

SERFF Tracking Number: ACEH-125243828 *State:* Arkansas
Filing Company: ACE American Insurance Company *State Tracking Number:* AR-PC-07-025791
Company Tracking Number: 07-PR-233(R)
TOI: 17.1 Other Liability - Claims Made Only *Sub-TOI:* 17.1019 Professional Errors & Omissions Liability

Product Name: 07-PR-233(R)
Project Name/Number: Architects & Engineers 2007, Revisions/07-PR-233 (R)

Filing at a Glance

Company: ACE American Insurance Company

Product Name: 07-PR-233(R)

SERFF Tr Num: ACEH-125243828 State: Arkansas

TOI: 17.1 Other Liability - Claims Made Only

SERFF Status: Closed

State Tr Num: AR-PC-07-025791

Sub-TOI: 17.1019 Professional Errors & Omissions Liability

Co Tr Num: 07-PR-233(R)

State Status:

Filing Type: Rate

Co Status:

Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding

Authors: Bob Wolfrom, Sharon

Yacuzzo, Viola McBride

Disposition Date: 09/21/2007

Date Submitted: 08/14/2007

Disposition Status: Filed

Effective Date Requested (New): On Approval

Effective Date (New):

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

General Information

Project Name: Architects & Engineers 2007, Revisions

Status of Filing in Domicile: Pending

Project Number: 07-PR-233 (R)

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 09/21/2007

State Status Changed: 08/14/2007

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

ACE American Insurance Company currently has forms, rates and rules on file with your department which are applicable to our Architects & Engineers Professional Liability program. The coverage provides claims made professional liability insurance to consulting design professional firms legally qualified to engage in the design of traditional building construction and land development. We are now submitting revisions to this program.

Company and Contact

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Filing Contact Information

Robert Wolfrom, CPCU, Regulatory Specialist robert.wolfrom@ace-ina.com
 436 Walnut Street (215) 640-5123 [Phone]
 Philadelphia, PA 19106 (215) 640-4986[FAX]

Filing Company Information

ACE American Insurance Company	CoCode: 22667	State of Domicile: Pennsylvania
PO Box 1000	Group Code: 626	Company Type:
436 Walnut Street		
Philadelphia, PA 19106	Group Name:	State ID Number:
(215) 640-5123 ext. [Phone]	FEIN Number: 95-2371728	

Filing Fees

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

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
PS 00299665	\$100.00	07/09/2007

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	09/21/2007	09/21/2007

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Edith Roberts	08/16/2007	08/16/2007	Bob Wolfrom	08/20/2007	08/20/2007

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Disposition

Disposition Date: 09/21/2007

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Actuarial Memo	Filed	Yes
Supporting Document	General Rules	Filed	Yes
Supporting Document (revised)	State Exception Page -AR	Filed	Yes
Supporting Document	State Exception Page -AR	Filed	Yes
Supporting Document	Explanatory Memo	Filed	Yes
Supporting Document (revised)	Actuarial Exhibits	Filed	Yes
Supporting Document	Actuarial Exhibits	Filed	Yes
Supporting Document	PDF Pipeline	Filed	Yes
Rate	Architects & Engineers Rating Plan (Range)	Filed	Yes

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 08/16/2007
Submitted Date 08/16/2007
Respond By Date

Dear Robert Wolfrom, CPCU,

This will acknowledge receipt of the captioned filing.

Even though you state AR experience is not credible, the RF-1 does not reflect loss ratios on a countrywide basis to justify a +20% increase. Your permissible loss ratio is 67%. Please explain the reason for this rate increase request.

Please feel free to contact me if you have questions.

Sincerely,

Edith Roberts

Response Letter

Response Letter Status Submitted to State
Response Letter Date 08/20/2007
Submitted Date 08/20/2007

Dear Edith Roberts,

Comments:

Response 1

Comments: The RF-1 that was submitted with our filing contained inaccurate information. It was prepared contemplating an increase to the prior acts factors that we decided against pursuing. Our latest actuarial data shows we have 1 policy for Arkansas having an Earned Premium of \$2,875 as of 11/30/2006. The rate change resulting from revised ILFs is 0.0%. Had we implemented the revisions to the prior acts factors, the rate change due to the revised prior acts factors alone would have been 20.0%. Hence, the 20.0% increase shown on the original exhibit. We apologize for this oversight.

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We would also like to take this opportunity to submit a revised Arkansas State Exception page for this program to state that "the minimum limit of liability to be provided is \$1,000,000" pursuant to AID Order 94-253.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: State Exception Page -AR

Comment:

Satisfied -Name: Actuarial Exhibits

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

Bob Wolfrom, Sharon Yacuzzo, Viola McBride

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	Architects & Engineers Rating Plan (Range)	Pages 1- 10	Replacement	03-PR-273	AE Rating Plan (Range) (05-07).pdf AE Rating Plan (Range) (05-07) (R).pdf

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Rating Plan

This Rating Plan is a guide and is intended to address the most commonly written coverages and classes of business.

Due to the catastrophic nature of Architects and Engineers Professional Liability coverage, the lack of actuarially credible data for the industry as a whole, much less any single carrier, and the variability of coverage, the underwriter is called upon to exercise judgment pricing where appropriate. With proper factual documentation and reasoning, individual risk hazards may be changed to reflect the actual risk hazards on a particular risk that is different from the usual exposures contemplated in this Rating Plan. It is expected that good judgment will be exercised in identifying the risk hazards peculiar to applicable risks with full and clear file documentation for the underwriting reasoning used.

This Rating Plan does not contemplate any substantial shift in trends involving legal environment, loss severity or newly emerging exposures not previously contemplated in the pricing of the risk or in the pricing of the underlying layers. In the event that the Company either experiences or witnesses such a shift in trends, the file shall be clearly documented to reflect the increased exposure detailing trend observations and judgment pricing shall be utilized.

These guidelines are to be used for All Risks which are NOT eligible for individual risk rating.

Step 1 – Weighted Average Billings:

A. Determine the Weighted Average Billings for the risk as follows:

Years in Business	Weight to Each Years Gross Billings			
	Current Year	1 st Prior Year	2 nd Prior Year	3 rd Prior Year
1.0 – 1.9	100.0%			
2.0 – 2.9	72.5%	27.5%		
3.0 – 3.9	62.0%	23.0%	15.0%	xxx
4.0 – 4.9	54.0%	21.0%	15.0%	10.0%
5.0+	50.0%	17.5%	12.5%	10.0%

- B. If the risk has been in business less than one year, Weighted Average Billings equals estimated annual billings.
- C. If the risk has been experience significantly increasing fees, Weighted Average Billings equals estimated billings for the policy year.
- D. Gross billings include 100% of fees from all professional services, with the exception of feasibility studies and permanently abandoned projects. 50% of these fees are included in gross billings.
- E. Gross billings do not include actual or estimated reimbursable expenses, fees from separately insured projects, interest income, sales and service taxes.
- F. Gross billings do not include sub-consultant fees for work covered under other insurance up to a maximum of 100% of the fees.

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Rating Plan

Step 2 – Base Rates:

Determine the Base Premium using the following table:

Weighted Average Billings		Incremental per \$100	Upper end Base
0	to 250,000	2.5810	6,453
250,001	to 500,000	0.9964	8,944
500,001	to 750,000	0.7525	10,825
750,001	to 1,000,000	0.6281	12,395
1,000,001	to 1,250,000	0.5493	13,768
1,250,001	to 1,500,000	0.4937	15,003
1,500,001	to 1,750,000	0.4518	16,132
1,750,001	to 2,000,000	0.4187	17,179
2,000,001	to 2,250,000	0.3919	18,159
2,250,001	to 2,500,000	0.3694	19,082
2,500,001	to 2,750,000	0.3503	19,958
2,750,001	to 3,000,000	0.3339	20,793
3,000,001	to 3,250,000	0.3194	21,591
3,250,001	to 3,500,000	0.3067	22,358
3,500,001	to 3,750,000	0.2953	23,096
3,750,001	to 4,000,000	0.2851	23,809
4,000,001	to 4,250,000	0.2758	24,498
4,250,001	to 4,500,000	0.2673	25,167
4,500,001	to 4,750,000	0.2596	25,816
4,750,001	to 5,000,000	0.2524	26,447
5,000,001	to 5,250,000	0.2458	27,061
5,250,001	to 5,500,000	0.2397	27,660
5,500,001	to 5,750,000	0.2340	28,245
5,750,001	to 6,000,000	0.2287	28,817
6,000,001	to 6,250,000	0.2237	29,376
6,250,001	to 6,500,000	0.2190	29,924
6,500,001	to 6,750,000	0.2146	30,460
6,750,001	to 7,000,000	0.2105	30,987
7,000,001	to 7,250,000	0.2065	31,503
7,250,001	to 7,500,000	0.2028	32,010
7,500,001	to 7,750,000	0.1992	32,508
7,750,001	to 8,000,000	0.1959	32,998
8,000,001	to 8,250,000	0.1926	33,479
8,250,001	to 8,500,000	0.1896	33,953
8,500,001	to 8,750,000	0.1867	34,420
8,750,001	to 9,000,000	0.1839	34,880
9,000,001	to 9,250,000	0.1812	35,333
9,250,001	to 9,500,000	0.1786	35,779
9,500,001	to 9,750,000	0.1761	36,219
9,750,001	to 10,000,000	0.1737	36,654
10,000,001	to 10,250,000	0.1715	37,082
10,250,001	to 10,500,000	0.1693	37,506
10,500,001	to 10,750,000	0.1671	37,923
10,750,001	to 11,000,000	0.1648	38,335
11,000,001	to 11,250,000	0.1634	38,744
11,250,001	to 11,500,000	0.1611	39,147
11,500,001	to 11,750,000	0.1596	39,546
11,750,001	to 12,000,000	0.1574	39,939
12,000,001	to 12,250,000	0.1559	40,329
12,250,001	to 12,500,000	0.1544	40,715
12,500,001	to 12,750,000	0.1522	41,095
12,750,001	to 13,000,000	0.1507	41,472
13,000,001	to 20,000,000	0.1485	51,867
20,000,001	to 30,000,000	0.1411	65,975
30,000,001	to 40,000,000	0.1340	79,377
40,000,001	to 50,000,000	0.1273	92,109
50,000,001	to 60,000,000	0.1210	104,204
60,000,001	to 70,000,000	0.1149	115,695
70,000,001	and greater	0.1149	

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Rating Plan

Step 3 – Territory Modification Factor:

- A. Apply the Territory Modification Factor found on the state exception page.
- B. For multi-state risks, calculate and apply a weighted average Territory Modification Factor based on the portion of Weighted Average Billings in each state. If State specific billing data is not available, applicant's State of Domicile shall apply.

Step 4 – Professional Service Factor:

- A. Apply the appropriate Professional Service Factor from the table below to recognize the differences in exposure among the various professional services.

Professional Service	Factor
Acoustical Engineering	0.50
Architecture	0.95
Civil Engineering	1.00
Communication Engineering	0.70
Construction Management ("Advisor" and "Agency")	1.10
Construction Management ("At Risk")	1.25
Electrical Engineering	0.65
Environmental Engineering	0.90
Forensic Engineering/Expert Testimony	0.40
HVAC Engineering	0.90
Interior Design/Space Planning	0.40
Laboratory Testing	1.00
Land Surveying	0.65
Landscape Architecture	0.40
Master Planning	0.40
Mechanical Engineering	0.80
Process Engineering	1.30
Soils/Geotechnical Engineering	1.75
Structural Engineering	1.50
Traffic/Transportation Engineering	0.85

- B. For risks which perform a variety of professional services, calculate and apply a weighted average Professional Service Factor based on the portion of Weighted Average Billings associated with each professional service.

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
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Step 5 – Project Type Factor:

- A. Apply the appropriate Project Type Factor from the table below to recognize additional/reduced risk associated with the identified special risk projects.

Project Type	Factor	Project Type	Factor
Airports	1.00 – 1.25	Office Buildings	0.75 – 1.00
Amusement Rides	1.00 – 2.00	Parking Structures	1.00 – 1.50
Apartments	0.85 – 1.10	Pipelines/Petrochemical	1.00 – 1.75
Arenas/Stadiums	1.00 – 1.50	Pools	1.00 – 1.50
Bridges	1.00 – 1.50	Quarries/Mining	1.00 – 1.50
Condominiums/Townhouses	1.00 – 1.75	Recreation/Sports	0.90 – 1.25
Convention Centers	1.00 – 1.50	Religious	0.85 – 1.10
Correctional Facilities	0.90 – 1.10	Roads/Highways	0.75 – 1.10
Courts/Justice	0.85 – 1.10	Schools/Colleges	0.75 – 1.00
Harbors/Piers/Dams	1.00 – 1.50	Sewage Systems	0.90 – 1.10
Hospitals/Healthcare	0.90 – 1.10	Shopping Center/Retail	0.75 – 1.00
Hotels/Motels	0.85 – 1.15	Single Family Houses	0.75 – 1.25
Industrial Wastewater Systems	1.00 – 1.25	Single Family Houses: Custom	1.00 – 1.50
Landfills	1.00 – 1.50	Superfund Sites	1.00 – 3.50
Libraries	0.75 – 1.10	Tunnels	1.00 – 1.75
Manufacturing/Industrial	0.90 – 1.25	Utilities	0.85 – 1.15
Mass Transit	0.85 – 1.15	Warehouses	0.75 – 1.00
Multi-Family/HUD	0.95 – 1.15	Wastewater Treatment Plants	0.90 – 1.20
Municipal Buildings	0.90 – 1.25	Water Systems	0.85 – 1.10
Nuclear/Atomic	1.00 – 2.00		

- B. For risks which perform a variety of the identified project types, calculate and apply a weighted average Project Type Factor based on the portion of Weighted Average Billings associated with each project type.

Step 6 – Activity Factor:

- A. Apply the appropriate Activity Factor from the table below to recognize the differences in exposure among the various activities.

Activity	Factor
Environmental Audits (Phase I & II)	1.00 – 1.50
Inspection Services: Home and Commercial Real Estate	1.00 – 1.50
Design/Manufacture/Sale/Distribution of Products	1.00 – 1.25
Construction/Erection/Fabrication/Installation	1.00 – 1.25
Site Development/Staking	1.00 – 1.50
Building Information Modeling (BIM)	1.00 – 1.50
Mold Related Services to include identification and abatement	1.00 – 1.50
Value Engineering	1.00 – 1.50
Subsurface Surveys/Utility Location	1.00 – 1.50
Foundation/Substructure	1.00 – 1.25

- B. For risks which perform a variety of activities calculate and apply a weighted average Activity Factor based on the portion of Weighted Average Billings associated with each activity.

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Rating Plan

Step 7 – Project Delivery Factor:

- A. Apply the appropriate Project Delivery Factor from the table below to recognize the differences in exposure among the various project delivery methods.

Project Delivery Type	Factor
Design/Bid/Build	0.90 – 1.20
Fast Track	1.00 – 1.50
Design/Build	1.00 – 1.30

- B. For risks which use a variety of delivery methods calculate and apply a weighted average Project Delivery Factor based on the portion of Weighted Average Billings associated with each method.

Step 8 – Risk Modification Factor:

- A. Apply the appropriate Risk Modification Factor associated with the following risk characteristics.

Risk Characteristics	Factor
Quality of Contracts	0.75 – 1.25
Foreign Work	0.75 – 1.25
Clientele	0.75 – 1.25
Contractual Responsibility	0.75 – 1.25
Qualification of Staff	0.90 – 1.10

- B. A maximum of Risk Modification Factor of +/-25% (i.e. 0.75 to 1.25) is permitted. A greater Risk Modification Factor may be permitted under unusual circumstances and require special documentation and justification (See Senior Underwriting Management).

Step 9 – Loss Prevention/Risk Management:

Apply a 3% credit for each of the questions answered in the affirmative, subject to a maximum of 15%.

1. Does the risk obtain written agreements on every project?
2. Does legal counsel or an insurance professional review written agreements before implementing?
3. Is Peer Review sponsored by the AIA, NSPE or another organization?
4. Is there an In-House quality control procedure?
5. Is there an In-House program for continuing education for employees?
6. Does the risk have a membership in Professional Society?

Step 10 – Repeat Client Credit:

Apply the credit associated with the percentage of business from repeat clients.

% of Business from Repeat Clients	Credit
0% to 24%	0.0%
25% to 39%	2.0%
40% to 54%	4.0%
55% to 69%	6.0%
70% to 84%	8.0%
85%+	10.0%

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Rating Plan

Step 11 – Limitation of Liability Clause Factor:

Apply the factor associated with the percentage of business performed with a limitation of liability clause.

% of Business with LOL Clause	Factor
0 to 9%	1.10
10% to 19%	1.08
20% to 29%	1.06
30% to 39%	1.04
40% to 49%	1.02
50% to 59%	1.00
60% to 69%	0.98
70% to 79%	0.96
80% to 89%	0.94
90% to 99%	0.92
100%	0.90

Step 12 - Expense Modification:

The policy premium contemplates standard allowances for expense. If expenses vary from the standard, the premium may be reduced to reflect this difference (e.g., reduced commission paid to agents for large policies). The Expenses may not be increased.

Step 13 – Claims Experience Rating:

- A. For risks with less than three years historical experience and historical incurred losses of less than \$10,000, apply an experience modification factor of 1.00.
- B. For risks with less than \$2,500,000 Billings and historical incurred losses less than \$10,000, apply an experience modification factor based on the table below. Risks with incurred losses of \$10,000 or greater will be rated in accordance with rules in B.

# of Claims	Factor
0	0.90
1	1.00
2	1.15
3	1.30
4	1.45
5+	1.60

- C. For risks with Billings greater than or equal to \$2,500,000 apply an experience modification factor based on the table below.

Loss Ratio	Factor
0% to 30%	0.85
31% to 40%	0.90
41% to 50%	0.95
51% to 60%	1.00
61% to 70%	1.05
71% to 80%	1.10
81% to 96%	1.20
97% to 110%	1.30
111% to 125%	1.40
126% to 140%	1.50
141% to 160%	1.60
161% +	1.70

ACE AMERICAN INSURANCE COMPANY
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Step 14 – Limit/Retention Factor:

Table 1. Weighted Average Billings <= \$1,000,000

Interpolate pro-rata for limits/retentions in-between those shown.

Retention	Limit										
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	10,000,000	15,000,000
2,000	1.100	1.465	1.829	2.099	2.362	3.311	3.645	3.885	4.073	4.663	5.008
3,000	1.080	1.448	1.812	2.082	2.344	3.288	3.621	3.862	4.049	4.640	4.986
4,000	1.050	1.422	1.787	2.056	2.317	3.264	3.599	3.839	4.027	4.617	4.962
5,000	1.020	1.395	1.761	2.030	2.291	3.243	3.577	3.817	4.005	4.594	4.939
10,000	0.950	1.326	1.694	1.961	2.221	3.143	3.476	3.715	3.903	4.493	4.838
15,000	0.880	1.256	1.626	1.892	2.151	3.054	3.386	3.626	3.813	4.389	4.727
20,000	0.830	1.203	1.576	1.840	2.097	2.974	3.307	3.545	3.733	4.321	4.665
25,000	0.790	1.160	1.534	1.797	2.052	2.902	3.234	3.473	3.659	4.248	4.593
30,000	0.750	1.125	1.500	1.763	2.017	2.837	3.168	3.407	3.593	4.181	4.525
35,000	0.710	1.081	1.458	1.719	1.971	2.777	3.108	3.346	3.532	4.119	4.462
40,000	0.680	1.038	1.416	1.676	1.925	2.721	3.051	3.288	3.475	4.062	4.405
45,000	0.640	1.003	1.382	1.642	1.890	2.670	2.999	3.236	3.422	4.009	4.352
50,000	0.620	0.977	1.357	1.616	1.862	2.622	2.950	3.187	3.373	3.959	4.302
100,000	0.480	0.794	1.154	1.400	1.637	2.262	2.584	2.818	3.001	3.583	3.923
250,000	0.280	0.488	0.775	1.002	1.210	1.711	2.016	2.240	2.418	2.989	3.323
500,000	0.123	0.250	0.420	0.612	0.787	1.161	1.428	1.630	1.793	2.332	2.648

Table 2. Weighted Average Billings > \$1,000,000

Interpolate pro-rata for limits/retentions in-between those shown.

