



CR# 242376
\$40.00

041229

April 13, 2007

RECEIVED

/ APR 27 2007 TD

Via Hand-Delivery

Ms. Paula M. Pallozzi
Chief Property & Casualty Insurance Rate Analyst
Rhode Island Department of Business Regulation
Insurance Division
233 Richmond Street
Providence, Rhode Island 02903-4233

STATE OF RHODE ISLAND
INSURANCE DIVISION

Re: The Beacon Mutual Insurance Company 2007 NCCI Rate Filing
Adoption and Lost Cost Multiplier ("LCM") Filing,
DBR No. 06-I-0169

Dear Ms. Pallozzi:

Enclosed please find for filing and approval is a rate level revision on behalf of The Beacon Mutual Insurance Company ("Beacon") to be applicable to policies effective on or after October 1, 2007. With this revision, Beacon is adopting the loss costs, miscellaneous values and retrospective values found in NCCI Circulars RI-2007-01 and RI-2007-02 and approved by the Department in its Decision dated January 26, 2007. The proposed loss cost multiplier of 1.460 is derived from the exhibits contained in this filing and will result in a -5.6% rate level change.

The expense constant will change to \$243 and the minimum premium multiplier will increase from 95 to 120. Minimum premiums will be calculated in accordance with the following formulas:

Per Capita: Rate + \$243, subject to a maximum of \$750
All Other: Rate X 120 + \$243, subject to a maximum of \$750

Ms. Paula M. Pallozzi
April 13, 2007
Page 2

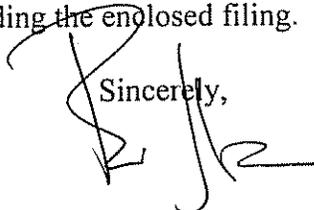
The following documents are attached to this letter:

- (1) RI Rate Filing General Information
- (2) RI Reference Filing Adoption Form
- (3) Loss Cost Multiplier Information
 - a. Letter & Filing Memorandum from Mr. David Mohrman of Towers Perrin
 - b. Calculation of LCM / Expense Constant Supplement
 - c. Expense & Investment Income support pages
- (4) Filing check for \$40
- (5) Attachment A - Answers to DBR "Rate Procedural Information Summary" questions 8,9,10, and 11.
- (6) Attachment B - Certification Letter from Ms. Cynthia Lawlor, CFO of The Beacon Mutual Insurance Company.

We respectfully request your approval of this revision to be applicable to policies effective on or after October 1, 2007. Please further be advised that this filing is being made by hard copy and we would hope to have a live version of the exhibits e-mailed to all interested parties by next Tuesday.

We appreciate your cooperation in this matter. Please do not hesitate to contact us should you have any questions regarding the enclosed filing.

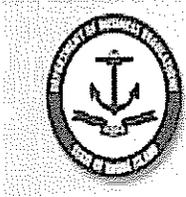
Sincerely,



Brian J. Spero

Enclosures

cc: Genevieve M. Martin, Esq.



State of Rhode Island
Department of Business Regulation



Insurance Division
233 Richmond Street, Suite 233
Providence, Rhode Island 02903-4230
Telephone (401) 222-2223 Facsimile (401) 222-5475

**PROPERTY & CASUALTY
 RATE FILING GENERAL INFORMATION**

Note: This form **must** accompany all rate filings. All rate filings must be submitted in duplicate (original plus 1 copy). In addition, the insurer **must** provide all the information as requested in the Rate Procedural Information Summary.

1. Date Filed: April 13, 2007
 Proposed Effective Date for new business: October 1, 2007
 Proposed Effective Date for renewal business: October 1, 2007

2. Company Name (or companies): The Beacon Mutual Insurance Company
 Group Name (if applicable): N/A

3. Lines Affected: Workers' Compensation
 Policy Term: _____

4. Provide the indicated rate level changes (where applicable), proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage (e.g. bodily injury, property damage), subline (e.g. liability, physical damage), and all coverages combined.

