

SERFF Tracking Number: STNA-125973377 State: Arkansas
Filing Company: State National Insurance Company Inc. State Tracking Number: EFT \$100
Company Tracking Number: SNIC-AR-09-02
TOI: 28.0 Credit Sub-TOI: 28.0002 Creditor-Placed Auto
Product Name: Collateral Protection Insurance
Project Name/Number: CPI/SNIC-AR-09-02

Filing at a Glance

Company: State National Insurance Company Inc.

Product Name: Collateral Protection Insurance SERFF Tr Num: STNA-125973377 State: Arkansas
TOI: 28.0 Credit SERFF Status: Closed State Tr Num: EFT \$100
Sub-TOI: 28.0002 Creditor-Placed Auto Co Tr Num: SNIC-AR-09-02 State Status: Fees verified and received

Filing Type: Rule Co Status: Reviewer(s): Betty Montesi, Llyweyia Rawlins
Author: Patsy McCleskey Disposition Date: 01/07/2009
Date Submitted: 01/05/2009 Disposition Status: Exempt from Review

Effective Date Requested (New): 02/06/2009

Effective Date (New): 02/06/2009

Effective Date Requested (Renewal): 02/06/2009

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: CPI

Status of Filing in Domicile: Not Filed

Project Number: SNIC-AR-09-02

Domicile Status Comments: In Texas, our state of domicile, the standard CPI program is used.

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 01/07/2009

Deemer Date:

State Status Changed: 01/07/2009

Corresponding Filing Tracking Number: SNIC-AR-09-02

Filing Description:

State National Insurance Company currently offers Collateral Protection Insurance ("CPI") in Arkansas. This is coverage for lenders that finance automobiles and other eligible collateral. Revisions to this program are discussed below:

New manual pages are enclosed in the Rate/Rule Schedule and include the new edition dates for endorsements and

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optional deductibles for the conversion and confiscation endorsements submitted in Filing No. SNIC-AR-09-01. Also, the edition date for Amendatory Endorsement, AR.105-0708-50, submitted in Filing No. SNIC-AR-08-03, has been updated in the manual as well as the Policyholder Disclosure Notice (submitted in Filing No. SNIC-AR-08-01). There is no rate impact to any insured as a result of these changes. Also enclosed is the current manual with changes marked: material in [brackets] is deleted; material underlined is added.

Company and Contact

Filing Contact Information

Patsy McCleskey, State Filings Coordinator pmccleskey@statenational.com
 8200 Anderson Boulevard (800) 877-4567 [Phone]
 Fort Worth, TX 76120 (817) 804-2930[FAX]

Filing Company Information

State National Insurance Company Inc. CoCode: 12831 State of Domicile: Texas
 8200 Anderson Boulevard Group Code: 93 Company Type: Property & Casualty
 Fort Worth, TX 76120 Group Name: State ID Number:
 (800) 877-4567 ext. [Phone] FEIN Number: 75-1980552

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: \$100.00 for rate-rule filing.
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
State National Insurance Company Inc.	\$100.00	01/05/2009	24821173

SERFF Tracking Number: STNA-125973377 State: Arkansas
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	01/07/2009	01/07/2009

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Disposition

Disposition Date: 01/07/2009

Effective Date (New): 02/06/2009

Effective Date (Renewal):

Status: Exempt from Review

Comment:

This line is exempt from filing rates/rules in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate/rule filing and review requirements.

Rate data does NOT apply to filing.

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Product Name: Collateral Protection Insurance
Project Name/Number: CPI/SNIC-AR-09-02

Item Type	Item Name	Item Status	Public Access
Supporting Document	Property & Casualty Transmittal Document	Accepted for Informational Purposes	Yes
Rate	AR Manual 0109	Accepted for Informational Purposes	Yes

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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	AR Manual 0109	Pages 1 of 5 through 5 of 5	Replacement	AR Manual 0109.pdf

STATE NATIONAL INSURANCE COMPANY, INC.

