1.000	1.050	1.155	1.994
7 Projection Period, to one year following the effective date: 03/01/2010		6.670	5.660	4.670	3.670	2.670
Trend Average Annual Change	5.50%					
8 Trend Factor		1.429	1.354	1.284	1.217	1.154
9 Trended Developed Losses		531,382	6,483,875	7,385,289	5,413,806	6,889,178
10 ULAE Ratio		8.23%	8.23%	8.23%	8.23%	8.23%
11 Trended Developed Loss Ratios including ULAE		26.86%	49.86%	61.23%	54.31%	79.34%
			AVG w/ULAE	**58.44%**		
			Permissiable Loss Ratio	51.10%		
			Indicated Rate Change (+)	**14.36%**		

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (6 of 13)

Evaluation of Effect of Filed Revision

All States

General Star National Insurance Company Data	Year 2007
1 Written Premium put on current rate level	8,623,970
2 Written Premium put on proposed rate level	8,767,481
3 Rate level change effect =(2)/(1) - 1.0	1.66%

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (7 of 13)

Expense Allocations/Projected Expenses

Arkansas

	2003	2004	2005	2006	2007	3 Year Avg	Selected	
1 Commission & Brokerage								
- Arkansas Other Liability Data (000)	6	17	14	37	17			
as pct of Direct W. Premium	20.0%	20.7%	21.9%	22.4%	21.5%	21.9%	**21.0%**	**(Override Selected)**
2 Taxes, Licenses and Fees								
- Arkansas Other Liability Data (000)	1	2	1	3	3			
as pct of Direct W. Premium	3.3%	2.4%	1.6%	1.8%	3.8%	2.4%	**2.4%**	**(3 Year Average)**
-ISO expense circular					2.50%			
3 General Expenses								
All States, - OL data from IEE	958	1,255	1,609	1,584	4,192			
as pct of Direct E. Premium	1.6%	1.7%	2.1%	2.2%	6.9%	6.4%	**6.4%**	**(3 Year Average)**
						see below		
4 Other Acquisition Expense								
All States, - OL data from IEE	1,673	1,922	(183)	2,796	6,236			
as pct of Direct W Premium	2.5%	2.5%	-0.2%	3.9%	12.3%	11.6%	**11.6%**	**(3 Year Average)**
						see below		

Notes:

(1), (2) From "page 14"

(3) & (4) are based on IEE. The selection relates to the following:

GSN abd GSI are companies engaged in writing direct insurance with the same resources and management. The annual statement uses a pre-ordained allocation of General and other Acqusition Expenses 85%GSI/15% GSN. However this allocation has been found to be out of date as premiums in GSN have risen, and this has resulted in underallocation of expenses to GSN. This selections for (3) and (4) above are derived from the combined companies expenses and premium:

	2003	2004	2005	2006	2007	3 Year Avg	Selected	
General Star Indemnity Insurance Company (GSI)								
General Expenses								
All States, - OL data from IEE	7,996	9,685	12,439	10,669	5,427			
as pct of Direct E. Premium	4.8%	6.0%	9.3%	9.0%	5.7%			
Other Acquisition								
All States, - OL data from IEE	15,535	15,137	20,968	19,456	10,469			
as pct of Direct W Premium	9.3%	10.0%	16.7%	17.7%	12.4%			
Combined (GSN and GSI)								
General Expenses								
All States, - OL data from IEE	8,954	10,940	14,048	12,253	9,619			
as pct of Direct E. Premium	4.0%	4.7%	6.7%	6.4%	6.1%	6.4%	**6.4%**	**(3 Year Average)**
Other Acquisition								
All States, - OL data from IEE	17,208	17,059	20,785	22,252	16,705			
as pct of Direct W Premium	7.4%	7.5%	10.4%	12.2%	12.4%	11.6%	**11.6%**	**(3 Year Average)**

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (8 of 13)

Unallocated Loss Adjustment Expenses (load onto losses)