Retention	Limit										
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	10,000,000	15,000,000
2,000	1.100	1.530	1.948	2.241	2.518	3.684	4.197	4.585	4.899	5.943	6.599
3,000	1.080	1.504	1.940	2.232	2.506	3.638	4.151	4.539	4.853	5.897	6.553
4,000	1.050	1.479	1.923	2.215	2.466	3.600	4.113	4.500	4.814	5.859	6.514
5,000	1.020	1.454	1.898	2.189	2.444	3.567	4.079	4.467	4.780	5.825	6.480
10,000	0.950	1.377	1.791	2.077	2.360	3.438	3.950	4.337	4.650	5.694	6.349
15,000	0.890	1.310	1.733	2.017	2.279	3.343	3.854	4.240	4.554	5.597	6.252
20,000	0.860	1.276	1.683	1.966	2.199	3.266	3.775	4.162	4.474	5.517	6.172
25,000	0.830	1.234	1.633	1.914	2.144	3.199	3.708	4.094	4.406	5.448	6.103
30,000	0.800	1.200	1.600	1.880	2.106	3.141	3.649	4.034	4.346	5.388	6.042
35,000	0.770	1.166	1.559	1.837	2.075	3.088	3.595	3.980	4.292	5.333	5.987
40,000	0.740	1.132	1.517	1.794	2.027	3.040	3.547	3.931	4.243	5.283	5.937
45,000	0.710	1.099	1.476	1.751	1.987	2.996	3.502	3.886	4.197	5.236	5.890
50,000	0.690	1.073	1.451	1.725	1.946	2.955	3.460	3.843	4.155	5.193	5.847
100,000	0.480	0.769	1.136	1.391	1.642	2.650	3.147	3.526	3.834	4.866	5.518
250,000	0.280	0.473	0.763	0.996	1.224	2.156	2.630	2.996	3.296	4.310	4.954
500,000	0.123	0.242	0.415	0.609	0.822	1.731	2.172	2.519	2.807	3.791	4.424
1,000,000						1.298	1.686	2.000	2.265	3.197	3.808
2,000,000						0.901	1.215	1.480	1.710	2.552	3.125
3,000,000						0.702	0.967	1.197	1.400	2.168	2.707
4,000,000						0.579	0.809	1.012	1.194	1.901	2.411
5,000,000						0.495	0.698	0.880	1.045	1.701	2.184

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Step 15 – Split Limits Factor:

Use the table below to adjust premium for split limits using the ratio of the aggregate limit to the occurrence limit. Interpolate factors for those ratios in-between those shown:

Agg/Occ	Factor
1.0	1.000
2.0	1.120
3.0	1.150
4.0	1.170
5.0	1.200

Step 16 – Optional Coverages:

A. Additional Limits of Liability & Amended Retro Date – Specific Projects

1. The Additional Limits of Liability & Amended Retro Date – Specific Projects endorsement should be used for projects with fees less than \$2 million. The endorsement may be used when project limits are slightly higher than policy limits specified on the declarations page.
2. The endorsement premium is calculated as follows:
 - a. The overall policy premium is recalculated at the increased project limit. The actual policy premium is subtracted from this amount to result in the difference in premium associated with the increased limit.
 - b. The result of a. is multiplied by the ratio of the project fees to the overall Weighted Average Billings for the policy.
 - c. The result of b. is multiplied by a factor of 1.25.
3. The Endorsement is typically offered mid-term with the final premium prorated for the balance of the policy term subject to a minimum premium of \$625 per \$250,000 of limit and an overall minimum premium of \$2,500.

B. Retention – Project Specific Endorsement

1. The Retention – Project Specific Endorsement should be used for projects with fees less than \$2 million. The endorsement may be used when the retention for a project is slightly lower than policy retention specified on the declarations page.
2. The endorsement premium is calculated as follows:
 - a. The overall policy premium is recalculated at the reduced project retention. The actual policy premium is subtracted from this amount to result in the difference in premium associated with the decreased retention.
 - b. The result of a. is multiplied by the ratio of the project fees to the overall Weighted Average Billings for the policy.
 - c. The result of b. is multiplied by a factor of 1.25.
3. The endorsement is typically offered mid-term with the final premium prorated for the balance of the policy term subject to a minimum premium of \$375 per \$250,000 of limit and an overall minimum premium of \$1500.

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C. Aggregate Retention with Maintenance Endorsement

1. The Aggregate Retention with Maintenance Endorsement is available to insureds with a per claim retention of at least \$2,500 and a reported loss ratio of less than 30%.
2. The Aggregate Retention will be no more than three times the policy's per claim retention.
3. The endorsement premium is equal to 8.5% of the final rated premium.

D. Retention (Defense Costs Coinsurance)

1. The standard policy deductibles apply to both losses and claims expenses. This endorsement provides for the sharing of claims expenses between the insurer and insured within the deductible.
2. The sharing of claims expenses between insurer/insured can be apportioned on either a 50/50 or 80/20 basis.
3. The Retention (Defense Costs Coinsurance) endorsement is available to insureds with Billings of less than \$5,000,000
4. The table below shows the endorsement premium charge as a percent of the final rated premium by retention. A minimum premium of \$250 applies.

Retention	50/50	80/20
\$2,000	4.0%	4.0%
\$3,000	4.0%	4.0%
\$4,000	4.0%	4.0%
\$5,000	4.0%	5.0%
\$10,000	5.0%	6.9%
\$15,000	6.9%	8.7%
\$20,000	7.9%	9.6%
\$25,000	8.9%	10.5%
\$35,000	10.7%	12.3%
\$50,000	13.5%	15.0%

E. Retention (1st Dollar Defense)

1. The standard policy deductibles apply to both losses and claims expenses. This endorsement provides for first dollar claims expense coverage within the deductible.
2. The Retention (1st Dollar Defense) endorsement is available to insureds with Billings of less than \$2,500,000.
3. The Retention (1st Dollar Defense) endorsement is available at 150% of the 80/20 Shared Defense Expense premium. A minimum premium of \$250 applies.

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F. Fungi Exclusion Endorsement

1. The table below shows the endorsement premium credit as a percent of the final rated premium.

Type of Risk	Premium Credit
High Mold Hazard Risk	3.0%
All Other Risks	0.0%

2. Risks that are considered to have “High Mold Hazard” are those whose project types are primarily habitational (e.g. condominiums, residential houses), whose professional services include HVAC, interior design, mold inspection/abatement and/or whose work is located in the Gulf Coast states, Northwestern states, West Coast and Southeastern states.

G. Fungi Sublimit

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

H. Asbestos Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

I. Bodily Injury Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

J. Property Damage Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

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This Rating Plan is a guide and is intended to address the most commonly written coverages and classes of business.

Due to the catastrophic nature of Architects and Engineers Professional Liability coverage, the lack of actuarially credible data for the industry as a whole, much less any single carrier, and the variability of coverage, the underwriter is called upon to exercise judgment pricing where appropriate. With proper factual documentation and reasoning, individual risk hazards may be changed to reflect the actual risk hazards on a particular risk that is different from the usual exposures contemplated in this Rating Plan. It is expected that good judgment will be exercised in identifying the risk hazards peculiar to applicable risks with full and clear file documentation for the underwriting reasoning used.

This Rating Plan does not contemplate any substantial shift in trends involving legal environment, loss severity or newly emerging exposures not previously contemplated in the pricing of the risk or in the pricing of the underlying layers. In the event that the Company either experiences or witnesses such a shift in trends, the file shall be clearly documented to reflect the increased exposure detailing trend observations and judgment pricing shall be utilized.

These guidelines are to be used for All Risks which are NOT eligible for individual risk rating.

Step 1 – Weighted Average Billings:

A. Determine the Weighted Average Billings for the risk as follows:

Years in Business	Weight to Each Years Gross Billings			
	Current Year	1 st Prior Year	2 nd Prior Year	3 rd Prior Year
1.0 – 1.9	100.0%			
2.0 – 2.9	72.5%	27.5%		
3.0 – 3.9	62.0%	23.0%	15.0%	xxx
4.0 – 4.9	54.0%	21.0%	15.0%	10.0%
5.0+	50.0%	17.5%	12.5%	10.0%

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B. If the risk has been in business less than one year, Weighted Average Billings equals estimated annual billings.

C. If the risk has been experience significantly increasing fees, Weighted Average Billings equals estimated billings for the policy year.

D. Gross billings include 100% of fees from all professional services, with the exception of feasibility studies and permanently abandoned projects. 50% of these fees are included in gross billings.

E. Gross billings do not include actual or estimated reimbursable expenses, fees from separately insured projects, interest income, sales and service taxes.

F. Gross billings do not include sub-consultant fees for work covered under other insurance, up to a maximum of 100% of the fees.

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Step 2 – Base Rates:

Determine the Base Premium using the following table:

Weighted Average Billings		Incremental per \$100	Upper end Base
0	to 250,000	2.5810	6,453
250,001	to 500,000	0.9964	8,944
500,001	to 750,000	0.7525	10,825
750,001	to 1,000,000	0.6281	12,395
1,000,001	to 1,250,000	0.5493	13,768
1,250,001	to 1,500,000	0.4937	15,003
1,500,001	to 1,750,000	0.4518	16,132
1,750,001	to 2,000,000	0.4187	17,179
2,000,001	to 2,250,000	0.3919	18,159
2,250,001	to 2,500,000	0.3694	19,082
2,500,001	to 2,750,000	0.3503	19,958
2,750,001	to 3,000,000	0.3339	20,793
3,000,001	to 3,250,000	0.3194	21,591
3,250,001	to 3,500,000	0.3067	22,358
3,500,001	to 3,750,000	0.2953	23,096
3,750,001	to 4,000,000	0.2851	23,809
4,000,001	to 4,250,000	0.2758	24,498
4,250,001	to 4,500,000	0.2673	25,167
4,500,001	to 4,750,000	0.2596	25,816
4,750,001	to 5,000,000	0.2524	26,447
5,000,001	to 5,250,000	0.2458	27,061
5,250,001	to 5,500,000	0.2397	27,660
5,500,001	to 5,750,000	0.2340	28,245
5,750,001	to 6,000,000	0.2287	28,817
6,000,001	to 6,250,000	0.2237	29,376
6,250,001	to 6,500,000	0.2190	29,924
6,500,001	to 6,750,000	0.2146	30,460
6,750,001	to 7,000,000	0.2105	30,987
7,000,001	to 7,250,000	0.2065	31,503
7,250,001	to 7,500,000	0.2028	32,010
7,500,001	to 7,750,000	0.1992	32,508
7,750,001	to 8,000,000	0.1959	32,998
8,000,001	to 8,250,000	0.1926	33,479
8,250,001	to 8,500,000	0.1896	33,953
8,500,001	to 8,750,000	0.1867	34,420
8,750,001	to 9,000,000	0.1839	34,880
9,000,001	to 9,250,000	0.1812	35,333
9,250,001	to 9,500,000	0.1786	35,779
9,500,001	to 9,750,000	0.1761	36,219
9,750,001	to 10,000,000	0.1737	36,654
10,000,001	to 10,250,000	0.1715	37,082
10,250,001	to 10,500,000	0.1693	37,506
10,500,001	to 10,750,000	0.1671	37,923
10,750,001	to 11,000,000	0.1648	38,335
11,000,001	to 11,250,000	0.1634	38,744
11,250,001	to 11,500,000	0.1611	39,147
11,500,001	to 11,750,000	0.1596	39,546
11,750,001	to 12,000,000	0.1574	39,939
12,000,001	to 12,250,000	0.1559	40,329
12,250,001	to 12,500,000	0.1544	40,715
12,500,001	to 12,750,000	0.1522	41,095
12,750,001	to 13,000,000	0.1507	41,472
13,000,001	to 20,000,000	0.1485	51,867
20,000,001	to 30,000,000	0.1411	65,975
30,000,001	to 40,000,000	0.1340	79,377
40,000,001	to 50,000,000	0.1273	92,109
50,000,001	to 60,000,000	0.1210	104,204
60,000,001	to 70,000,000	0.1149	115,695
70,000,001	and greater	0.1149	

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Step 3 – Territory Modification Factor:

- A. Apply the Territory Modification Factor found on the state exception page.
- B. For multi-state risks, calculate and apply a weighted average Territory Modification Factor based on the portion of Weighted Average Billings in each state. If State specific billing data is not available, applicant's State of Domicile shall apply.

Step 4 – Professional Service Factor:

- A. Apply the appropriate Professional Service Factor from the table below to recognize the differences in exposure among the various professional services.

Professional Service	Factor
Acoustical Engineering	0.50
Architecture	0.95
Civil Engineering	1.00
Communication Engineering	0.70
Construction Management ("Advisor" and "Agency")	1.10
Construction Management ("At Risk")	1.25
Electrical Engineering	0.65
Environmental Engineering	0.90
Forensic Engineering/Expert Testimony	0.40
HVAC Engineering	0.90
Interior Design/Space Planning	0.40
Laboratory Testing	1.00
Land Surveying	0.65
Landscape Architecture	0.40
Master Planning	0.40
Mechanical Engineering	0.80
Process Engineering	1.30
Soils/Geotechnical Engineering	1.75
Structural Engineering	1.50
Traffic/Transportation Engineering	0.85

- B. For risks which perform a variety of professional services, calculate and apply a weighted average Professional Service Factor based on the portion of Weighted Average Billings associated with each professional service.

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Step 5 – Project Type Factor:

A. Apply the appropriate Project Type Factor from the table below to recognize additional/reduced risk associated with the identified special risk projects.

Project Type	Factor	Project Type	Factor
Airports	1.00 – 1.25	Office Buildings	0.75 – 1.00
Amusement Rides	1.00 – 2.00	Parking Structures	1.00 – 1.50
Apartments	0.85 – 1.10	Pipelines/Petrochemical	1.00 – 1.75
Arenas/Stadiums	1.00 – 1.50	Pools	1.00 – 1.50
Bridges	1.00 – 1.50	Quarries/ Mining	1.00 – 1.50
Condominiums/Townhouses	1.00 – 1.75	Recreation/Sports	0.90 – 1.25
Convention Centers	1.00 – 1.50	Religious	0.85 – 1.10
Correctional Facilities	0.90 – 1.10	Roads/Highways	0.75 – 1.10
Courts/Justice	0.85 – 1.10	Schools/Colleges	0.75 – 1.00
Harbors/Piers/Dams	1.00 – 1.50	Sewage Systems	0.90 – 1.10
Hospitals/Healthcare	0.90 – 1.10	Shopping Center/Retail	0.75 – 1.00
Hotels/Motels	0.85 – 1.15	Single Family Houses	0.75 – 1.25
Industrial Wastewater Systems	1.00 – 1.25	Single Family Houses: Custom	1.00 – 1.50
Landfills	1.00 – 1.50	Superfund Sites	1.00 – 3.50
Libraries	0.75 – 1.10	Tunnels	1.00 – 1.75
Manufacturing/Industrial	0.90 – 1.25	Utilities	0.85 – 1.15
Mass Transit	0.85 – 1.15	Warehouses	0.75 – 1.00
Multi-Family/HUD	0.95 – 1.15	Wastewater Treatment Plants	0.90 – 1.20
Municipal Buildings	0.90 – 1.25	Water Systems	0.85 – 1.10
Nuclear/Atomic	1.00 – 2.00		

B. For risks which perform a variety of the identified project types, calculate and apply a weighted average Project Type Factor based on the portion of Weighted Average Billings associated with each project type.

Step 6 – Activity Factor:

A. Apply the appropriate Activity Factor from the table below to recognize the differences in exposure among the various activities.

Activity	Factor
Environmental Audits (Phase I & II)	1.00 – 1.50
Inspection Services: Home and Commercial Real Estate	1.00 – 1.50
Design/Manufacture/Sale/Distribution of Products	1.00 – 1.25
Construction/Erection/Fabrication/Installation	1.00 – 1.25
Site Development/Staking	1.00 – 1.50
Building Information Modeling (BIM)	1.00 – 1.50
Mold Related Services to include identification and abatement	1.00 – 1.50
Value Engineering	1.00 – 1.50
Subsurface Surveys/Utility Location	1.00 – 1.50
Foundation/Substructure	1.00 – 1.25

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B. For risks which perform a variety of activities calculate and apply a weighted average Activity Factor based on the portion of Weighted Average Billings associated with each activity.

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Step 7 – Project Delivery Factor:

A. Apply the appropriate Project Delivery Factor from the table below to recognize the differences in exposure among the various project delivery methods.

Project Delivery Type	Factor
Design/Bid/Build	0.90 – 1.20
Fast Track	1.00 – 1.50
Design/Build	1.00 – 1.30

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B. For risks which use a variety of delivery methods calculate and apply a weighted average Project Delivery Factor based on the portion of Weighted Average Billings associated with each method.

Step 8 – Risk Modification Factor:

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A. Apply the appropriate Risk Modification Factor associated with the following risk characteristics.

Risk Characteristics	Factor
Quality of Contracts	0.75 – 1.25
Foreign Work	0.75 – 1.25
Clientele	0.75 – 1.25
Contractual Responsibility	0.75 – 1.25
Qualification of Staff	0.90 – 1.10

B. A maximum of Risk Modification Factor of +/-25% (i.e. 0.75 to 1.25) is permitted. A greater Risk Modification Factor may be permitted under unusual circumstances and require special documentation and justification (See Senior Underwriting Management).

Step 9 – Loss Prevention/Risk Management:

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Apply a 3% credit for each of the questions answered in the affirmative, subject to a maximum of 15%.

1. Does the risk obtain written agreements on every project?
2. Does legal counsel or an insurance professional review written agreements before implementing?
3. Is Peer Review sponsored by the AIA, NSPE or another organization?
4. Is there an In-House quality control procedure?
5. Is there an In-House program for continuing education for employees?
6. Does the risk have a membership in Professional Society?

Step 10 – Repeat Client Credit:

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Apply the credit associated with the percentage of business from repeat clients.

% of Business from Repeat Clients	Credit
0% to 24%	0.0%
25% to 39%	2.0%
40% to 54%	4.0%
55% to 69%	6.0%
70% to 84%	8.0%
85%+	10.0%

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Step 11 – Limitation of Liability Clause Factor:

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Apply the factor associated with the percentage of business performed with a limitation of liability clause.

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% of Business with	
LOL Clause	Factor
0 to 9%	1.10
10% to 19%	1.08
20% to 29%	1.06
30% to 39%	1.04
40% to 49%	1.02
50% to 59%	1.00
60% to 69%	0.98
70% to 79%	0.96
80% to 89%	0.94
90% to 99%	0.92
100%	0.90

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Step 12 - Expense Modification:

The policy premium contemplates standard allowances for expense. If expenses vary from the standard, the premium may be reduced to reflect this difference (e.g., reduced commission paid to agents for large policies). The Expenses may not be increased.

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Step 13 – Claims Experience Rating:

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A. For risks with less than three years historical experience and historical incurred losses of less than \$10,000, apply an experience modification factor of 1.00.

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B. For risks with less than \$2,500,000 Billings and historical incurred losses less than \$10,000, apply an experience modification factor based on the table below. Risks with incurred losses of \$10,000 or greater will be rated in accordance with rules in B.

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# of Claims	Factor
0	0.90
1	1.00
2	1.15
3	1.30
4	1.45
5+	1.60

C. For risks with Billings greater than or equal to \$2,500,000 apply an experience modification factor based on the table below.

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Deleted: and historical incurred losses of at least \$10,000,

Loss Ratio	Factor
0% to 30%	0.85
31% to 40%	0.90
41% to 50%	0.95
51% to 60%	1.00
61% to 70%	1.05
71% to 80%	1.10
81% to 96%	1.20
97% to 110%	1.30
111% to 125%	1.40
126% to 140%	1.50
141% to 160%	1.60
161% +	1.70

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Step 14 – Limit/Retention Factor:

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Table 1. Weighted Average Billings <= \$1,000,000

Interpolate pro-rata for limits/retentions in-between those shown.

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Retention	Limit										
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	10,000,000	15,000,000
2,000	1.100	1.465	1.829	2.089	2.362	3.311	3.645	3.885	4.073	4.663	5.008
3,000	1.080	1.448	1.812	2.082	2.344	3.288	3.621	3.862	4.049	4.640	4.986
4,000	1.050	1.422	1.787	2.056	2.317	3.264	3.599	3.839	4.027	4.617	4.962
5,000	1.020	1.395	1.761	2.030	2.291	3.243	3.577	3.817	4.005	4.594	4.939
10,000	0.950	1.326	1.694	1.961	2.221	3.143	3.476	3.715	3.903	4.493	4.838
15,000	0.880	1.256	1.626	1.892	2.151	3.054	3.386	3.626	3.813	4.389	4.727
20,000	0.830	1.203	1.576	1.840	2.097	2.974	3.307	3.545	3.733	4.321	4.665
25,000	0.790	1.160	1.534	1.797	2.052	2.902	3.234	3.473	3.659	4.248	4.593
30,000	0.750	1.125	1.500	1.763	2.017	2.837	3.168	3.407	3.593	4.181	4.525
35,000	0.710	1.081	1.458	1.719	1.971	2.777	3.108	3.346	3.532	4.119	4.462
40,000	0.680	1.038	1.416	1.676	1.925	2.721	3.051	3.288	3.475	4.062	4.405
45,000	0.640	1.003	1.382	1.642	1.890	2.670	2.999	3.236	3.422	4.009	4.352
50,000	0.620	0.977	1.357	1.616	1.862	2.622	2.950	3.187	3.373	3.959	4.302
100,000	0.480	0.794	1.154	1.400	1.637	2.262	2.584	2.818	3.001	3.583	3.923
250,000	0.280	0.488	0.775	1.002	1.210	1.711	2.016	2.240	2.418	2.989	3.323
500,000	0.123	0.250	0.420	0.612	0.787	1.161	1.428	1.630	1.793	2.332	2.648

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Table 2. Weighted Average Billings > \$1,000,000

Interpolate pro-rata for limits/retentions in-between those shown.

