Filing at a Glance

Company: United States Liability Insurance Company

Product Name: MicroTek Professional Package	SERFF Tr Num: USLI-125643237	State: Arkansas
TOI: 05.0 Commercial Multi-Peril - Liability & Non-Liability	SERFF Status: Closed	State Tr Num: EFT $100
Sub-TOI: 05.0002 Businessowners	Co Tr Num: PROF-MTK-08-28-R	State Status: Fees verified and received
Filing Type: Rate/Rule	Co Status:	Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding
	Author: Mark Miller	Disposition Date: 06/17/2008
	Date Submitted: 05/22/2008	Disposition Status: Exempt from Review
Effective Date Requested (New): 06/19/2008		Effective Date (New): 06/19/2008
Effective Date Requested (Renewal): 06/19/2008		Effective Date (Renewal): 06/19/2008

State Filing Description:

General Information

Project Name: PROF-MTK-08-28	Status of Filing in Domicile:
Project Number: PROF-MTK-08-28	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 06/17/2008	
State Status Changed: 06/17/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

We are filing to introduce a new product called Microtek Pak. This package product will provide Businessowners and Errors & Omissions coverages to small, technology-based risks. The goal of this product is to provide the marketplace with an affordable product

that specifically addresses the business needs and coverage requirements of the small business segment of technology professionals.

We look forward to your review and approval of this filing.

Company and Contact

Filing Contact Information

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Filing Company Information

United States Liability Insurance Company	CoCode: 25895	State of Domicile: Pennsylvania
190 South Warner Road	Group Code: 31	Company Type: Property & Casualty
PO Box 6700		
Wayne, PA 19087-2191	Group Name: Berkshire Hathaway Group	State ID Number:
(888) 523-5545 ext. 586[Phone]	FEIN Number: 23-1383313	

Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
United States Liability Insurance Company	$100.00	05/22/2008	20468518

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	06/17/2008	06/17/2008

Disposition

Disposition Date: 06/17/2008

Effective Date (New): 06/19/2008

Effective Date (Renewal): 06/19/2008

Status: Exempt from Review

Comment:

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

Rate data does NOT apply to filing.

Item Type	Item Name	Item Status	Public Access
Supporting Document	Actuarial Exhibits	Accepted for Informational Purposes	Yes
Rate	Rule Manual	Accepted for Informational Purposes	Yes

Rate Information

Rate data does NOT apply to filing.

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Accepted for Informational Purposes	Rule Manual		New		AR MicroTek Standard Rating Manual 4_11_2008.pdf

ERRORS & OMISSIONS COVERAGE

1. RATING FORMULA

Step 1: Determine the number of Principals, Partners and Professional Employees.

Step 2: Refer to E&O rate schedule outlined below to determine the appropriate base rate:

E&O Rate Schedule – Base Premium @ 1M/1M Limits:
1 Person Rate: $695
2 Person Rate: $945
3 Person Rate: $1195

Step 3: The base rate determined in Step 2 is multiplied by the appropriate decreased or increased limits factor as shown in Section 1.B. below. The calculated premium is the adjusted base premium.

Step 4: The adjusted base premium calculated in Step 3 is multiplied by the appropriate Retro Date Factor as shown in Section 1.C. below.

Step 5: The premium calculated in Step 4. above is multiplied by the appropriate claims modification factor as shown in section 1.D. below. The calculated premium is the final E&O premium.

A. POLICY DEDUCTIBLE:

Standard Deductible = $0

B. DECREASED OR INCREASED LIMITS FACTORS

The following decreased or increased limits factors are based on the $1M/$1M Limit Rate:

Limit	Factor
$500,000 Each Claim/$500,000 Annual Aggregate	0.85
$1,000,000 Each Claim/$1,000,000 Annual Aggregate	1.00
$1,000,000 Each Claim/$2,000,000 Annual Aggregate	1.20
$1,000,000 Each Claim/$3,000,000 Annual Aggregate	1.40
$2,000,000 Each Claim/$2,000,000 Annual Aggregate	1.50
$3,000,000 Each Claim/$3,000,000 Annual Aggregate	1.85
$4,000,000 Each Claim/$4,000,000 Annual Aggregate	2.15
$5,000,000 Each Claim/$5,000,000 Annual Aggregate	2.40

