

**A REPORT TO THE LEGISLATIVE COUNCIL AND THE
SENATE AND HOUSE COMMITTEES ON INSURANCE AND
COMMERCE OF THE ARKANSAS GENERAL ASSEMBLY (AS
REQUIRED BY ACT 1452 OF 2003)**

**USE AND IMPACT OF CREDIT IN PERSONAL
LINES INSURANCE PREMIUMS PURSUANT TO
ARK. CODE ANN. § 23-67-415**



**Prepared by: Dan Honey, Deputy Commissioner, Compliance
Arkansas Insurance Department**

Approved by: Allen Kerr, State Insurance Commissioner

Date Submitted: May 6, 2015

**2015 REPORT TO THE LEGISLATURE REGARDING THE USE AND IMPACT OF
CREDIT IN PERSONAL LINES INSURANCE PREMIUMS PURSUANT TO ARK.
CODE ANN. § 23-67-415 (Act 1452 of 2003)**

INTRODUCTION

Ark. Code Ann. § 23-67-415 (Act 1452 of 2003) requires all property and casualty insurance companies that write certain personal lines insurance products and use consumer credit information to annually report its effect on premiums not later than March 31 of each year.

In 2004, the Commissioner issued a Bulletin requiring all companies writing personal lines and using credit to file a report providing the required information¹.

THE ACT

Act 1452 of 2003 (the Act) is commonly referred to as the NCOIL² Model which was developed to address the use of credit and insurance scoring in personal lines insurance. The Act covers both the use of credit in determining a consumer's premium and the use of credit in underwriting. The Act prohibits several types of events from being considered when evaluating a consumer's credit;³ affords many rights to the consumer⁴ consistent with the Federal Fair Credit Reporting Act (FCRA);⁵ requires a specific notice to the consumers who are applying for insurance⁶ and imposes, consistent with existing law, certain actuarial justifications that must be met before a company may use credit⁷.

The effect of credit information derived from a consumer report is outlined in this report. Credit derived from a consumer report may be used in underwriting and rating personal lines of insurance⁸. To the extent credit information is used, it cannot be the sole factor in determining whether someone can obtain insurance or the amount to be paid for the coverage⁹. The FCRA determines what constitutes a consumer report and provides safeguards for correcting errors in a database containing a consumer's credit, personal, or lifestyle information. Arkansas adds an additional notice when a consumer applies for insurance or seeks a quote. This notice informs the consumer that credit will be used in conjunction with other factors to determine whether coverage will be offered and at what price.

¹ Bulletin 14-2004, Use of Credit Information under Ark. Code Ann. § 23-67-415 in Personal Insurance (attached as Exhibit 8 to this report)

² National Conference of Insurance Legislators

³ Ark. Code Ann. §§ 23-67-405 and 411

⁴ Ark. Code Ann. §§ 23-67-406 and 408

⁵ 15 U.S.C. §§ 1681 *et seq.*

⁶ Ark. Code Ann. § 23-67-407

⁷ Ark. Code Ann. §§ 23-67-201 through 212, 405 and Rule 23

⁸ 15 U.S.C. § 1681a(d)(1)(A)

⁹ Other factors considered usually involve past claims history, the specific property to be insured, the value of the property, driving experience and other factors related to the risk. Credit is simply one of the many factors considered.

COMPILATION OF DATA

Insurers required by the Act to report to the Commissioner, must provide:

- (1) Policies written during the preceding year;
- (2) Policies that received a premium increase due to credit scoring during the preceding year;
and
- (3) Policies that received a premium decrease due to credit scoring during the preceding year.

All insurers using credit as a rating component reported by the following lines as required by the Act.

- Private Passenger Automobile
- Homeowners
- Motorcycle
- Non-commercial Dwelling/Fire
- Non-commercial Farmowners
- Personal Watercraft
- Boat
- Snowmobile
- Recreational Vehicle

In 2014, 163 companies reported premium derived from personal lines of insurance. Total premium for those lines during 2014 exceeded \$2,445,007,726.

Of those:

- 130 insurers writing \$2,394,307,937 in premium utilized credit in determining the final premium.
- 33 insurers writing \$50,699,799 in premium did not utilize credit in determining the final premium.

AGGREGATE TOTALS FOR ALL PERSONAL LINES

During 2014 for all personal lines coverages:

- 3,297,155 policies were written or renewed that involved the use of credit as one of the factors contributing to the final premium.
- 1,555,924 policies (47.2%) resulted in the premium being decreased.
- 459,444 policies (13.9%) resulted in the premium being increased.
- In the remaining 1,281,787 policies (38.9%), credit was a neutral factor and did not contribute to or change the final premium.
- For those policies in which credit played some role in determining the final premium, those receiving a decrease outnumbered those who received an increase by 3.39 to 1.
- 86% of consumers either received a discount for credit or it had no effect on their premium.

PRIVATE PASSENGER AUTOMOBILE INSURANCE AND CREDIT

During 2014 for private passenger automobile coverages:

- 2,127,680 policies were written or renewed that involved the use of credit as one of the factors contributing to the final premium.
- 977,131 policies (45.9 %) resulted in the premium being decreased.
- 315,053 policies (14.8%) resulted in the premium being increased.
- In the remaining 835,496 polices (39.3%), credit was a neutral factor and did not contribute to or change the final premium.
- For those policies in which credit played some role in determining the final premium, those receiving a decrease outnumbered those who received an increase by 3.10 to 1.
- 85.2% of consumers either received a discount for credit or it had no effect on their premium.

HOMEOWNERS INSURANCE AND CREDIT

During 2014 for homeowners coverages:

- 711,299 policies were written or renewed that involved the use of credit as one of the factors contributing to the final premium.
- 408,562 policies (57.44%) resulted in the premium being decreased.
- 111,588 policies (15.7%) resulted in the premium being increased.
- In the remaining 191,149 polices (26.9%), credit was a neutral factor and did not contribute to or change the final premium.
- For those policies in which credit played some role in determining the final premium, those receiving a decrease outnumbered those who received an increase by 3.66 to 1.
- 84.3% of consumers either received a discount for credit or it had no effect on their premium.

OTHER PERSONAL LINES

During 2014, for other personal lines:

- 458,176 policies were written or renewed that involved the use of credit as one of the factors contributing to the final premium.
- 170,231 policies (37.2%) resulted in the premium being decreased.
- 32,803 policies (7.2%) resulted in the premium being increased.
- In the remaining 255,142 polices (55.7%), credit was a neutral factor and did not contribute to or change the final premium.
- For those policies in which credit played some role in determining the final premium, those receiving a decrease outnumbered those who received an increase by 5.19 to 1.
- 92.8% of consumers either received a discount for credit or it had no effect on their premium.