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Retention

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Retention	Limit										
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	10,000,000	15,000,000
2,000	1.100	1.530	1.948	2.241	2.518	3.684	4.197	4.585	4.899	5.943	6.349
3,000	1.080	1.504	1.940	2.232	2.506	3.638	4.151	4.539	4.853	5.897	6.252
4,000	1.050	1.479	1.923	2.215	2.466	3.600	4.113	4.500	4.814	5.859	6.217
5,000	1.020	1.454	1.898	2.189	2.444	3.567	4.079	4.467	4.780	5.825	6.172
10,000	0.950	1.377	1.791	2.077	2.360	3.438	3.950	4.337	4.650	5.694	6.042
15,000	0.880	1.310	1.733	2.017	2.279	3.343	3.854	4.240	4.554	5.597	5.987
20,000	0.860	1.276	1.683	1.966	2.199	3.266	3.775	4.162	4.474	5.517	5.937
25,000	0.830	1.234	1.633	1.914	2.144	3.199	3.708	4.094	4.406	5.448	5.890
30,000	0.800	1.200	1.600	1.880	2.106	3.141	3.649	4.034	4.346	5.388	5.847
35,000	0.770	1.166	1.559	1.837	2.075	3.088	3.595	3.980	4.292	5.333	5.800
40,000	0.740	1.132	1.517	1.794	2.027	3.040	3.547	3.931	4.243	5.283	5.752
45,000	0.710	1.099	1.476	1.751	1.987	2.996	3.502	3.886	4.197	5.236	5.707
50,000	0.690	1.073	1.451	1.725	1.946	2.955	3.460	3.843	4.155	5.193	5.667
100,000	0.480	0.769	1.136	1.391	1.642	2.650	3.147	3.526	3.834	4.866	5.188
250,000	0.280	0.473	0.763	0.996	1.224	2.156	2.630	2.996	3.296	4.310	4.644
500,000	0.123	0.242	0.415	0.609	0.822	1.731	2.172	2.519	2.807	3.791	4.124
1,000,000						1.298	1.686	2.000	2.265	3.197	3.508
2,000,000						0.901	1.215	1.480	1.710	2.552	2.812
3,000,000						0.702	0.967	1.197	1.400	2.168	2.407
4,000,000						0.579	0.809	1.012	1.194	1.901	2.141
5,000,000						0.495	0.698	0.880	1.045	1.701	1.914

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Step 15 – Split Limits Factor:

Use the table below to adjust premium for split limits using the ratio of the aggregate limit to the occurrence limit. Interpolate factors for those ratios in-between those shown:

Agg/Occ	Factor
1.0	1.000
2.0	1.120
3.0	1.150
4.0	1.170
5.0	1.200

Step 16 – Optional Coverages:

A. Additional Limits of Liability & Amended Retro Date – Specific Projects

1. The Additional Limits of Liability & Amended Retro Date – Specific Projects endorsement should be used for projects with fees less than \$2 million. The endorsement may be used when project limits are slightly higher than policy limits specified on the declarations page.
2. The endorsement premium is calculated as follows:
 - a. The overall policy premium is recalculated at the increased project limit. The actual policy premium is subtracted from this amount to result in the difference in premium associated with the increased limit.
 - b. The result of a. is multiplied by the ratio of the project fees to the overall Weighted Average Billings for the policy.
 - c. The result of b. is multiplied by a factor of 1.25.
3. The Endorsement is typically offered mid-term with the final premium prorated for the balance of the policy term subject to a minimum premium of \$625 per \$250,000 of limit and an overall minimum premium of \$2,500.

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Project Excess Endorsements

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B. Retention – Project Specific Endorsement

1. The Retention – Project Specific Endorsement should be used for projects with fees less than \$2 million. The endorsement may be used when the retention for a project is slightly lower than policy retention specified on the declarations page.
2. The endorsement premium is calculated as follows:
 - a. The overall policy premium is recalculated at the reduced project retention. The actual policy premium is subtracted from this amount to result in the difference in premium associated with the decreased retention.
 - b. The result of a. is multiplied by the ratio of the project fees to the overall Weighted Average Billings for the policy.
 - c. The result of b. is multiplied by a factor of 1.25.
3. The endorsement is typically offered mid-term with the final premium prorated for the balance of the policy term subject to a minimum premium of \$375 per \$250,000 of limit and an overall minimum premium of \$1500.

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C. Aggregate Retention with Maintenance Endorsement

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ACE American Insurance Company
Architects & Engineers Professional Liability
Rating Plan

1. The Aggregate Retention **with Maintenance** Endorsement is available to insureds with a per claim retention of at least \$2,500 and a reported loss ratio of less than 30%.
2. The Aggregate Retention will be no more than three times the policy's per claim retention.
3. The endorsement premium is equal to 8.5% of the final rated premium.

D. Retention (Defense Costs Coinsurance)

1. The standard policy deductibles apply to both losses and claims expenses. This endorsement provides for the sharing of claims expenses between the insurer and insured within the deductible.
2. The sharing of claims expenses between insurer/insured can be apportioned on either a 50/50 or 80/20 basis.
3. The **Retention (Defense Costs Coinsurance) endorsement** is available to insureds with Billings of less than \$5,000,000.
4. The table below shows the endorsement premium charge as a percent of the final rated premium by retention. A minimum premium of \$250 applies.

Retention	50/50	80/20
\$2,000	4.0%	4.0%
\$3,000	4.0%	4.0%
\$4,000	4.0%	4.0%
\$5,000	4.0%	5.0%
\$10,000	5.0%	6.9%
\$15,000	6.9%	8.7%
\$20,000	7.9%	9.6%
\$25,000	8.9%	10.5%
\$35,000	10.7%	12.3%
\$50,000	13.5%	15.0%

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E. Retention (1st Dollar Defense)

1. The standard policy deductibles apply to both losses and claims expenses. This endorsement provides for first dollar claims expense coverage within the deductible.
2. The **Retention (1st Dollar Defense) endorsement** is available to insureds with Billings of less than \$2,500,000.
3. **The Retention (1st Dollar Defense) endorsement is available at 150% of the 80/20 Shared Defense Expense premium.** A minimum premium of \$250 applies.

F. Fungi Exclusion Endorsement

1. The table below shows the endorsement premium credit as a percent of the final rated premium.

Type of Risk	Premium Credit
High Mold Hazard Risk	3.0%
All Other Risks	0.0%

ACE American Insurance Company
Architects & Engineers Professional Liability
Rating Plan

- 2. Risks that are considered to have "High Mold Hazard" are those whose project types are primarily habitational (e.g. condominiums, residential houses), whose professional services include HVAC, interior design, mold inspection/abatement and/or whose work is located in the Gulf Coast states, Northwestern states, West Coast and Southeastern states.

G. Fungi Sublimit

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

H. Asbestos Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

I. Bodily Injury Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

J. Property Damage Exclusion Endorsement

If this endorsement is attached to the policy, a premium credit of 1% is applied to the final rated premium.

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¶
If this endorsement is attached to the policy, a premium surcharge of 2% is applied to the final rated premium.¶
¶

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Step 16 - Terrorism Risk Insurance Act of 2002 ("TRIA") Premium Charge:¶
¶
<#>The Terrorism Risk Insurance Act of 2002 Premium Charge is applied to the premium level derived in Step 14. The TRIA premium will be identified separately from the overall premium as a separate line item in the quotation, binder and policy. If the Insured waives their rights to Terrorism Coverage, this additional premium charge will not be applied. ¶
¶
<#>Apply the appropriate TRIA Premium charge from the table below based on the Project Type.¶
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Project Type ... [7]

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Weighted Average Billings		Incremental per \$100	Upper End of Range
0	to 250,000	2.5810	6,453
250,001	to 500,000	0.9964	8,944
500,001	to 750,000	0.7525	10,825
750,001	to 1,000,000	0.6281	12,395
1,000,001	to 1,250,000	0.5493	13,768
1,250,001	to 1,500,000	0.4937	15,003
1,500,001	to 1,750,000	0.4518	16,132
1,750,001	to 2,000,000	0.4187	17,179
2,000,001	to 2,250,000	0.3919	18,159
2,250,001	to 2,500,000	0.3694	19,082
2,500,001	to 2,750,000	0.3503	19,958
2,750,001	to 3,000,000	0.3339	20,793
3,000,001	to 3,250,000	0.3194	21,591
3,250,001	to 3,500,000	0.3067	22,358
3,500,001	to 3,750,000	0.2953	23,096
3,750,001	to 4,000,000	0.2851	23,809
4,000,001	to 4,250,000	0.2758	24,498
4,250,001	to 4,500,000	0.2673	25,167
4,500,001	to 4,750,000	0.2596	25,816
4,750,001	to 5,000,000	0.2524	26,447

For risks with Weighted Average Billings greater than \$5,000,000; Submit to Home Office.

Engineer/Procure/Construct

1.00 – 1.40

Apply a factor from the appropriate table below based on the selected increased limit and self insured retention.

Self Insured Retention	Per Occurrence Limit									
	100K	250K	500K	750K	1M	2M	3M	4M	5M	10M
2,000	1.100	1.465	1.829	2.099	2.362	3.311	3.645	3.885	4.073	4.663
3,000	1.080	1.448	1.812	2.082	2.344	3.288	3.621	3.862	4.049	4.640
4,000	1.050	1.422	1.787	2.056	2.317	3.264	3.599	3.839	4.027	4.617
5,000	1.020	1.395	1.761	2.030	2.291	3.243	3.577	3.817	4.005	4.594
10,000	0.950	1.326	1.694	1.961	2.221	3.143	3.476	3.715	3.903	4.493
15,000	0.880	1.256	1.626	1.892	2.151	3.054	3.386	3.626	3.813	4.389
20,000	0.830	1.203	1.576	1.840	2.097	2.974	3.307	3.545	3.733	4.321
25,000	0.790	1.160	1.534	1.797	2.052	2.902	3.234	3.473	3.659	4.248
30,000	0.750	1.125	1.500	1.763	2.017	2.837	3.168	3.407	3.593	4.181
35,000	0.710	1.081	1.458	1.719	1.971	2.777	3.108	3.346	3.532	4.119
40,000	0.680	1.038	1.416	1.676	1.925	2.721	3.051	3.288	3.475	4.062
45,000	0.640	1.003	1.382	1.642	1.890	2.670	2.999	3.236	3.422	4.009
50,000	0.620	0.977	1.357	1.616	1.862	2.622	2.950	3.187	3.373	3.959
55,000	0.608	0.963	1.344	1.603	1.849	2.582	2.910	3.147	3.333	3.920
60,000	0.596	0.949	1.331	1.590	1.834	2.542	2.870	3.107	3.293	3.879
65,000	0.584	0.936	1.318	1.576	1.820	2.502	2.829	3.065	3.251	3.837
70,000	0.572	0.921	1.304	1.562	1.806	2.461	2.787	3.023	3.208	3.794

Self Insured Retention	Per Occurrence Limit									
	100K	250K	500K	750K	1M	2M	3M	4M	5M	10M
75,000	0.560	0.907	1.289	1.547	1.790	2.419	2.745	2.980	3.165	3.749
80,000	0.544	0.885	1.264	1.519	1.761	2.393	2.719	2.954	3.140	3.725
85,000	0.528	0.862	1.237	1.491	1.732	2.364	2.690	2.925	3.111	3.697
90,000	0.512	0.840	1.210	1.461	1.701	2.332	2.657	2.893	3.078	3.664
95,000	0.496	0.817	1.183	1.431	1.670	2.298	2.622	2.857	3.042	3.626
100,000	0.480	0.794	1.154	1.400	1.637	2.262	2.584	2.818	3.001	3.583
105,000	0.471	0.778	1.139	1.384	1.619	2.242	2.565	2.799	2.983	3.567
110,000	0.462	0.762	1.123	1.368	1.601	2.221	2.544	2.779	2.963	3.548
115,000	0.453	0.746	1.106	1.352	1.583	2.200	2.523	2.757	2.942	3.528
120,000	0.444	0.730	1.090	1.335	1.565	2.177	2.500	2.735	2.919	3.506
125,000	0.435	0.715	1.073	1.318	1.546	2.154	2.476	2.711	2.895	3.481
130,000	0.426	0.699	1.056	1.301	1.527	2.130	2.451	2.685	2.870	3.455
135,000	0.417	0.683	1.039	1.283	1.508	2.105	2.425	2.659	2.843	3.427
140,000	0.408	0.668	1.021	1.265	1.486	2.079	2.398	2.631	2.814	3.397
145,000	0.399	0.652	1.004	1.246	1.467	2.052	2.370	2.602	2.784	3.365
150,000	0.390	0.637	0.986	1.227	1.447	2.024	2.341	2.571	2.753	3.331
155,000	0.384	0.629	0.976	1.216	1.435	2.009	2.326	2.556	2.738	3.317
160,000	0.378	0.621	0.965	1.205	1.423	1.993	2.310	2.541	2.723	3.302
165,000	0.372	0.614	0.955	1.193	1.410	1.977	2.293	2.524	2.706	3.286
170,000	0.366	0.606	0.944	1.181	1.398	1.960	2.276	2.507	2.689	3.269
175,000	0.360	0.598	0.933	1.169	1.385	1.943	2.258	2.489	2.671	3.251
180,000	0.354	0.590	0.922	1.157	1.373	1.925	2.240	2.470	2.652	3.231
185,000	0.348	0.582	0.911	1.145	1.361	1.907	2.221	2.450	2.632	3.210
190,000	0.342	0.574	0.900	1.132	1.346	1.888	2.201	2.430	2.611	3.188
195,000	0.336	0.566	0.888	1.119	1.333	1.869	2.181	2.409	2.589	3.165
200,000	0.330	0.558	0.876	1.106	1.319	1.849	2.160	2.387	2.567	3.141
205,000	0.325	0.551	0.867	1.097	1.309	1.838	2.148	2.376	2.556	3.131
210,000	0.320	0.545	0.857	1.087	1.299	1.826	2.136	2.364	2.544	3.120
215,000	0.315	0.538	0.847	1.077	1.289	1.813	2.123	2.351	2.531	3.107
220,000	0.310	0.531	0.837	1.067	1.278	1.800	2.110	2.337	2.518	3.094
225,000	0.305	0.524	0.827	1.057	1.267	1.787	2.096	2.323	2.503	3.079
230,000	0.300	0.517	0.817	1.046	1.256	1.772	2.081	2.308	2.488	3.063
235,000	0.295	0.510	0.807	1.036	1.246	1.758	2.066	2.292	2.472	3.047
240,000	0.290	0.503	0.796	1.025	1.234	1.743	2.050	2.276	2.455	3.028
245,000	0.285	0.496	0.786	1.014	1.223	1.727	2.033	2.258	2.437	3.009
250,000	0.280	0.488	0.775	1.002	1.210	1.711	2.016	2.240	2.418	2.989

Self Insured Retention	Per Occurrence Limit									
	100K	250K	500K	750K	1M	2M	3M	4M	5M	10M
2,000	1.100	1.530	1.948	2.241	2.518	3.449	3.817	4.084	4.294	4.960
3,000	1.080	1.504	1.940	2.232	2.506	3.436	3.795	4.061	4.271	4.933
4,000	1.050	1.479	1.923	2.215	2.466	3.404	3.773	4.039	4.249	4.915
5,000	1.020	1.454	1.898	2.189	2.444	3.383	3.751	4.018	4.227	4.893
10,000	0.950	1.377	1.791	2.077	2.360	3.285	3.652	3.918	4.128	4.793
15,000	0.890	1.310	1.733	2.017	2.279	3.198	3.564	3.830	4.039	4.704
20,000	0.860	1.276	1.683	1.966	2.199	3.119	3.486	3.751	3.960	4.624
25,000	0.830	1.234	1.633	1.914	2.144	3.048	3.414	3.679	3.888	4.552
30,000	0.800	1.200	1.600	1.880	2.106	2.984	3.348	3.613	3.821	4.485
35,000	0.770	1.166	1.559	1.837	2.075	2.924	3.288	3.552	3.760	4.424
40,000	0.740	1.132	1.517	1.794	2.027	2.868	3.232	3.496	3.704	4.366
45,000	0.710	1.099	1.476	1.751	1.987	2.817	3.179	3.443	3.651	4.313
50,000	0.690	1.073	1.451	1.725	1.946	2.768	3.130	3.393	3.601	4.263
55,000	0.664	1.035	1.418	1.693	1.919	2.739	3.103	3.368	3.576	4.242
60,000	0.638	0.996	1.383	1.658	1.889	2.704	3.069	3.334	3.543	4.211

Self Insured Retention	Per Occurrence Limit									
	100K	250K	500K	750K	1M	2M	3M	4M	5M	10M
65,000	0.612	0.957	1.346	1.620	1.857	2.663	3.027	3.292	3.501	4.168
70,000	0.586	0.918	1.308	1.579	1.825	2.617	2.978	3.242	3.450	4.115
75,000	0.560	0.879	1.268	1.537	1.783	2.564	2.923	3.184	3.391	4.050
80,000	0.544	0.857	1.243	1.509	1.770	2.538	2.897	3.159	3.366	4.027
85,000	0.528	0.836	1.217	1.481	1.739	2.508	2.867	3.130	3.337	3.999
90,000	0.512	0.814	1.191	1.452	1.708	2.476	2.835	3.097	3.304	3.966
95,000	0.496	0.791	1.164	1.422	1.676	2.441	2.799	3.060	3.266	3.926
100,000	0.480	0.769	1.136	1.391	1.642	2.404	2.759	3.019	3.224	3.882
105,000	0.471	0.754	1.120	1.375	1.616	2.384	2.740	3.000	3.206	3.866
110,000	0.462	0.738	1.104	1.360	1.588	2.363	2.719	2.980	3.186	3.847
115,000	0.453	0.723	1.088	1.343	1.563	2.341	2.697	2.958	3.165	3.827
120,000	0.444	0.708	1.072	1.327	1.535	2.318	2.674	2.935	3.142	3.804
125,000	0.435	0.693	1.056	1.310	1.519	2.294	2.650	2.911	3.117	3.779
130,000	0.426	0.677	1.039	1.293	1.500	2.270	2.624	2.885	3.091	3.752
135,000	0.417	0.662	1.022	1.275	1.482	2.244	2.598	2.857	3.063	3.723
140,000	0.408	0.647	1.005	1.257	1.462	2.217	2.570	2.828	3.033	3.692
145,000	0.399	0.632	0.988	1.238	1.447	2.190	2.540	2.798	3.002	3.658
150,000	0.390	0.617	0.970	1.219	1.425	2.161	2.510	2.766	2.970	3.623
155,000	0.384	0.610	0.960	1.208	1.418	2.146	2.494	2.751	2.955	3.609
160,000	0.378	0.602	0.950	1.197	1.409	2.129	2.478	2.735	2.939	3.594
165,000	0.372	0.595	0.939	1.186	1.398	2.113	2.461	2.718	2.922	3.577
170,000	0.366	0.587	0.929	1.174	1.390	2.095	2.444	2.700	2.904	3.560
175,000	0.360	0.580	0.918	1.162	1.377	2.078	2.435	2.682	2.885	3.541
180,000	0.354	0.572	0.907	1.150	1.370	2.059	2.406	2.662	2.866	3.520
185,000	0.348	0.564	0.896	1.137	1.361	2.040	2.387	2.642	2.845	3.499
190,000	0.342	0.557	0.885	1.125	1.351	2.021	2.366	2.621	2.823	3.476
195,000	0.336	0.549	0.874	1.112	1.341	2.001	2.345	2.599	2.801	3.451
200,000	0.330	0.541	0.862	1.099	1.326	1.980	2.323	2.576	2.777	3.426
205,000	0.325	0.534	0.853	1.090	1.318	1.969	2.311	2.564	2.766	3.416
210,000	0.320	0.528	0.843	1.080	1.308	1.956	2.299	2.552	2.754	3.404
215,000	0.315	0.521	0.833	1.070	1.298	1.943	2.286	2.539	2.741	3.392
220,000	0.310	0.514	0.824	1.060	1.290	1.930	2.272	2.525	2.727	3.378
225,000	0.305	0.508	0.814	1.050	1.280	1.916	2.257	2.510	2.712	3.363
230,000	0.300	0.501	0.804	1.040	1.268	1.901	2.242	2.495	2.696	3.346
235,000	0.295	0.494	0.794	1.029	1.259	1.886	2.226	2.478	2.679	3.328
240,000	0.290	0.487	0.783	1.018	1.246	1.870	2.209	2.461	2.661	3.309
245,000	0.285	0.480	0.773	1.007	1.236	1.854	2.192	2.443	2.642	3.289
250,000	0.280	0.473	0.763	0.996	1.224	1.837	2.174	2.423	2.623	3.267

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Retention	Charge
\$2,000	6.0%
\$5,000	7.5%
\$10,000	10.35%
\$15,000	13.05%
\$25,000	15.75%

Step 16 - Terrorism Risk Insurance Act of 2002 (“TRIA”) Premium Charge:

The Terrorism Risk Insurance Act of 2002 Premium Charge is applied to the premium level derived in Step 14. The TRIA premium will be identified separately from the overall premium as a separate line item in the quotation, binder and policy. If the Insured waives their rights to Terrorism Coverage, this additional premium charge will not be applied.

Apply the appropriate TRIA Premium charge from the table below based on the Project Type.

Project Type	Factor
Water Systems	1.08
HVAC	1.08
Nuclear/Atomic	1.08
Airports	1.10
Utilities	1.08
Homeland Security/Force Protection Services	1.10
All Other Project Types	1.01 to 1.04

For risks which perform a variety of project types, calculate and apply a weighted average TRIA factor based on the portion of Weighted Average Billings associated with each project type.