Coverage	Indicated Rate Level Change	Proposed Rate Level Change	Weights	Proposed Rate Level Change Components*			
				Base Rate Change (a)	(b)	(c)	(d)
<u>WC</u>	<u>-5.6%</u>	<u>-5.6%</u>	_____	<u>-5.6%</u>	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
<u>All Coverages Combined</u>	<u>-5.6%</u>	<u>-5.6%</u>	_____	<u>-5.6%</u>	_____	_____	_____

***Describe components of proposed change, e.g., class, increased limits, deductibles, age and symbols, territories, policy coverage, rules, etc.**

5. Provide the estimated premium effect of this filing by coverage, subline, and all coverages combined.

<u>Coverage</u>	<u>Annual Written Premium</u>	<u>% Change Requested</u>	<u>Annual Premium Change</u>
<u>WC</u>	<u>\$133.7MM*</u>	<u>-5.6%</u>	<u>\$7.5MM**</u>
_____	_____	_____	_____
_____	_____	_____	_____
<u>All Coverages Combined</u>	<u>\$133.7MM*</u>	<u>-5.6%</u>	<u>\$7.5MM**</u>

6. Provide the dates and percentage changes for the last four rate level changes for line(s) of business affected by this filing by coverage, subline, and all coverages combined.

<u>Coverage</u>	<u>Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
<u>WC</u>	<u>-16.0%</u>	<u>-7.8%</u>	<u>-17.5%</u>	<u>-6.0%</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>All Coverages Combined</u>	<u>-16.0%</u>	<u>-7.8%</u>	<u>-17.5%</u>	<u>-6.0%</u>

7. Number of Rhode Island Policies (exposure units) written in each of the last five (5) years:

	<u># of Policies*</u>	<u>% Change</u>
5th Prior Year	<u>13,414</u>	<u>-</u>
4th Prior Year	<u>14,047</u>	<u>+4.7%</u>
3rd Prior Year	<u>14,375</u>	<u>+2.3%</u>
2nd Prior Year	<u>14,576</u>	<u>+1.4%</u>
1st Prior Year	<u>14,237</u>	<u>-2.4%</u>

*** If the number of policies is not available, use the number of exposure units. Example: Private Passenger Automobile – Car Years, Homeowners – House Years.**

8. Calendar Year Experience:

	<u>Rhode Island (000's)</u>			<u>Countrywide</u>		
	<u>Earned Premium</u>	<u>Incurred Losses including change in IBNR</u>	<u>Loss Ratio</u>	<u>Earned Premium</u>	<u>Incurred Losses including change in IBNR</u>	<u>Loss Ratio</u>
5th Prior Year	\$124,277	\$63,146	50.8%	_____	_____	_____
4th Prior Year	\$144,008	\$98,602	68.5%	_____	_____	_____
3rd Prior Year	\$152,035	\$116,656	76.7%	_____	_____	_____
2nd Prior Year	\$162,575	\$76,619	47.5%	_____	_____	_____
1st Prior Year	\$154,810	\$123,478	79.8%	_____	_____	_____
____ Months	_____	_____	_____	_____	_____	_____

Revised 12/18/03



**TOWERS
PERRIN**

TILLINGHAST

April 12, 2007

Ms. Cynthia Lawlor
Chief Financial Officer
Beacon Mutual Insurance Company
One Beacon Centre
Warwick, RI 02886

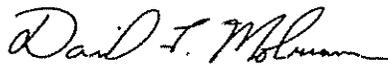
Dear Cindy:

WORKERS COMPENSATION RATE FILING EFFECTIVE OCTOBER 1, 2007

Enclosed is a filing memorandum and supporting exhibits for The Beacon Mutual Insurance Company to adopt the National Council on Compensation Insurance advisory loss costs with a multiplier of 1.460. This filing is expected to generate a manual rate decrease of -5.6%.

Towers Perrin is available to answer any questions you or the Rhode Island Department of Business Regulation may have concerning this rate filing.