C. PRIOR ACTS COVERAGE (Retro Date Factors)

The Base Premium at $1M/$1M Limits contemplates a Retroactive Date = Inception Date. Therefore, the following Retro Date Factors will be applied for the # of years that the policy Retroactive Date is prior to policy inception:

# Years Retro Date Prior to Policy Inception	Factor
0	1.00
1	1.11
2	1.17
3 or more (Full Prior Acts)	1.25

Example: For Inception Date of 1/1/2008 and Retroactive Date of 1/1/2006, the # of years = 2008 – 2006 = 2. Therefore, apply a retro date factor of 1.17 to the calculated premium.

Attach Endorsement **MTK-210- Retroactive Date Endorsement** to all policies for which Full Prior Acts Coverage is not being provided.

D. CLAIMS MODIFICATION FACTORS

# Paid Claims in Past 3 Years	Factor
0	1.00
1 where paid amount < $2500	1.05
1 where paid amount >= $2500	1.10
2	1.15
3 or More	1.25

For policies with no prior claims-made coverage, apply a factor of 1.00.

E. EXTENDED REPORTING PERIOD

To add an extended reporting period for this coverage to a cancelled or non-renewed policy, charge an **additional premium** by multiplying the annual premium on the cancelled or non-renewed policy by the appropriate factor as shown below:

Extended Reporting Period	Factor
12 Months	65% of Annual Premium
24 Months	125% of Annual Premium
36 Months	195% of Annual Premium

2. COVERAGE ENHANCEMENTS

A. ADDITIONAL INSURED COVERAGE

A blanket 10% charge shall be made to add all Additional Insureds to the Professional Liability Coverage.

Attach Endorsement **MTK-216 – Scheduled Entity(ies) Endorsement** to any policy electing to purchase this optional additional coverage.

B. INTELLECTUAL PROPERTY COVERAGE

A 20% additional charge shall be made to add this optional coverage to the policy.

Attach Endorsement **MTK-227 – Intellectual Property Endorsement** to any policy electing to purchase this optional additional coverage.

GENERAL LIABILITY COVERAGE

1. RATING FORMULA

Step 1: Determine the number of Principals, Partners and Professional Employees.

Step 2: Select the applicable base premium from the following general liability rate table:

$1,000,000 Each Occ/$2,000,000 Annual Agg Limit	Base Premium
1 person rate	$300
2 person rate	$350
3 person rate	$400

With the purchase of General Liability coverage, the following additional liability coverages are included at no additional premium charge:

$50,000 of Damage to Premises Rented to You Coverage
$5,000 of Medical Expense Coverage

2. OPTIONAL ENDORSEMENTS

A. ADDITIONAL INSURED COVERAGE

An additional premium of $25 applies per each additional insured.

Attach the applicable Additional Insured Endorsement to any policy electing to purchase this optional additional coverage.

B. HIRED AND NON-OWNED AUTO LIABILITY COVERAGE

Hired and Non-owned Auto Liability Coverage (**L-488**) may be added to the policy for the following additional premiums:

Limit of Liability	Additional Premium
$100,000	$150
$300,000	$175
$500,000	$200
$1,000,000	$225

C. OPTIONAL INCREASED LIMITS FOR MEDICAL PAYMENTS AND DAMAGE TO PREMISES RENTED TO YOU COVERAGES

Coverage	Limit of Liability	Additional Charge
Medical Payments	$10,000	$10
Damage to Premises Rented to You	$300,000	$100

PROPERTY COVERAGE

1. **BUILDING COVERAGE** – not available through this product.

2. **BUSINESS PERSONAL PROPERTY - $500 Deductible**

   Covers Business Personal Property while located at premises described on the declarations page of the policy. The first $25,000 of Business Personal Property coverage is reflected in the GL rate and, therefore, no additional premium charge applies.

   For BPP coverage amounts greater than $25,000, apply a rate of $4.00 for each additional $1,000 in coverage.

TERRORISM COVERAGE

(NOTE: This section and charges apply to General Liability and Property coverages only.)