SUMMARY

Act 1452 required each insurance company using credit as a component in determining an insured's premium to report to the Commissioner. A compilation of these reports indicate four-fifths of the insurers writing personal lines insurance utilize consumer credit. The data also indicates that 86.1% of consumers whose premium involved a credit component either received a lower premium or their premium was unaffected. Overall 47.2% of consumers received some decrease in their premium as opposed to only 13.9% who received some increase in their premium.

The companies using credit wrote 97.93% of the personal lines premium volume in Arkansas during 2014.

EXHIBITS

The following are attached as exhibits to this report:

- Exhibit 1: Results for Insurers Using Credit
- Exhibit 2: Results for Insurers Using Credit – Other Lines
- Exhibit 3: Impact of Credit – All Personal Lines
- Exhibit 4: Impact of Credit - Percent
- Exhibit 5: Credit Use in Private Passenger Auto
- Exhibit 6: Credit Use in Homeowners
- Exhibit 7: Changes from 2013
- Exhibit 8: Bulletin 14-2004

Exhibit 1
Results for Insurers Using Credit

| Personal Lines | Private Passenger Auto | Homeowners | Other | Totals |
|--|------------------------------|------------|---------|-----------|
| Policies written during the preceding calendar year | 2,127,680 | 711,299 | 458,176 | 3,297,155 |
| Policies that received a premium increase due to credit scoring during the preceding calendar year | 315,053 | 111,588 | 32,803 | 459,444 |
| Policies that received a premium decrease due to credit scoring during the preceding calendar year | 977,131 | 408,562 | 170,231 | 1,555,924 |
| Policies upon which Credit had no effect | 835,496 | 191,149 | 255,142 | 1,281,787 |

| Effect of Credit - Percent | Private Passenger Auto | Homeowners | Other | Totals |
|---|------------------------------|---------------|---------------|---------------|
| No Effect | 39.2% | 26.9% | 55.7% | 38.9% |
| Increase | 1.6% | 1.2% | 0.7% | 1.3% |
| Decrease | 45.9% | 57.4% | 37.2% | 47.2% |
| Total Neutral and Decrease | 85.2% | 84.3% | 92.8% | 86.1% |
| Ratio Decrease:Increase | 3.10:1 | 3.66:1 | 5.19:1 | 3.39:1 |
| Decreases as a percent of subset of policies where credit affected the final premium | 76% | 79% | 84% | 77% |

Exhibit 2
Results for Insurers Using Credit – Other Lines

| Other Personal Lines Using Credit | Non | | | | | | | Totals | |
|--|------------|-------------|--------------------------|-----------------------|---------------------|--------|-------------|--------|----------------------|
| | Motorcycle | Mobile Home | Commercial Dwelling/Fire | Commercial Farmowners | Personal Watercraft | Boat | Snow mobile | | Recreational Vehicle |
| Policies written during the preceding calendar year | 81,862 | 46,184 | 155,652 | 7,541 | 10,832 | 83,165 | 1,410 | 71,530 | 458,176 |
| Policies that received a premium decrease due to credit scoring during the preceding calendar year | 14,833 | 3,599 | 4,254 | 43 | 799 | 7,368 | 391 | 864 | 32,805 |
| Policies that received a premium decrease due to credit scoring during the preceding calendar year | 46,283 | 13,275 | 57,874 | 5,342 | 2,334 | 27,613 | 351 | 17,159 | 170,231 |
| Policies upon which Credit had no effect | 20,746 | 29,310 | 93,972 | 2,156 | 7,699 | 48,184 | 668 | 53,507 | 255,142 |

| Effect of Credit - Percent | Non | | | | | | | Totals | |
|----------------------------|------------|-------------|--------------------------|-----------------------|---------------------|------|-------------|--------|----------------------|
| | Motorcycle | Mobile Home | Commercial Dwelling/Fire | Commercial Farmowners | Personal Watercraft | Boat | Snow mobile | | Recreational Vehicle |
| No Effect | 25% | 63% | 60% | 29% | 71% | 58% | 47% | 75% | 56% |
| Increase | 18% | 35% | 3% | 1% | 7% | 9% | 28% | 1% | 7% |
| Decrease | 57% | 29% | 37% | 71% | 22% | 33% | 25% | 24% | 37% |
| Total Neutral or Decrease | 82% | 92% | 97% | 99% | 93% | 91% | 72% | 99% | 93% |

| | | | | | | | | | |
|--|--------|--------|--------|-------|--------|--------|-------|---------|--------|
| Ratio Decrease: Increase | 3.12:1 | 3.69:1 | 11.8:1 | 124:1 | 2.92:1 | 3.75:1 | .90:1 | 19.86:1 | 5.19:1 |
| Decreases as a percent of subset of policies where credit affected the final premium | 76% | 79% | 92% | 99% | 74% | 79% | 47% | 95% | 84% |