SERFF Tracking Number: ACEH-125243828 State: Arkansas
 Filing Company: ACE American Insurance Company State Tracking Number: AR-PC-07-025791
 Company Tracking Number: 07-PR-233(R)
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
 Product Name: 07-PR-233(R)
 Project Name/Number: Architects & Engineers 2007, Revisions/07-PR-233 (R)

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty **Review Status:** Filed 09/21/2007

Comments:

Attachments:

NAIC Transmittal AR (R).pdf
 NAIC Rate Schedule (AR).pdf

Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp **Review Status:** Filed 09/21/2007

Bypass Reason: NA

Comments:

Bypassed -Name: NAIC loss cost data entry document **Review Status:** Filed 09/21/2007

Bypass Reason: NA

Comments:

Satisfied -Name: Actuarial Memo **Review Status:** Filed 09/21/2007

Comments:

Attachment:

Actuarial Memo Rev.pdf

Satisfied -Name: General Rules **Review Status:** Filed 09/21/2007

Comments:

Attachments:

AE General Rules (05-07).pdf
 AE General Rules (05-07) (R).pdf

SERFF Tracking Number: ACEH-125243828 State: Arkansas
Filing Company: ACE American Insurance Company State Tracking Number: AR-PC-07-025791
Company Tracking Number: 07-PR-233(R)
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
Product Name: 07-PR-233(R)
Project Name/Number: Architects & Engineers 2007, Revisions/07-PR-233 (R)

Review Status:
Satisfied -Name: State Exception Page -AR Filed 09/21/2007
Comments:
Attachments:
AE State Exception Pages - AR_R_.pdf
Arkansas State Exception Pages (08-07).pdf

Review Status:
Satisfied -Name: Explanatory Memo Filed 09/21/2007
Comments:
Attachment:
Explanatory Memo - RR Rev.pdf

Review Status:
Satisfied -Name: Actuarial Exhibits Filed 09/21/2007
Comments:
Attachments:
Actuarial Exhibits.pdf
Exp and Inv Income OL AR vals.pdf
A&E Forms AR RF-1 Rev.pdf

Review Status:
Satisfied -Name: PDF Pipeline Filed 09/21/2007
Comments:
Attachment:
AR PDF pipeline (R).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 border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">New Business</td> <td></td> </tr> <tr> <td>Renewal Business</td> <td></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 #
ACE USA	626

4. Company Name(s)	Domicile	NAIC #	FEIN #
ACE American Insurance Company	PA	22667	95-2371728

5. Company Tracking Number	07-PR-233 ®
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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
	Robert Wolfrom 510 Walnut Street WB04G Philadelphia, PA 19106	Sr. Regulatory Specialist	(215) 640-5123	(215) 640-4986	robert.wolfrom@ace-ina.com

7.	Signature of authorized filer	
8.	Please print name of authorized filer	Robert Wolfrom

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

9.	Type of Insurance (TOI)	17.1 Other Liability
10.	Sub-Type of Insurance (Sub-TOI)	17.1019 Professional Errors & Omissions
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12.	Company Program Title (Marketing title)	
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: Upon approval Renewal: Upon approval

Property & Casualty Transmittal Document---

15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16.	Reference Organization (if applicable)	
17.	Reference Organization # & Title	
18.	Company's Date of Filing	08-13-2007
19.	Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

20.	This filing transmittal is part of Company Tracking #	07-PR-233 (R)
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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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ACE American Insurance Company currently has forms, rates and rules on file with your department which are applicable to our Architects & Engineers Professional Liability program. The coverage provides claims made professional liability insurance to consulting design professional firms legally qualified to engage in the design of traditional building construction and land development. We are now submitting revisions to this program.

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]
<p>Check #: PS 00299665 Amount: \$100.00</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p>	

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

These pages are informational only and do not need to be submitted with your filings!

Notes for Uniform Property & Casualty Transmittal Document

DESCRIPTION OF ITEMS IN THE PROPERTY AND CASUALTY TRANSMITTAL DOCUMENT

- 1. Reserved for Insurance Dept. Use Only**—this section is for anything the Dept. wishes to capture—such as date stamps, approval stamps, check routing numbers, accounting codes, etc.
- 2. Insurance Department Use Only Box:** Includes the following information: (It is up to the state to determine which, if any, of this info they wish to record—or it may be recorded in #1 box with stamps (for example))
 - a. Date the filing is received by the Insurance Dept.**
 - b. Analyst**—lead analyst who reviewed the filing and assigns final disposition
 - c. Disposition**—this is the disposition that the Dept. assigns—authorized, approved, filed, withdrawn, disapproved, informational only, etc.
 - d. Date of Disposition of the filing**—date filing is finished
 - e. Effective Date of the Filing**—date the filing goes into effect. This date may vary by state—it might be the “approval” date in some states. It might be the implementation date in some states. It might be the received date in some states. The Dept. should use the date that is applicable in their state.
 - f. State Filing #:** The number the state assigns to the filing (if applicable).
 - g. SERFF Filing #:** Some states may use SERFF to track paper filings and will use that SERFF assigned number.
 - h. Subject Codes** – This field is intended to capture one or more Subject Codes for states to track particular attributes of a filing, such as mold exclusions. The codes or terms used would be variable by state.
- 3. Group Name and Group NAIC #** as assigned by NAIC.
- 4. Company Name(s), State of Domicile, NAIC #, FEIN#, State #:** Every company to which this filing applies must be listed and the company information must be supplied, with the exception of the State # (the company specific code) if not available or not required by the filing jurisdiction. A filing that lists a group without supplying company info will not be accepted in most states.
- 5. Company Tracking Number:** The filing number assigned by the insurance company, if any.
- 6. Contact Info of Filer or Corporate Officer:** The company should supply the information on the person the state should contact if there is a question/problem with the filing. If there is more than one person (perhaps, one for rates, one for forms) then both should be listed.
- 7. Signature of authorized filer:** Some states require a signature of the authorized filer. If the filer is third party, a letter of authorization from the insurer must be submitted according to state requirements.
- 8. Please print name of authorized filer:** So we can decipher #7 above!
- 9. Type of Insurance (TOI):** Refer to Uniform Property & Casualty Product Coding Matrix. This corresponds to the column entitled “SERFF Type of Insurance” and roughly corresponds to the annual statement line of business.
- 10. Sub-type of Insurance (Sub-TOI):** Refer to Uniform Property & Casualty Product Coding Matrix). This corresponds to the column entitled “SERFF Sub-Type of Insurance”.
- 11. State Specific Product code(s):** See State Specific Requirements for these codes
- 12. Company Program Title:** Marketing title, if applicable.
- 13. Filing Type:** Choices are Rate/Loss Cost; Rules; Rates/Rules; Forms; Withdrawal; Other.

14. Effective Date Requested: This is the effective date the company requested when they made the filing. It is not necessarily the date the filing officially becomes effective. This is also where the company can indicate the different effective dates for new or renewal business.

15. Reference Filing: Yes/No

16. Reference Organization (if applicable): The name of the advisory organization—i.e. ISO, NCCI, AAIS, etc. or an Insurance Company name if “me too filing” is permitted. Some states allow companies to reference another company’s filing. A “me too” filing is when one company adopts another company’s filing. Usually they are not part of the same group. You should check with each state to determine their rules on these filings. If permitted, use this area to indicate either an advisory organization name or “me too” company name.

17. Reference Organization Number & Title (if applicable): This is the unique number that the reference organization gives to the filing. It is generally not the same number as the circular number.

18. Company’s Date of filing: The date the company sends the filing.

19. Status of filing in domicile: Place for the company to show if filing has been filed in domicile and its status.

20. This filing transmittal is part of Company Tracking #: This ties all of the pages of the transmittal to the same filing. It is helpful for the state.

21. Filing Description: This area can be used in lieu of a cover letter or filing memorandum and is free-form text.

22. Filing Fees: Please refer to each state’s checklist for additional state specific requirements or instructions on calculating fees.

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 #	07-PR-233 (R)
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	07-PR-233 (F)

Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval
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4a. Rate Change by Company (As Proposed)							
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)
ACE American Insurance Company	NA	NA	NA	NA	NA	NA	NA

4b. Rate Change by Company (As Accepted) For State Use Only							
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)			
		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	NA
7.	Effective Date of last rate revision	
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Rating Plan, pages 1-10	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	03-PR-273
02	Company Manual, pages 1-4	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	03-PR-273
03	State Exception Page – Arkansas page 1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	03-PR-273

These pages are informational only and do not need to be submitted with your filings!

Notes for Rate/Rule Filing Transmittal

DESCRIPTION OF ITEMS IN THE RATE FILING SCHEDULE

RATE/RULE FILING SCHEDULE

1. This filing transmittal is part of Company Tracking #: This ties all of the pages of the transmittal to the same filing. It is helpful for the state.

2. This filing corresponds to form filing number: Many states require that rates and forms be submitted separately due to different review procedures that are required by law. For those states, this will tie the form filing with the associated rate filing, if there is one. **Use check boxes to indicate if this is a rate increase, a rate decrease or rate neutral.**

3. Filing Method (Prior Approval, File & Use, Flex Band, etc): This is the review method for which the filing is being submitted. See State Specific Requirements.

4. Rate Change by Company: Complete all fields for each company included in the filing.

- **Overall % Indicated Change (when applicable)** - This field is only to be completed when an actuarial indication is included in the filing submission.
- **Overall % Rate Impact** - This is the statewide average percentage change to the accepted rates for the coverages included for each company.
- **Written premium change for this program** - This is the statewide change in written premium based on the proposed overall percentage rate impact for each company.
- **# of policyholders affected for this program** - This is the number of policyholders affected by the overall percentage rate impact for each company.
- **Written premium for this program** - This is the statewide written premium for each company.
- **Maximum % Change & Minimum % Change** – This information should be completed if required by the state to which the filing is being submitted.
 - If all the policyholders get increases, then the maximum change is the largest increase and the minimum change is the smallest increase.
 - If all the policyholders get decreases, then the maximum change is the smallest decrease and the minimum change is the largest decrease.
 - If some of the policyholders get increases and others get decreases, then the maximum change is the largest increase and the minimum change is the largest decrease.

5a. Overall percentage rate indication (when applicable): These fields are only to be completed when an actuarial indication is included in the filing submission.

5b. Overall percentage rate impact for this filing: This is the statewide average percentage change to the accepted rates for the coverages included in the filing. This field only needs to be completed for group filings.

5c. Effect of Rate Filing—Written Premium Change for this program: This is the statewide change in written premium based on the proposed overall percentage rate impact. This field only needs to be completed for group filings.

5d. Effect of Rate Filing—Number of policyholders affected: This is the number of policyholders affected by the overall percentage rate impact. This field only needs to be completed for group filings.

6. Overall percentage of last rate revision: This is the statewide average of the last percentage change implemented in the state.

7. Effective Date of last rate revision: This is the implementation date of the last overall percentage rate impact.

8. Filing Method of Last Filing (Prior Approval, File & Use, Flex Band, etc): This is the review method for which the last filing was submitted. See State Specific Requirements.

9. Rule # or Page # Submitted for Review: This is the list of changes to the rate/rule manual.

To be complete a filing must include the following:

- A completed Property & Casualty Transmittal Document (PC TD-1).
- A completed Form Filing Schedule Document (PC FFS-1), when applicable. **Do not refer to the body of the filing for the forms listing, unless allowed by state.**
- A completed Rate/Rule Filing Transmittal document (PC RRFS-1), when applicable. **Do not refer to the body of the filing for the forms listing, unless allowed by state.**
- The appropriate state specific requirements.
- The appropriate filing fees, when required.
- A postage-paid, self-addressed envelope large enough to accommodate the return of acknowledgement, as required by state.
- You should refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

ACE GROUP OF INSURANCE COMPANIES

ACE American Insurance Company
Architects and Engineers Professional Liability

Actuarial Memorandum
07-PR-233

The following is a summary of changes to the Architects and Engineers Professional Liability Rating Plan.

Increased Limits Factors (“ILFs”)

In order to better align the increased limits coverage for limits over \$1,000,000 with those of other companies, a competitor analysis was performed to develop more appropriate ILFs using the filings listed below:

Company	Effective Date	Filing #
AIG	4/1/2005	AIC-04-EO-23
Kemper	3/1/2002	PR-PA-03455-01
Navigators	5/2/2005	AE-MD-F-105
Royal	1/1/2002	2001-6041 PA
XL	1/1/2004	03SD-XD-EO01-CW-CAF
Zurich	4/23/2004	CW-GL-21909

The following steps were performed in order to develop revised ILFs:

- Competitor ILFs were adjusted to a common self-insured retention of \$0 (Exhibit A.2)
- These ILFs were then trended from the competitor filing effective date to 1/1/2007 using a 3% annual rate (Exhibit A.3)
- ILFs were then adjusted to a common base limit of \$1,000,000 (Exhibit A.4)
- Averages of adjusted and trended competitor ILFs by limit were analyzed and initial selections were made. (Exhibit A.5, Step 5)
- These initial selections were then fit to a Weibull curve for smoothing purposes (Exhibit A.5, Step 6). The fitted curve was then adjusted such that the expected limited losses at a limit of \$0 is 0.000 and the base limit is \$1,000,000 (i.e., $ILF[\$1M] = 1.000$)
- Finally, a lognormal distribution was fit to these ILFs by using a standard fitting technique (Exhibit A.5, Step 7). This was done in order to produce an indexed severity distribution from which ILFs can be computed for any base. In addition, this procedure ensures that the ILFs are smooth and consistent.
- The resulting distribution parameters were used to calculate ILF factors for a base limit of \$100,000 and retention of \$5,000 as in the original filing.

The resulting ILF table is shown on Exhibit 1. This curve was only used to model ILFs for limits greater than \$1,000,000 and for those firms with over \$1,000,000 in revenues. All other ILFs are the same as in the original filing.

Split Limits Factors

Competitor split limits factors were analyzed and selected using the same company filings as listed above. The analysis and suggested factors are shown in detail on Exhibit 2. Note that the original filing did contain split limits coverage options.

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Company Manual

SECTION I. GENERAL RULES

A. Contents

This manual contains the rules, rating procedures and company rates for Architects & Engineers Professional Liability Insurance.

The rules, rates, forms and rating plans filed by or behalf of the company govern in all cases not specifically provided for in this manual.

B. Sections

This manual is divided into separate Sections for:

1. General Rules
2. Eligibility
3. Coverage Forms
4. Company Rates

C. Policy Term

1. Policies may be written for a specific term up to three years.

D. Factors or Multipliers

1. Factors or multipliers are to be applied consecutively and not added together, unless otherwise specified.

E. Rounding Procedure

1. Rates

Round rates, factors and multipliers after the final calculation to three decimal places. Five tenths or more of a mill shall be considered one mill, e.g., .1245 = .125.

2. Premium

Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar.

F. Policy Writing Minimum Premium

1. Policy writing minimum premium is the lowest amount of premium for which a policy may be written and such amount is not subject to adjustment for any reason.
2. Apply a minimum premium for each annual period.
3. Minimum premiums are the lowest amounts for which insurance may be written for each full year of coverage.
4. The minimum allowable premiums are shown in the table below.

<u>Per Occurrence Limit</u>	<u>Minimum Premium</u>
\$100,000	\$1,250
\$250,000	\$1,500
\$500,000	\$1,850
\$1,000,000+	\$2,500

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Company Manual

5. For split limit policies, the minimum premium is to be multiplied by the corresponding split limit factor as shown in Step 15 of the rating plan.

G. Additional Premium Charge

1. Calculation of Premium

- a. Prorate all changes requiring additional premium.
- b. Apply the rates and rules in effect on the effective date of the policy, or if the change is made after an anniversary date of the policy, apply the rates and rules in effect on that anniversary date. The additional premium developed is in addition to any applicable policy writing minimum premium.

2. Waiver of Premium

- a. Additional premiums at or below \$25 may be waived.
- b. This waiver applies only to that portion of the premium due on the effective date of the policy change.

H. Return Premium Charges

1. Premium Computation

- a. Compute return premium at the rates used to calculate the policy premium.
- b. Compute return premium pro-rata and round to the next higher whole dollar when any coverage or exposure is deleted or an amount of insurance is reduced.

2. Waiver of Premium

- a. Return premiums of \$25 or less shall be waived.
- b. This waiver applies only to that portion of the return premium due on the effective date of the policy change.
- c. Any return premium due the insured must be granted if the insured requests it.

I. Policy Cancellation

1. Pro Rata Cancellation

Calculate return premium pro rata and round to the next higher whole dollar when a policy is canceled.

- a. At the company's request due to the nonpayment of premium.
- b. Because the insured no longer has a financial interest in the business operation that is the subject of this insurance.
- c. And rewritten in the same company or company group.

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Company Manual

2. Other than Pro Rata Cancellation

Calculate return premium at 90% of the unearned premium and round to the next higher whole dollar when a policy is canceled at the insured's request.

J. Extended Reporting Period

1. The insured can elect the Optional Extended Reporting Period upon payment of the additional premium. Extended reporting periods are available as follows:

Extended Reporting Period	Premium (as a % of expiring policy premium)
1 Year	100%
2 Years	160%
3 Years	190%

2. The Extended Reporting Period premium and term are noted within the policy form.

3. Reinstatement of the Aggregate

- The premium charge for the reinstatement of the aggregate will be determined at the time of policy issuance and the insured will be advised accordingly. The premium will range from 100% to 300%, for the standard one-year reinstatement, of the annual premium and payable at the time the reinstatement is elected by the insured.
- Multi year reinstatement of the aggregate will be available and the premium charge will be calculated at the same percentage charge on a per year basis.

K. Prior Acts Coverage

1. Prior Acts Coverage is available for the coverages afforded with the Architects & Engineers Professional Liability Insurance.
2. Determine the number of years in which the risk has been insured under a claims-made policy. Fractional years of 6 months or more will be rounded up to the next higher year; less than 6 months will be rounded down to the next lower year.
3. The selection from the Claims Made Step Factor table below is made by adding one year to the prior years of exposure calculated in 2. above.

Claims Made Year	Prior Acts Factor
1 st	0.50
2 nd	0.64
3 rd	0.75
4 th	0.83
5 th	0.92
6 th or more	1.00

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability
Company Manual

L. Multiple Year Term Modifications

1. The base rate contemplates an annual policy period. Apply the appropriate factor from the table below based on the desired number of years.

Number of Years	Factor
1	1.00
2	1.50 – 2.25
3	2.25 – 3.50

2. A factor of 0.93 to 0.97 per year can be applied if the policy premium is prepaid.

SECTION II. ELIGIBILITY

- A. Eligible classes of business include consulting design professional firms legally qualified to engage in the design of traditional building construction and land development.

SECTION III. COVERAGE FORMS

- A. The eligibility guidelines, rates and rules outlined in this manual apply to the following coverage form.

Professional Liability Policy for Design Professionals - PF-14373a (11/06)

- B. The appropriate

1. Coverage forms;
2. Optional endorsements;
3. Mandatory endorsements (including those required for use in a particular state, required by other manual rules, or as required by a footnote in the classification table);
4. Other applicable endorsements; and,
5. The Declarations

make up a coverage part.

SECTION IV. RATES

Refer to the Architects & Engineers Professional Liability Rating Plan.

SECTION I. GENERAL RULES

A. Contents

This manual contains the rules, rating procedures and company rates for Architects & Engineers Professional Liability Insurance.

The rules, rates, forms and rating plans filed by or behalf of the company govern in all cases not specifically provided for in this manual.

B. Sections

This manual is divided into separate Sections for:

1. General Rules
2. Eligibility
3. Coverage Forms
4. Company Rates

C. Policy Term

1. Policies may be written for a specific term up to three years.

D. Factors or Multipliers

1. Factors or multipliers are to be applied consecutively and not added together, unless otherwise specified.

E. Rounding Procedure

1. Rates

Round rates, factors and multipliers after the final calculation to three decimal places. Five tenths or more of a mill shall be considered one mill, e.g., .1245 = .125.

2. Premium

Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar.

F. Policy Writing Minimum Premium

1. Policy writing minimum premium is the lowest amount of premium for which a policy may be written and such amount is not subject to adjustment for any reason.
2. Apply a minimum premium for each annual period.
3. Minimum premiums are the lowest amounts for which insurance may be written for each full year of coverage.
4. The minimum allowable premiums are shown in the table below.

Per Occurrence Limit	Minimum Premium
\$100,000	\$1,250
\$250,000	\$1,500
\$500,000	\$1,850
\$1,000,000+	\$2,500

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5. ~~For split limit policies, the minimum premium is to be multiplied by the corresponding split limit factor as shown in Step 15 of the rating plan.~~

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G. Additional Premium Charge

1. Calculation of Premium

- Prorate all changes requiring additional premium.
- Apply the rates and rules in effect on the effective date of the policy, or if the change is made after an anniversary date of the policy, apply the rates and rules in effect on that anniversary date. The additional premium developed is in addition to any applicable policy writing minimum premium.

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2. Waiver of Premium

- Additional premiums at or below \$25 may be waived.
- This waiver applies only to that portion of the premium due on the effective date of the policy change.