New and Renewal Policy Rates

Terrorism Charge: The higher of $100 Minimum Premium or the percentage shown below applied to the annual policy premium:

Major Metropolitan Area*: 10%
All Other Territories except NC, WA, and NY**: 5%
NC – entire state: 3%
WA – entire state: 2%

* Major Metropolitan Territories are: Boston (Suffolk County), Chicago (Cook County), Dallas/Ft. Worth, Detroit, Houston (Harris County), Las Vegas, Los Angeles, Miami, Orlando, Philadelphia, San Francisco, and Washington D.C.

** Please refer to New York manual for state-specific terrorism rates.

Supporting Document Schedules

		Review Status:	
Satisfied -Name:	Actuarial Exhibits	Accepted for Informational Purposes	06/17/2008

Comments:

Attachments:

Expenses&InvInc_March07_ver1 FIRE USLI final.pdf
Expenses&InvInc_March07_ver1 OTHER LIAB Occurrence USLI final.pdf
Expenses&InvInc_May07_ver1 OTHER LIAB AR ClaimsMade USLI.pdf
MicroTek Actuarial Memorandum (AR).pdf

Arkansas
United States Liability Insurance Company
Businessowners - PROPERTY

Calculation of Permissible Loss Ratio

	Expense Components	Selected Expenses
(1)	Commissions	20.0%
(2)	Other Acquisitions	8.0%
(3)	General Expenses	0.2%
(4)	Taxes, Licenses, & Fees	0.7%
(5)	Profit & Contingencies includes Offset for Investment Income	15.3%
(6)	Total Expenses [(1) + (2) + (3) + (4) + (5)]	44.2%
(7)	Permissible (Expected) Loss Ratio incl ULAE [1 - (6)]	55.8%
(8)	ULAE	0.5%
(9)	Permissible Loss + ALAE Ratio [(7)-(8)]	55.3%

Arkansas
United States Liability Insurance Company
Fire

Dollars in (000's)

	Expense Provision		2002	2003	2004	2005	2006	Total	
(1)	Direct Written Premium		7,284	7,450	8,001	8,095	10,001	40,831	
(2)	Direct Earned Premium		7,822	7,049	7,992	7,861	9,276	40,000	
(3)	Other Acquisition Expense		739	556	594	684	1,057	3,630	
(4)	General Expense		12	8	7	7	12	46	
(5)	Commission and Brokerage Fees		2,185	2,235	2,400	2,428	3,000	12,248	
(6)	Taxes, Licenses and Fees		270	-21	60	59	126	494	
(7)	Adjusting and Other Expense		28	162	67	-78	140	319	
								Average	**Selected**
(8)	Other Acquisition Expense	(3)/(1)	10.15%	7.46%	7.42%	8.45%	10.57%	8.89%	**8.0%**
(9)	Commission and Brokerage Fees	(5)/(1)	30.00%	30.00%	30.00%	29.99%	30.00%	30.00%	**20.0%**
(10)	Total Production Expense	(7)+(8)	40.14%	37.46%	37.42%	38.44%	40.57%	38.89%	**28.0%**
(11)	General Expense	(4)/(2)	0.15%	0.11%	0.09%	0.09%	0.13%	0.12%	**0.2%**
(12)	Taxes, Licenses & Fees	(6)/(1)	3.71%	-0.28%	0.75%	0.73%	1.26%	1.21%	**0.7%**
(13)	Adjusting and Other Expense	(7)/(2)	0.36%	2.30%	0.84%	-0.99%	1.51%	0.80%	**0.5%**
								Total	**29.4%**

Source: Insurance Expense Exhibit, United States Liability Insurance Company, Direct of Reinsurance, Fire. Data is on countrywide basis.