Exhibit 3

Effect of Credit - ALL Personal Lines

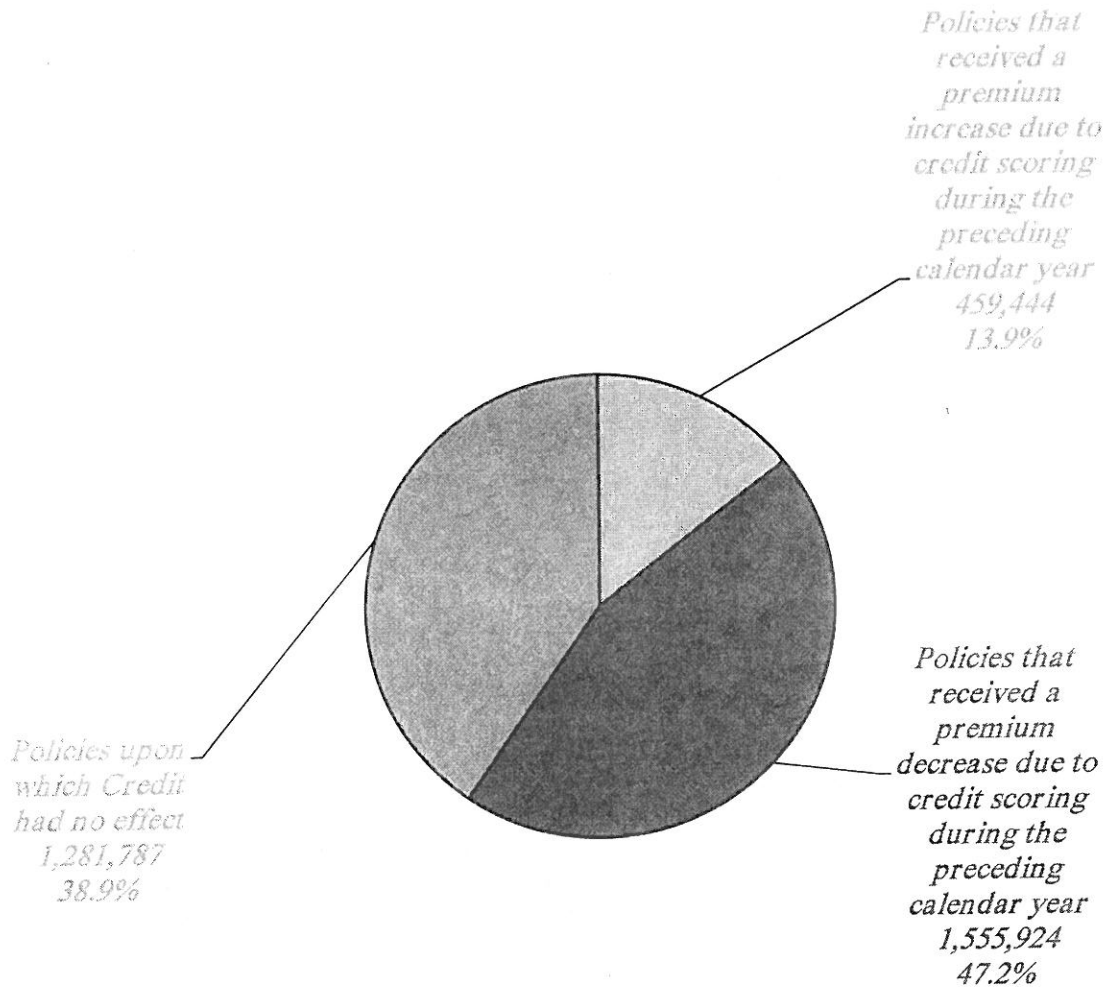


Exhibit 4
Impact of Credit - Percent

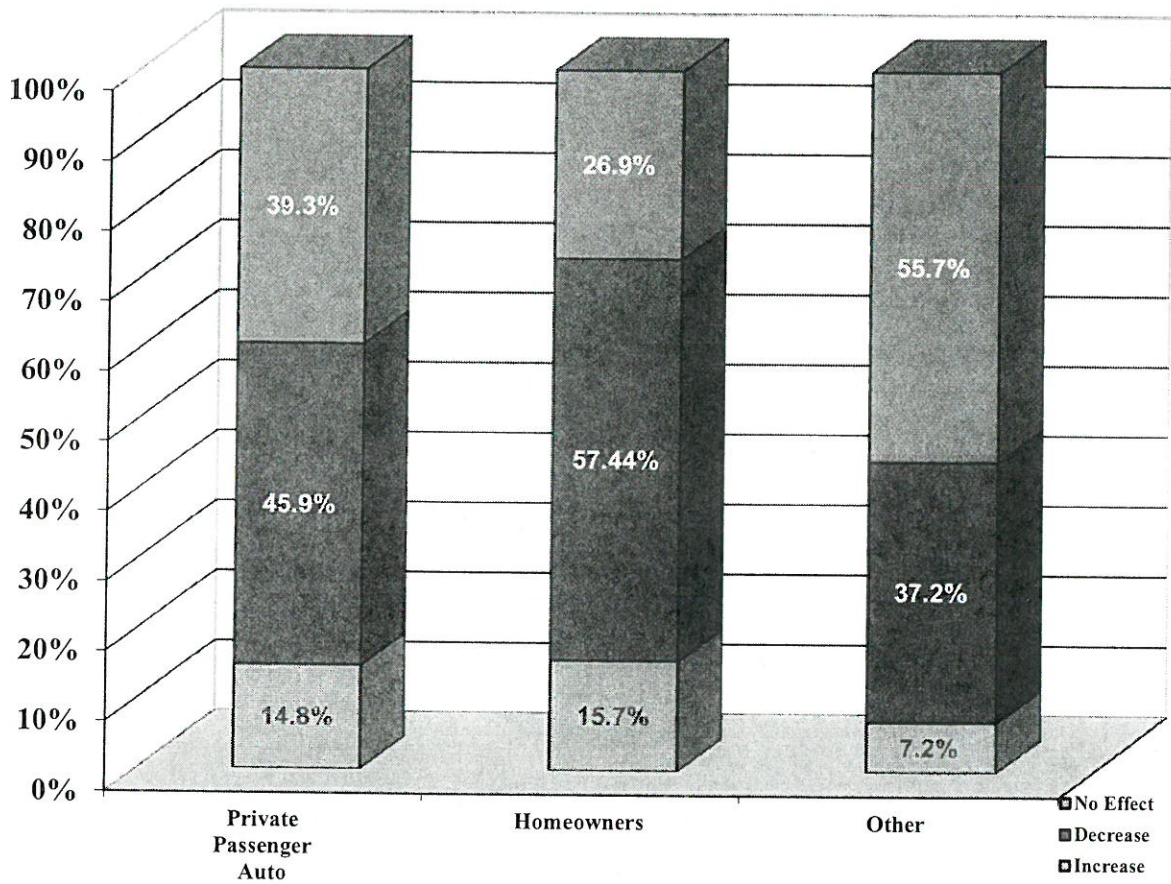


Exhibit 5

Effect of Credit -Private Passenger Auto

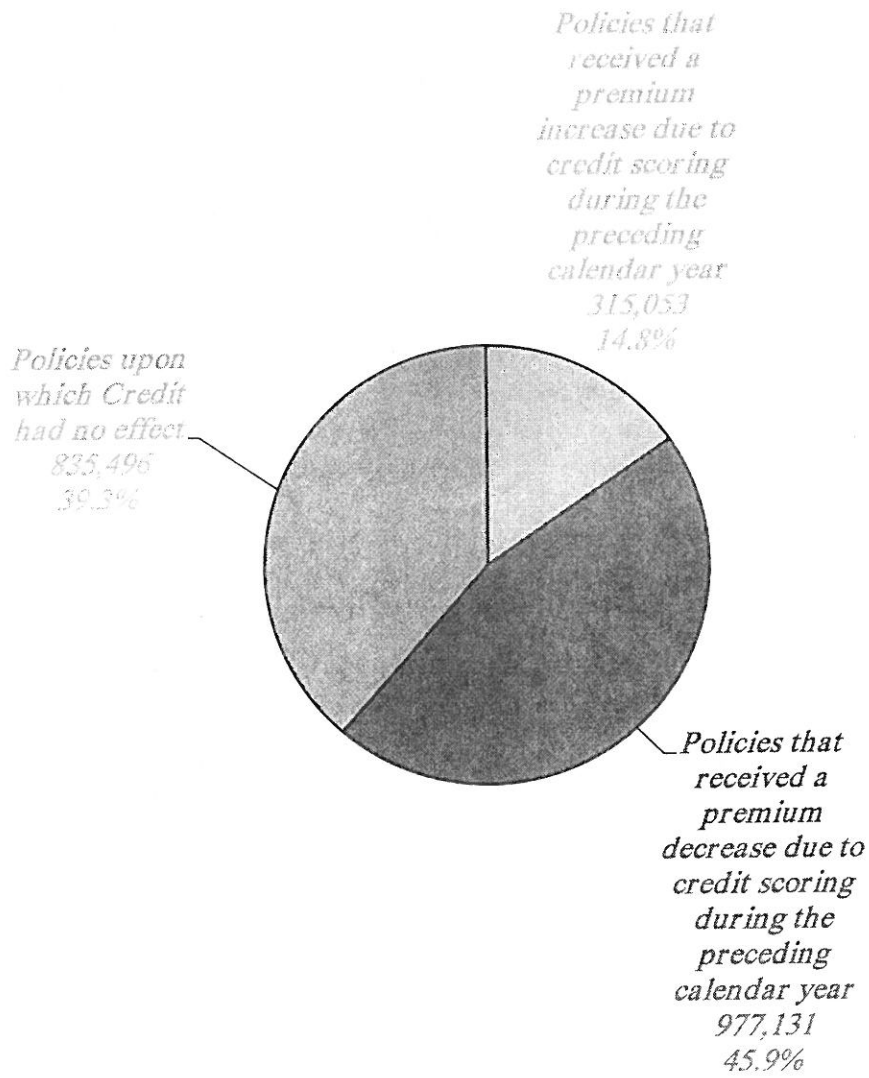
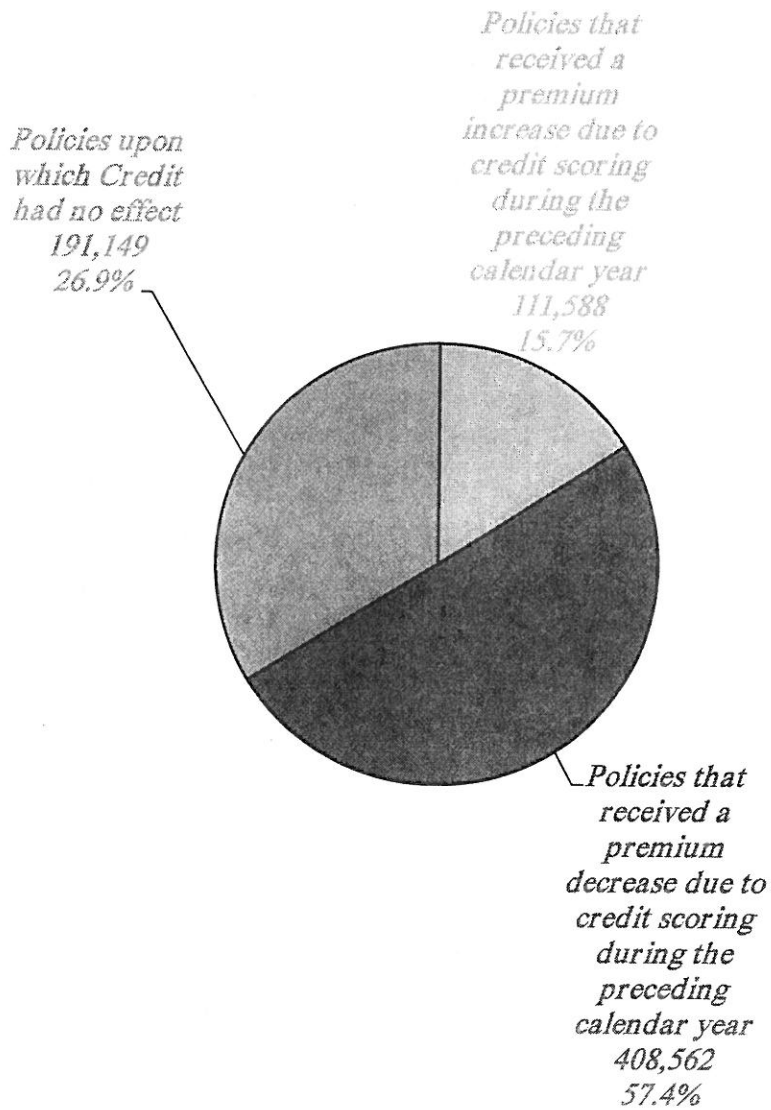


Exhibit 6

Effect of Credit - Homeowners



**Exhibit 7
Changes from 2013**

| 2013 Data Companies Using Credit Policies | Private Passenger Auto | Homeowners | Other | Totals |
|---|------------------------------|------------------|----------------|----------------|
| | | 2,124,269 | 675,288 | 443,486 |
| Increases | 327,719 | 107,851 | 32,961 | 468,531 |
| Decreases | 977,063 | 338,912 | 149,446 | 1,465,421 |
| No Effect | 819,487 | 228,525 | 261,079 | 1,309,091 |

| 2014 Data Companies Using Credit Policies | Private Passenger Auto | Homeowners | Other | Totals |
|---|------------------------------|------------------|----------------|----------------|
| | | 2,127,680 | 711,299 | 458,176 |
| Increases | 315,053 | 111,588 | 32,803 | 459,444 |
| Decreases | 977,131 | 408,562 | 170,231 | 1,555,924 |
| No Effect | 835,496 | 191,149 | 255,142 | 1,281,787 |

| Difference between years Data Companies Using Credit Policies | Private Passenger Auto | Homeowners | Other | Totals |
|--|------------------------------|--------------|---------------|---------------|
| | | 3,411 | 36,011 | 14,690 |
| Increases | 12,660 | 3,737 | -158 | 16,039 |
| Decreases | 68 | 69,650 | 20,785 | 90,503 |
| No Effect | 16,009 | -37,376 | -5,937 | -27,304 |

| Difference between years Data Companies Using Credit Policies | Private Passenger Auto | Homeowners | Other | Totals |
|--|------------------------------|-------------|-------------|-------------|
| | | 0.2% | 5.3% | 3.3% |
| Increases | 6.0% | 5.5% | 0.8% | 4.0% |
| Decreases | 0% | 20.6% | 13.9% | 6.2% |
| No Effect | 2.0% | -16.4% | -2.3% | -2.1% |