COLLATERAL PROTECTION INSURANCE ARKANSAS

I. Applicable Forms

- A. Lender's Collateral Protection Policy AR. 101-0504-50
- B. Collateral Protection Certificate AR. 102-0504-50
- C. Eligible Collateral Codes AR.106-0298-50
- D. Endorsements
 - AR.201-0504-50 Waiver of Repossession Option - One
 - AR.202-0109-50 Waiver of Repossession Option - Two
 - AR.206-0391-50 Past Due Payments Coverage
 - AR.207-0391-50 Mexico Coverage
 - AR.208-0391-50 Worldwide Coverage
 - AR.211-0391-50 Fire & Theft Coverage
 - AR.212-0398-50 Earnings Method Option - One
 - AR.213-0398-50 Earnings Method Option - Two
 - AR.214-0504-50 Earnings Method Option - Three
 - AR.215-1204-50 Earnings Method Option - Four
 - AR.216-0504-50 Trucks – Expanded Coverage
 - AR.217-0504-50 Boats – Expanded Coverage
 - AR.219-0109-50 Comprehensive Only Coverage
 - AR.221-1204-50 Aircraft Not In Motion
 - AR.223-1005-50 Commercial Property Coverage
 - AR.224-1005-50 Commercial Use of Vehicles

 - AR.301-0606-50 Waiver of Actual Cash Value
 - AR.302-0606-50 Premium Deficiency-Loss Sustained
 - AR.303-0109-50 Premium Deficiency-No Loss
 - AR.304-0606-50 Premium Deficiency--Uncollectible
 - AR.305-0606-50 Associated Repossession Expense
 - AR.306-0606-50 Repossession Expense
 - AR.307-0109-50 Instrument Non-Filing Coverage for a Superior Lien-Borrower's Omission
 - AR.308-0606-50 Mechanical Breakdown
 - AR.309-0109-50 Repossessed Collateral Coverage
 - AR.310-0109-50 Automatic Coverage - (Errors and omissions)
 - AR.311-0109-50 Conversion Coverage – One
 - AR.312-0109-50 Conversion Coverage – Two
 - AR.313-0109-50 Confiscation Coverage
 - AR.317-0504-50 Excluded Driver Endorsement
 - AR.318-0109-50 Premium Deficiency – No Loss C
 - AR.319-0606-50 Waiver of Actual Cash Value Settlement Option
 - AR.325-1204-50 Repossession Storage Expense
 - AR.326-1204-50 Repossession Storage Expense (No Physical Damage Loss)
 - AR.327-1005-50 Mechanic's Lien – No Loss
 - AR.330-1005-50 Administrative Expense Reimbursement
 - AR.331-1005-50 Experience Rating Refund Endorsement
 - AR.332-0109-50 Conversion Coverage – Three
 - AR.336-0109-50 Instrument Non-Filing Coverage for a Superior Lien
- E. Amendatory Endorsement - AR.105-0708-50
- F. SNIC.DISC.0108 – Policyholder Disclosure – Notice of Terrorism Insurance Coverage

II. Limit of Liability

The maximum limit of liability is \$100,000 per finance contract.

III. Eligible Collateral - Standard Rates

- A. Private Passenger Automobile(s)
- B. Trucks up to 1 1/2 Ton Capacity
- C. Farm & Garden Equipment
- D. Motorcycles
- E. Pleasure Boats up to 26 feet
- F. Travel Trailers
- G. Utility, Boat and Horse Trailers
- H. Mobile Homes
- I. Motor Homes
- J. Aircraft – by endorsement
- K. Commercial Property – equipment, inventory, fixtures
- L. Commercial Use of Vehicles

IV. Base Rate - AR. 103-0391-50 Rate Chart

- A. The base rate is calculated on the remaining term of the loan and the gross outstanding balance.
- B. Conversion of base rate to net balances - In the event the net outstanding balance is used to determine the premium, a rate conversion factor of 1.15 shall apply.
- C. Conversion of the net balance or NADA value in the event the lower of the net balance or NADA value is used to determine the premium, a rate conversion factor of 1.12 shall apply to the net balance rate that would otherwise apply.
- D. Conversion of base rate for monthly-paid premiums – Where the premium for a certificate is to be paid on a monthly basis, a rate conversion factor of 1.35 shall apply to the developed rate (gross or net) that would otherwise apply.

E. Deductible Options

Lender		Borrower	
+/-%	Amount	+/-%	Amount
+40	0	0	250
+35	50	-2.5	275
+30	100	-5	300
+25	125	-7.5	325
+20	150	-10	350
+15	175	-12.5	375
+10	200	-15	400
+5	225	-17.5	425
0	250	-20	450
-5	275	-22.5	475
-10	300	-25	500
-15	325		
-20	350		
-25	400		
-30	450		
-35	500		

F. Base Rate Coverage Program

Coverages and Deductibles applicable to the base rate include:
 Comprehensive Coverage; Collision Coverage;
 Waiver of Repossession Option - One \$250 Deductible
 Two \$100 Lender Deductible