		2002	2003	2004	2005	2006	Total
Note:	Taxes, Licenses & Fees are for Arkansas	0.0%	0.0%	0.0%	0.0%	3.6%	0.7%

Arkansas
United States Liability Insurance Company
Businessowners - PROPERTY

Estimated Investment Earnings On Unearned Premium Reserves And Loss Reserves

A.	Unearned Premium Reserve			
	A1.	Net 2006 Earned Premium (Total Fire)		5,995,000
	A2.	Mean Unearned Premium Reserve		2,879,500
	A3.	Deduction for Prepaid Expenses		
		a.) Commission and Brokerage Expense		0.200
		b.) Taxes, Licenses, and Fees		0.007
		c.) 50% of Other Acquisition and General Expense		0.041
		d.) Profit and Contingencies		0.000
		e.) Total Prepaid Expense	[a + b + c + d]	0.248
	A4.	Deduction for Federal Income Tax Payable		0.070
	A5.	Net Subject to Investment	[A2 x (1.0 - A3e - A4)]	1,963,243
B.	Delayed Remission of Premium (Agent's Balances)			
	B1.	Net 2006 Earned Premium (Total Fire)		5,995,000
	B2.	Ratio of Agents Balances of Uncollected Premiums to Net Earned Premium for all LOBs		0.129
	B3.	Delayed Remission	[B1 x B2]	772,103
C.	Loss Reserve			
	C1.	Net 2006 Earned Premium (Total Fire)		5,995,000
	C2.	Expected Loss and LAE Incurred	[C1 x ELR]	4,261,246
	C3.	Expected Mean Loss Reserve		3,596,200
D.	Net Subject to Investment		[A5 - B3 + C3]	4,787,340
E.	Average After Tax Rate of Return			3.5%
F.	Investment Earnings on UEPR and Loss Reserves		[D x E]	167,557
G.	Average Rate of Return as a Percent of Net Earned Premium After Federal Income Taxes		[F / A1]	2.8%
H.	Allocated Policyholder Surplus (A1/prem to surplus ratio)			5,995,000
I.	Investment Earnings on Surplus as Percent of Earned Premium			3.5%
J.	Equity (H*Equity to Surplus ratio)			6,951,082
K.	Target After-Tax Return on Equity			14.0%
L.	Implied After-Tax Underwriting Profit as % of Net Earned Premium (J*K-E*H-G*A1)/A1			9.9%
M.	Implied Pre-Tax Underwriting Profit Provision as % of NEP			15.3%
N.	Selected Profit and Contingencies provision			15.3%

Arkansas
United States Liability Insurance Company
Businessowners - PROPERTY

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

Line A2

The mean unearned premium reserve is determined by multiplying the net earned premium in line A1 by the worldwide ratio of the mean unearned premium reserve to the net earned premium for 2006 for Fire insurance.

1)	Net 2006 Earned Premium	5,995,000
2)	Unearned Premium Reserve as of 12/31/2005	2,547,000
3)	Unearned Premium Reserve as of 12/31/2006	3,212,000
4)	Mean Unearned Premium Reserve: .5 x [(2) + (3)]	2,879,500

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7% (0.2 x 0.35 = 0.07) of the unearned premium reserve.

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. Agent's balances of uncollected premiums amount to 0.129 of net earned premiums. The 0.129 is based on the following:

1	Net Earned Premium for Calendar Year 2006	136,670,762
2	Net Agent's Balances as of 12/31/2005 (Net Admitted)	17,616,025
3	Net Agent's Balances as of 12/31/2006 (Net Admitted)	17,587,954
4	Ratio: [(2) + (3)] / [2.0 x (1)]	0.129

Arkansas
United States Liability Insurance Company
Businessowners - PROPERTY

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 net Fire earned premium for calendar year 2006 in line C1 by the expected loss and loss adjustment expense ratio determined below.

1	General Expenses	0.20%
2	Commission and Brokerage Expenses	20.00%
3	Other Acquisition Expenses	8.00%
4	Taxes, Licenses, & Fees	0.72%
5	Profit & Contingencies	***0.00%***
6	Total Expense Ratio: (1) + (2) + (3) + (4) + (5)	28.92%
7	Expected Loss and LAE Ratio: 1.00 - (6)	71.08%
8	Net Other Liability Earned Premium for Calendar Year 2006	5,995,000
9	Expected Loss and LAE Incurred	4,261,246

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the average worldwide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2005 and 2006 for Fire insurance. This ratio, which includes an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following (all dollar amounts appear in thousands):