Arkansas

	2003	2004	2005	2006	2007	Selected
1. Gross Losses Incurred w ALAE						
a. Paid	3,148	2,185	2,206	1,259	383	
b. Outstanding w IBNR	1,179	1,534	2,444	4,056	6,155	
c. Total	4,327	3,719	4,650	5,315	6,538	
2. Unallocated Loss Adjustment Expenses						
a. Paid	609	215	192	123	85	
b. Outstanding w IBNR	41	72	129	205	263	
c. Total	650	287	321	328	348	
3. ULAE Ratio to Losses with ALAE						
a. Paid	19.3%	9.8%	8.7%	9.8%	22.2%	
b. Outstanding w IBNR	3.5%	4.7%	5.3%	5.1%	4.3%	
c. Total	15.0%	7.7%	6.9%	6.2%	5.3%	
4 Selected (=load to apply to reported loss&alae for ULAE)						**8.23%**

Notes:

(1) and (2) from Sch P

(3) = (2)/(1)

All dollars in thousands

General Star National Insurance Company

Realtors Professional Liability Insurance Program

Insurers Ratemaking Calculations (9 of 13)

Other Expense Items -- Targeted Profit Margin

Arkansas

	Premium Dist	(1) Targeted Profit Provision	(2) Investment Income Pct	(3) Underwriting Profit Provision
All Policies	100%	10.5%	3.0%	7.5%

Notes:
(3)= (1)-(2)

General Star National Insurance Company

Realtors Professional Liability Insurance Program
Insurers Ratemaking Calculations (10 of 13)
Permissible Loss Ratio WorkUp
Arkansas

1 Commission & Brokerage	21.0%
2 Taxes, Licenses and Fees	2.4%
3 General Expenses	6.4%
4 Other Acquisition	11.6%
5 Profit and Contingencies	10.5%
6 Investment Income (-)	-3.0%
7 Total Expense Ratio	48.9%
8 Permissible Loss and LAEs Ratio	**51.1%**

General Star National Insurance Co
Realtors Professional Liability Insurance Program
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves
Insurers Ratemaking Calculations (11 of 13)
Arkansas

Data is in 000 and is for Annual Statement Line 17

A.	Unearned Premium Reserve			
	1. Direct Earned Premium for Latest Available Year (1)			155
	2. Mean Unearned Premium Reserve: (1) x		47.1%	73
	3. Deduction for Prepaid Expenses			
	Commission and Brokerage Expense		21.0%	
	Taxes, Licenses and Fees		2.4%	
	50% of Other Acquisition Expense		5.8%	
	50% of Company General Expense		3.2%	
	Total		32.4%	
	4. Deduction for Federal Taxes Payable on UPR ("proration", =20%x 35%)			7.0%
	5. (2) x [(3) + (4)]			29
	6. Net Subject To Investment			44
B.	Delayed Remission of Premium (Agent's Balances)			
	1. Direct Earned Premium (A.1)			155
	2. Average Agent's Balance			29.5%
	3. Delayed Remission (1) x (2)			46
C.	Loss Reserve			
	1. Direct Earned Premium (A.1)			155
	2. Expected Incurred Losses and Loss Adjustment Expenses (est)	(1) x	51.1%	79
	3. Expected Loss Reserves/ Expected Losses	(2) x	2.5	198
D.	Net Subject to Investment (A.6) - (B.3) + (C. 3)			197
E.	Average Rate of Return			3.3%
F.	Investment Earnings on net Subject to Investment (D) x (E)			6
G.	Average Investment Rate of Return as a Percent of Direct Earned Premium (F) / (A.1)			4.2%
H.	Average Investment Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes	(G) x	73.0%	3.0%

General Star National Insurance Co
Realtors Professional Liability Insurance Program
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves
Insurers Ratemaking Calculations (12 of 13)
Arkansas
Support for selections on page 6

Data is in 000 and is for Annual Statement Line 17

Line A2.