H. Return Premium Charges

1. Premium Computation

- Compute return premium at the rates used to calculate the policy premium.
- Compute return premium pro-rata and round to the next higher whole dollar when any coverage or exposure is deleted or an amount of insurance is reduced.

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2. Waiver of ~~Premium~~

- Return premiums of \$25 or less shall be waived.
- This waiver applies only to that portion of the return premium due on the effective date of the policy change.
- Any return premium due the insured must be granted if the insured requests it.

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I. Policy Cancellation

1. Pro Rata Cancellation

Calculate return premium pro rata and round to the next higher whole dollar when a policy is canceled.

- At the company's request due to the nonpayment of premium.
- Because the insured no longer has a financial interest in the business operation that is the subject of this insurance.
- And rewritten in the same company or company group.

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2. Other than Pro Rata Cancellation

Calculate return premium at 90% of the unearned premium and round to the next higher whole dollar when a policy is canceled at the insured's request.

J. Extended Reporting Period

- The insured can elect the Optional Extended Reporting Period upon payment of the additional premium. Extended reporting periods are available as follows:

Extended Reporting Period	Premium (as a % of expiring policy premium)
1 Year	100%
2 Years	160%
3 Years	190%

- The Extended Reporting Period premium and term are noted within the policy form.

3. Reinstatement of the Aggregate

- The premium charge for the reinstatement of the aggregate will be determined at the time of policy issuance and the insured will be advised accordingly. The premium will range from 100% to 300%, for the standard one-year reinstatement, of the annual premium and payable at the time the reinstatement is elected by the insured.
- Multi year reinstatement of the aggregate will be available and the premium charge will be calculated at the same percentage charge on a per year basis.

K. Prior Acts Coverage

- Prior Acts Coverage is available for the coverages afforded with the Architects & Engineers Professional Liability Insurance.
- Determine the number of years in which the risk has been insured under a claims-made policy. Fractional years of 6 months or more will be rounded up to the next higher year; less than 6 months will be rounded down to the next lower year.
- The selection from the Claims Made Step Factor table below is made by adding one year to the prior years of exposure calculated in 2. above.

Claims Made Year	Prior Acts Factor
1 st	0.50
2 nd	0.64
3 rd	0.75
4 th	0.83
5 th	0.92
6 th or more	1.00

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Number of Years	Factor
1	1.00
2	1.50 – 2.25
3	2.25 – 3.50

2. A factor of 0.93 to 0.97 per year can be applied if the policy premium is prepaid.

SECTION II. ELIGIBILITY

- A. Eligible classes of business include consulting design professional firms legally qualified to engage in the design of traditional building construction and land development.

SECTION III. COVERAGE FORMS

- A. The eligibility guidelines, rates and rules outlined in this manual apply to the following coverage form.

Professional Liability Policy for Design Professionals - [PF-14373a \(11/06\)](#)

- B. The appropriate

1. Coverage forms;
2. Optional endorsements;
3. Mandatory endorsements (including those required for use in a particular state, required by other manual rules, or as required by a footnote in the classification table);
4. Other applicable endorsements; and,
5. The Declarations

make up a coverage part.

SECTION IV. RATES

Refer to the Architects & Engineers Professional Liability Rating Plan.

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Company Manual

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ACE American Insurance Company
Architects & Engineers Professional Liability

State Exception Page – Arkansas

- I. Exceptions to the Architects & Engineers Professional Liability Rating Plan;

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Under **Step 3 – Territory Modification Factor**, the Territory Modification Factor for Arkansas is 1.00.

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Page 1 of 1

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ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability

State Exception Page – Arkansas

I. The minimum limit of liability provided shall be \$1,000,000.

II. Exceptions to the Architects & Engineers Professional Liability Rating Plan:

Under **Step 3 – Territory Modification Factor**, the Territory Modification Factor for Arkansas is 1.00.

ACE GROUP OF INSURANCE COMPANIES

ACE American Insurance Company Architects and Engineers Professional Liability

Explanatory Memorandum Rates and Rules

ACE American Insurance Company currently has forms, rates and rules on file with your department which are applicable to our Architects & Engineers Professional Liability program. The coverage provides claims made professional liability insurance to consulting design professional firms legally qualified to engage in the design of traditional building construction and land development. We are now submitting revisions to this program. The filing history for this program is as follows:

<u>Company Number</u>	<u>Description of Filing</u>
03-PR-273	New forms, rates and rules
06-PR-164	Reduction to Policy Writing Minimum Premium

Please refer to the attached Reference Filing Numbers exhibit for prior state filing numbers, if applicable.

A. Forms

See companion filing 07-PR-233(F)

B. Rules and Rates

Marked up versions of the changes to the rules and rates are provided for your reference. All previously filed and approved versions of the Architects and Engineers Professional Liability Company Manual, Rating Plan and State Exception Page(s) will be replaced by the amended pages upon approval.

A summary of changes to the Company Manual is as follows:

- A rule for split limit policies is being added under Rule F, Policy Writing Minimum Premium.
- Under Rule H. Return Premium Charges, item 1b we are removing the sentence that states we will “retain the policy writing minimum premium” as it is not our intent to retain the policy writing minimum premium.
- A rule is being added under Rule I, Policy Cancellation to describe how the return premium is calculated when the policy is canceled at the insured’s request.

A summary of changes to the Rating Plan is as follows:

- Base rates are being added for Weighted Average Billings greater than \$5,000,000. The requirement to “Submit to Home Office” for risks with Weighted Average Billings greater than \$5,000,000 is being removed.
- Increased Limit Factors are added.
- Terrorism rule is deleted. TRIA no longer applies to Professional Liability E&O.

Under Optional Endorsements:

- The minimum premium for the Additional Limits of Liability & Amended Retro Date – Specific Projects endorsements is being revised from \$375 to \$625 per \$250,000 of limit. The overall minimum premium is revised from \$500 to \$2,500.
- The overall minimum premium for the Retention Project Specific Endorsement is being revised from \$500 to \$1,500.

ACE GROUP OF INSURANCE COMPANIES

ACE American Insurance Company Architects and Engineers Professional Liability

Explanatory Memorandum Rates and Rules

- The minimum premium for the Retention (Defense Costs Coinsurance) is being revised from \$350 to \$250. Retention amounts of \$35,000 and \$50,000 and corresponding factors are added.
- The minimum premium for the Retention (1st Dollar Defense) endorsement is being revised from \$350 to \$250. The endorsement is available at 150% of the 80/20 Shared Defense Expense premium
- Fungi Sublimit rule and premium credit are added.
- Contractor's Pollution Liability is being removed. This coverage is now included in the policy under the definition of Wrongful Act. Since there is no longer an additional charge for this coverage and considering that the base rates remain unchanged this represents a decrease in premium at renewal for policyholders that currently have the optional endorsement attached to the policy.

Manual

Architects & Engineers Professional Liability – Company Manual

Page 1-4 (Ed. 05/2007)

Architects & Engineers Professional Liability – Rating Plan

Page 1-10 (Ed. 05/2007)

State Exception Page (Ed. 05/2007)

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 1: Actual ILFs							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Limit							
-							
1,000	0.070						
2,000	0.100						
2,500						(0.060)	
5,000	0.130	0.070				(0.040)	
7,500		0.150				(0.020)	
10,000	0.160	0.210				-	
12,500		0.270					
15,000	0.180	0.290					
17,500		0.320					
20,000	0.200	0.340					
22,500		0.370					
25,000	0.220	0.400					
30,000	0.260						
35,000	0.280						
40,000	0.310						
45,000	0.320						
50,000	0.330	0.500					
100,000		1.000				0.230	1.100
250,000		1.600	1.470		1.470	0.444	1.530
500,000	1.000	2.000	1.624	1.000	1.667	0.682	1.948
750,000	1.120			1.140		0.858	2.241
1,000,000	1.200	2.500	1.882	1.260	1.970	1.000	2.518
2,000,000		3.100	2.271	1.700	2.416	1.409	3.449
3,000,000		3.500	2.460	1.890	2.635	1.692	3.817
4,000,000		4.000	2.638	2.070	2.818	1.914	4.084
5,000,000		4.500	2.763	2.260	2.960	2.097	4.294
6,000,000						2.253	
7,000,000						2.391	
8,000,000						2.513	
9,000,000						2.624	
10,000,000						2.725	4.960

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 2: Adjust Base SIR to 0							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
SIR Adj	-	0.090	-	-	-	0.090	-

Limit	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
-	-	-	-	-	-	-	-
1,000	0.070						
2,000	0.100						
2,500						0.030	
5,000	0.130	0.160				0.050	
7,500		0.240				0.070	
10,000	0.160	0.300				0.090	
12,500		0.360					
15,000	0.180	0.380					
17,500		0.410					
20,000	0.200	0.430					
22,500		0.460					
25,000	0.220	0.490					
30,000	0.260						
35,000	0.280						
40,000	0.310						
45,000	0.320						
50,000	0.330	0.590					
100,000		1.090				0.320	1.100
250,000		1.690	1.470		1.470	0.534	1.530
500,000	1.000	2.090	1.624	1.000	1.667	0.772	1.948
750,000	1.120			1.140		0.948	2.241
1,000,000	1.200	2.590	1.882	1.260	1.970	1.090	2.518
2,000,000		3.190	2.271	1.700	2.416	1.499	3.449
3,000,000		3.590	2.460	1.890	2.635	1.782	3.817
4,000,000		4.090	2.638	2.070	2.818	2.004	4.084
5,000,000		4.590	2.763	2.260	2.960	2.187	4.294
6,000,000						2.343	
7,000,000						2.481	
8,000,000						2.603	
9,000,000						2.714	
10,000,000						2.815	4.960

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Trend Date 1/1/2007

Trend Rate 3%

Step 3: Trend ILFs to 1/1/2007							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Trend Length	4.84	1.75	5.00	1.67	3.00	2.69	3.59
Trend Factor	1.154	1.053	1.159	1.051	1.093	1.083	1.112

Limit

-	-	-	-	-	-	-	-
1,000	0.070						
2,000	0.106						
2,500						0.030	
5,000	0.142	0.160				0.051	
7,500		0.240				0.071	
10,000	0.175	0.303				0.091	
12,500		0.363					
15,000	0.198	0.394					
17,500		0.421					
20,000	0.218	0.444					
22,500		0.470					
25,000	0.238	0.500					
30,000	0.263						
35,000	0.302						
40,000	0.322						
45,000	0.351						
50,000	0.365	0.611					
100,000		1.095				0.325	1.100
250,000		1.727	1.470		1.470	0.549	1.621
500,000	1.039	2.158	1.834	1.000	1.785	0.796	2.072
750,000	1.237			1.176		0.983	2.393
1,000,000	1.335	2.674	2.100	1.299	2.096	1.133	2.676
2,000,000		3.296	2.509	1.741	2.557	1.555	3.627
3,000,000		3.717	2.762	1.957	2.818	1.859	4.121
4,000,000		4.201	2.945	2.138	3.011	2.096	4.422
5,000,000		4.701	3.104	2.326	3.169	2.292	4.657
6,000,000						2.459	
7,000,000						2.606	
8,000,000						2.744	
9,000,000						2.882	
10,000,000						3.020	5.366

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 4: Set Base Limit to 1M							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Base Limit	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Limit	ILF						
-	-	-	-	-	-	-	-
1,000	0.052						
2,000	0.079						
2,500						0.026	
5,000	0.107	0.060				0.045	
7,500		0.090				0.063	
10,000	0.131	0.113				0.080	
12,500		0.136					
15,000	0.149	0.147					
17,500		0.157					
20,000	0.164	0.166					
22,500		0.176					
25,000	0.179	0.187					
30,000	0.197						
35,000	0.226						
40,000	0.241						
45,000	0.263						
50,000	0.274	0.228					
100,000		0.409				0.287	0.411
250,000		0.646	0.700		0.701	0.484	0.606
500,000	0.778	0.807	0.873	0.770	0.851	0.703	0.775
750,000	0.926			0.905		0.867	0.894
1,000,000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2,000,000		1.232	1.195	1.340	1.220	1.373	1.355
3,000,000		1.390	1.315	1.506	1.344	1.641	1.540
4,000,000		1.571	1.403	1.646	1.436	1.850	1.652
5,000,000		1.758	1.478	1.790	1.511	2.023	1.740
6,000,000						2.170	
7,000,000						2.300	
8,000,000						2.422	
9,000,000						2.544	
10,000,000						2.665	2.005

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 5: Analyze / Select ILF Indications				
Limit	Avg	Min	Max	Selected
-	-	-	-	-
1,000	0.052	0.052	0.052	0.052
2,000	0.079	0.079	0.079	0.079
2,500	0.026	0.026	0.026	0.026
5,000	0.070	0.045	0.107	0.060
7,500	0.076	0.063	0.090	0.090
10,000	0.108	0.080	0.131	0.113
12,500	0.136	0.136	0.136	0.136
15,000	0.148	0.147	0.149	0.147
17,500	0.157	0.157	0.157	0.157
20,000	0.165	0.164	0.166	0.166
22,500	0.176	0.176	0.176	0.176
25,000	0.183	0.179	0.187	0.187
30,000	0.197	0.197	0.197	0.197
35,000	0.226	0.226	0.226	0.226
40,000	0.241	0.241	0.241	0.241
45,000	0.263	0.263	0.263	0.263
50,000	0.251	0.228	0.274	0.274
100,000	0.369	0.287	0.411	0.369
250,000	0.627	0.484	0.701	0.627
500,000	0.794	0.703	0.873	0.794
750,000	0.898	0.867	0.926	0.898
1,000,000	1.000	1.000	1.000	1.000
2,000,000	1.286	1.195	1.373	1.286
3,000,000	1.456	1.315	1.641	1.456
4,000,000	1.593	1.403	1.850	1.593
5,000,000	1.717	1.478	2.023	1.717
6,000,000	2.170	2.170	2.170	N/A
7,000,000	2.300	2.300	2.300	N/A
8,000,000	2.422	2.422	2.422	N/A
9,000,000	2.544	2.544	2.544	N/A
10,000,000	2.335	2.005	2.665	2.005

Step 6: Fit Weibull to Data				
Limit (\$M)	Selected	Fit	Adj1 (SIR)	Adj2 (Limit)
-	-	(0.030)	-	-
0.001	0.052	0.020	0.050	0.048
0.002	0.079	0.039	0.070	0.067
0.003	0.026	0.047	0.077	0.074
0.005	0.060	0.076	0.107	0.102
0.008	0.090	0.098	0.129	0.123
0.010	0.113	0.116	0.147	0.141
0.013	0.136	0.132	0.163	0.156
0.015	0.147	0.146	0.177	0.170
0.018	0.157	0.159	0.190	0.182
0.020	0.166	0.171	0.201	0.193
0.023	0.176	0.182	0.212	0.204
0.025	0.187	0.192	0.223	0.214
0.030	0.197	0.212	0.242	0.232
0.035	0.226	0.229	0.259	0.249
0.040	0.241	0.245	0.275	0.264
0.045	0.263	0.260	0.290	0.278
0.050	0.274	0.274	0.304	0.292
0.100	0.369	0.382	0.412	0.395
0.250	0.627	0.577	0.607	0.583
0.500	0.794	0.772	0.802	0.770
0.750	0.898	0.907	0.937	0.899
1.000	1.000	1.012	1.042	1.000
2.000	1.286	1.292	1.323	1.269
3.000	1.456	1.471	1.501	1.441
4.000	1.593	1.600	1.631	1.565
5.000	1.717	1.701	1.732	1.662
6.000	N/A	1.783	1.813	1.741
7.000	N/A	1.851	1.882	1.806
8.000	N/A	1.909	1.940	1.862
9.000	N/A	1.959	1.990	1.910
10.000	2.005	2.003	2.033	1.952

Step 7: Fit Lognormal to Model ILFs		
Fit by minimizing Chi^2 Statistic		
Marginal	Exclude	Diff
999.000		
48.370		2.163
18.489		1.304
14.644		1.040
11.259		0.362
8.426		0.115
6.979		0.023
6.064		0.000
5.419		0.011
4.933		0.040
4.550		0.078
4.238		0.121
3.978		0.165
3.662		0.251
3.327		0.332
3.062		0.404
2.847		0.468
2.668		0.523
2.073		0.779
1.249		0.602
0.749		0.204
0.518		0.038
0.402		-
0.269		0.156
0.171		0.231
0.125		0.176
0.097		0.078
0.079		0.008
0.065		0.017
0.056		0.137
0.048		0.387
0.042		0.778

Weibull Model: $y=a-b*\exp(-c*x^d)$	
Coefficient Data:	
a =	2.576
b =	2.606
c =	0.510
d =	0.472
Standard Error: 0.0187865	
Correlation Coefficient: 0.9995548	

Chi Squared Stat	10.991
Data Points Fitted	31
$\mu =$	(0.38)
$\sigma =$	4.48

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Revised Increased Limit Factor Table
(Revised Factors in Bold Italics)