G. Maximum Premium

Maximum Premium	Surcharge
\$2,000	+1%
\$2,001 or over	+0%

V. Base-Rate Modification

In recognition of the unique risk characteristic of each creditor or credit transaction portfolio, the base rates may be increased or decreased between 0% and 40%. The maximum base rate modification is 40%. The risk characteristics that are considered in making such modification are:

<u>Characteristic</u>	<u>Credits</u>	<u>Debits</u>
Direct or Indirect Mix: The portfolio contains a higher or lower than average proportion of indirect credit transactions.	0-20%	20-0%
Used or New Vehicles Mix: The portfolio contains a higher or lower than average proportion of credit transactions on used vehicles.	0-20%	20-0%
Average Balance: The average balance owing on credit transactions in the portfolio is higher or lower than the national average.	0-20%	20-0%
Average Term: The average remaining term on the credit transaction in the portfolio is higher or lower than the national average.	0-20%	20-0%
Administrative Procedures, Controls, and Standards: Credits or debits will be given to the creditor who does or does not practice one or more of the following:	0-15%	15-0%

1.	Follow proper administrative procedures with regard to the initial verification of insurance coverage and subsequent follow-up.	0-5%	5-0%
2.	Delinquency Control	0-5%	5-0%
3.	The setting and enforcement of credit standards.	0-5%	5-0%

VI. Endorsement Rate Factors

A. The following Endorsements benefit the borrower and may be attached to the collateral protection certificate. The cost for these coverages will be paid for by the borrower. To calculate the rate for the coverage options selected multiply the sum of elected percentages by the developed base rate.

<u>Endorsement No.</u>	<u>Endorsement</u>	<u>Rate Factor</u>
AR.201-0504-50	Waiver of Repossession Option - One	Included
	- To Eliminate	.05 Discount
AR.202-0109-50	Waiver of Repossession Option - Two	.05
AR.206-0391-50	Past Due Payments Coverage	
	30 Days	.05 Discount
	90 Days	.03
	120 Days	.05
AR.207-0391-50	Mexico Coverage	.15
AR.208-0391-50	Worldwide Coverage	.30
AR.211-0391-50	Fire & Theft Coverage	.05 Discount
AR.212-0398-50	Earnings Method Option - One	.10
AR.213-0398-50	Earnings Method Option - Two	.30
AR.214-0504-50	Earnings Method Option - Three	.30
AR.215-1204-50	Earnings Method Option - Four	.10
AR.219-0109-50	Comprehensive Only Coverage	.75 Discount

B. The following Endorsements benefit the Lender's Collateral Protection Policy. The cost for these coverages will be paid for by the lender. To calculate the rate for the coverage options selected multiply the sum of elected quarterly rate factors by the number of certificates in force the last day of each quarter.

<u>Endorsement No.</u>	<u>Endorsement</u>	<u>Quarterly Rate Factor</u>
AR.301-0606-50	Waiver of Actual Cash Value	\$.06/cert.
AR.302-0606-50	Premium Deficiency-Loss Sustained	
	A	.19/cert.
	B	.25/cert.
AR.303-0109-50	Premium Deficiency-No Loss	
	A	.12/cert.
	B	.15/cert.
AR.318-0109-50	Premium Deficiency-No Loss	.14/cert.
AR.304-0606-50	Premium Deficiency-Uncollectible	
	A	.12/cert.
	B	.15/cert.
AR.305-0606-50	Associated Repossession Expense	
	\$300	.12/cert.
	\$500	.15/cert.
AR.306-0606-50	Repossession Expense	\$500 .37/cert.
AR.307-0109-50	Instrument Non-Filing Coverage for a Superior Lien-Borrower's Omission	.02/cert.
AR.308-0606-50	Mechanical Breakdown	.37/cert.
AR.309-0109-50	Repossessed Vehicle Coverage	
	60 Days	.05/cert.
	Unlimited	.10/cert.
AR.310-0109-50	Automatic Coverage-(Errors and Omissions)	
	60 Days	\$25/year
	90 Days	\$30/year
	120 Days	\$35/year
AR.311-0109-50	Conversion Coverage - One	.05/cert.
AR.312-0109-50	Conversion Coverage - Two	.08/cert.
AR.313-0109-50	Confiscation Coverage	.02/cert.
AR.319-0606-50	Waiver of Actual Cash Value Settlement Option	.12/cert.
AR.325-1204-50	Repossession Storage Expense	\$5/day for 30 days .15/cert.
AR.326-1204-50	Repossession Storage Expense (No Physical Damage Loss)	
	\$5/day for 30 days	.20/cert.