Exhibit 8

Arkansas Insurance Department

1200 West Third Street
Little Rock, AR 72201-1904
1-501-371-2600
1-800-282-9134
Fax 1-501-371-2618
www.state.ar.us/insurance

Mike Huckabee
Governor

Mike Pickens
Commissioner

December 15, 2004

BULLETIN NO. 14-2004

TO: ALL LICENSED PROPERTY AND CASUALTY INSURERS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, TRADE ORGANIZATIONS, AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: USE OF CREDIT INFORMATION UNDER ARK. CODE ANN. § 23-67-415 IN PERSONAL INSURANCE FOR PRIVATE PASSENGER AUTO, HOMEOWNERS, MOTORCYCLE, MOBILE HOME, NON COMMERCIAL DWELLING/FIRE, NON COMMERCIAL FARMOWNERS, PERSONAL WATERCRAFT, BOAT, SNOWMOBILE, RECREATIONAL VEHICLES

EFFECTIVE DATE: DECEMBER 15, 2004

Arkansas Code Annotated § 23-67-415 requires that no later than March 31 of each year, each insurance company writing any personal insurance that uses credit-scoring information shall report to the Insurance Commissioner for each personal insurance type listed in § 23-67-404(9) the number of:

- (1) Policies written during the preceding year;
- (2) Policies that received a premium increase due to credit scoring during the preceding year; and
- (3) Policies that received a premium decrease due to credit scoring during the preceding year.

This subchapter applies to personal insurance and not to commercial insurance or any other type of insurance. "Personal insurance" means private passenger automobile, homeowners, motorcycle, mobile home owners, noncommercial dwelling fire insurance, noncommercial farm owners, boat, personal watercraft, snowmobile, and recreational vehicle policies. If your company does not write any of the lines of insurance included in this definition of "personal insurance" nor have any policies in force and effect covering said lines at any time during the period covered by the report, please notify the Property and Casualty Division of that fact prior to the March 31st due date. Such notification shall be considered meeting the reporting requirements of the Act.

Information filed with the commissioner under this section by an insurance company shall be treated as proprietary information and is exempt from public disclosure.

Attached to this Bulletin is a suggested form upon which to report the required information. This form will be available on our website at www.accessarkansas.org/insurance/pdf/bulletin_14_2004.pdf and we can furnish it as an attachment to an email as well.

If you should have any questions, please contact Alexa Grissom or Becky Harrington, Property and Casualty Division, at (501) 371-2800 or alexa.grissom@arkansas.gov or becky.harrington@arkansas.gov or fax at (501) 371-2748.

(signed by Mike Pickens)

December 14, 2004

MIKE PICKENS
INSURANCE COMMISSIONER

DATE

Arkansas General Assembly

The Senate and House Interim
Committees on Insurance and Commerce

July 1, 2015

U.S. Life Insurers by Year Number of Companies

| <u>Year</u> | <u>Stock</u> | <u>Mutual</u> | <u>Fraternal</u> | <u>Other</u> | <u>Total</u> |
|-------------|--------------|---------------|------------------|--------------|--------------|
| 1960 | 1286 | 155 | N/A | N/A | 1441 |
| 1970 | 1627 | 153 | N/A | N/A | 1780 |
| 1980 | 1823 | 135 | N/A | N/A | 1958 |
| 1990 | 2078 | 117 | N/A | N/A | 2195 |
| 2000 | 1018 | 221 | N/A | 30 | 1269 |
| 2013 | 648 | 113 | 82 | 7 | 850 |

N/A: Not Available

U.S. Life Insurance Companies by State of Domicile

| <u>State</u> | <u>1995</u> | <u>2000</u> | <u>2013</u> |
|--------------|-------------|-------------|-------------|
| Alabama | 59 | 14 | 10 |
| Arkansas | 39 | 36 | 22 |
| Kansas | 17 | 13 | 12 |
| Louisiana | 58 | 43 | 26 |
| Mississippi | 24 | 26 | 11 |
| Missouri | 54 | 40 | 22 |
| Oklahoma | 30 | 28 | 23 |
| Tennessee | 45 | 38 | 9 |
| Texas | 238 | 162 | 113 |

State of Arkansas

| | |
|-------------------------------|------|
| Licensed Insurance Companies* | 1525 |
| Domestic | 58 |
| Foreign Insurers | 1467 |
| Domestic Surplus Lines | 2 |
| Life and Health | 22 |
| Property and Casualty/Other | 33 |

*Arkansas Insurance Department
2013 Annual Report

State of Arkansas

Senate & House

Meeting of the Insurance & Commerce Committees

July 1, 2015

Report on Property and Casualty Insurance Companies:

There are two types of insurance companies;

1. Stock insurance companies. These are owned by stock holders.
2. Mutual insurance companies. These are owned by the policy holders.

Property Insurance Companies domiciled in Arkansas:

Mutual Insurance Companies:

1. Agents Mutual Insurance Company (Pine Bluff)
2. Farm Bureau Mutual of Arkansas (Little Rock)
3. Farmers Fire Insurance Company (Conway)
4. Farmers Mutual Insurance Company (Gentry)
5. Farmers Mutual Fire (Carroll County)
6. Farmers & Home Mutual Insurance Company (Paragould)
7. Farmers Mutual Insurance (Rogers)
8. Farmers Union Mutual Insurance Company (Bryant)
9. Logan County Farmers Mutual Aid
10. Washington County Farmers Mutual Fire

Stock Insurance Companies:

1. Allied World Surplus Lines Insurance Company (**Darwin Select**)
2. American Underwriters Insurance Company (**Fairfax Financial Group**)
3. Arkansas Mutual Insurance Company (Little Rock)
4. Direct National Insurance Company (**Direct General Group**)
5. Kinsale Insurance Company (**Citicorp International Group**)
6. Southern Pioneer P & C Ins. Co. (Jonesboro)
7. United Home Insurance Company (Paragould)
8. Vantapro Specialty Insurance Company (**Allied World Assurance Holding**)