Sincerely,



David F. Mohrman, FCAS, MAAA
Principal
Direct Dial: (860) 843-7041

DFM:rl

Enclosure

S:\51310\07\TILL\RATEMAKING\EXEC - DELIV\WC RATE FILING EFF 100107.DOC

Filing Memorandum

The Beacon Mutual Insurance Company (Beacon) proposes to adopt the loss costs filed by the National Council on Compensation Insurance (NCCI) and approved by the State of Rhode Island Department of Business Regulation (DBR) to be effective October 1, 2007. The proposed loss cost multiplier of 1.46 is derived in the following exhibits, and will be applicable to both industrial and "F" classifications. This filing results in a -5.6% rate level change.

We have provided historical expense data through December 31, 2006, in support of the proposed loss cost multiplier. The selected prospective expense allowances reflect the resulting rate decrease.

- Including capital gains, investment returns averaged 4.79% from 2004 to 2006. For this filing, 5.03% is selected to reflect the increases in expected returns.
- Beacon claims adjustment expenses have been used to supplement the National data used in the NCCI loss cost filing. The resulting additional expense is primarily due to a higher level of reported claims frequency in Rhode Island than reflected in the National data.
- A provision of 0.50% for bad debts has been included in the expense calculation. As the market of last resort in Rhode Island, Beacon is required to insure all employers, regardless of financial conditions.
- Finally, this filing implies a proposed change in manual rates of -5.6%. The decrease in net premiums is anticipated to be smaller due to an expected reduction in credits.

**STATE OF RHODE ISLAND
WORKERS' COMPENSATION INSURER RATE FILING
ADAPTION OF INDEPENDENT LOSS COST FILING
CALCULATION OF LOSS COST MULTIPLIER**

1. Line, Subline, Coverage, Territory, Class, etc combination to which this page applies:
WORKERS COMPENSATION

2. Loss cost modification:

A. The insured hereby files to adapt the prospective loss costs in the captioned reference filing: (check one)

() Without modification (factor = 1.000)

(X) With the following modification(s): (cite the nature and percent modification, and attach supporting data and/or rationale for the modification.

See Exhibit 1

B. Loss cost modification expressed as a factor (Exhibit 1): 1.105

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 3-7 BELOW.

3. Development of Expected Loss Ratio (attach exhibit detailing insurer expense data)

	<u>Selected Provisions</u>
A. Total Production Expense	_____ %
B. General Expense	_____ %
C. Taxes, Licences & Fees	_____ %
D. Underwriting Profit & Contingencies	_____ %
E1. Other (Explain)	_____ %
F. Total	_____ %
4A. Expected Loss Ratio. ELR = 100% - Overall 3F	_____ %
4B. ELR expressed in decimal form =	_____
5. Company Formula Cost Multiplier [2B / 4B] =	_____
6. Company Selected Loss Cost Multiplier =	_____
Explain any differences between 5 and 6:	_____
7. Rate level change for the coverages to which this page applies	_____ %

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 ADAPTION OF INDEPENDENT LOSS COST FILING**

EXPENSE CONSTANT SUPPLEMENT

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information).

	Selected Provisions Per Policy		
	Overall	Variable	Fixed
A. Total Production Expense	9.85%	8.43%	1.42%
B. General Expense	8.20%	7.02%	1.18%
C. Taxes, Licenses & Fees	5.50%	5.50%	0.00%
D. Underwriting Profit & Contingencies	-0.94%	-0.94%	0.00%
E1. Provision for Bad Debt	0.50%	0.50%	0.00%
E2. CompAlliance/Loss Free Credits	1.20%	1.20%	0.00%
E3. Premium Adj To Avg Expected Mod	1.80%	1.80%	0.00%
E4. Participating Dividends	3.20%	3.20%	0.00%
E5. Expense Gradation	4.94%	4.94%	0.00%
F. Total	34.24%	31.65%	2.60%
4A. Expected Loss Ratio. ELR = 100% - Overall 3F	65.76%		
4B. ELR expressed in decimal form =	0.6576		
4C. Variable Expected Loss Ratio VELR = 100% - Variable 3F		68.35%	
4D. VELR expressed in decimal form =		0.6835	
4E. Provision for Investment Income	1.0594		
5. Formula Expense Constant: [(1.00/(4B*4E) - (1.00/(4D*4E))] X Average Underlying Loss Cost Formula Variable Loss Cost Multiplier: [2B /(4D*4E)]			243 1.53
6. Selected Expense Constant			243
Selected Variable Loss Cost Multiplier			1.46
7. Explain any difference between 5 and 6: We have selected a lower Loss Cost Multiplier for competitive reasons			
8a. Loss Cost Change			-8.38%
8b. LCM Change (Prior 1.42 Proposed 1.46)			2.82%
8. Rate level change for the coverages to which this page applies:			-5.56%