Expanded limits are available for AR.325-1204-50 and AR.326-1204-50 for a pro rata modification.

AR.327-1005-50	Mechanic's Lien – No Loss	.37/cert.
AR.332-0109-50	Conversion Coverage - Three	.10/cert.
AR.336-0109-50	Instrument Non-Filing Coverage for a Superior Lien	.01/cert.

C. The following Endorsement may be attached to the Lender's Collateral Protection Policy. The cost for this coverage will be paid for by the lender. To calculate the rate for the endorsement listed below, multiply the rate factor by the total number of loans tracked each month. The cost for this lender coverage will be billed quarterly.

AR.317-0504-50	Excluded Driver Endorsement	\$.01/loan/month
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- D. Note Surcharge(s):
 1. Single Pay Notes – Multiply 1.50 times the developed rate
 2. Balloon Notes – Multiply 1.50 times the developed rate
- E. Mobile Home Discount
 Multiply .50 times the developed rate
- F. Expanded Coverage
 1. Endorsement AR.216-0504-50, Trucks – Expanded Coverage – Multiply 1.15 times the developed rate for trucks.
 2. Endorsement AR.217-0504-50, Boats – Expanded Coverage – Multiply 1.15 times the developed rate for boats.
- G. Commercial Property
 Endorsement AR.223-1005-50, Commercial Property Coverage – Multiply 0.34 times the developed rate for commercial property.
- H. Commercial Use of Vehicles
 Endorsement AR.224-1005-50, Commercial Use of Vehicles – Multiply 1.64 times the developed rate for commercial use of vehicles.
- I. Refund for Program Administration Expenses

Credit

Program Administrative Expense
 Expenses associated with maintenance and administration of collateral protection program deviate from the normal range.
 The administrative expense will be based directly on the costs incurred by the lender in the administration of the program.
 The maximum credit modification is 20%. Attach AR.330-1005-50, Administrative Expense Reimbursement.

0 – 20%

- J. Endorsement Rate Modification:
 The Rate Modification for Mexico Coverage, Worldwide Coverage, Conversion Coverage and Confiscation may be modified 0-40% using the following risk characteristics:

<u>Modification Criteria</u>	<u>Credit</u>	<u>Debit</u>
1. Internal Controls Internal Controls including the lenders ability to generate correct addresses for its owners.	0-25%	25-0%
2. Expertise and Overseas Portfolio Expertise and the amount of business generated overseas - the percent of the lenders portfolio that is out of the United States and the lenders experience with this portfolio will generate a credit or debit up to 15% on the World Wide Endorsement Rate.	0-25%	25-0%
3. Financial Strength/Good Management The overall financial strength and management characteristics of the lender will allow for up to 10% credit or debit on the World Wide Coverage.	0-10%	10-0%
4. Management	5-10%	10-5%
5. Type of Average Loan (Direct vs. Indirect)	10-25%	25-10%
6. Method of Control	5-25%	25-5%
7. Cooperation of Insured	5-25%	25-5%

- K. Deductibles for Optional Coverages
 The following optional deductibles are available for Conversion and Confiscation coverages:

<u>Deductible</u>	<u>Discount</u>
\$1,000	-10%
\$1,500	-15%
\$2,000	-20%
\$2,500	-25%
\$5,000	-45%

VII. Whole Dollar Premium Rule

All premiums will be a full dollar amount. An amount of fifty (.50) cents or more will be considered as one dollar (\$1.00).

VIII. Cancellation Method - AR. 104-0391-50 Cancellation Table

1. Insured's Request - Rule of 78's method
2. Company's Request - Pro-Rata Method

IX. Service Charge on Monthly-Paid Premiums

A service charge of \$3.00 may be added to any monthly premium to offset the cost of monthly billing.

X. Rate Breakdown

The Fire, Theft, and Collision rate split is 75% collision and 25% fire and theft.
The Comprehensive and Collision split is 75% collision and 25% comprehensive.

XI. Loss Experience Rating Modifications

Based on the actual loss experience of the insured, the base rates may be modified to yield a Key Loss Ratio (KLR).
If the Actual Loss Ratio (ALR) exceeds the KLR, the base rates may be adjusted according to the following formula:

$$\text{ALR} / \text{KLR} * \text{Base Rate} = \text{Revised Base Rate}$$

The ALR is defined as Paid Losses plus the change in all Loss Reserves plus Loss Adjustment Expenses plus the change in all Loss Adjustment Expense Reserves divided by Earned Premium. This ratio shall be derived from insurer's experience with the insured for a period not to exceed three (3) years.