Arkansas

Primary Government

Governmental Activities

General Obligation Bonds - The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 2014, were as follows (expressed in thousands):

| | Final maturity date (1) | Interest rates % | Balance |
|--|--|-----------------------------|---------------------|
| Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds: | | | |
| 2010 Series Federal Highway G.O. Bonds | 2015 | 2.50 - 5.00 | \$ 71,505 |
| 2012 Series Federal Highway G.O. Bonds | 2025 | 3.00 - 5.00 | 197,005 |
| 2013 Series Federal Highway G.O. Bonds | 2026 | 4.00 - 5.00 | 171,465 |
| Four-Lane Highway Construction and Improvement G.O. Bonds: | | | |
| 2013 Series Four Lane Highway G.O. Bonds | 2023 | 1.00 - 5.00 | 463,895 |
| Amendment 82 G.O. Bonds | | | |
| 2014 Series Capital Improvement G.O. Bonds | 2035 | 1.00 - 4.00 | (630) 125,000 |
| Arkansas Natural Resources Commission Bonds: | | | |
| 2005A Series Water, Waste and Pollution | 2026 | 3.25 - 4.35 | 3,720 |
| 2005B Series Water, Waste and Pollution | 2028 | 3.00 - 4.75 | 6,735 |
| 2006A Series Water, Waste and Pollution | 2017 | 5.00 | 4,485 |
| 2006B Series Water, Waste and Pollution | 2037 | 3.50 - 4.50 | 6,350 |
| 2007A Series Water, Waste and Pollution | 2041 | 4.00 - 4.50 | 6,760 |
| 2008A Series Water, Waste and Pollution | 2043 | 3.50 - 4.60 | 21,885 |
| 2009A Series Water, Waste and Pollution | 2044 | 2.00 - 4.88 | 13,270 |
| 2010A Series Water, Waste and Pollution | 2045 | 2.00 - 4.50 | 21,560 |
| 2010B Series Water, Waste and Pollution | 2021 | 1.00 - 4.10 | 23,800 |
| 2010C Series Water, Waste and Pollution | 2021 | 2.00 - 3.00 | 5,935 |
| 2012A Series Water, Waste and Pollution | 2027 | 1.50 - 3.30 | 32,850 |
| 2012B Series Water, Waste and Pollution | 2048 | 2.00 - 4.00 | 42,915 |
| 2013A Series Water, Waste and Pollution | 2024 | 2.00 - 3.30 | 30,000 |
| College Savings Bonds: | | | |
| 1996C Series, G.O. Bonds | 2016 | 6.00 | 6,636 |
| 1997B Series, G.O. Bonds | 2017 | 5.45 - 5.60 | 7,569 |
| 1998A Series, G.O. Bonds | 2017 | 5.25 - 5.35 | 7,409 |
| 2005 Series, G.O. Bonds | 2016 | 3.60 - 5.00 | 9,455 |
| Higher Education Bonds: | | | |
| 2007A Series, G.O. Bonds | 2023 | 4.00 - 5.00 | 90,895 |
| 2007B Series, G.O. Bonds | 2029 | 4.38 - 4.75 | 126,825 |
| Total | | | \$ <u>1,373,554</u> |

(1) Fiscal year

Arkansas

Schedule 7 Ratios of Outstanding Debt by Type (Unaudited) Last Ten Fiscal Years (Expressed in thousands, except per capita amount)