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 1 - LOSS COST MODIFICATION FOR LOSS ADJUSTMENT EXPENSE DIFFERENCE

CALENDAR YEAR	2003	2004	2005	2006	4 YR ARITHMETIC AVERAGE	4 YR EX 05 WEIGHTED AVERAGE	SELECTED
1. Total Incurred Losses and LAE	\$ 98,601,598	\$ 116,656,512	\$ 77,170,349	\$ 123,478,729	\$ 103,976,797		
2. Incurred Losses	73,609,564	87,296,890	49,784,275	101,551,195	78,060,481		
3. Indicated Loss Adjustment Expense Factor ((1) / (2))	1.340	1.336	1.550	1.216	1.332	1.291	
	The Beacon Mutual Insurance Company Loss Adjustment Expense						1.291
	Industry Loss Adjustment Expense						1.168
	Change in LAE						1.105
	Selected						1.105

NOTES

The NCCI loss costs included a provision for ULAE that was based upon national data only. Beacon's ULAE is higher than the national average, primarily because of a higher number of claims per policies in force being reported to us.

Insurer Name: **The Beacon Mutual Insurance Company**
NAIC #: **24017**

Date: 4/13/07

**STATE OF RHODE ISLAND
WORKERS' COMPENSATION INSURER RATE FILING
CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 2 - DERIVATION OF PERMISSIBLE LOSS & LAE RATIO

	<u>Percent of Standard Premium</u>
1. Total Production Expense	8.43%
2. General Expenses	7.02%
3. Taxes, Licenses, and Fees	5.50%
4. Profit and Contingencies (before investment income offset)	-0.94%
5. Filed Merit Rating Plans	4.40%
6. Expense Gradation	4.94%
7. Provision for Bad Debt	0.50%
8. Premium Adj to Avg Expected Mod	<u>1.80%</u>
9. Total Expense	31.65%
10. Investment Offset	<u>1.0594</u>
11. Permissible Loss & LAE Ratio related to SP (100% - (9)) x (10)	<u><u>72.42%</u></u>

**STATE OF RHODE ISLAND
WORKERS' COMPENSATION INSURER RATE FILING
CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 3 - CALCULATION OF PRODUCTION AND GENERAL EXPENSE
--

1. 2006 Rhode Island policy year standard earned premium	\$200,725,000
2. Net production expense need	9.85%
3. Net production expense need in dollars: (1) x (2)	\$19,771,413
4. Production expense dollars contained in proposed \$331 expense constant.	\$2,845,084
4a. Production expense in the expense constant as a percent of SEP: (4) / (1)	1.42%
5. Net production expense need, excluding expense constant: (3) - (4)	\$16,926,328
6. Average production expense need as percentage of standard earned premium: (5) / (1)	8.43%
7. Net general expense need	8.20%
8. Net general expense need in dollars: (1) x (7)	\$16,459,450
9. General expense dollars contained in proposed \$331 expense constant.	\$2,368,497
9a. General expense in the expense constant as a percent of SEP: (9) / (1)	1.18%
10. Net general expense need excluding expense constant: (8) - (9)	\$14,090,953
11. Average general expense need as a percentage of standard earned premium: (10) / (1)	7.02%

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 4A - SUMMARY OF NET EXPENSE RATIOS