Retention	Limit																		
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	6,000,000	7,000,000	8,000,000	9,000,000	10,000,000	11,000,000	12,000,000	13,000,000	14,000,000	15,000,000
2,000	1.100	1.530	1.948	2.241	2.518	3.684	4.197	4.585	4.899	5.163	5.393	5.596	5.778	5.943	6.095	6.234	6.364	6.485	6.599
3,000	1.080	1.504	1.940	2.232	2.506	3.638	4.151	4.539	4.853	5.118	5.347	5.550	5.732	5.897	6.049	6.188	6.318	6.439	6.553
4,000	1.050	1.479	1.923	2.215	2.466	3.600	4.113	4.500	4.814	5.079	5.309	5.511	5.694	5.859	6.010	6.150	6.280	6.401	6.514
5,000	1.020	1.454	1.898	2.189	2.444	3.567	4.079	4.467	4.780	5.045	5.275	5.478	5.660	5.825	5.976	6.116	6.246	6.367	6.480
10,000	0.950	1.377	1.791	2.077	2.360	3.438	3.950	4.337	4.650	4.915	5.144	5.347	5.529	5.694	5.845	5.985	6.115	6.236	6.349
15,000	0.890	1.310	1.733	2.017	2.279	3.343	3.854	4.240	4.554	4.818	5.047	5.250	5.432	5.598	5.748	5.888	6.017	6.138	6.252
20,000	0.860	1.276	1.683	1.966	2.199	3.266	3.775	4.162	4.474	4.739	4.968	5.170	5.352	5.517	5.668	5.808	5.937	6.058	6.172
25,000	0.830	1.234	1.633	1.914	2.144	3.199	3.708	4.094	4.406	4.670	4.899	5.102	5.283	5.448	5.599	5.739	5.868	5.989	6.103
30,000	0.800	1.200	1.600	1.880	2.106	3.141	3.649	4.034	4.346	4.610	4.839	5.041	5.223	5.388	5.539	5.678	5.807	5.928	6.042
35,000	0.770	1.166	1.559	1.837	2.075	3.088	3.596	3.980	4.292	4.556	4.784	4.987	5.168	5.333	5.484	5.623	5.753	5.873	5.987
40,000	0.740	1.132	1.517	1.794	2.027	3.040	3.547	3.931	4.243	4.506	4.734	4.937	5.118	5.283	5.434	5.573	5.702	5.823	5.937
45,000	0.710	1.099	1.476	1.751	1.987	2.996	3.502	3.886	4.197	4.460	4.688	4.890	5.072	5.236	5.387	5.526	5.656	5.777	5.890
50,000	0.690	1.073	1.451	1.725	1.964	2.955	3.460	3.843	4.155	4.417	4.646	4.847	5.029	5.193	5.344	5.483	5.612	5.733	5.847
55,000	0.664	1.035	1.418	1.693	1.919	2.917	3.421	3.804	4.115	4.377	4.605	4.807	4.988	5.153	5.303	5.443	5.572	5.693	5.806
60,000	0.638	0.996	1.383	1.658	1.889	2.881	3.384	3.767	4.078	4.340	4.568	4.769	4.950	5.115	5.265	5.404	5.534	5.654	5.768
65,000	0.612	0.957	1.346	1.620	1.857	2.847	3.349	3.731	4.042	4.304	4.532	4.733	4.914	5.079	5.229	5.368	5.497	5.618	5.731
70,000	0.586	0.918	1.308	1.579	1.825	2.815	3.316	3.698	4.008	4.270	4.498	4.699	4.880	5.044	5.195	5.334	5.463	5.583	5.697
75,000	0.560	0.879	1.268	1.537	1.773	2.784	3.285	3.666	3.976	4.238	4.465	4.667	4.847	5.011	5.162	5.301	5.430	5.550	5.664
80,000	0.544	0.857	1.243	1.509	1.740	2.755	3.255	3.636	3.945	4.207	4.434	4.636	4.816	4.980	5.130	5.269	5.398	5.519	5.632
85,000	0.528	0.836	1.217	1.481	1.709	2.727	3.226	3.607	3.916	4.177	4.404	4.606	4.786	4.950	5.100	5.239	5.368	5.489	5.602
90,000	0.512	0.814	1.191	1.452	1.708	2.700	3.199	3.579	3.888	4.149	4.376	4.577	4.757	4.921	5.071	5.210	5.339	5.460	5.573
95,000	0.496	0.791	1.164	1.422	1.676	2.675	3.172	3.552	3.860	4.121	4.348	4.549	4.729	4.893	5.043	5.182	5.311	5.432	5.545
100,000	0.480	0.769	1.136	1.391	1.642	2.650	3.147	3.526	3.834	4.095	4.322	4.522	4.703	4.866	5.017	5.156	5.284	5.405	5.518
105,000	0.471	0.754	1.120	1.375	1.626	2.626	3.122	3.501	3.809	4.070	4.296	4.497	4.677	4.840	4.991	5.129	5.258	5.378	5.491
110,000	0.462	0.738	1.104	1.360	1.588	2.603	3.099	3.477	3.784	4.045	4.271	4.472	4.652	4.815	4.965	5.104	5.233	5.353	5.466
115,000	0.453	0.723	1.088	1.343	1.563	2.581	3.076	3.453	3.761	4.021	4.247	4.447	4.628	4.791	4.941	5.080	5.209	5.329	5.441
120,000	0.444	0.708	1.072	1.327	1.535	2.560	3.053	3.430	3.738	3.998	4.224	4.424	4.604	4.767	4.917	5.056	5.184	5.305	5.418
125,000	0.435	0.693	1.056	1.310	1.519	2.539	3.032	3.408	3.715	3.975	4.201	4.401	4.581	4.744	4.894	5.033	5.161	5.282	5.394
130,000	0.426	0.677	1.039	1.293	1.500	2.518	3.011	3.387	3.694	3.953	4.179	4.379	4.559	4.722	4.872	5.010	5.139	5.259	5.372
135,000	0.417	0.662	1.022	1.275	1.482	2.499	2.990	3.366	3.672	3.932	4.158	4.358	4.537	4.700	4.850	4.988	5.117	5.237	5.350
140,000	0.408	0.647	1.005	1.257	1.462	2.480	2.970	3.346	3.652	3.911	4.137	4.337	4.516	4.679	4.829	4.967	5.096	5.216	5.328
145,000	0.399	0.632	0.988	1.238	1.447	2.461	2.951	3.326	3.632	3.891	4.116	4.316	4.495	4.659	4.808	4.946	5.075	5.195	5.308
150,000	0.390	0.617	0.970	1.219	1.427	2.443	2.932	3.307	3.612	3.871	4.096	4.296	4.475	4.638	4.787	4.926	5.055	5.175	5.287
155,000	0.384	0.610	0.960	1.208	1.418	2.426	2.914	3.288	3.593	3.852	4.077	4.277	4.456	4.619	4.768	4.907	5.035	5.155	5.267
160,000	0.378	0.602	0.950	1.197	1.409	2.408	2.896	3.270	3.575	3.833	4.058	4.257	4.437	4.599	4.748	4.887	5.015	5.135	5.248
165,000	0.372	0.595	0.939	1.186	1.398	2.392	2.878	3.252	3.556	3.815	4.040	4.239	4.418	4.581	4.730	4.869	4.996	5.116	5.229
170,000	0.366	0.587	0.929	1.174	1.390	2.375	2.861	3.234	3.539	3.797	4.021	4.221	4.400	4.562	4.712	4.851	4.978	5.098	5.210
175,000	0.360	0.580	0.918	1.162	1.377	2.359	2.845	3.217	3.521	3.779	4.004	4.203	4.382	4.544	4.693	4.831	4.960	5.079	5.192
180,000	0.354	0.572	0.907	1.150	1.370	2.344	2.828	3.200	3.504	3.762	3.986	4.185	4.364	4.526	4.675	4.814	4.942	5.061	5.174
185,000	0.348	0.564	0.896	1.137	1.361	2.328	2.812	3.184	3.487	3.745	3.969	4.168	4.347	4.509	4.658	4.796	4.924	5.043	5.156
190,000	0.342	0.557	0.885	1.125	1.351	2.314	2.797	3.168	3.471	3.728	3.952	4.151	4.330	4.492	4.641	4.779	4.907	5.027	5.139
195,000	0.336	0.549	0.874	1.112	1.341	2.299	2.781	3.152	3.455	3.712	3.936	4.135	4.314	4.476	4.625	4.762	4.890	5.010	5.122
200,000	0.330	0.541	0.862	1.099	1.326	2.285	2.766	3.137	3.439	3.696	3.920	4.118	4.297	4.459	4.608	4.746	4.874	4.993	5.106
205,000	0.325	0.534	0.853	1.090	1.318	2.271	2.751	3.121	3.423	3.680	3.904	4.102	4.281	4.443	4.592	4.730	4.858	4.977	5.089
210,000	0.320	0.528	0.843	1.080	1.308	2.257	2.737	3.106	3.409	3.665	3.889	4.087	4.265	4.427	4.576	4.714	4.842	4.961	5.073
215,000	0.315	0.521	0.833	1.070	1.298	2.243	2.723	3.092	3.394	3.650	3.873	4.071	4.250	4.412	4.561	4.699	4.826	4.945	5.058
220,000	0.310	0.514	0.824	1.060	1.290	2.230	2.709	3.077	3.379	3.635	3.859	4.057	4.235	4.397	4.545	4.683	4.810	4.930	5.042
225,000	0.305	0.508	0.814	1.050	1.280	2.217	2.695	3.063	3.365	3.620	3.844	4.042	4.220	4.382	4.530	4.668	4.795	4.915	5.027
230,000	0.300	0.501	0.804	1.040	1.268	2.204	2.682	3.049	3.331	3.606	3.829	4.027	4.205	4.367	4.515	4.653	4.780	4.900	5.012
235,000	0.295	0.494	0.794	1.029	1.259	2.192	2.668	3.036	3.303	3.577	3.800	3.998	4.176	4.338	4.486	4.613	4.740	4.860	4.972
240,000	0.290	0.487	0.783	1.018	1.246	2.180	2.655	3.022	3.287	3.561	3.784	3.981	4.159	4.321	4.469	4.596	4.723	4.843	4.955
245,000	0.285	0.480	0.773	1.007	1.236	2.168	2.643	3.009	3.309	3.583	3.787	3.985	4.162	4.324	4.472	4.600	4.727	4.846	4.958
250,000	0.280	0.473	0.763	0.996	1.224	2.156	2.630	3.000	3.296	3.570	3.774	3.971	4.149	4.311	4.458	4.586	4.713	4.832	4.944
255,000	0.275	0.467	0.754	0.986	1.215	2.144	2.618	2.983	3.283	3.557	3.760	3.957	4.135	4.296	4.443	4.571	4.700	4.818	4.930
260,000	0.271	0.460	0.745	0.977	1.205	2.133	2.605	2.971	3.270	3.545	3.747	3.944	4.122	4.283	4.431	4.558	4.686	4.805	4.917
265,000	0.267	0.454	0.736	0.967	1.195	2.121	2.593	2.958	3.258	3.532	3.734	3.931	4.108	4.269	4.417	4.545	4.672	4.801	4.913
270,000	0.262	0.448	0.727	0.958	1.186	2.110	2.582	2.946	3.245	3.519	3.721	3.918	4.095	4.256	4.404	4.532	4.660	4.788	4.900
275,000	0.258	0.442	0.718	0.948	1.177	2.099	2.570	2.934	3.233	3.4									

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Split Limit Factor Analysis

Company	Occ Limit	Aggregate Limit Relative to Occurrence Limit				
		2x	2.5x	3x	4x	5x
AIG	100,000		1.100			
	250,000	1.100				
	500,000	1.100				
	1,000,000	1.100				
Royal	250,000	1.054				
	500,000	1.073				
	1,000,000	1.090		1.135	1.172	1.201
	2,000,000	1.067	1.090			
Navigators	500,000	1.050				
	1,000,000	1.050		1.100	1.150	1.200
	2,000,000	1.100	1.150			
XL	100,000			1.117		
	250,000	1.100				
	500,000	1.081				
	1,000,000	1.081				
Zurich	250,000	1.151				
	500,000	1.150				
	1,000,000	1.150				
	2,000,000	1.150				
	5,000,000	1.150				

	Occ Limit	Aggregate Limit Relative to Occurrence Limit				
		2x	2.5x	3x	4x	5x
Average	100,000		1.100	1.117		
	250,000	1.101				
	500,000	1.091				
	1,000,000	1.094		1.118	1.161	1.201
	2,000,000	1.105	1.120			
	5,000,000	1.150				
	Average	1.108	1.110	1.117	1.161	1.201
	Selected	1.120	1.130	1.150	1.170	1.200

**ACE Consolidated
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line I

Surplus was determined by dividing the premium in Line A1 by a premium to surplus ratio. The calculation of the premium to surplus ratio is as follows:

	2005
	<u>All Lines</u>
A/S Net Written Premium	4,611,710,644
A/S Surplus as Regards Policyholders	3,402,884,193
 A/S Premium to Surplus Ratio	 1.355

Line J

Equity was determined by applying an equity to surplus ratio to the surplus in Line K. The calculation of the equity to surplus is as follows:

	2005
	<u>Year End</u>
ACE Consolidated	3,402,884,193
<u>ACE Ins. Co. Puerto Rico</u>	<u>13,996,212</u>
SAP Surplus: ACE Consolidated ex PR and International	3,388,887,981
 GAP Equity: ACE Consolidated ex PR and International	 4,343,637,515
 Equity to Surplus Ratio	 1.282

Other Liability - Claims Made
Development of Expense Provisions and Permissible Loss Ratio
ACE Consolidated

	Direct IEE Data in (000) - ACE Consolidated				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>	
(1) Written Premium	1,887,492	2,274,341	2,447,968	6,609,801	
(2) Earned Premium	1,872,111	2,229,024	2,287,724	6,388,859	
(3) Commission & Brokerage Fees	185,308	211,607	202,981	599,896	
(4) Other Acquisition Expense	53,754	53,039	48,991	155,784	
(5) General Expense	67,695	97,147	100,488	265,330	
(6) Taxes, Licenses, and Fees	14,799	36,874	45,952	97,625	
(7) Unallocated LAE	70,819	120,188	155,720	346,727	
(8) Allocated LAE	111,155	385,952	272,801	769,908	
				<u>Average</u>	<u>Selected</u>
(3)/(1) Commission & Brokerage Fees	9.8%	9.3%	8.3%	9.1%	22.0%
(4)/(2) <u>Other Acquisition Expense</u>	2.9%	2.4%	2.1%	2.4%	<u>2.0%</u>
Total Production Expense					24.0%
(5)/(2) General Expense	3.6%	4.4%	4.4%	4.2%	2.0%
(6)/(1) Taxes, Licenses, and Fees	0.8%	1.6%	1.9%	1.5%	2.5%
(7)/(2) Unallocated LAE	3.8%	5.4%	6.8%	5.4%	4.0%
(8)/(2) Allocated LAE	5.9%	17.3%	11.9%	12.1%	N/A
					Expense Provision 32.50%
					Pre Tax Profit Provision - Target 12.3%
					<u>Investment Income Recognition</u> -11.9%
					Pre Tax Profit Provision - Net of Inv Inc 0.4%
					Permissible Loss and ALAE Ratio 67.1%

ACE
Other Liability - Claims Made
Estimated Investment Earnings

A. Unearned Premium Reserve				
A1.	Direct Earned Premium (for this line, from the IEE)	CY =	2005	2,287,723,759
A2.	Mean Unearned Premium Reserve		(Sheet 2)	979,654,212
A3.	Deduction for Prepaid Expenses		(Exhibit 1 Sheet 1)	
	a.) Commission and Brokerage Expense			22.0%
	b.) 50% of Other Acquisition Expense			1.0%
	c.) 50% of General Expense			1.0%
	d.) Taxes, Licenses, and Fees			2.5%
	e.) <u>Profit and Contingencies</u>			<u>12.3%</u>
	f.) Total Prepaid Expense			38.8%
A4.	Deduction for Federal Income Tax Payable		(Exhibit 2 Sheet 2)	7.0%
A5.	Net Subject to Investment		[A2 x (1.0 - A3f - A4)]	530,589,623
B. Delayed Remission of Premium (Agent's Balances)				
B1.	Direct Earned Premium (for this line, from the IEE)			2,287,723,759
B2.	Ratio, Agents Uncoll Prem Balances to Dir Earned Prem		(Exhibit 2 Sheet 2)	21.8%
B3.	Delayed Remission		[B1 x B2]	497,650,971
C. Loss Reserve				
C1.	Direct Earned Premium (for this line, from the IEE)			2,287,723,759
C2.	Expected Loss and LAE Incurred		[C1 x ELR on Exhibit 2 Sheet 3]	1,353,438,163
C3.	Expected Mean Loss Reserve		[C2 x After Tax Reserve Ratio on Exhibit 2 Sheet 3]	3,731,800,648
D.	Reserve Funds Subject to Investment		[A5 - B3 + C3]	3,764,739,300
E.	Average Rate of Return on Investments - After FIT		(Sheet 5)	3.0%
F.	Investment Earnings on Reserve Funds - After FIT		[D x E]	112,660,494
G.	Investment Earnings on Reserve Funds as a % of Premium - After FIT		[F / A1]	4.92%
H.	Investment Earnings on Reserve Funds as a % of Premium - Before FIT		[G / .65]	7.58%
I.	P/S - Premium to Surplus Ratio		(Sheet 6)	1.355
J.	E/S - Equity to Surplus Ratio		(Sheet 6)	1.282
K.	Surplus Funds Subject to Investment		[A1 / I]	1,688,063,198
L.	Equity Funds Subject to Investment		[K x J]	2,163,640,308
M.	Investment Earnings on Equity Funds - After FIT		[L x E]	64,747,322
N.	Investment Earnings on Equity Funds as % of Premium - After FIT		[M / A1]	2.8%
O.	Investment Earnings on Equity Funds as % of Premium - Before FIT		[N / .65]	4.4%
P.	Target Total Return as % of Equity - After FIT		(Sheet 7)	8.5%
Q.	Target Total Return as % of Premium - After FIT		[P x J / I]	8.0%
R.	Target Total Return as % of Premium - Before FIT		[Q / .65]	12.3%
S.	Target UW Profit as % Premium - Net of all II - After FIT		[Q - G - N]	0.3%
T.	Target UW Profit as % Premium - Net of all II - Before FIT		[S / .65]	0.4%

ACE
Other Liability - Claims Made
Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line A2

The mean unearned premium reserve is determined by multiplying the direct earned premium in line A1 by the ratio of the mean unearned premium reserve to the direct earned premium for the above

			<u>IEE Amount For the Above Line</u>
1)	Direct Earned Premium	CY = 2005	2,287,723,759
2)	Direct Unearned Premium Reserve	as of 12 / 31 / 2005	1,059,775,424
3)	Direct Unearned Premium Reserve	as of 12 / 31 / 2004	899,533,000
4)	Mean Unearned Premium Reserve:	$.5 \times [(2) + (3)]$	979,654,212

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. The effective tax rate on UPR is calculated as follows:

Corporate Tax Rate	35.0%
Portion of Unearned Premium Taxable under TRA 1986	20.0%
Effective Tax Rate on Unearned Premium Reserve	7.0%

Line B2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. The ratio of agents' uncollected premium balances to net earned premium is calculated as follows:

		<u>ACE Consolidated Ann Statement Amt</u>
1 Net Earned Premium - Total All Lines	CY = 2005	4,715,669,113
2 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2005	979,609,943
3 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2004	1,071,999,044
4 Ratio: [(2) + (3)] / [2.0 x (1)]		0.218

ACE
Other Liability - Claims Made

Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the direct earned premium by the expected loss and loss adjustment expense ratio determined below.

1 General Expenses	(Exhibit 1 Sheet 1)	2.00%
2 Commission and Brokerage Expenses		22.00%
3 Other Acquisition Expenses		2.00%
4 Taxes, Licenses, & Fees		2.50%
5 <u>Profit & Contingencies</u>		<u>12.34%</u>
6 Total Expense Ratio:		40.84%
7 Expected Loss and LAE Ratio: 1.00 - (6)		59.16%
8 Direct Earned Premium	Cal Yr 2005	2,287,723,759
9 Expected Loss and LAE Incurred (7) x (8)	Cal Yr 2005	1,353,438,163

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the IEE ratio of the mean loss and loss adjustment expense reserves to the loss and loss adjustment expense incurred in the last 2 calendar years for the above named line of business. This ratio, which includes an adjustment for the estimated Federal Income Tax payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following:

		<u>IEE Amount</u> <u>for the Above Line</u>
1 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2005	2,050,634,363
2 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2004	2,376,206,000
3 Direct Loss and Loss Adjustment Expense Reserves	Year End 2005	7,162,847,514
4 Direct Loss and Loss Adjustment Expense Reserves	Year End 2004	6,518,130,000
5 Direct Loss and Loss Adjustment Expense Reserves	Year End 2003	5,074,776,000
6 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2005	6,840,488,757
7 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2004	5,796,453,000
8 Pre Tax Reserve Ratio: (6) / (1)		3.336
9 Pre Tax Reserve Ratio: (7) / (2)		2.439
10 Mean Pre Tax Reserve Ratio: 0.5 x [(8) + (9)]		2.888
11 Estimated Reserve Discount - Sheet 4		0.129
12 Federal Taxes (ratio to reserves): (11) x 0.35		0.045
13 After Tax Reserve Ratio (10) x [1.0 - (12)]		2.757

ACE Consolidated - Annual Statement - Schedule P
Other Liability - Claims Made
Calculation of Reserve Discount
Data in (000's)

<u>Year</u>	(1) Net Loss & Expense <u>Unpaid</u>	(2) Reserve Discount <u>Factor</u>
Prior	8,823	0.90203
1996	1,012	0.88205
1997	770	0.88815
1998	3,254	0.87131
1999	2,134	0.88401
2000	3,499	0.87980
2001	13,740	0.87412
2002	52,528	0.86494
2003	97,571	0.86812
2004	204,989	0.86532
2005	<u>405,018</u>	<u>0.87450</u>
	793,338	0.87107 = Average
		0.12893 = 1.00 - Average

(1) ACE Consolidated Annual Statement, Schedule P, Part 1, Column 24

(2) Internal Revenue Bulletin 2005-49, December 5, 2005

ACE Consolidated
Calculation of Average After Tax Rate of Return
2005

	(1) Average of Latest 2 Year Ends Asset Value	(2) Interest & Dividend Income	(3) Net Interest and Dividends (2) x (1 + a)	(4) Pre-Tax Return (3)/(1)	(5) Federal Tax Rate	(6) Federal Tax (3)x(5)	(7) After Tax Return ((3)-(6))/(1)
Cash & Short Term Invested Assets	752,802,559	19,077,382	18,837,407	2.5%	35.0%	6,593,093	1.6%
Bonds							
Tax Exempt		16,963,556	16,750,171		2.4% (b)	408,914	
Taxable		450,899,949	445,228,071		35.0%	155,829,825	
Total	9,909,001,226	467,863,505	461,978,243	4.7%		156,238,739	3.1%
Affiliated Stock at Fair Value							
Preferred	0	0	0		0.0%	0	
Common	115,567,497	23,452,694	23,157,682		0.0%	0	
Total	115,567,497	23,452,694	23,157,682	20.0%	0.0%	0	20.0%
Unaffiliated Stock at Fair Value							
Preferred	42,177,214	2,254,154	2,225,799		14.2% (c)	315,507	
Common	481,489,241	13,022,141	12,858,335		14.2%	1,822,669	
Total	523,666,455	15,276,295	15,084,134	2.9%		2,138,176	2.5%
Mortgage Loans on Real Estate	0	0	0	0	35.0%	0	0.0%
Real Estate	61,187,535	1,636,773	1,616,184	2.6%	35.0%	565,664	1.7%
Contract Loans	0	0	0	0	35.0%	0	0.0%
A/O Inv. Assets	508,515,176	149,641	147,759	0.0%	35.0%	51,716	0.0%
Total	11,870,740,447	527,456,290	520,821,409	4.4%	31.8%	165,587,387	3.0%

NOTES:

a. Investment Expenses and Write-ins for Investment Income of apply uniformly to all items of income.

	Total Interest and Dividend Income (excluding Write-ins & Expenses):	527,456,290
PLUS	Write-ins for Investment Income:	24,767,246
LESS	Investment Expenses & Real Estate Depreciation:	31,402,127
	Total Net Investment Income (incl. Write-ins, Net of Investment Expenses):	520,821,409

Write-ins / Expense Multiplier: (a) = -1.3%

b. 46.5% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate rate of 35%.
The applicable tax rate is therefore: $2.4\% = [.465 \times .15 \times .35]$

c. For domestic corporations, 30% of dividend income from unaffiliated stocks is taxed as ordinary income at a full corporate rate of 35%.
and 100% is subject to proration, so that 15% of the remaining 70% is taxed as ordinary income at a full corporate rate of 35%.
The applicable tax rate is therefore: $14.2\% = [(0.30 \times 0.35) + (0.70 \times 0.15 \times 0.35) + (0.70 \times .85 \times 0.00)]$

ACE
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line P.