1	Net Incurred Losses (*) for Calendar Year 2005	1,409
2	Net Incurred Losses (*) for Calendar Year 2006	2,714
3	Loss Reserves (*) as of 12/31/2004	1,563
4	Loss Reserves (*) as of 12/31/2005	1,473
5	Loss Reserves (*) as of 12/31/2006	1,959
6	Mean Loss Reserve 2005: 0.5 x [(3) + (4)]	1,518
7	Mean Loss Reserve 2006: 0.5 x [(4) + (5)]	1,716
8	Ratio: (6) / (1)	1.077
9	Ratio: (7) / (2)	0.632
10	Mean Ratio: 0.5 x [(8) + (9)]	0.855
11	Estimated Reserve Discount	0.036
12	Federal Taxes (ratio to reserves): (11) x 0.35	0.013
13	After Tax Ratio (10) x [1.0 - (12)]	0.844

(*) Including all loss adjustment expenses.

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line H

The 2006 net written premium to surplus ratio is 0.69 for all lines of business for USLI companies.

	Year	Net WP	Surplus	Premium to Surplus	Benchmark Premium to Surplus
All Lines	2006	332,221,084	479,352,856	0.69	1.00

Line J

Equity was determined by applying an equity to surplus ratio to the surplus in Line H. In this ratio, surplus was defined as Total Surplus as regards Policyholders as of 12/31/2006 as found in our 2006 Consolidated Annual Statement. After GAAP adjustments (see below) are made to this figure, the equity to surplus ratio is equal to 1.16.

Annual Statement Surplus @ 12/31/2006 (millions)	479
SAP to GAAP adjustments:	76
GAAP Equity @ 12/31/2006	556
Equity to Surplus Ratio	1.16

United States Liability Insurance Company
Fire

Calculation of Fire Reserve Discount
Data in (000's)

Year	(1) Net Losses Unpaid & Unpaid Expenses	(2) Reserve Discount Factor	(1) x (2)
2006	1,632	0.96342	1,572
2005	289	0.96191	278
2004	47	0.98067	46
2003	0	0.00000	0
2002	0	0.00000	0
2001	0	0.00000	0
2000	0	0.00000	0
1999	0	0.00000	0
1998	0	0.00000	0
1997	0	0.00000	0
Prior	0	0.00000	0
Total	1,968		1,896

Average	0.96361
1.0 - Average	0.03639

United States Liability Insurance Company and Affiliates

Calculation of Average After Tax Rate of Return for 2006

Assets Available for Investment	(1) Average Asset Value	(2) Average Interest and 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:	-6,239,678	-299,178	-297,254	4.76%	35.00%	-104,039	3.10%
Bonds:							
Tax Exempt		351,270	349,010		0.00%	0	
Taxable		3,222,566	3,201,838		35.00%	1,120,643	
Total	46,605,945	3,573,835	3,550,848	7.62%		1,120,643	5.21%
Affiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	0	0	0		0.00%	0	
Total	0	0	0	0.00%	0.00%	0	0.00%
Unaffiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	116,974,047	2,755,570	2,737,846		14.18%	388,090	
Total	116,974,047	2,755,570	2,737,846	2.34%	0.00%	388,090	2.01%
Mortgage Loans on Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Collateral Loans:	0	0	0	0.00%	35.00%	0	0.00%
Short Term Investment:	1,009,805,218	48,417,801	48,106,377	4.76%	35.00%	16,837,232	3.10%
Other Assets:	0	0	0	0.00%	35.00%	0	0.00%
Total	**1,167,145,531**	**54,448,028**	**54,097,818**	**4.64%**	**33.72%**	**18,241,926**	**3.07%**

Capital Gains Ratio:

	2006	2005	2004	2003	2002	Total
Net Realized Cap Gains	-2,004	0	8,242,751	34,145,416	3,313	42,389,476
Total Assets:	1,310,869,321	1,160,168,398	1,039,281,997	893,662,041	709,458,902	5,113,440,659
Realized Cap GainsRatio	0.0%	0.0%	0.8%	3.8%	0.0%	0.8%
Tax Rate on Capital Gains						35%
Realized Cap Gains Ratio (after tax)						**0.54%**

Total Return on Assets, including Realized Capital Gains (after tax) **3.61%**

Selected **3.50%**

NOTES:
(1) All assets are the average of those owned as of 12/31/2005 and 12/31/2006 and are at statement valuation.
(2) All interest and dividend income are averaged as of 12/31/2005 and 12/31/2006 and are at statement valuation.

a. Investment Expense of -0.64% applies uniformly to all items of income.