CALENDAR YEAR	2003	2004	2005	2006	3 YR ARITHMETIC AVERAGE	4 YR ARITHMETIC AVERAGE	4 YR WEIGHTED AVERAGE	SELECTED
(1) Standard Earned Premiums	\$ 189,255	\$ 196,092	\$ 211,937	\$ 200,725	\$ 202,918	\$ 199,502		
(2) Commissions	\$ 15,525	\$ 14,139	\$ 15,879	\$ 15,006	15,008	15,137		
(3) Other Acquisition	4,157	4,150	5,312	4,994	4,819	4,653		
(4) Taxes, Licenses, Fees	10,868	8,624	10,534	12,541	10,566	10,642		
(5) Bad Debts (net of recoveries)	232	697	1,647	1,058	1,134	909		
(6) Other General Expenses	11,747	12,971	13,328	21,122	15,807	14,792		
Total Expenses	\$ 42,529	\$ 40,581	\$ 46,700	\$ 54,721	\$ 47,334	\$ 46,133	\$ -	
(7) Commissions	8.20%	7.21%	7.49%	7.48%	7.39%	7.60%	7.59%	7.50%
(8) Other Acquisition	2.20%	2.12%	2.51%	2.49%	2.37%	2.33%	2.33%	2.35%
(9) Taxes, Licenses, Fees	5.74%	4.40%	4.97%	6.25%	5.21%	5.34%	5.33%	5.50%
(10) Bad Debts (net of recoveries)	0.12%	0.36%	0.78%	0.53%	0.55%	0.45%	0.46%	0.50%
(11) Other General Expenses	6.21%	6.61%	6.29%	10.52%	7.81%	7.41%	7.41%	8.20%
Total Percentage	22.47%	20.69%	22.03%	27.26%	23.33%	23.12%	23.12%	24.05%

NOTES

- (1) From NCCI Call #5. Standard Calendar Year Earned Premium at Company Reporting Level
- (2), (3), (4), (6) from Insurance Expense Exhibit Page 3
- (5) from Annual Statement Page 4, line 12
- (7), (8), (9), (10), (11) = (2), (3), (4), (5), (6) (respectively) divided by (1)
- (11) See Exhibit 4A(1)

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 4A(1) - DETAIL OF "OTHER GENERAL EXPENSE" SELECTION

CALENDAR YEAR		2003	2004	2005	2006	3 YR ARITHMETIC	4 YR ARITHMETIC	4 YR	SELECTED
						AVERAGE	AVERAGE	WEIGHTED	
(1) Standard Earned Premiums		\$ 189,255	\$ 198,092	\$ 211,937	\$ 200,725				
On-Level 2005	-16.0%	(30,281)	(31,375)	(33,910)	(28,102)				
On Level 2006	-5.6%	(8,844)	(9,163)	(9,904)	(9,603)				
		\$ 150,130	\$ 155,554	\$ 168,123	\$ 163,020				
(2) Other General Expenses		11,747	12,971	13,328	21,122				
less: 2006 Audit Related Fees					(7,428)				
		\$ 11,747	\$ 12,971	\$ 13,328	\$ 13,696				
(2) Other General Expenses (%)		7.82%	8.34%	7.93%	8.40%	8.22%	8.12%	8.12%	8.20%

Note: This schedule develops the "Other General Expense" ratios based upon historical ratios as adjusted for (1) the premium rate reductions to be included in future Standard Earned Premiums and (2) the "normalization" of 2006 expenses to eliminate the effect of audit related expenses

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 4B - SUMMARY OF FILED MERIT RATING PLAN RATIOS

CALENDAR YEAR	2003	2004	2005	2006	3 YR	4 YR	4 YR	SELECTED
					ARITHMETIC AVERAGE	ARITHMETIC AVERAGE	WEIGHTED AVERAGE	
(1) Standard Earned Premiums	\$ 189,255	\$196,092	\$211,937	\$209,164	\$ 205,731	\$ 201,612		
(2) Loss Free Credits	\$ 1,634	\$ 1,806	\$ 2,190	\$ 2,200	2,065	1,958		
(3) CompAlliance Credits	8,278	8,820	9,001	7,282	8,368	8,345		
(4) Shared Earnings Dividends	2,954	2,224	6,673	6,651	5,183	4,626		
Total Expenses	<u>\$ 12,866</u>	<u>\$ 12,850</u>	<u>\$ 17,864</u>	<u>\$ 16,133</u>	<u>\$ 15,616</u>	<u>\$ 14,928</u>	<u>\$ -</u>	
(5) Loss Free Credits	0.86%	0.92%	1.03%	1.05%	1.00%	0.97%	0.97%	1.20%
(6) CompAlliance Credits	4.37%	4.50%	4.25%	3.48%	4.08%	4.15%	4.14%	0.00%
(7) Shared Earnings Dividends	1.56%	1.13%	3.15%	3.18%	2.49%	2.26%	2.29%	3.20%
Total Percentage	<u>6.80%</u>	<u>6.55%</u>	<u>8.43%</u>	<u>7.71%</u>	<u>7.57%</u>	<u>7.37%</u>	<u>7.40%</u>	<u>4.40%</u>