<u>Year</u>	<u>Return on Equity</u>
1995	14.9%
1996	13.0%
1997	13.0%
1998	9.6%
1999	6.6%
2000	6.3%
2001	-2.2%
2002	3.1%
2003	9.7%
2004	10.7%
Average	8.5%
Selected	8.5%

Note: The source for the historical industry Returns on Equity is
Net Income / Average Policyholder Surplus from:

1995 - 2000 Standard & Poor's Industry Surveys
2001 - 2004 Best's Aggregates and Averages - QAR

**ARKANSAS INSURANCE DEPARTMENT
RATE FILING ABSTRACT**

Form RF-1
Rev. 4/96

Insurer Name: ACE American Insurance Company
 NAIC Number: 22667
 Name of Advisory Organization Whose Filing You Are Referencing N/A
 Co. Affiliation to Advisory Organization: Member _____ Subscriber _____ Service Purchaser _____
 Reference Filing #: _____ Proposed Effective Date: _____

Contact Person: Bob Wolfrom
 Signature: _____
 Telephone No: (215) 640-5123

(1) LINE OF INSURANCE By Coverage	(2) Indicated % Rate Level Change	(3) Requested % Rate Level Change	For Loss Costs Only				
			(4) Expected Loss Ratio	(5) Loss Cost Modification Factor	(6) Selected Loss Cost Multiplier	(7) Expense Constant (If Applicable)	(8) Co. Current Loss Cost Multiplier
Other Liability Architects & Engineers	0.0%	0.0%	67.1%	N/A	N/A		N/A
TOTAL OVERALL EFFECT	20.4% *	20.0%	67.1%	0.000	0	0	0.000

*7% annual trend applied from inception

N Apply Lost Cost Factors to Future Filings? (Y or N)

20.00% Estimated Maximum Rate Increase for any Arkansas Insured (%)

0.00% Estimated Maximum Rate Decrease for any Arkansas Insured (%)

Corresponds to Question 3 on RF-2 or RF-WC

Year	Policy Count	Rate Change History		5 Year History			Countrywide LR incl ALAE	Selected Provisions
		%	Eff. Date	AR Earned Premium *	AR Incurred Loss + ALAE *	AR Loss Ratio incl ALAE		
2001	0			0	0	0.0%	A. Total Production Expense	<u>24.0%</u>
2002	0	N/A	New Program Approved	0	0	0.0%	B. General Expense	<u>2.0%</u>
2003	0		8/2003	0	0	0.0%	C. Taxes Licenses & Fees	<u>2.5%</u>
2004	0			0	0	0.0%	D. Underwriting Profit & Contingencies	<u>0.4%</u>
2005	0			0	0	0.0%	E. ULAE	<u>4.0%</u>
2006	1					24.0%	F. Total	<u>32.9%</u>

Filing at a Glance

Company: ACE American Insurance Company

Product Name: 07-PR-233(R)

TOI: 17.1 Other Liability - Claims Made Only

Sub-TOI: 17.1019 Professional Errors &

Omissions Liability

Filing Type: Rate

SERFF Tr Num: ACEH-125243828 State: Arkansas

SERFF Status: Draft

Co Tr Num: 07-PR-233(R)

Co Status:

Authors: Bob Wolfrom, Sharon

Yacuzzo, Viola McBride

Date Submitted:

State Tr Num:

State Status:

Reviewer(s):

Disposition Date:

Disposition Status:

Effective Date (New):

Effective Date Requested (New): On Approval

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

General Information

Project Name: Architects & Engineers 2007, Revisions

Project Number: 07-PR-233 (R)

Reference Organization:

Reference Title:

Filing Status Changed: 07-25-2007

State Status Changed:

Corresponding Filing Tracking Number:

Filing Description:

ACE American Insurance Company currently has forms, rates and rules on file with your department which are applicable to our Architects & Engineers Professional Liability program. The coverage provides claims made professional liability insurance to consulting design professional firms legally qualified to engage in the design of traditional building construction and land development. We are now submitting revisions to this program.

Status of Filing in Domicile: Pending

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Company Status Changed:

Deemer Date:

Company and Contact

Filing Contact Information

Robert Wolfrom, CPCU, Regulatory Specialist robert.wolfrom@ace-ina.com

436 Walnut Street

(215) 640-5123 [Phone]

Philadelphia, PA 19106

(215) 640-4986[FAX]

Filing Company Information

ACE American Insurance Company

PO Box 1000

436 Walnut Street

Philadelphia, PA 19106

CoCode: 22667

Group Code: 626

Group Name:

State of Domicile: Pennsylvania

Company Type:

State ID Number:

Created by SERFF on 08-14-2007 09:55 AM

(215) 640-5123 ext. [Phone]

FEIN Number: 95-2371728

Filing Fees

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

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
PS 00299665	\$100.00	07-09-2007

SERFF Tracking Number: ACEH-125243828 State: Arkansas
 Filing Company: ACE American Insurance Company State Tracking Number: AR-PC-07-025791
 Company Tracking Number: 07-PR-233(R)
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
 Product Name: 07-PR-233(R)
 Project Name/Number: Architects & Engineers 2007, Revisions/07-PR-233 (R)

Superseded Attachments

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Original Date:	Schedule	Document Name	Replaced Date	Attach Document
No original date	Supporting Document	State Exception Page -AR	08/01/2007	AE State Exception Page - AR.pdf AE State Exception Pages - AR _R_.pdf
No original date	Supporting Document	Actuarial Exhibits	08/14/2007	A&E Forms AR values.pdf Actuarial Exhibits.pdf Exp and Inv Income OL AR vals.pdf

ACE AMERICAN INSURANCE COMPANY
Architects & Engineers Professional Liability

State Exception Page – Arkansas

I. Exceptions to the Architects & Engineers Professional Liability Rating Plan:

Under **Step 3 – Territory Modification Factor**, the Territory Modification Factor for Arkansas is 1.00.

ACE American Insurance Company
Architects & Engineers Professional Liability

State Exception Page – Arkansas

- I. Exceptions to the Architects & Engineers Professional Liability Rating Plan;

Deleted: Company Manual, Section
IV. Rates

Under **Step 3 – Territory Modification Factor**, the Territory Modification Factor for Arkansas is 1.00.

05/2007,

Page 1 of 1

Deleted: 06/2003

**ARKANSAS INSURANCE DEPARTMENT
RATE FILING ABSTRACT**

Form RF-1
Rev. 4/96

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 Co. Affiliation to Advisory Organization: Member _____ Subscriber _____ Service Purchaser _____
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 Signature: _____
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Other Liability Architects & Engineers	20.4% *	20.0%	67.1%	N/A	N/A		N/A
TOTAL OVERALL EFFECT	20.4% *	20.0%	67.1%	0.000	0	0	0.000

*7% annual trend applied from inception

N Apply Lost Cost Factors to Future Filings? (Y or N)

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2003	0		8/2003	0	0	0.0%	C. Taxes Licenses & Fees	<u>2.5%</u>
2004	0			0	0	0.0%	D. Underwriting Profit & Contingencies	<u>0.4%</u>
2005	0			0	0	0.0%	E. ULAE	<u>4.0%</u>
2006	1			0	0	24.0%	F. Total	<u>32.9%</u>

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 1: Actual ILFs							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Limit							
-							
1,000	0.070						
2,000	0.100						
2,500						(0.060)	
5,000	0.130	0.070				(0.040)	
7,500		0.150				(0.020)	
10,000	0.160	0.210				-	
12,500		0.270					
15,000	0.180	0.290					
17,500		0.320					
20,000	0.200	0.340					
22,500		0.370					
25,000	0.220	0.400					
30,000	0.260						
35,000	0.280						
40,000	0.310						
45,000	0.320						
50,000	0.330	0.500					
100,000		1.000				0.230	1.100
250,000		1.600	1.470		1.470	0.444	1.530
500,000	1.000	2.000	1.624	1.000	1.667	0.682	1.948
750,000	1.120			1.140		0.858	2.241
1,000,000	1.200	2.500	1.882	1.260	1.970	1.000	2.518
2,000,000		3.100	2.271	1.700	2.416	1.409	3.449
3,000,000		3.500	2.460	1.890	2.635	1.692	3.817
4,000,000		4.000	2.638	2.070	2.818	1.914	4.084
5,000,000		4.500	2.763	2.260	2.960	2.097	4.294
6,000,000						2.253	
7,000,000						2.391	
8,000,000						2.513	
9,000,000						2.624	
10,000,000						2.725	4.960

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 2: Adjust Base SIR to 0							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
SIR Adj	-	0.090	-	-	-	0.090	-

Limit	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
-	-	-	-	-	-	-	-
1,000	0.070						
2,000	0.100						
2,500						0.030	
5,000	0.130	0.160				0.050	
7,500		0.240				0.070	
10,000	0.160	0.300				0.090	
12,500		0.360					
15,000	0.180	0.380					
17,500		0.410					
20,000	0.200	0.430					
22,500		0.460					
25,000	0.220	0.490					
30,000	0.260						
35,000	0.280						
40,000	0.310						
45,000	0.320						
50,000	0.330	0.590					
100,000		1.090				0.320	1.100
250,000		1.690	1.470		1.470	0.534	1.530
500,000	1.000	2.090	1.624	1.000	1.667	0.772	1.948
750,000	1.120			1.140		0.948	2.241
1,000,000	1.200	2.590	1.882	1.260	1.970	1.090	2.518
2,000,000		3.190	2.271	1.700	2.416	1.499	3.449
3,000,000		3.590	2.460	1.890	2.635	1.782	3.817
4,000,000		4.090	2.638	2.070	2.818	2.004	4.084
5,000,000		4.590	2.763	2.260	2.960	2.187	4.294
6,000,000						2.343	
7,000,000						2.481	
8,000,000						2.603	
9,000,000						2.714	
10,000,000						2.815	4.960

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Trend Date 1/1/2007

Trend Rate 3%

Step 3: Trend ILFs to 1/1/2007							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Trend Length	4.84	1.75	5.00	1.67	3.00	2.69	3.59
Trend Factor	1.154	1.053	1.159	1.051	1.093	1.083	1.112

Limit

-	-	-	-	-	-	-	-
1,000	0.070						
2,000	0.106						
2,500						0.030	
5,000	0.142	0.160				0.051	
7,500		0.240				0.071	
10,000	0.175	0.303				0.091	
12,500		0.363					
15,000	0.198	0.394					
17,500		0.421					
20,000	0.218	0.444					
22,500		0.470					
25,000	0.238	0.500					
30,000	0.263						
35,000	0.302						
40,000	0.322						
45,000	0.351						
50,000	0.365	0.611					
100,000		1.095				0.325	1.100
250,000		1.727	1.470		1.470	0.549	1.621
500,000	1.039	2.158	1.834	1.000	1.785	0.796	2.072
750,000	1.237			1.176		0.983	2.393
1,000,000	1.335	2.674	2.100	1.299	2.096	1.133	2.676
2,000,000		3.296	2.509	1.741	2.557	1.555	3.627
3,000,000		3.717	2.762	1.957	2.818	1.859	4.121
4,000,000		4.201	2.945	2.138	3.011	2.096	4.422
5,000,000		4.701	3.104	2.326	3.169	2.292	4.657
6,000,000						2.459	
7,000,000						2.606	
8,000,000						2.744	
9,000,000						2.882	
10,000,000						3.020	5.366

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 4: Set Base Limit to 1M							
Co	Kemper	AIG	Royal	Navigators	XL	Zurich	ACE
Eff Date	Mar-02	Apr-05	Jan-02	May-05	Jan-04	Apr-04	Jun-03
Base Limit	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Limit	ILF						
-	-	-	-	-	-	-	-
1,000	0.052						
2,000	0.079						
2,500						0.026	
5,000	0.107	0.060				0.045	
7,500		0.090				0.063	
10,000	0.131	0.113				0.080	
12,500		0.136					
15,000	0.149	0.147					
17,500		0.157					
20,000	0.164	0.166					
22,500		0.176					
25,000	0.179	0.187					
30,000	0.197						
35,000	0.226						
40,000	0.241						
45,000	0.263						
50,000	0.274	0.228					
100,000		0.409				0.287	0.411
250,000		0.646	0.700		0.701	0.484	0.606
500,000	0.778	0.807	0.873	0.770	0.851	0.703	0.775
750,000	0.926			0.905		0.867	0.894
1,000,000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2,000,000		1.232	1.195	1.340	1.220	1.373	1.355
3,000,000		1.390	1.315	1.506	1.344	1.641	1.540
4,000,000		1.571	1.403	1.646	1.436	1.850	1.652
5,000,000		1.758	1.478	1.790	1.511	2.023	1.740
6,000,000						2.170	
7,000,000						2.300	
8,000,000						2.422	
9,000,000						2.544	
10,000,000						2.665	2.005

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Step 5: Analyze / Select ILF Indications				
Limit	Avg	Min	Max	Selected
-	-	-	-	-
1,000	0.052	0.052	0.052	0.052
2,000	0.079	0.079	0.079	0.079
2,500	0.026	0.026	0.026	0.026
5,000	0.070	0.045	0.107	0.060
7,500	0.076	0.063	0.090	0.090
10,000	0.108	0.080	0.131	0.113
12,500	0.136	0.136	0.136	0.136
15,000	0.148	0.147	0.149	0.147
17,500	0.157	0.157	0.157	0.157
20,000	0.165	0.164	0.166	0.166
22,500	0.176	0.176	0.176	0.176
25,000	0.183	0.179	0.187	0.187
30,000	0.197	0.197	0.197	0.197
35,000	0.226	0.226	0.226	0.226
40,000	0.241	0.241	0.241	0.241
45,000	0.263	0.263	0.263	0.263
50,000	0.251	0.228	0.274	0.274
100,000	0.369	0.287	0.411	0.369
250,000	0.627	0.484	0.701	0.627
500,000	0.794	0.703	0.873	0.794
750,000	0.898	0.867	0.926	0.898
1,000,000	1.000	1.000	1.000	1.000
2,000,000	1.286	1.195	1.373	1.286
3,000,000	1.456	1.315	1.641	1.456
4,000,000	1.593	1.403	1.850	1.593
5,000,000	1.717	1.478	2.023	1.717
6,000,000	2.170	2.170	2.170	N/A
7,000,000	2.300	2.300	2.300	N/A
8,000,000	2.422	2.422	2.422	N/A
9,000,000	2.544	2.544	2.544	N/A
10,000,000	2.335	2.005	2.665	2.005

Step 6: Fit Weibull to Data				
Limit (\$M)	Selected	Fit	Adj1 (SIR)	Adj2 (Limit)
-	-	(0.030)	-	-
0.001	0.052	0.020	0.050	0.048
0.002	0.079	0.039	0.070	0.067
0.003	0.026	0.047	0.077	0.074
0.005	0.060	0.076	0.107	0.102
0.008	0.090	0.098	0.129	0.123
0.010	0.113	0.116	0.147	0.141
0.013	0.136	0.132	0.163	0.156
0.015	0.147	0.146	0.177	0.170
0.018	0.157	0.159	0.190	0.182
0.020	0.166	0.171	0.201	0.193
0.023	0.176	0.182	0.212	0.204
0.025	0.187	0.192	0.223	0.214
0.030	0.197	0.212	0.242	0.232
0.035	0.226	0.229	0.259	0.249
0.040	0.241	0.245	0.275	0.264
0.045	0.263	0.260	0.290	0.278
0.050	0.274	0.274	0.304	0.292
0.100	0.369	0.382	0.412	0.395
0.250	0.627	0.577	0.607	0.583
0.500	0.794	0.772	0.802	0.770
0.750	0.898	0.907	0.937	0.899
1.000	1.000	1.012	1.042	1.000
2.000	1.286	1.292	1.323	1.269
3.000	1.456	1.471	1.501	1.441
4.000	1.593	1.600	1.631	1.565
5.000	1.717	1.701	1.732	1.662
6.000	N/A	1.783	1.813	1.741
7.000	N/A	1.851	1.882	1.806
8.000	N/A	1.909	1.940	1.862
9.000	N/A	1.959	1.990	1.910
10.000	2.005	2.003	2.033	1.952

Step 7: Fit Lognormal to Model ILFs		
Fit by minimizing Chi^2 Statistic		
Marginal	Exclude	Diff
999.000		
48.370		2.163
18.489		1.304
14.644		1.040
11.259		0.362
8.426		0.115
6.979		0.023
6.064		0.000
5.419		0.011
4.933		0.040
4.550		0.078
4.238		0.121
3.978		0.165
3.662		0.251
3.327		0.332
3.062		0.404
2.847		0.468
2.668		0.523
2.073		0.779
1.249		0.602
0.749		0.204
0.518		0.038
0.402		-
0.269		0.156
0.171		0.231
0.125		0.176
0.097		0.078
0.079		0.008
0.065		0.017
0.056		0.137
0.048		0.387
0.042		0.778

Weibull Model: $y=a-b*\exp(-c*x^d)$	
Coefficient Data:	
a =	2.576
b =	2.606
c =	0.510
d =	0.472
Standard Error: 0.0187865	
Correlation Coefficient: 0.9995548	

Chi Squared Stat	10.991
Data Points Fitted	31
$\mu =$	(0.38)
$\sigma =$	4.48

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Revised Increased Limit Factor Table
(Revised Factors in Bold Italics)