Total Interest and Dividend Income (excluding Expenses):	54,448,028
Investment Expenses & Real Estate Depreciation:	350,210
Total Interest and Dividend Income (including Write-ins & Expenses):	54,097,818
Expense Multiplier:	-0.64%

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Selected Target Return on Equity = 14.0%

Note: Figure selected based on Insurance Information Institute Industry 2006 Return on Equity range of 10% - 14.9% from presentation of Dr. L. James Valverde, Jr. for Stock, Mutual and All Companies (Fortune 1000 Group). Figure represents rate of return that can be earned by investors in industries offering comparable degree of risk. This rate must be sufficient to maintain and attract capital. Presentation can be found at:
http://server.iii.org/yy_obj_data/binary/766218_1_0/0607IndustryOverview.ppt

Arkansas
United States Liability Insurance Company
General Liability

Calculation of Permissible Loss Ratio

	Expense Components	Selected Expenses
(1)	Commissions	20.0%
(2)	Other Acquisitions	12.0%
(3)	General Expenses	0.2%
(4)	Taxes, Licenses, & Fees	4.1%
(5)	Profit & Contingencies includes Offset for Investment Income	7.1%
(6)	Total Expenses [(1) + (2) + (3) + (4) + (5)]	43.4%
(7)	Permissible (Expected) Loss Ratio incl ULAE [1 - (6)]	56.6%
(8)	ULAE	4.3%
(9)	Permissible Loss + ALAE Ratio [(7)-(8)]	52.4%

Exhibit 1
Sheet 2

Arkansas
United States Liability Insurance Company
Other Liability (Occ)

Dollars in (000's)

Expense Provision			2002	2003	2004	2005	2006	Total	
(1)	Direct Written Premium		116,076	136,099	141,986	146,361	149,333	689,855	
(2)	Direct Earned Premium		101,320	126,932	140,651	144,348	147,556	660,807	
(3)	Other Acquisition Expense		11,781	14,577	16,788	18,002	20,840	81,988	
(4)	General Expense		187	195	202	183	234	1,001	
(5)	Commission and Brokerage Fees		23,332	26,645	27,699	29,057	29,588	136,321	
(6)	Taxes, Licenses and Fees		4,815	2,963	3,334	3,185	3,506	17,803	
(7)	Adjusting and Other Expense		3,231	5,254	5,454	6,552	6,634	27,125	
								Average	**Selected**
(8)	Other Acquisition Expense	(3)/(1)	10.15%	10.71%	11.82%	12.30%	13.96%	11.88%	**12.0%**
(9)	Commission and Brokerage Fees	(5)/(1)	20.10%	19.58%	19.51%	19.85%	19.81%	19.76%	**20.0%**
(10)	Total Production Expense	(7)+(8)	30.25%	30.29%	31.33%	32.15%	33.77%	31.65%	**32.0%**
(11)	General Expense	(4)/(2)	0.18%	0.15%	0.14%	0.13%	0.16%	0.15%	**0.2%**
(12)	Taxes, Licenses & Fees	(6)/(1)	4.15%	2.18%	2.35%	2.18%	2.35%	2.58%	**4.1%**
(13)	Adjusting and Other Expense	(7)/(2)	3.19%	4.14%	3.88%	4.54%	4.50%	4.10%	**4.3%**
								Total	**40.6%**

Source: Insurance Expense Exhibit, United States Liability Insurance Company, Direct of Reinsurance, Other Liability (Occ). Data is on countrywide basis.