NOTES

- (1) From NCCI Call #5. Standard Calendar Year Earned Premium at Company Reporting Level
- (2), (3), (4) from Beacon Data
- (5), (6), (7) = (2), (3), (4) (respectively) divided by (1)
- (5) (6) We anticipate the elimination of the CompAlliance credit program sometime during this policy year. Certain insureds who are currently eligible for both the Loss Free and CompAlliance credits will now take advantage of the Loss Free credit, increasing the effect of that credit

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 5 - CALCULATION OF AVERAGE PREMIUM DISCOUNT

Policy Year 1/1/2005 - 12/31/2005

Size of Risk	No of Risks	Std PY EP, Incl Exp Constant	Expense Constant	Std PY EP Excl Exp Constant
\$0 to \$9,999	12.901	28,122,556	1,975,294	26,147,262
\$10,000 to \$199,999	2.756	99,016,152	433,583	98,582,569
\$200,000 to \$1,749,999	92	31,445,538	14,516	31,431,022
Over \$1,750,000	2	7,970,447	160	7,970,287
Total	15,751 (1)	166,554,693	2,423,553	164,131,140
Standard Earned Premium excluding expense constant				164,131,140 (2)
Avg Standard Premium excluding Expense Constant (2) / (1)				10,420 (3)
Average Loss Costs (3) / LCM underlying current rates				4.457 (4)

Size of Risk	No. of Risks	First \$9,999	Next \$190,000	Next \$1,550,000	Over \$1,750,000	Total
\$0 to \$9,999	12,901	\$26,147,262	\$0	\$0	\$0	\$26,147,262
\$10,000 to \$199,999	2,756	27,557,244	71,025,325	0	0	98,582,569
\$200,000 to \$1,749,999	92	919,908	17,480,000	13,031,114	0	31,431,022
Over \$1,750,000	2	19,998	380,000	3,100,000	4,470,289	7,970,287
Total	15,751	54,644,412	88,885,325	16,131,114	4,470,289	164,131,140
Percentage		33.29%	54.16%	9.83%	2.72%	100.00%
Premium Discount		0.00%	9.10%	11.30%	12.30%	
Estimated Total Premium Discount						6.37%
Premium Discount adjusted to 2005 Standard Earned Premium @ Company Level						4.94%

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 6A - INVESTMENT INCOME ON UNEARNED PREMIUM & LOSS RESERVES

A. <u>Unearned Premium Reserve</u>		
1.	Direct earned premium for calendar year ended Dec. 31, 2006	\$154,810,070
2.	Mean Unearned Premium Reserve	64,628,596
3.	Percentage Total of Prepaid Expenses	
a.	Commission and Brokerage	0.0969
b.	Taxes, licenses and fees	0.0810
c.	50% of other acquisition cost	0.0161
d.	50% of general expense	0.0477
e.	Total	0.2417
4.	Dollar total of prepaid expense Line 2 times Line 3.e	15,622,154
5.	Subject to Investment: Line 2 minus Line 4	49,006,442
B. <u>Delayed Remission of Premium</u>		
	Line B = Line A.1 x 0.329	50,980,787
C. <u>Expected Loss and Loss Adjustment Reserve</u>		
	Mean Loss and Loss Adjustment Expense Reserve	249,300,660
D. <u>Net Subject to Investment</u>		
	Line A 5 minus Line B plus Line C	247,326,315
E. <u>Average Rate of Return on Invested Assets (Avg. 2004 - 2006) (Exhibit 6C)</u>		0.0503
F. <u>Investment Earnings on Net Subject to Investment</u>		
	Line D times Line E	\$12,431,688
G. <u>Ratio of Investment Earnings to 2006 Standard Earned Premium *</u>		
	Line F divided by Exhibit 4B Row 4 for 2006	0.0594
H. <u>Ratio of Investment Earnings to Earned Premium after Fed Income Taxes</u>		0.0594
	Line G times (1 - .00)	
I. Target Rate of Return		0.0500
J. Required Underwriting Profit Provision		-0.0094
	(I) - (H)	