The KLR is a selected ratio of 50%, based on the estimated Company expenses for acquisition, administration, etc. For purposes of this modification, the base rate is the rate for basic coverage plus all endorsements, plus all schedule rating modifications.

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Supporting Document Schedules

Satisfied -Name: Property & Casualty Transmittal Document

Review Status:

Accepted for Informational Purposes 01/07/2009

Comments:

Attachments:

pc_trans&r_r_2007.pdf
AR Manual - 0606 w-chgs.pdf

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <table style="width: 100%; border: none;"> <tr> <td style="width: 60%; border: none;">New Business</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">Renewal Business</td> <td style="border: none;"></td> </tr> </table> f. State Filing #: g. SERFF Filing #: h. Subject Codes	New Business		Renewal Business	
New Business					
Renewal Business					

3. Group Name	Group NAIC #
State National Companies	093

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
State National Insurance Company, Inc.	Texas	12831	75-1980552	Not applicable

5. Company Tracking Number	SNIC-AR-09-02
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Patsy-Ann McCleskey 8200 Anderson Blvd. Fort Worth TX 76120	State Filings Coordinator	800 877-4567 Ext. 1232	817 804-2930	pmccleskey@ statenational.com

7. Signature of authorized filer	<i>Patsy-Ann McCleskey</i>
8. Please print name of authorized filer	Patsy-Ann McCleskey

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	28.2000
10. Sub-Type of Insurance (Sub-TOI)	28.2002
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	Collateral Protection Insurance
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: February 6, 2009 Renewal: Not applicable
15. Reference Filing?	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Reference Organization (if applicable)	Not applicable
17. Reference Organization # & Title	
18. Company's Date of Filing	January 5, 2009
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	SNIC-AR-09-02
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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State National Insurance Company currently offers Collateral Protection Insurance (“CPI”) in Arkansas. This is coverage for lenders that finance automobiles and other eligible collateral. Revisions to this program are discussed below:

New manual pages are enclosed in the Rate/Rule Schedule and include the new edition dates for endorsements and optional deductibles for the conversion and confiscation endorsements in submitted in Filing No. SNIC-AR-09-01.

Also, the edition date for Amendatory Endorsement, AR.105-0708-50, submitted in Filing No. SNIC-AR-08-03, has been updated in the manual as well as the Policyholder Disclosure Notice (submitted in Filing No. SNIC-AR-08-01).

There is no rate impact to any insured as a result of these changes.

Also enclosed is the current manual with changes marked: material in [brackets] is deleted; material underlined is added.

The requested effective date is February 6, 2009.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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Check #: EFT
Amount: \$100.00

Refer to each state’s checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state’s checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	SNIC-AR-09-02
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	SNIC-AR-09-01
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Rate Increase
 Rate Decrease
 x
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File & Use
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4a.	Rate Change by Company (As Proposed)
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
State	0	0	0	0	\$64,642	0	0
National							

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5.	Overall Rate Information (Complete for Multiple Company Filings only)
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		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
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7.	Effective Date of last rate revision	
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	
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9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Manual Pages 1 of 5 through 5 of 5	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

STATE NATIONAL INSURANCE COMPANY, INC.

COLLATERAL PROTECTION INSURANCE ARKANSAS

I. Applicable Forms

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- B. Collateral Protection Certificate AR. 102-0504-50
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 - AR.202-[0504]0109-50 Waiver of Repossession Option - Two
 - AR.206-0391-50 Past Due Payments Coverage
 - AR.207-0391-50 Mexico Coverage
 - AR.208-0391-50 Worldwide Coverage
 - AR.211-0391-50 Fire & Theft Coverage
 - AR.212-0398-50 Earnings Method Option - One
 - AR.213-0398-50 Earnings Method Option - Two
 - AR.214-0504-50 Earnings Method Option - Three
 - AR.215-1204-50 Earnings Method Option - Four
 - AR.216-0504-50 Trucks – Expanded Coverage
 - AR.217-0504-50 Boats – Expanded Coverage
 - AR.219-[0504]0109-50 Comprehensive Only Coverage
 - AR.221-1204-50 Aircraft Not In Motion
 - AR.223-1005-50 Commercial Property Coverage
 - AR.224-1005-50 Commercial Use of Vehicles