Note:	Taxes, Licenses & Fees are for Arkansas	5.5%	3.8%	3.6%	3.9%	3.8%	4.1%

Arkansas
United States Liability Insurance Company
General Liability

Estimated Investment Earnings On Unearned Premium Reserves And Loss Reserves

A.	Unearned Premium Reserve		
	A1.	Net 2006 Earned Premium (Total Other Liability (Occc))	129,399,000
	A2.	Mean Unearned Premium Reserve	70,366,500
	A3.	Deduction for Prepaid Expenses	
		a.) Commission and Brokerage Expense	0.200
		b.) Taxes, Licenses, and Fees	0.041
		c.) 50% of Other Acquisition and General Expense	0.061
		d.) Profit and Contingencies	0.000
		e.) Total Prepaid Expense [a + b + c + d]	0.302
	A4.	Deduction for Federal Income Tax Payable	0.070
	A5.	Net Subject to Investment [A2 x (1.0 - A3e - A4)]	44,190,080
B.	Delayed Remission of Premium (Agent's Balances)		
	B1.	Net 2006 Earned Premium (Total Other Liability (Occ))	129,399,000
	B2.	Ratio of Agents Balances of Uncollected Premiums to Net Earned Premium for all LOBs	0.129
	B3.	Delayed Remission [B1 x B2]	16,665,451
C.	Loss Reserve		
	C1.	Net 2006 Earned Premium (Total Other Liability (Occ))	129,399,000
	C2.	Expected Loss and LAE Incurred [C1 x ELR]	82,427,012
	C3.	Expected Mean Loss Reserve	273,535,343
D.	Net Subject to Investment [A5 - B3 + C3]		301,059,972
E.	Average After Tax Rate of Return		3.5%
F.	Investment Earnings on UEPR and Loss Reserves [D x E]		10,537,099
G.	Average Rate of Return as a Percent of Net Earned Premium After Federal Income Taxes [F / A1]		8.1%
H.	Allocated Policyholder Surplus (A1/prem to surplus ratio)		129,399,000
I.	Investment Earnings on Surplus as Percent of Earned Premium		3.5%
J.	Equity (H*Equity to Surplus ratio)		150,035,539
K.	Target After-Tax Return on Equity		14.0%
L.	Implied After-Tax Underwriting Profit as % of Net Earned Premium (J*K-E*H-G*A1)/A1		4.6%
M.	Implied Pre-Tax Underwriting Profit Provision as % of NEP		7.1%
N.	Selected Profit and Contingencies provision		7.1%

Arkansas
United States Liability Insurance Company
General Liability

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

Line A2

The mean unearned premium reserve is determined by multiplying the net earned premium in line A1 by the worldwide ratio of the mean unearned premium reserve to the net earned premium for 2006 for Other Liability (Occ) insurance.

1)	Net 2006 Earned Premium	129,399,000
2)	Unearned Premium Reserve as of 12/31/2005	69,450,000
3)	Unearned Premium Reserve as of 12/31/2006	71,283,000
4)	Mean Unearned Premium Reserve: .5 x [(2) + (3)]	70,366,500

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7% (0.2 x 0.35 = 0.07) of the unearned premium reserve.

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. Agent's balances of uncollected premiums amount to 0.129 of net earned premiums. The 0.129 is based on the following:

1	Net Earned Premium for Calendar Year 2006	136,670,762
2	Net Agent's Balances as of 12/31/2005 (Net Admitted)	17,616,025
3	Net Agent's Balances as of 12/31/2006 (Net Admitted)	17,587,954
4	Ratio: [(2) + (3)] / [2.0 x (1)]	0.129

Arkansas
United States Liability Insurance Company
General Liability

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 net Other Liability (Occ) earned premium for calendar year 2006 in line C1 by the expected loss and loss adjustment expense ratio determined below.

1	General Expenses	0.20%
2	Commission and Brokerage Expenses	20.00%
3	Other Acquisition Expenses	12.00%
4	Taxes, Licenses, & Fees	4.10%
5	Profit & Contingencies	***0.00%***
6	Total Expense Ratio: (1) + (2) + (3) + (4) + (5)	36.30%
7	Expected Loss and LAE Ratio: 1.00 - (6)	63.70%
8	Net Other Liability Earned Premium for Calendar Year 2006	129,399,000
9	Expected Loss and LAE Incurred	82,427,012

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the average worldwide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2005 and 2006 for Other Liability (Occ) insurance. This ratio, which includes an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following (all dollar amounts appear in thousands):