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental | | | | | | | | | | |
| General obligation bonds | \$ 1,373,554 | \$ 812,213 | \$ 681,698 | \$ 755,868 | \$ 942,722 | \$ 855,599 | \$ 912,295 | \$ 972,193 | \$ 900,402 | \$ 944,858 |
| Special obligations | | | | | | | | | | |
| Revenue bond guaranty fund | 590 | 3,775 | 2,545 | 1,385 | | 2,575 | 5,703 | 2,925 | 2,988 | 370 |
| Add (deduct): | | | | | | | | | | |
| Unamortized bond refunding loss (4) | | (18,045) | (21,072) | (16,849) | (30,593) | (11,852) | (13,140) | (14,365) | (5,542) | (4,807) |
| Issuance premiums (discounts) | 84,980 | 43,406 | 17,438 | 21,287 | 28,002 | 12,614 | 15,786 | 18,689 | 15,814 | 16,141 |
| Other debt instruments | | | | | | | | | | |
| Notes payable to component unit | 85,694 | 92,051 | 98,883 | 160,674 | 100,788 | 109,893 | 117,390 | 121,644 | 123,256 | 96,683 |
| Notes payable to pension trust fund | | | | 2,685 | 5,172 | 7,474 | 9,606 | 11,580 | 13,408 | 15,100 |
| Revolving loan fund | | | | 155 | | | | | | |
| Notes payable to healthcare financing administration | | | | | | | | | | 171 |
| Capital leases | 2,947 | 3,245 | 3,576 | | 692 | 1,874 | 4,586 | 3,520 | 4,420 | 6,927 |
| Capital leases with component unit | 129,017 | 129,855 | 128,540 | 131,468 | 137,949 | 123,800 | 151,792 | 114,450 | 97,824 | 107,522 |
| Installment sale with component unit | 10,340 | 10,870 | 11,580 | 11,870 | 12,340 | 12,795 | 13,210 | | | |
| Total governmental activities debt | <u>1,687,122</u> | <u>1,977,372</u> | <u>922,988</u> | <u>1,008,543</u> | <u>1,207,072</u> | <u>1,114,772</u> | <u>1,197,228</u> | <u>1,327,738</u> | <u>1,152,775</u> | <u>1,182,963</u> |
| Business-Type | | | | | | | | | | |
| Special obligation | | | | | | | | | | |
| War Memorial Stadium Commission | 1,500 | 2,000 | 2,500 | 3,000 | 1,700 | | | | | |
| Construction Assistance Revolving Loan Fund | 40,220 | 52,020 | 63,340 | 41,995 | 57,910 | 65,120 | 72,965 | 78,775 | 83,955 | 88,910 |
| Safe Drinking Water Revolving Loan Fund | 24,065 | 24,375 | 24,375 | | | | | | | |
| College & university revenue bonds | 1,859,395 | 1,806,426 | 1,651,225 | 1,594,226 | 1,402,967 | 1,314,295 | 1,246,075 | 1,197,070 | 1,155,673 | 895,910 |
| Add (deduct): issuance premiums (discounts) | 77,148 | 55,914 | 27,663 | 15,635 | 9,214 | 8,364 | 9,507 | 8,912 | 8,803 | 100 |
| Notes payable | 98,305 | 118,465 | 66,170 | 56,988 | 45,092 | 47,285 | 32,016 | 22,920 | 17,930 | 17,128 |
| Notes payable with component unit | 561 | 1,083 | 1,509 | 2,046 | 2,550 | 3,042 | 3,518 | 3,857 | 6,666 | 8,728 |
| Capital leases | 38,508 | 52,110 | 43,537 | 46,178 | 40,408 | 45,002 | 42,002 | 29,737 | 25,692 | 21,470 |
| Capital leases with component unit | | | 358 | 420 | 620 | 810 | 995 | 1,174 | 1,354 | 1,665 |
| Total business-type activities debt | <u>2,139,502</u> | <u>2,112,293</u> | <u>1,880,677</u> | <u>1,760,488</u> | <u>1,560,461</u> | <u>1,483,918</u> | <u>1,406,878</u> | <u>1,344,445</u> | <u>1,291,473</u> | <u>1,033,911</u> |
| Total Primary Government Debt | <u>3,826,624</u> | <u>3,189,765</u> | <u>2,803,665</u> | <u>2,769,031</u> | <u>2,767,533</u> | <u>2,598,690</u> | <u>2,604,106</u> | <u>2,572,183</u> | <u>2,452,248</u> | <u>2,216,874</u> |
| Debt Ratios: Primary Government | | | | | | | | | | |
| Ratio of primary government debt to personal income (1) | 3.48% | 2.99% | 3.68% | 2.77% | 2.95% | 2.84% | 2.80% | 2.90% | 2.96% | 2.86% |
| Per capita (2) | \$ 1,288 | \$ 1,077 | \$ 950 | \$ 942 | \$ 946 | \$ 896 | \$ 905 | \$ 902 | \$ 868 | \$ 795 |
| Net General Obligation Bonded Debt | | | | | | | | | | |
| Gross bonded debt (3) | \$ 1,373,554 | \$ 812,213 | \$ 681,698 | \$ 755,868 | \$ 942,722 | \$ 855,599 | \$ 912,295 | \$ 972,193 | \$ 900,402 | \$ 944,858 |
| Less: debt service funds | (140,020) | (146,234) | (136,247) | (136,092) | (243,153) | (183,325) | (255,199) | (248,143) | (111,587) | (100,166) |
| Net bonded debt | <u>\$ 1,233,534</u> | <u>\$ 665,979</u> | <u>\$ 545,451</u> | <u>\$ 619,776</u> | <u>\$ 699,569</u> | <u>\$ 672,274</u> | <u>\$ 657,096</u> | <u>\$ 724,050</u> | <u>\$ 788,815</u> | <u>\$ 844,692</u> |
| Per capita (2) | \$ 415 | \$ 225 | \$ 181 | \$ 211 | \$ 239 | \$ 232 | \$ 228 | \$ 254 | \$ 229 | \$ 303 |
| Supplementary Information | | | | | | | | | | |
| Component Unit Debt | | | | | | | | | | |
| Arkansas Student Loan Authority | | | | | | | | | | |
| Revenue bonds payable | \$ 282,792 | \$ 332,467 | \$ 213,547 | \$ 241,281 | \$ 521,450 | \$ 612,400 | \$ 691,150 | \$ 753,780 | \$ 753,780 | \$ 580,700 |
| Less: unamortized bond issuance cost | (1,347) | (5,135) | (5,428) | | | | | | | (2,411) |
| Notes payable | 23,113 | | 183,866 | 217,373 | 252,700 | | | | | |
| Arkansas Development Finance Authority | | | | | | | | | | |
| Bonds payable | 782,991 | 767,035 | 822,954 | 954,340 | 1,153,676 | 1,080,671 | 1,084,940 | 1,133,632 | 1,114,118 | 1,173,362 |
| Notes payable | 1,469 | 1,223 | 29,527 | 13,634 | 4,236 | | | | | 326,035 |
| Add (deduct): issuance premiums (discounts) | 642 | 555 | 854 | 1,318 | 1,756 | 2,232 | 2,951 | 2,686 | (517) | (964) |
| U of A Foundation annuity obligations | 16,259 | 15,204 | 14,804 | 15,967 | 16,669 | 15,443 | 18,362 | 19,086 | 18,524 | 16,783 |
| Total Component Unit Debt | <u>1,105,019</u> | <u>1,111,345</u> | <u>1,269,204</u> | <u>1,443,913</u> | <u>1,950,487</u> | <u>1,710,746</u> | <u>2,003,126</u> | <u>2,139,455</u> | <u>2,198,212</u> | <u>2,095,698</u> |
| Total Debt | <u>\$ 4,931,643</u> | <u>\$ 4,301,110</u> | <u>\$ 4,072,869</u> | <u>\$ 4,212,944</u> | <u>\$ 4,718,020</u> | <u>\$ 4,309,436</u> | <u>\$ 4,607,232</u> | <u>\$ 4,702,638</u> | <u>\$ 4,650,460</u> | <u>\$ 4,312,574</u> |
| Debt Ratios | | | | | | | | | | |
| Ratio of total debt to personal income (1) | 4.48% | 4.03% | 3.90% | 4.21% | 5.04% | 4.70% | 4.95% | 5.29% | 5.61% | 5.57% |
| Per capita (2) | \$ 1,660 | \$ 1,453 | \$ 1,380 | \$ 1,435 | \$ 1,614 | \$ 1,486 | \$ 1,601 | \$ 1,649 | \$ 1,647 | \$ 1,547 |

(1) Personal income data can be found in schedule 9.

(2) Population can be found in schedule 9.

(3) Bond detail can be found in Note 8 to the financial statements.

(4) For FY14, the unamortized bond refunding loss was reclassified to a separately reported deferred outflow of resources in accordance with GASB Statement 05.

