

SERFF Tracking Number: CNAC-125359907 State: Arkansas  
Filing Company: Continental Casualty Company State Tracking Number: #207259 \$100  
Company Tracking Number: 07-R2190  
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0022 Other  
Product Name: Fiduciary Liability Solutions Program  
Project Name/Number: /07-2190

## Filing at a Glance

Company: Continental Casualty Company  
Product Name: Fiduciary Liability Solutions Program  
TOI: 17.0 Other Liability - Claims Made/Occurrence  
Sub-TOI: 17.0022 Other  
Filing Type: Rate

SERFF Tr Num: CNAC-125359907 State: Arkansas  
SERFF Status: Closed  
Co Tr Num: 07-R2190  
Co Status:

State Tr Num: #207259 \$100  
State Status: Fees verified and received  
Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding  
Disposition Date: 12/06/2007  
Disposition Status: Exempt from Review

Effective Date Requested (New): 01/15/2008  
Effective Date Requested (Renewal): 01/15/2008  
Effective Date (New):  
Effective Date (Renewal):

State Filing Description:

## General Information

Project Name:  
Project Number: 07-2190  
Reference Organization:  
Reference Title:  
Filing Status Changed: 12/06/2007  
State Status Changed: 12/06/2007  
Corresponding Filing Tracking Number:  
Filing Description:

Status of Filing in Domicile: Authorized  
Domicile Status Comments:  
Reference Number:  
Advisory Org. Circular:  
Deemer Date:

This program provides coverage for fiduciaries (as defined by ERISA) against loss arising from the administration and management of employee benefit and pension plans.

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## Company and Contact

### Filing Contact Information

Robert Alonzo, State Filing Analyst robert.alonzo@cna.com  
 40 Wall Street (212) 440-3478 [Phone]  
 New York, NY 10005 (212) 440-2877[FAX]

### Filing Company Information

Continental Casualty Company CoCode: 20443 State of Domicile: Illinois  
 40 Wall Street Group Code: 218 Company Type:  
 9th Floor  
 New York, NY 10005 Group Name: State ID Number:  
 (212) 440-3478 ext. [Phone] FEIN Number: 36-2114545  
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## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Continental Casualty Company	\$0.00	11/14/2007	

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
0000207259	\$100.00	10/16/2007

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Edith Roberts	12/06/2007	12/06/2007

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## Disposition

Disposition Date: 12/06/2007

Effective Date (New):

Effective Date (Renewal):

Status: Exempt from Review

Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Cover Letter	Accepted for Informational Purposes	Yes
Supporting Document	NAIC Forms	Accepted for Informational Purposes	Yes
Supporting Document	Actuary Memo	Accepted for Informational Purposes	Yes
Rate	Guide Rates	Accepted for Informational Purposes	Yes
Rate	Rates	Accepted for Informational Purposes	Yes

*SERFF Tracking Number:*      *CNAC-125359907*                      *State:*                      *Arkansas*  
*Filing Company:*              *Continental Casualty Company*                      *State Tracking Number:*      *#207259 \$100*  
*Company Tracking Number:*      *07-R2190*  
*TOI:*                      *17.0 Other Liability - Claims Made/Occurrence*      *Sub-TOI:*                      *17.0022 Other*  
*Product Name:*              *Fiduciary Liability Solutions Program*  
*Project Name/Number:*      */07-2190*

## **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	Guide Rates	Page 1	New	Guide Manual 2007.pdf
Accepted for Informational Purposes	Rates	Page 1 & 2	New	Excess FDL.pdf

**Continental Casualty Company**  
**Fiduciary Liability Solutions**

**BASE PREMIUM**

Apply the following base premium, based on the firm's employees' benefit plan assets. The base premiums represent a primary limit of \$1M for a publicly traded company publicly traded or a selected financial institution. Premiums may be reduced for reduced coverage. Ranges for plan assets not listed may be derived by interpolation.

Plan Assets (\$mil)	Minimum	Maximum
1	3,500	10,394
100	3,500	36,077
1,000	13,856	108,260
5,000	26,630	183,591
10,000	29,425	204,668
50,000	38,594	272,421

**INDIVIDUAL RISK MODIFICATION**

Under the proposed rating plan, premium may be modified to reflect an individual risk's exposure to loss. We will carefully document and maintain detailed records to ensure that the base rates are selected using our guidelines, and that rates are not inadequate, excessive or unfairly discriminatory. The following table outlines the types of individual risk modifiers that may be used by our underwriters.