* Note: Standard Earned Premium is from NCCI Call #5, Standard Calendar Year Earned Premium at Company Reporting Level

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 6B - INVESTMENT INCOME - SUPPORTING SCHEDULES

<u>Line A</u>	From Annual Statement	
	a. 2006 Direct Earned Premiums	\$ 154,810,070
	b. Unearned Premium Reserve as of 12/31/05	67,411,862
	c. Unearned Premium Reserve as of 12/31/06	61,845,330
	d. Mean unearned premium reserve: $\{(b) + (c)\} / 2$	64,628,596
	e. Ratio (d) / (a)	0.417
<u>Line B</u>	Data shown below is from the BALANCE SHEET (Page 2, lines 13.1 through 13.3)	
	a. 2006 Direct Earned Premiums	\$ 154,810,070
	b. Premium balance for year ending 12/31/2005	54,153,721
	c. Premium balance for year ending 12/31/2006	47,807,853
	d. Mean premium balance for 2006: $\{(b) / (c)\} / 2$	50,980,787
	e. Ratio (d) / (a)	0.329
<u>Line C</u>	Direct data shown below is from EXHIBIT OF PREMIUMS AND LOSSES (Page 14)	
	a. Loss & ALAE Reserve 2004	\$ 268,873,926
	b. Loss & ALAE Reserve 2005	241,693,593
	c. Loss & ALAE Reserve 2006	262,967,298
	d. Mean Loss & ALAE Reserve (2005 + 2006)/2	252,330,446
	e. CY 2006 Incurred Loss & ALAE (incl IBNR)	107,116,549
	f. Mean Loss & ALAE Res /CY 06 Inc Loss & ALAE (d/e)	2.356
	g. Mean Loss & ALAE Reserve (2004 + 2005)/2	255,283,760
	h. CY 2005 Incurred Loss & ALAE (Incl. IBNR)	57,342,824
	i. Mean Loss & ALAE Res /CY 05 Inc Loss & ALAE (g/h)	4.452
	j. Mean of Lines f and i	3.404
	k. Selected Mean Loss & LAE Ratio / CY Est Inc Loss & ALAE *	2.356
	i. Expected Loss & LAE Ratio	0.6835
	l. Mean Loss & LAE Reserve	\$ 249,300,660

* Note: Line C k. Current calculation overstates reserves due to impact of reserve takedowns in over the last few years
 Selection using 2006 ratio exclusively made to derive a more realistic reserve balance

**STATE OF RHODE ISLAND
 WORKERS' COMPENSATION INSURER RATE FILING
 CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 6C - INVESTMENT INCOME - CALCULATION OF INVESTMENT RETURN

A. Rate of Return for 2004			
a.	Net Investment Income for 2004	\$ 19,513,741	
b.	Total admitted invested assets @ 12/31/2004	425,422,854	
c.	Total admitted invested assets @ 12/31/2003	401,762,798	
d.	Average admitted invested assets for 2004: $\{(b) + (c)\} / 2$	413,592,826	
e.	Average Rate of return on investments for 2004: $(a) / (d)$	<table border="1"><tr><td>4.72%</td></tr></table>	4.72%
4.72%			
B. Rate of Return for 2005			
a.	Net Investment Income for 2005	\$ 21,211,809	
b.	Total admitted invested assets @ 12/31/2005	451,188,567	
c.	Total admitted invested assets @ 12/31/2004	425,422,854	
d.	Average admitted invested assets for 2005: $\{(b) + (c)\} / 2$	438,305,711	
e.	Average Rate of return on investments for 2005: $(a) / (d)$	<table border="1"><tr><td>4.84%</td></tr></table>	4.84%
4.84%			
C. Rate of Return for 2006			
a.	Net Investment Income for 2006	\$ 21,578,054	
b.	Total admitted invested assets @ 12/31/2006	444,883,838	
c.	Total admitted invested assets @ 12/31/2005	451,188,567	
d.	Average admitted invested assets for 2006: $\{(b) + (c)\} / 2$	448,036,203	
e.	Average Rate of return on investments for 2006: $(a) / (d)$	<table border="1"><tr><td>4.82%</td></tr></table>	4.82%
4.82%			
D.	Three year average rate of return $\{(A.e)+(B.e)+(C.e)\}/3$	<table border="1"><tr><td>4.79%</td></tr></table>	4.79%
4.79%			
E.	Selected Future Rate of Return	<table border="1"><tr><td>5.03%</td></tr></table>	5.03%
5.03%			