1.	Direct Earned Premium, Latest yr	155	Allocation to State (pp14)
2.	Direct UPR, end prior year	111	same, of prior yr
3.	Direct UPR, end current yr	35	same
4.	Mean Direct UPR	73	
5.	Ratio (4) / (1)	47.1%	

Line B2.

1.	Net Earned Premium, Latest yr	11,532	IEE: PartII (all states)
2.	Net Agents Bals, end prior yr	6,527	IEE: PartII
3.	Net Agents Bals, end current yr	284	IEE: 6
4.	Average Agents Balances (Avg (2), (3))	3,406	
5.	Ratio (4) / (1)	29.5%	

Line C3.

1.	Incurred Losses (A), prior cal yr	48	prior p.14s use Loss + DCC
2.	Incurred Losses (A), current cal yr	-	same, but current
3.	Loss Reserves (A) end of 2 yrs previous	153	from same ("Unpaid")
4.	Loss Reserves (A) end of prior yr	197	from same
5.	Loss Reserves (A) end of current yr	155	from same
6.	Mean Loss reserve for prior yr	175	
7.	Mean Loss reserve for current yr	176	
8.	Ratio (6) / (1)	3.6	
9.	Ratio (7) / (2)	#DIV/0!	
10.	[(6)+(7)]/[(1)+(2)]	7.3	
11.	Estimated Reserve Discount from evaluating (1+ E)^(10)	0.0%	
12.	Federal Taxes Payable (% of Reserves) (11) * .35	0.0% 0	
13.	((10) x (1.0 - (12))	7.3	
14.	Selected	2.5	

(A) Including all loss adjustmnt expense

General Star National Insurance Co
Realtors Professional Liability Insurance Program
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves
Insurers Ratemaking Calculations (13 of 13)
Arkansas
Support for selections on Page 6 (cont)

Data is in 000 and is for Annual Statement Line 17

Line E

Investment Income	Net II Earned	Mean Cash & Inv Assets	Rate of Return	Annual Statement references
0 Latest	14,585	496,189	2.9%	Net ii earned p. 4
1 st Prior	13,692	478,237	2.9%	Cash and ii from p2
2 nd prior	11,661	495,107	2.4%	Cash and ii from p2
3 rd prior	9,523	504,793	1.9%	Cash and ii from p2
4 th prior	11,274	492,292	2.3%	Cash and ii from p2
0 Selected=Last 2 years a	**14,139**	**487,213**	**2.9%**	both yrs are on current stmt

Net Realized Capital Gains			
0 Latest year	160	496,189	0.0%
1 Prior	(2)	478,237	0.0%
2 Next prior	16	495,107	0.0%
3 Next prior	1,584	504,793	0.3%
4 Next prior	7,893	492,292	1.6%
0 Selected=5 year avg	**1,930**	**493,323**	**0.4%**
Total Investment Gain or Loss			**3.3%**

Line H (for workup of average Federal tax rate on investments):

		II Earned	Fed taxrate	Annual Statement references
Bonds				
	Taxable	586	35.0%	p.12_1 last col, Bonds other than below
	Nontaxable	4,092	5.3%	p.12_1 last col line Exempt, Affil
	Total	4,678	9.0%	
Stocks				
	Taxable	-	34.0%	p.12_1 last col, Stocks other than below
	Nontaxable (affil)	-	0.0%	p.12_1 last col Affil Stocks
	Total	-	0.0%	
Other	Mtg Loans on Real Estate	-		p.12_1 last col
	Real Estate	-		p.12_1 last col
	Collateral Loans	-		p.12_1 last col
	Cash on Deposit	20,742		p.12_1 last col
	Short Term investments	-		p.12_1 last col
	All Other	-		p.12_1 last col
Subtotal		20,742	34.0%	
Investment Deductions (negative)		10,835	34.0%	p.12_1 "total deductions"
Net Investment Income Earned		14,585	26.0%	
Average Capital Gains (5 years)		1,930	35.0%	
Average Tax on investment			27.0%	