Risk Characteristic	Mod Range
Changes to Plan	-20% to 20%
Employee Training	-20% to 20%
Sponsor Contribution	-20% to 20%
Funding Level of Plans	-20% to 20%
Prior Claims Experience or Ongoing Litigation	-20% to 20%
Recent Company Stock Performance	-20% to 20%
Diversity and Risk of Investment Choices	-20% to 20%

**FINAL PREMIUM**

The final premium will be adjusted for commission, participation and coinsurance, and subject to minimum of \$3,500 per one million of coverage.

**Continental Casualty Company**  
**Excess Fiduciary Liability Coverage**  
**Explanation of Rates and Rating Methodology**

In most situations where the excess policy follows the underlying form, excess pricing will also follow the primary pricing established by the primary carrier on the program. However, the structure and terms of a Fiduciary Liability (FDL) program can vary significantly from one insured to the next, and the coverage afforded by each carrier on these multi-layered programs may also differ.

We will rate each program consistent with state law for excess liability, using the following set of increased limit factors and methodology described below. Individual programs may vary from these suggested factors based on the specifics of the insured, but by no more than 50% upwards or 50% downwards. In addition, we will provide documentation in the underwriting file for *each insured* detailing the exact calculation for the specified risk.

**Excess FDL Pricing Methodology**

I. Increased Limit factors:

<b><u>Policy Limit</u></b>	<b><u>FDL ILF</u></b>
500,000	0.550
1,000,000	1.000
5,000,000	3.426
10,000,000	5.540
15,000,000	7.144
20,000,000	8.522
25,000,000	9.603
30,000,000	10.459
35,000,000	11.226
40,000,000	11.978
45,000,000	12.680
50,000,000	13.308
55,000,000	13.848
60,000,000	14.341
65,000,000	14.769
70,000,000	15.104
75,000,000	15.427
80,000,000	15.740
85,000,000	16.043
90,000,000	16.337
95,000,000	16.623
100,000,000	16.901

II. The pricing for an excess policy starts as a proportion of a primary, using the increased limit factors shown above in I. Factors for combinations not shown will be derived via interpolation or extrapolation.

As an example, consider a program with a \$20 million primary limit, priced by the primary carrier at \$500,000. CNA would price excess coverage by first calculating the implied rate for the first million limit:

$$\begin{aligned}\text{Price for first \$1M} &= \text{Primary price} / \text{ILF}(20) \\ &= \$ 500,000 / 8.522 \\ &= \$ 58,672.\end{aligned}$$

If we then needed to price \$20 million excess of the \$20 million primary, we would price it as the difference between a \$40 million ground-up limit and a \$20 million ground-up limit.

$$\begin{aligned}\text{Price for 20 Excess of 20} &= \text{Price for first \$1M} * [\text{ILF}(40) - \text{ILF}(20)] \\ &= \$ 58,672 * (11.978 - 8.522) \\ &= \$ 202,770.\end{aligned}$$

If instead we needed to price \$10 million excess of \$80 million on this same primary, the indicated price would be:

$$\begin{aligned}\text{Price for 10 Excess of 80} &= \text{Price for first \$1M} * [\text{ILF}(90) - \text{ILF}(80)] \\ &= \$ 58,672 * (16.337 - 15.740) \\ &= \$ 35,027.\end{aligned}$$

This methodology produces the suggested base price for a standard risk. The final indicated price may vary from this suggested price based on the specifics of the program by no more than 50% upwards or 50% downwards.

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## Supporting Document Schedules

**Satisfied -Name:** Cover Letter **Review Status:** Accepted for Informational 12/06/2007  
Purposes

**Comments:**

**Attachment:**

AR 07-R2190 FID Rates let.pdf

**Satisfied -Name:** NAIC Forms **Review Status:** Accepted for Informational 12/06/2007  
Purposes

**Comments:**

**Attachments:**

AR PC TD r.pdf

AR RR.pdf

**Satisfied -Name:** Actuary Memo **Review Status:** Accepted for Informational 12/06/2007  
Purposes

**Comments:**

**Attachment:**

Actuarial Memo.pdf



40 Wall Street – 9<sup>th</sup> Floor  
New York, New York 10005

Robert Alonzo  
State Filing Analyst  
P & C State Filing Unit  
CNA Global Specialty Lines