Arkansas

Schedule 8 Pledged Revenue Bond Coverage (Unaudited) Last Ten Years (Expressed in thousands)

| Colleges and Universities (1) | Gross Revenue (2) | Direct Operating Expense | Net Revenue Available for Debt Service | Net Revenue Available for Debt Service | | Total Debt Service | Coverage |
|--|-------------------|--------------------------|--|--|-----------|--------------------|----------|
| | | | | Principal | Interest | | |
| Refunding Bonds | | | | | | | |
| 2014 | \$ 438,139 | \$ 1,547 | \$ 436,592 | \$ 15,800 | \$ 13,867 | \$ 29,733 | 14.68 |
| 2013 | 219,191 | 3,642 | 215,549 | 9,406 | 6,228 | 15,634 | 13.79 |
| 2012 | 182,428 | 3,876 | 178,552 | 8,772 | 6,367 | 15,139 | 11.79 |
| 2011 | 161,448 | 6,173 | 155,275 | 12,380 | 6,747 | 19,127 | 8.12 |
| 2010 | 139,163 | 5,210 | 133,953 | 7,629 | 5,063 | 13,292 | 10.08 |
| 2009 | 78,092 | 3,361 | 74,731 | 6,086 | 4,016 | 10,102 | 7.39 |
| 2008 | 76,479 | 12,134 | 64,345 | 5,300 | 3,659 | 8,959 | 7.18 |
| 2007 | 63,172 | 8,086 | 55,086 | 4,700 | 3,023 | 7,723 | 7.13 |
| 2006 | 60,064 | 7,344 | 52,720 | 3,925 | 2,295 | 6,220 | 8.48 |
| Housing Bonds | | | | | | | |
| 2014 | \$ 55,863 | \$ 7,817 | \$ 48,046 | \$ 7,269 | \$ 10,332 | \$ 17,601 | 2.73 |
| 2013 | 31,803 | 8,483 | 23,320 | 5,013 | 7,387 | 12,400 | 1.88 |
| 2012 | 35,424 | 9,768 | 25,656 | 4,650 | 7,908 | 12,558 | 2.04 |
| 2011 | 54,774 | 23,103 | 31,671 | 4,380 | 7,532 | 11,912 | 2.66 |
| 2010 | 48,552 | 27,908 | 20,644 | 3,785 | 6,940 | 10,725 | 1.92 |
| 2009 | 60,375 | 34,186 | 26,189 | 3,105 | 6,410 | 9,515 | 2.75 |
| 2008 | 55,512 | 35,237 | 20,275 | 3,075 | 5,766 | 8,841 | 2.29 |
| 2007 | 27,940 | 16,486 | 11,454 | 2,190 | 4,627 | 6,817 | 1.68 |
| 2006 | 24,456 | 17,323 | 7,133 | 1,400 | 3,899 | 5,299 | 1.35 |
| Facilities Bonds | | | | | | | |
| 2014 | \$ 1,099,298 | \$ 546,220 | \$ 553,078 | \$ 36,326 | \$ 50,194 | \$ 86,520 | 6.39 |
| 2013 | 1,223,066 | 700,715 | 522,351 | 39,196 | 55,601 | 94,797 | 5.51 |
| 2012 | 1,234,078 | 689,269 | 544,809 | 37,213 | 50,729 | 87,942 | 6.20 |
| 2011 | 1,176,401 | 713,340 | 463,061 | 29,904 | 46,107 | 76,011 | 6.00 |
| 2010 | 1,050,180 | 695,688 | 400,492 | 39,707 | 47,211 | 86,918 | 4.61 |
| 2009 | 1,055,983 | 651,507 | 404,476 | 30,189 | 45,362 | 75,551 | 5.35 |
| 2008 | 1,077,972 | 786,420 | 291,552 | 26,310 | 40,342 | 66,652 | 4.37 |
| 2007 | 804,021 | 615,582 | 188,439 | 29,266 | 33,068 | 62,328 | 3.02 |
| 2006 | 719,119 | 530,582 | 188,537 | 15,529 | 25,911 | 41,440 | 4.55 |
| General Revenue and Other Bonds | | | | | | | |
| 2014 | \$ 20,785 | \$ 0 | \$ 20,785 | \$ 2,665 | \$ 3,624 | \$ 6,289 | 3.31 |
| 2013 | 10,277 | 0 | 10,277 | 2,575 | 3,047 | 5,622 | 1.83 |
| 2012 | 10,266 | 0 | 10,266 | 1,960 | 3,460 | 5,360 | 1.92 |
| 2011 | 7,898 | 1,338 | 6,560 | 1,975 | 2,312 | 4,287 | 1.53 |
| 2010 | 12,442 | 5,249 | 7,193 | 2,000 | 1,552 | 3,552 | 2.03 |
| 2009 | 11,591 | 6,631 | 5,360 | 1,710 | 1,986 | 3,696 | 1.45 |
| 2008 | 11,200 | 5,978 | 5,222 | 1,645 | 2,048 | 3,693 | 1.41 |
| 2007 | 8,042 | 3,427 | 4,615 | 1,585 | 1,708 | 3,293 | 1.40 |
| 2006 | 6,042 | 1,755 | 4,287 | 1,310 | 2,171 | 3,481 | 1.23 |
| Arkansas Student Loan Authority | | | | | | | |
| Year ended June 30 | Gross Revenue (2) | Direct Operating Expense | Net Revenue Available for Debt Service | Principal | Interest | Total Debt Service | Coverage |
| 2014 | \$ 54,029 | \$ 3,467 | \$ 50,562 | \$ 49,671 | \$ 2,571 | \$ 52,242 | 0.97 |
| 2013 | 55,955 | 4,174 | 51,781 | 41,784 | 3,279 | 45,063 | 1.15 |
| 2012 | 88,453 | 5,306 | 83,147 | 27,753 | 3,047 | 30,780 | 2.70 |
| 2011 | 77,732 | 4,610 | 73,122 | 26,219 | 5,023 | 31,242 | 2.34 |
| 2010 | 76,356 | 6,271 | 70,085 | 60,950 | 4,204 | 65,154 | 0.74 |
| 2009 | 94,811 | 6,144 | 88,667 | 78,750 | 14,967 | 93,717 | 0.95 |
| 2008 | 122,316 | 5,986 | 116,330 | 62,630 | 36,842 | 99,472 | 1.17 |
| 2007 | 164,085 | 5,405 | 158,680 | 0 | 29,956 | 29,956 | 5.30 |
| 2006 | 138,668 | 5,316 | 133,352 | 30,520 | 19,493 | 50,013 | 2.67 |
| 2005 | 85,008 | 4,852 | 80,156 | 11,309 | 10,828 | 22,128 | 3.62 |

(1) Information not available prior to fiscal year 2006

(2) Gross Revenues include student tuition and fees, housing fees, rent, athletic fees, millage revenue and other auxiliary revenues.

Sources: Colleges and Universities, Arkansas Student Loan Authority