 - AR.301-0606-50 Waiver of Actual Cash Value
 - AR.302-0606-50 Premium Deficiency-Loss Sustained
 - AR.303-[0606]0109-50 Premium Deficiency-No Loss
 - AR.304-0606-50 Premium Deficiency--Uncollectible
 - AR.305-0606-50 Associated Repossession Expense
 - AR.306-0606-50 Repossession Expense
 - AR.307-[0606]0109-50 Instrument Non-Filing Coverage for a Superior Lien-Borrower's Omission
 - AR.308-0606-50 Mechanical Breakdown
 - AR.309-[0606]0109-50 Repossessed Collateral Coverage
 - AR.310-[1204]0109-50 Automatic Coverage - (Errors and omissions)
 - AR.311-[0606]0109-50 Conversion Coverage – One
 - AR.312-[0606]0109-50 Conversion Coverage – Two
 - AR.313-[0606]0109-50 Confiscation Coverage
 - AR.317-0504-50 Excluded Driver Endorsement
 - AR.318-[0606]0109-50 Premium Deficiency – No Loss C
 - AR.319-0606-50 Waiver of Actual Cash Value Settlement Option
 - AR.325-1204-50 Repossession Storage Expense
 - AR.326-1204-50 Repossession Storage Expense (No Physical Damage Loss)
 - AR.327-1005-50 Mechanic's Lien – No Loss
 - AR.330-1005-50 Administrative Expense Reimbursement
 - AR.331-1005-50 Experience Rating Refund Endorsement
 - AR.332-[0606]0109-50 Conversion Coverage – Three
 - AR.336-0109-50 Instrument Non-Filing Coverage for a Superior Lien
- E. Amendatory Endorsement - AR.105-[0391]0708-50
- F. SNIC.[CPI]DISC.[0203]0108 Policyholder Disclosure – Notice of Terrorism Insurance Coverage

II. Limit of Liability

The maximum limit of liability is \$100,000 per finance contract.

III. Eligible Collateral - Standard Rates

- A. Private Passenger Automobile(s)
- B. Trucks up to 1 1/2 Ton Capacity
- C. Farm & Garden Equipment
- D. Motorcycles
- E. Pleasure Boats up to 26 feet
- F. Travel Trailers
- G. Utility, Boat and Horse Trailers
- H. Mobile Homes
- I. Motor Homes
- J. Aircraft – by endorsement
- K. Commercial Property – equipment, inventory, fixtures
- L. Commercial Use of Vehicles

IV. Base Rate - AR. 103-0391-50 Rate Chart

- A. The base rate is calculated on the remaining term of the loan and the gross outstanding balance.
- B. Conversion of base rate to net balances - In the event the net outstanding balance is used to determine the premium, a rate conversion factor of 1.15 shall apply.
- C. Conversion of the net balance or NADA value in the event the lower of the net balance or NADA value is used to determine the premium, a rate conversion factor of 1.12 shall apply to the net balance rate that would otherwise apply.
- D. Conversion of base rate for monthly-paid premiums – Where the premium for a certificate is to be paid on a monthly basis, a rate conversion factor of 1.35 shall apply to the developed rate (gross or net) that would otherwise apply.

E. Deductible Options

	Lender		Borrower
+/-%	Amount	+/-%	Amount
+40	0	0	250
+35	50	-2.5	275
+30	100	-5	300
+25	125	-7.5	325
+20	150	-10	350
+15	175	-12.5	375
+10	200	-15	400
+5	225	-17.5	425
0	250	-20	450
-5	275	-22.5	475
-10	300	-25	500
-15	325		
-20	350		
-25	400		
-30	450		
-35	500		

F. Base Rate Coverage Program

Coverages and Deductibles applicable to the base rate include:
 Comprehensive Coverage; Collision Coverage;
 Waiver of Repossession Option - One \$250 Deductible
 Two \$100 Lender Deductible

G. Maximum Premium

Maximum Premium	Surcharge
\$2,000	+1%
\$2,001 or over	+0%

V. Base-Rate Modification

In recognition of the unique risk characteristic of each creditor or credit transaction portfolio, the base rates may be increased or decreased between 0% and 40%. The maximum base rate modification is 40%. The risk characteristics that are considered in making such modification are:

<u>Characteristic</u>	<u>Credits</u>	<u>Debits</u>
Direct or Indirect Mix: The portfolio contains a higher or lower than average proportion of indirect credit transactions.	0-20%	20-0%
Used or New Vehicles Mix: The portfolio contains a higher or lower than average proportion of credit transactions on used vehicles.	0-20%	20-0%
Average Balance: The average balance owing on credit transactions in the portfolio is higher or lower than the national average.	0-20%	20-0%
Average Term: The average remaining term on the credit transaction in the portfolio is higher or lower than the national average.	0-20%	20-0%
Administrative Procedures, Controls, and Standards: Credits or debits will be given to the creditor who does or does not practice one or more of the following:	0-15%	15-0%

1.	Follow proper administrative procedures with regard to the initial verification of insurance coverage and subsequent follow-up.	0-5%	5-0%
2.	Delinquency Control	0-5%	5-0%
3.	The setting and enforcement of credit standards.	0-5%	5-0%

VI. Endorsement Rate Factors

A. The following Endorsements benefit the borrower and may be attached to the collateral protection certificate. The cost for these coverages will be paid for by the borrower. To calculate the rate for the coverage options selected multiply the sum of elected percentages by the developed base rate.

<u>Endorsement No.</u>	<u>Endorsement</u>	<u>Rate Factor</u>
AR.201-0504-50	Waiver of Repossession Option - One	Included
	- To Eliminate	.05 Discount
AR.202-[0504]0109-50	Waiver of Repossession Option - Two	.05
AR.206-0391-50	Past Due Payments Coverage	
	30 Days	.05 Discount
	90 Days	.03
	120 Days	.05
AR.207-0391-50	Mexico Coverage	.15
AR.208-0391-50	Worldwide Coverage	.30
AR.211-0391-50	Fire & Theft Coverage	.05 Discount
AR.212-0398-50	Earnings Method Option - One	.10
AR.213-0398-50	Earnings Method Option - Two	.30
AR.214-0504-50	Earnings Method Option - Three	.30
AR.215-1204-50	Earnings Method Option - Four	.10
AR.219-[0504]0109-50	Comprehensive Only Coverage	.75 Discount

B. The following Endorsements benefit the Lender's Collateral Protection Policy. The cost for these coverages will be paid for by the lender. To calculate the rate for the coverage options selected multiply the sum of elected quarterly rate factors by the number of certificates in force the last day of each quarter.

<u>Endorsement No.</u>	<u>Endorsement</u>	<u>Quarterly Rate Factor</u>
AR.301-0606-50	Waiver of Actual Cash Value	\$.06/cert.
AR.302-0606-50	Premium Deficiency-Loss Sustained	
	A	.19/cert.
	B	.25/cert.
AR.303-[0606]0109-50	Premium Deficiency-No Loss	
	A	.12/cert.
	B	.15/cert.
AR.318-[0606]0109-50	Premium Deficiency-No Loss	
	C	.14/cert.
AR.304-0606-50	Premium Deficiency-Uncollectible	
	A	.12/cert.
	B	.15/cert.
AR.305-0606-50	Associated Repossession Expense	
	\$300	.12/cert.
	\$500	.15/cert.
AR.306-0606-50	Repossession Expense	
	\$500	.37/cert.
AR.307-[0606]0109-50	Instrument Non-Filing <u>Coverage for a Superior Lien-Borrower's Omission</u>	
		.02/cert.
AR.308-0606-50	Mechanical Breakdown	.37/cert.
AR.309-[0606]0109-50	Repossessed Vehicle Coverage	
	60 Days	.05/cert.
	Unlimited	.10/cert.
AR.310-[1204]0109-50	Automatic Coverage-(Errors and Omissions)	
	60 Days	\$.25/year
	90 Days	\$30/year
	120 Days	\$35/year
AR.311-[0606]0109-50	Conversion Coverage - One	.05/cert.
AR.312-[0606]0109-50	Conversion Coverage - Two	.08/cert.
AR.313-[0606]0109-50	Confiscation Coverage	.02/cert.
AR.319-0606-50	Waiver of Actual Cash Value Settlement Option	.12/cert.
AR.325-1204-50	Repossession Storage Expense	
	\$5/day for 30 days	.15/cert.
AR.326-1204-50	Repossession Storage Expense (No Physical Damage Loss)	
	\$5/day for 30 days	.20/cert.
Expanded limits are available for AR.325-1204-50 and AR.326-1204-50 for a pro rata modification.		
AR.327-1005-50	Mechanic's Lien - No Loss	.37/cert.
AR.332-[0606]0109-50	Conversion Coverage - Three	.10/cert.
AR.336-0109-50	<u>Instrument Non-Filing Coverage for a Superior Lien</u>	<u>.01/cert.</u>

C. The following Endorsement may be attached to the Lender's Collateral Protection Policy. The cost for this coverage will be paid for by the lender. To calculate the rate for the endorsement listed below, multiply the rate factor by the total number of loans tracked each month. The cost for this lender coverage will be billed quarterly.