November 14, 2007

Telephone 212-440-3478  
Facsimile 212-440-2877  
Toll Free 877-269-3277 x 3478  
Internet Robert.alonzo@cna.com

ARKANSAS INSURANCE DEPARTMENT  
PROPERTY & CASUALTY DIVISION  
1200 W 3RD ST  
LITTLE ROCK AR 72201-1904

**RE: CONTINENTAL CASUALTY COMPANY NAIC# 218-20443 FEIN# 36-2114545**  
Fiduciary Liability Solutions Program  
Rate/Rule Filing  
OUR FILE NO. : 07-R2190

To Whom It May Concern:

On behalf of Continental Casualty Company, we hereby submit for your review and approval our **Fiduciary Liability Solutions Program**. This program provides coverage for fiduciaries (as defined by ERISA) against loss arising from the administration and management of employee benefit and pension plans. Please refer to the enclosed Forms Index/Filing Memorandum for a description of the forms included in this filing.

- Enclosed for your review please find our actuary memorandum, along with the rating manual for this program.

We propose that this filing become applicable to all policies written on or after January 1, 2008, or the earliest date permitted by your state.

Very truly yours,  
*Robert Alonzo*  
State Filing Analyst



<b>18. Company's Date of Filing</b>	
<b>19. Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

**Property & Casualty Transmittal Document—**

<b>20. This filing transmittal is part of Company Tracking #</b>	07-R2190
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<b>21. Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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We resubmit our **Fiduciary Liability Solutions Program**. This program provides coverage for fiduciaries (as defined by ERISA) against loss arising from the administration and management of employee benefit and pension plans

<b>22. Filing Fees</b> (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]
<p><b>Check #: 0000207259</b>  <b>Amount: 100.00</b></p> <p><b>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</b></p>

**\*\*\*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.)

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	<b>07-R2190</b>
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<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>07-F2190</b>
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Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	<b>Flex Band</b>
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<b>4a.</b>	<b>Rate Change by Company (As Proposed)</b>					
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Company Name	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)
Continental Casualty	0%	N/A	N/A	100,000 (proposed)	0%	0%

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

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE

		COMPANY USE	STATE USE
<b>5a.</b>	<b>Overall percentage rate impact for this filing</b>		
<b>5b.</b>	<b>Effect of Rate Filing – Written premium change for this program</b>		
<b>5c.</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>		

<b>6.</b>	<b>Overall percentage of last rate revision</b>	<b>New Filing</b>
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<b>7.</b>	<b>Effective Date of last rate revision</b>	<b>New Filing</b>
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<b>8.</b>	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	<b>New Filing</b>
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9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Rate Range	<input checked="" type="checkbox"/> New <input 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	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

# Continental Casualty Company

## Fiduciary Liability Solutions Actuarial Memorandum

### *Purpose*

Continental Casualty Company (CCC) is filing its Fiduciary Liability (FDL) rates for publicly traded companies and selected financial institutions. There is no premium impact associated with this filing. In fact, no primary Fiduciary premium has been written for public companies and financial institutions on an admitted basis in the last three years.

### *Underwriting Guidelines*

Fiduciary Liability coverage will be offered to publicly traded companies and selected financial institutions, with CCC serving as the admitted carrier. Coverage will be offered on a primary basis and on an excess basis provided that any underlying layers of coverage are also written by an admitted carrier.

### *Rate Determination*

Fiduciary losses are characterized by low frequency and high severity. This can be characterized by two separate components: ERISA tag-along and non-ERISA tag-along. Continental Casualty Company has not generated sufficient loss data to develop rates based on its own experience in either component.

For ERISA tag-along exposure, this applies only to public companies that offer their own securities in their benefit plans. The expected frequency is similar to our Directors and Officers Liability (D&O) product, as most of the ERISA tag-along claims are stemmed from securities class actions. Meanwhile, expected severity is based on our severity of our D&O product, using only the plan assets in employers' securities as exposure. Supplemental loss data from the Stanford Law School's Securities Class Action Clearinghouse database, the ESOP Association and the Pension Benefit Guaranty Corporation (PBGC) is also used.

The non-ERISA tag-along portion of expected losses covers claims from non-securities actions. It has lower severity, and the expected loss is based on our E-pack Fiduciary Liability product, which is available to non-financial private companies. The sum of expected ERISA tag-along and non-ERISA tag-along claims is divided by the permissible loss ratio to determine the base premium at 1M limits of coverage.