Note: All admitted asset and net investment income balances obtained from Annual Statements

Insurer Name: **The Beacon Mutual Insurance Company**

Date: 4/13/07

NAIC #: **24017**

**STATE OF RHODE ISLAND
WORKERS' COMPENSATION INSURER RATE FILING
CALCULATION OF LOSS COST MULTIPLIER**

EXHIBIT 6D - INVESTMENT INCOME - CALCULATION OF SELECTED FUTURE RATE OF RETURN

Annual Yield on Portfolio - Current Year Exhibit 6D (C)	4.82%		
X (1- Turnover %)	0.68		3.25%
Calculation of Reinvestment Yield	Reinvestment %	Est Yields	
Government (10yr Treasury)	27.23%	5.10%	1.39%
Agency & Corporate	72.77%	5.60%	4.08%
			5.46%
X Turnover %		0.32	1.77%
Developed Future Rate of Return			5.03%

Turnover %	2004	2005	2006	Average
Average Admitted Assets	\$ 413,592,826	\$ 438,305,711	\$ 448,036,203	\$ 433,311,580
Proceeds from bond sales (from cash flow)	144,659,153	113,828,429	163,545,689	140,677,757
Turnover %	34.98%	25.97%	36.50%	32.47%

Re: 2007 NCCI Rate Filing Adoption and Lost Cost Multiplier ("LCM") Filing

Attachment A

Answers to DBR "Rate Procedural Information Summary" questions 8,9,10, and 11

8) Provide the length of time the proposed rates are expected to remain in effect.
This filing will be in effect until we adopt the next NCCI filing.

9) Provide a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in this filing. Include the amount of rate changes for each risk described.

The largest and smallest rate changes would be those risks whose governing classes are the following classification codes:

<i>Classification</i>	<i>Classification Description</i>	<i>Manual Rate Change</i>
<i>2305</i>	<i>Textile fiber mfg.-synthetic</i>	<i>-33.15%</i>
<i>8861</i>	<i>Charitable or welfare organization-professional employees & clerical</i>	<i>+19.18%</i>

10) Provide an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in the filing.

Of the 363 class codes with in-force premium as of January 31, 2007, 83 class codes will have manual premium increases with only one (1) having an increase of greater than 15%.

11) Provide a statement signed by an actuary or an officer of the Company to certify that the data submitted in the filing is accurate and reliable.

A Certification Statement signed by the Chief Financial Officer is Attachment B to this letter.

Re: 2007 NCCI Rate Filing Adoption and Lost Cost Multiplier ("LCM") Filing

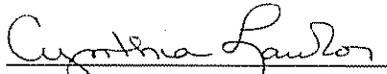
Attachment B

Certification

The undersigned, Cynthia L. Lawlor, in her capacity as the Chief Financial Officer of The Beacon Mutual Insurance Company ("Beacon Mutual"), does hereby certify on behalf of Beacon Mutual as follows:

- (i) The undersigned is the Chief Financial Officer of Beacon Mutual as of the date hereof, and is authorized to prepare rate and form filings.
- (ii) The data submitted in the attached LCM Rate Schedule is accurate and reliable.

IN WITNESS WHEREOF, the undersigned has executed this certificate effective as of the 13th day of April, 2007.



Cynthia L. Lawlor
Chief Financial Officer