AR.317-0504-50	Excluded Driver Endorsement	\$.01/loan/month
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- D. Note Surcharge(s):
 1. Single Pay Notes – Multiply 1.50 times the developed rate
 2. Balloon Notes – Multiply 1.50 times the developed rate
- E. Mobile Home Discount
 Multiply .50 times the developed rate
- F. Expanded Coverage
 1. Endorsement AR.216-0504-50, Trucks – Expanded Coverage – Multiply 1.15 times the developed rate for trucks.
 2. Endorsement AR.217-0504-50, Boats – Expanded Coverage – Multiply 1.15 times the developed rate for boats.
- G. Commercial Property
 Endorsement AR.223-1005-50, Commercial Property Coverage – Multiply 0.34 times the developed rate for commercial property.
- H. Commercial Use of Vehicles
 Endorsement AR.224-1005-50, Commercial Use of Vehicles – Multiply 1.64 times the developed rate for commercial use of vehicles.
- I. Refund for Program Administration Expenses

Credit

Program Administrative Expense
 Expenses associated with maintenance and administration of collateral protection program deviate from the normal range.
 The administrative expense will be based directly on the costs incurred by the lender in the administration of the program.
 The maximum credit modification is 20%. Attach AR.330-1005-50, Administrative Expense Reimbursement.

0 – 20%

- J. Endorsement Rate Modification:
 The Rate Modification for Mexico Coverage, Worldwide Coverage, Conversion Coverage and Confiscation may be modified 0-40% using the following risk characteristics:

<u>Modification Criteria</u>	<u>Credit</u>	<u>Debit</u>
1. Internal Controls Internal Controls including the lenders ability to generate correct addresses for its owners.	0-25%	25-0%
2. Expertise and Overseas Portfolio Expertise and the amount of business generated overseas - the percent of the lenders portfolio that is out of the United States and the lenders experience with this portfolio will generate a credit or debit up to 15% on the World Wide Endorsement Rate.	0-25%	25-0%
3. Financial Strength/Good Management The overall financial strength and management characteristics of the lender will allow for up to 10% credit or debit on the World Wide Coverage.	0-10%	10-0%
4. Management	5-10%	10-5%
5. Type of Average Loan (Direct vs. Indirect)	10-25%	25-10%
6. Method of Control	5-25%	25-5%
7. Cooperation of Insured	5-25%	25-5%

- K. Deductibles for Optional Coverages
The following optional deductibles are available for Conversion and Confiscation coverages:

<u>Deductible</u>	<u>Discount</u>
<u>\$1,000</u>	<u>-10%</u>
<u>\$1,500</u>	<u>-15%</u>
<u>\$2,000</u>	<u>-20%</u>
<u>\$2,500</u>	<u>-25%</u>
<u>\$5,000</u>	<u>-45%</u>

VII. Whole Dollar Premium Rule

All premiums will be a full dollar amount. An amount of fifty (.50) cents or more will be considered as one dollar (\$1.00).

VIII. Cancellation Method - AR. 104-0391-50 Cancellation Table

1. Insured's Request - Rule of 78's method
2. Company's Request - Pro-Rata Method

IX. Service Charge on Monthly-Paid Premiums

A service charge of \$3.00 may be added to any monthly premium to offset the cost of monthly billing.

X. Rate Breakdown

The Fire, Theft, and Collision rate split is 75% collision and 25% fire and theft.
The Comprehensive and Collision split is 75% collision and 25% comprehensive.

XI. Loss Experience Rating Modifications

Based on the actual loss experience of the insured, the base rates may be modified to yield a Key Loss Ratio (KLR). If the Actual Loss Ratio (ALR) exceeds the KLR, the base rates may be adjusted according to the following formula:

$$\text{ALR} / \text{KLR} * \text{Base Rate} = \text{Revised Base Rate}$$

The ALR is defined as Paid Losses plus the change in all Loss Reserves plus Loss Adjustment Expenses plus the change in all Loss Adjustment Expense Reserves divided by Earned Premium. This ratio shall be derived from insurer's experience with the insured for a period not to exceed three (3) years.

The KLR is a selected ratio of 50%, based on the estimated Company expenses for acquisition, administration, etc. For purposes of this modification, the base rate is the rate for basic coverage plus all endorsements, plus all schedule rating modifications.