Retention	Limit																		
	100,000	250,000	500,000	750,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	6,000,000	7,000,000	8,000,000	9,000,000	10,000,000	11,000,000	12,000,000	13,000,000	14,000,000	15,000,000
2,000	1.100	1.530	1.948	2.241	2.518	3.684	4.197	4.585	4.899	5.163	5.393	5.596	5.778	5.943	6.095	6.234	6.364	6.485	6.599
3,000	1.080	1.504	1.940	2.232	2.506	3.638	4.151	4.539	4.853	5.118	5.347	5.550	5.732	5.897	6.049	6.188	6.318	6.439	6.553
4,000	1.050	1.479	1.923	2.215	2.466	3.600	4.113	4.500	4.814	5.079	5.309	5.511	5.694	5.859	6.010	6.150	6.280	6.401	6.514
5,000	1.020	1.454	1.898	2.189	2.444	3.567	4.079	4.467	4.780	5.045	5.275	5.478	5.660	5.825	5.976	6.116	6.246	6.367	6.480
10,000	0.950	1.377	1.791	2.077	2.360	3.438	3.950	4.337	4.650	4.915	5.144	5.347	5.529	5.694	5.845	5.985	6.115	6.236	6.349
15,000	0.890	1.310	1.733	2.017	2.279	3.343	3.854	4.240	4.554	4.818	5.047	5.250	5.432	5.588	5.748	5.888	6.018	6.138	6.252
20,000	0.860	1.276	1.683	1.966	2.199	3.266	3.775	4.162	4.474	4.739	4.968	5.170	5.352	5.517	5.668	5.808	5.937	6.058	6.172
25,000	0.830	1.234	1.633	1.914	2.144	3.199	3.708	4.094	4.406	4.670	4.899	5.102	5.283	5.448	5.599	5.739	5.868	5.989	6.103
30,000	0.800	1.200	1.600	1.880	2.106	3.141	3.649	4.034	4.346	4.610	4.839	5.041	5.223	5.388	5.539	5.678	5.807	5.928	6.042
35,000	0.770	1.166	1.559	1.837	2.075	3.088	3.596	3.980	4.292	4.556	4.784	4.987	5.168	5.333	5.484	5.623	5.753	5.873	5.987
40,000	0.740	1.132	1.517	1.794	2.027	3.040	3.547	3.931	4.243	4.506	4.734	4.937	5.118	5.283	5.434	5.573	5.702	5.823	5.937
45,000	0.710	1.099	1.476	1.751	1.987	2.996	3.502	3.886	4.197	4.460	4.688	4.890	5.072	5.236	5.387	5.526	5.656	5.777	5.890
50,000	0.690	1.073	1.451	1.725	1.964	2.955	3.460	3.843	4.155	4.417	4.646	4.847	5.029	5.193	5.344	5.483	5.612	5.733	5.847
55,000	0.664	1.035	1.418	1.693	1.919	2.917	3.421	3.804	4.115	4.377	4.605	4.807	4.988	5.153	5.303	5.443	5.572	5.693	5.806
60,000	0.638	0.996	1.383	1.658	1.889	2.881	3.384	3.767	4.078	4.340	4.568	4.769	4.950	5.115	5.265	5.404	5.534	5.654	5.768
65,000	0.612	0.957	1.346	1.620	1.857	2.847	3.349	3.731	4.042	4.304	4.532	4.733	4.914	5.079	5.229	5.368	5.497	5.618	5.731
70,000	0.586	0.918	1.308	1.579	1.825	2.815	3.316	3.698	4.008	4.270	4.498	4.699	4.880	5.044	5.195	5.334	5.463	5.583	5.697
75,000	0.560	0.879	1.268	1.537	1.783	2.784	3.285	3.666	3.976	4.238	4.465	4.667	4.847	5.011	5.162	5.301	5.430	5.550	5.664
80,000	0.544	0.857	1.243	1.509	1.770	2.755	3.255	3.636	3.945	4.207	4.434	4.636	4.816	4.980	5.130	5.269	5.398	5.519	5.632
85,000	0.528	0.836	1.217	1.481	1.739	2.727	3.226	3.607	3.916	4.177	4.404	4.605	4.786	4.950	5.100	5.239	5.368	5.489	5.602
90,000	0.512	0.814	1.191	1.452	1.708	2.700	3.199	3.579	3.888	4.149	4.376	4.577	4.757	4.921	5.071	5.210	5.339	5.460	5.573
95,000	0.496	0.791	1.164	1.422	1.676	2.675	3.172	3.552	3.860	4.121	4.348	4.549	4.729	4.893	5.043	5.182	5.311	5.432	5.545
100,000	0.480	0.769	1.136	1.391	1.642	2.650	3.147	3.526	3.834	4.095	4.322	4.522	4.703	4.866	5.017	5.156	5.284	5.405	5.518
105,000	0.471	0.754	1.120	1.375	1.626	2.626	3.122	3.501	3.809	4.070	4.296	4.497	4.677	4.840	4.991	5.129	5.258	5.378	5.491
110,000	0.462	0.738	1.104	1.360	1.588	2.603	3.099	3.477	3.784	4.045	4.271	4.472	4.652	4.815	4.965	5.104	5.233	5.353	5.466
115,000	0.453	0.723	1.088	1.343	1.563	2.581	3.076	3.453	3.761	4.021	4.247	4.447	4.628	4.791	4.941	5.080	5.209	5.329	5.441
120,000	0.444	0.708	1.072	1.327	1.535	2.560	3.053	3.430	3.738	3.998	4.224	4.424	4.604	4.767	4.917	5.056	5.184	5.305	5.418
125,000	0.435	0.693	1.056	1.310	1.519	2.539	3.032	3.408	3.715	3.975	4.201	4.401	4.581	4.744	4.894	5.033	5.161	5.282	5.394
130,000	0.426	0.677	1.039	1.293	1.500	2.518	3.011	3.387	3.694	3.953	4.179	4.379	4.559	4.722	4.872	5.010	5.139	5.259	5.372
135,000	0.417	0.662	1.022	1.275	1.482	2.499	2.990	3.366	3.672	3.932	4.158	4.358	4.537	4.700	4.850	4.988	5.117	5.237	5.350
140,000	0.408	0.647	1.005	1.257	1.462	2.480	2.970	3.346	3.652	3.911	4.137	4.337	4.516	4.679	4.829	4.967	5.096	5.216	5.328
145,000	0.399	0.632	0.988	1.238	1.447	2.461	2.951	3.326	3.632	3.891	4.116	4.316	4.495	4.659	4.808	4.946	5.075	5.195	5.308
150,000	0.390	0.617	0.970	1.219	1.427	2.443	2.932	3.307	3.612	3.871	4.096	4.296	4.475	4.638	4.787	4.926	5.055	5.175	5.287
155,000	0.384	0.610	0.960	1.208	1.418	2.426	2.914	3.288	3.593	3.852	4.077	4.277	4.456	4.619	4.768	4.907	5.035	5.155	5.267
160,000	0.378	0.602	0.950	1.197	1.409	2.408	2.896	3.270	3.575	3.833	4.058	4.257	4.437	4.599	4.748	4.887	5.015	5.135	5.248
165,000	0.372	0.595	0.939	1.186	1.398	2.392	2.878	3.252	3.556	3.815	4.040	4.239	4.418	4.581	4.730	4.869	4.996	5.116	5.229
170,000	0.366	0.587	0.929	1.174	1.390	2.375	2.861	3.234	3.538	3.797	4.021	4.221	4.400	4.562	4.712	4.851	4.978	5.098	5.210
175,000	0.360	0.580	0.918	1.162	1.377	2.359	2.845	3.217	3.521	3.779	4.004	4.203	4.382	4.544	4.693	4.831	4.960	5.079	5.192
180,000	0.354	0.572	0.907	1.150	1.370	2.344	2.828	3.200	3.504	3.762	3.986	4.185	4.364	4.527	4.676	4.814	4.942	5.061	5.174
185,000	0.348	0.564	0.896	1.137	1.361	2.328	2.812	3.184	3.487	3.745	3.969	4.168	4.347	4.510	4.659	4.797	4.924	5.044	5.156
190,000	0.342	0.557	0.885	1.125	1.351	2.314	2.797	3.168	3.471	3.728	3.952	4.151	4.330	4.492	4.641	4.779	4.907	5.027	5.139
195,000	0.336	0.549	0.874	1.112	1.341	2.299	2.781	3.152	3.455	3.712	3.936	4.135	4.314	4.476	4.625	4.762	4.890	5.010	5.122
200,000	0.330	0.541	0.862	1.099	1.326	2.285	2.766	3.137	3.439	3.696	3.920	4.118	4.297	4.459	4.608	4.746	4.874	4.993	5.106
205,000	0.325	0.534	0.853	1.090	1.318	2.271	2.751	3.121	3.423	3.680	3.904	4.102	4.281	4.443	4.592	4.730	4.858	4.977	5.089
210,000	0.320	0.528	0.843	1.080	1.308	2.257	2.737	3.106	3.409	3.665	3.889	4.087	4.265	4.427	4.576	4.714	4.842	4.961	5.073
215,000	0.315	0.521	0.833	1.070	1.298	2.243	2.723	3.092	3.394	3.650	3.873	4.071	4.250	4.412	4.561	4.699	4.826	4.945	5.058
220,000	0.310	0.514	0.824	1.060	1.290	2.230	2.709	3.077	3.379	3.635	3.859	4.057	4.235	4.397	4.545	4.683	4.810	4.930	5.042
225,000	0.305	0.508	0.814	1.050	1.280	2.217	2.695	3.063	3.365	3.620	3.844	4.042	4.220	4.382	4.530	4.668	4.795	4.915	5.027
230,000	0.300	0.501	0.804	1.040	1.268	2.204	2.682	3.049	3.351	3.606	3.829	4.027	4.205	4.367	4.515	4.653	4.780	4.900	5.012
235,000	0.295	0.494	0.794	1.029	1.259	2.192	2.668	3.036	3.337	3.592	3.815	4.013	4.191	4.352	4.500	4.638	4.766	4.885	4.997
240,000	0.290	0.487	0.783	1.018	1.246	2.180	2.655	3.022	3.323	3.578	3.801	3.999	4.176	4.338	4.486	4.624	4.751	4.871	4.983
245,000	0.285	0.480	0.773	1.007	1.236	2.168	2.643	3.009	3.309	3.565	3.787	3.985	4.162	4.324	4.472	4.609	4.737	4.856	4.968
250,000	0.280	0.473	0.763	0.996	1.224	2.156	2.630	3.000	3.296	3.551	3.774	3.971	4.149	4.310	4.458	4.596	4.723	4.842	4.954
255,000	0.275	0.467	0.754	0.986	1.215	2.144	2.618	2.983	3.283	3.538	3.760	3.957	4.135	4.296	4.445	4.582	4.709	4.828	4.940
260,000	0.271	0.460	0.745	0.977	1.205	2.133	2.605	2.971	3.270	3.525	3.747	3.944	4.122	4.283	4.431	4.568	4.696	4.815	4.927
265,000	0.267	0.454	0.736	0.967	1.195	2.121	2.593	2.958	3.258	3.512	3.734	3.931	4.108	4.270	4.418	4.555	4.682	4.801	4.913
270,000	0.262	0.448	0.727	0.958	1.186	2.110	2.582	2.946	3.245	3.499	3.721	3.918	4.095	4.257	4.405	4.542	4.669	4.788	4.900
275,000	0.258	0.442	0.718	0.948	1.177	2.099	2.570	2.934	3.233	3.4									

ACE GROUP OF INSURANCE COMPANIES

Architects and Engineers Professional Liability

Split Limit Factor Analysis

Company	Occ Limit	Aggregate Limit Relative to Occurrence Limit				
		2x	2.5x	3x	4x	5x
AIG	100,000		1.100			
	250,000	1.100				
	500,000	1.100				
	1,000,000	1.100				
Royal	250,000	1.054				
	500,000	1.073				
	1,000,000	1.090		1.135	1.172	1.201
	2,000,000	1.067	1.090			
Navigators	500,000	1.050				
	1,000,000	1.050		1.100	1.150	1.200
	2,000,000	1.100	1.150			
XL	100,000			1.117		
	250,000	1.100				
	500,000	1.081				
	1,000,000	1.081				
Zurich	250,000	1.151				
	500,000	1.150				
	1,000,000	1.150				
	2,000,000	1.150				
	5,000,000	1.150				

	Occ Limit	Aggregate Limit Relative to Occurrence Limit				
		2x	2.5x	3x	4x	5x
Average	100,000		1.100	1.117		
	250,000	1.101				
	500,000	1.091				
	1,000,000	1.094		1.118	1.161	1.201
	2,000,000	1.105	1.120			
	5,000,000	1.150				
	Average	1.108	1.110	1.117	1.161	1.201
	Selected	1.120	1.130	1.150	1.170	1.200

**ACE Consolidated
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line I

Surplus was determined by dividing the premium in Line A1 by a premium to surplus ratio. The calculation of the premium to surplus ratio is as follows:

	2005
	<u>All Lines</u>
A/S Net Written Premium	4,611,710,644
A/S Surplus as Regards Policyholders	3,402,884,193
 A/S Premium to Surplus Ratio	 1.355

Line J

Equity was determined by applying an equity to surplus ratio to the surplus in Line K. The calculation of the equity to surplus is as follows:

	2005
	<u>Year End</u>
ACE Consolidated	3,402,884,193
<u>ACE Ins. Co. Puerto Rico</u>	<u>13,996,212</u>
SAP Surplus: ACE Consolidated ex PR and International	3,388,887,981
 GAP Equity: ACE Consolidated ex PR and International	 4,343,637,515
 Equity to Surplus Ratio	 1.282

Other Liability - Claims Made
Development of Expense Provisions and Permissible Loss Ratio
ACE Consolidated

	Direct IEE Data in (000) - ACE Consolidated				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>	
(1) Written Premium	1,887,492	2,274,341	2,447,968	6,609,801	
(2) Earned Premium	1,872,111	2,229,024	2,287,724	6,388,859	
(3) Commission & Brokerage Fees	185,308	211,607	202,981	599,896	
(4) Other Acquisition Expense	53,754	53,039	48,991	155,784	
(5) General Expense	67,695	97,147	100,488	265,330	
(6) Taxes, Licenses, and Fees	14,799	36,874	45,952	97,625	
(7) Unallocated LAE	70,819	120,188	155,720	346,727	
(8) Allocated LAE	111,155	385,952	272,801	769,908	
				<u>Average</u>	<u>Selected</u>
(3)/(1) Commission & Brokerage Fees	9.8%	9.3%	8.3%	9.1%	22.0%
(4)/(2) <u>Other Acquisition Expense</u>	2.9%	2.4%	2.1%	2.4%	<u>2.0%</u>
Total Production Expense					24.0%
(5)/(2) General Expense	3.6%	4.4%	4.4%	4.2%	2.0%
(6)/(1) Taxes, Licenses, and Fees	0.8%	1.6%	1.9%	1.5%	2.5%
(7)/(2) Unallocated LAE	3.8%	5.4%	6.8%	5.4%	4.0%
(8)/(2) Allocated LAE	5.9%	17.3%	11.9%	12.1%	N/A
					Expense Provision 32.50%
					Pre Tax Profit Provision - Target 12.3%
					<u>Investment Income Recognition</u> -11.9%
					Pre Tax Profit Provision - Net of Inv Inc 0.4%
					Permissible Loss and ALAE Ratio 67.1%

ACE
Other Liability - Claims Made
Estimated Investment Earnings

A. Unearned Premium Reserve				
A1.	Direct Earned Premium (for this line, from the IEE)	CY =	2005	2,287,723,759
A2.	Mean Unearned Premium Reserve		(Sheet 2)	979,654,212
A3.	Deduction for Prepaid Expenses		(Exhibit 1 Sheet 1)	
	a.) Commission and Brokerage Expense			22.0%
	b.) 50% of Other Acquisition Expense			1.0%
	c.) 50% of General Expense			1.0%
	d.) Taxes, Licenses, and Fees			2.5%
	e.) <u>Profit and Contingencies</u>			<u>12.3%</u>
	f.) Total Prepaid Expense			38.8%
A4.	Deduction for Federal Income Tax Payable		(Exhibit 2 Sheet 2)	7.0%
A5.	Net Subject to Investment		[A2 x (1.0 - A3f - A4)]	530,589,623
B. Delayed Remission of Premium (Agent's Balances)				
B1.	Direct Earned Premium (for this line, from the IEE)			2,287,723,759
B2.	Ratio, Agents Uncoll Prem Balances to Dir Earned Prem		(Exhibit 2 Sheet 2)	21.8%
B3.	Delayed Remission		[B1 x B2]	497,650,971
C. Loss Reserve				
C1.	Direct Earned Premium (for this line, from the IEE)			2,287,723,759
C2.	Expected Loss and LAE Incurred		[C1 x ELR on Exhibit 2 Sheet 3]	1,353,438,163
C3.	Expected Mean Loss Reserve		[C2 x After Tax Reserve Ratio on Exhibit 2 Sheet 3]	3,731,800,648
D.	Reserve Funds Subject to Investment		[A5 - B3 + C3]	3,764,739,300
E.	Average Rate of Return on Investments - After FIT		(Sheet 5)	3.0%
F.	Investment Earnings on Reserve Funds - After FIT		[D x E]	112,660,494
G.	Investment Earnings on Reserve Funds as a % of Premium - After FIT		[F / A1]	4.92%
H.	Investment Earnings on Reserve Funds as a % of Premium - Before FIT		[G / .65]	7.58%
I.	P/S - Premium to Surplus Ratio		(Sheet 6)	1.355
J.	E/S - Equity to Surplus Ratio		(Sheet 6)	1.282
K.	Surplus Funds Subject to Investment		[A1 / I]	1,688,063,198
L.	Equity Funds Subject to Investment		[K x J]	2,163,640,308
M.	Investment Earnings on Equity Funds - After FIT		[L x E]	64,747,322
N.	Investment Earnings on Equity Funds as % of Premium - After FIT		[M / A1]	2.8%
O.	Investment Earnings on Equity Funds as % of Premium - Before FIT		[N / .65]	4.4%
P.	Target Total Return as % of Equity - After FIT		(Sheet 7)	8.5%
Q.	Target Total Return as % of Premium - After FIT		[P x J / I]	8.0%
R.	Target Total Return as % of Premium - Before FIT		[Q / .65]	12.3%
S.	Target UW Profit as % Premium - Net of all II - After FIT		[Q - G - N]	0.3%
T.	Target UW Profit as % Premium - Net of all II - Before FIT		[S / .65]	0.4%

ACE
Other Liability - Claims Made
Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line A2

The mean unearned premium reserve is determined by multiplying the direct earned premium in line A1 by the ratio of the mean unearned premium reserve to the direct earned premium for the above

			<u>IEE Amount For the Above Line</u>
1)	Direct Earned Premium	CY = 2005	2,287,723,759
2)	Direct Unearned Premium Reserve	as of 12 / 31 / 2005	1,059,775,424
3)	Direct Unearned Premium Reserve	as of 12 / 31 / 2004	899,533,000
4)	Mean Unearned Premium Reserve:	$.5 \times [(2) + (3)]$	979,654,212

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. The effective tax rate on UPR is calculated as follows:

Corporate Tax Rate	35.0%
Portion of Unearned Premium Taxable under TRA 1986	20.0%
Effective Tax Rate on Unearned Premium Reserve	7.0%

Line B2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. The ratio of agents' uncollected premium balances to net earned premium is calculated as follows:

		<u>ACE Consolidated Ann Statement Amt</u>
1 Net Earned Premium - Total All Lines	CY = 2005	4,715,669,113
2 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2005	979,609,943
3 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2004	1,071,999,044
4 Ratio: [(2) + (3)] / [2.0 x (1)]		0.218

ACE
Other Liability - Claims Made

Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the direct earned premium by the expected loss and loss adjustment expense ratio determined below.

1 General Expenses	(Exhibit 1 Sheet 1)	2.00%
2 Commission and Brokerage Expenses		22.00%
3 Other Acquisition Expenses		2.00%
4 Taxes, Licenses, & Fees		2.50%
5 <u>Profit & Contingencies</u>		<u>12.34%</u>
6 Total Expense Ratio:		40.84%
7 Expected Loss and LAE Ratio: 1.00 - (6)		59.16%
8 Direct Earned Premium	Cal Yr 2005	2,287,723,759
9 Expected Loss and LAE Incurred (7) x (8)	Cal Yr 2005	1,353,438,163

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the IEE ratio of the mean loss and loss adjustment expense reserves to the loss and loss adjustment expense incurred in the last 2 calendar years for the above named line of business. This ratio, which includes an adjustment for the estimated Federal Income Tax payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following:

		<u>IEE Amount</u> <u>for the Above Line</u>
1 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2005	2,050,634,363
2 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2004	2,376,206,000
3 Direct Loss and Loss Adjustment Expense Reserves	Year End 2005	7,162,847,514
4 Direct Loss and Loss Adjustment Expense Reserves	Year End 2004	6,518,130,000
5 Direct Loss and Loss Adjustment Expense Reserves	Year End 2003	5,074,776,000
6 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2005	6,840,488,757
7 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2004	5,796,453,000
8 Pre Tax Reserve Ratio: (6) / (1)		3.336
9 Pre Tax Reserve Ratio: (7) / (2)		2.439
10 Mean Pre Tax Reserve Ratio: 0.5 x [(8) + (9)]		2.888
11 Estimated Reserve Discount - Sheet 4		0.129
12 Federal Taxes (ratio to reserves): (11) x 0.35		0.045
13 After Tax Reserve Ratio (10) x [1.0 - (12)]		2.757

ACE Consolidated - Annual Statement - Schedule P
Other Liability - Claims Made
Calculation of Reserve Discount
Data in (000's)

<u>Year</u>	(1) Net Loss & Expense <u>Unpaid</u>	(2) Reserve Discount <u>Factor</u>
Prior	8,823	0.90203
1996	1,012	0.88205
1997	770	0.88815
1998	3,254	0.87131
1999	2,134	0.88401
2000	3,499	0.87980
2001	13,740	0.87412
2002	52,528	0.86494
2003	97,571	0.86812
2004	204,989	0.86532
2005	<u>405,018</u>	<u>0.87450</u>
	793,338	0.87107 = Average
		0.12893 = 1.00 - Average

(1) ACE Consolidated Annual Statement, Schedule P, Part 1, Column 24

(2) Internal Revenue Bulletin 2005-49, December 5, 2005

ACE Consolidated
Calculation of Average After Tax Rate of Return
2005

	(1) Average of Latest 2 Year Ends Asset Value	(2) Interest & Dividend Income	(3) Net Interest and Dividends (2) x (1 + a)	(4) Pre-Tax Return (3)/(1)	(5) Federal Tax Rate	(6) Federal Tax (3)x(5)	(7) After Tax Return ((3)-(6))/(1)
Cash & Short Term Invested Assets	752,802,559	19,077,382	18,837,407	2.5%	35.0%	6,593,093	1.6%
Bonds							
Tax Exempt		16,963,556	16,750,171		2.4% (b)	408,914	
Taxable		450,899,949	445,228,071		35.0%	155,829,825	
Total	9,909,001,226	467,863,505	461,978,243	4.7%		156,238,739	3.1%
Affiliated Stock at Fair Value							
Preferred	0	0	0		0.0%	0	
Common	115,567,497	23,452,694	23,157,682		0.0%	0	
Total	115,567,497	23,452,694	23,157,682	20.0%	0.0%	0	20.0%
Unaffiliated Stock at Fair Value							
Preferred	42,177,214	2,254,154	2,225,799		14.2% (c)	315,507	
Common	481,489,241	13,022,141	12,858,335		14.2%	1,822,669	
Total	523,666,455	15,276,295	15,084,134	2.9%		2,138,176	2.5%
Mortgage Loans on Real Estate	0	0	0	0	35.0%	0	0.0%
Real Estate	61,187,535	1,636,773	1,616,184	2.6%	35.0%	565,664	1.7%
Contract Loans	0	0	0	0	35.0%	0	0.0%
A/O Inv. Assets	508,515,176	149,641	147,759	0.0%	35.0%	51,716	0.0%
Total	11,870,740,447	527,456,290	520,821,409	4.4%	31.8%	165,587,387	3.0%

NOTES:

a. Investment Expenses and Write-ins for Investment Income of apply uniformly to all items of income.

	Total Interest and Dividend Income (excluding Write-ins & Expenses):	527,456,290
PLUS	Write-ins for Investment Income:	24,767,246
LESS	Investment Expenses & Real Estate Depreciation:	31,402,127
	Total Net Investment Income (incl. Write-ins, Net of Investment Expenses):	520,821,409

Write-ins / Expense Multiplier: (a) = -1.3%

b. 46.5% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate rate of 35%.
The applicable tax rate is therefore: $2.4\% = [.465 \times .15 \times .35]$

c. For domestic corporations, 30% of dividend income from unaffiliated stocks is taxed as ordinary income at a full corporate rate of 35%.
and 100% is subject to proration, so that 15% of the remaining 70% is taxed as ordinary income at a full corporate rate of 35%.
The applicable tax rate is therefore: $14.2\% = [(0.30 \times 0.35) + (0.70 \times 0.15 \times 0.35) + (0.70 \times .85 \times 0.00)]$

**ACE
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line P.

<u>Year</u>	<u>Return on Equity</u>
1995	14.9%
1996	13.0%
1997	13.0%
1998	9.6%
1999	6.6%
2000	6.3%
2001	-2.2%
2002	3.1%
2003	9.7%
2004	10.7%
Average	8.5%
Selected	8.5%

Note: The source for the historical industry Returns on Equity is
Net Income / Average Policyholder Surplus from:

1995 - 2000	Standard & Poor's Industry Surveys
2001 - 2004	Best's Aggregates and Averages - QAR