1	Net Incurred Losses (*) for Calendar Year 2005	66,497
2	Net Incurred Losses (*) for Calendar Year 2006	51,087
3	Loss Reserves (*) as of 12/31/2004	176,184
4	Loss Reserves (*) as of 12/31/2005	203,594
5	Loss Reserves (*) as of 12/31/2006	218,647
6	Mean Loss Reserve 2005: 0.5 x [(3) + (4)]	189,889
7	Mean Loss Reserve 2006: 0.5 x [(4) + (5)]	211,121
8	Ratio: (6) / (1)	2.856
9	Ratio: (7) / (2)	4.133
10	Mean Ratio: 0.5 x [(8) + (9)]	3.494
11	Estimated Reserve Discount	0.144
12	Federal Taxes (ratio to reserves): (11) x 0.35	0.050
13	After Tax Ratio (10) x [1.0 - (12)]	3.319

(*) Including all loss adjustment expenses.

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line H

The 2006 net written premium to surplus ratio is 0.69 for all lines of business for USLI companies.

	Year	Net WP	Surplus	Premium to Surplus	Benchmark Premium to Surplus
All Lines	2006	332,221,084	479,352,856	0.69	1.00

Line J

Equity was determined by applying an equity to surplus ratio to the surplus in Line H. In this ratio, surplus was defined as Total Surplus as regards Policyholders as of 12/31/2006 as found in our 2006 Consolidated Annual Statement. After GAAP adjustments (see below) are made to this figure, the equity to surplus ratio is equal to 1.16.

Annual Statement Surplus @ 12/31/2006 (millions)	479
SAP to GAAP adjustments:	76
GAAP Equity @ 12/31/2006	556
Equity to Surplus Ratio	1.16

United States Liability Insurance Company
Other Liability (Occ)

Calculation of Other Liability (Occ) Reserve Discount
Data in (000's)

Year	(1) Net Losses Unpaid & Unpaid Expenses	(2) Reserve Discount Factor	(1) x (2)
2006	22,095	0.86171	19,040
2005	20,721	0.86228	17,867
2004	13,583	0.85614	11,629
2003	10,824	0.85121	9,213
2002	8,156	0.84247	6,871
2001	6,923	0.85320	5,907
2000	2,048	0.83257	1,705
1999	1,592	0.84276	1,342
1998	1,222	0.82060	1,003
1997	1,092	0.84180	919
Prior	1,864	0.90450	1,686
Total	90,120		77,182

Average	0.85644
1.0 - Average	0.14356

United States Liability Insurance Company and Affiliates

Calculation of Average After Tax Rate of Return for 2006

Assets Available for Investment	(1) Average Asset Value	(2) Average Interest and 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:	-6,239,678	-299,178	-297,254	4.76%	35.00%	-104,039	3.10%
Bonds:							
Tax Exempt		351,270	349,010		0.00%	0	
Taxable		3,222,566	3,201,838		35.00%	1,120,643	
Total	46,605,945	3,573,835	3,550,848	7.62%		1,120,643	5.21%
Affiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	0	0	0		0.00%	0	
Total	0	0	0	0.00%	0.00%	0	0.00%
Unaffiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	116,974,047	2,755,570	2,737,846		14.18%	388,090	
Total	116,974,047	2,755,570	2,737,846	2.34%	0.00%	388,090	2.01%
Mortgage Loans on Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Collateral Loans:	0	0	0	0.00%	35.00%	0	0.00%
Short Term Investment:	1,009,805,218	48,417,801	48,106,377	4.76%	35.00%	16,837,232	3.10%
Other Assets:	0	0	0	0.00%	35.00%	0	0.00%
Total	**1,167,145,531**	**54,448,028**	**54,097,818**	**4.64%**	**33.72%**	**18,241,926**	**3.07%**

Capital Gains Ratio:	2006	2005	2004	2003	2002	Total
Net Realized Cap Gains	-2,004	0	8,242,751	34,145,416	3,313	42,389,476
Total Assets:	1,310,869,321	1,160,168,398	1,039,281,997	893,662,041	709,458,902	5,113,440,659
Realized Cap GainsRatio	0.0%	0.0%	0.8%	3.8%	0.0%	0.8%
Tax Rate on Capital Gains						35%
Realized Cap Gains Ratio (after tax)						**0.54%**

Total Return on Assets, including Realized Capital Gains (after tax)		**3.61%**
	Selected	**3.50%**

NOTES:
(1) All assets are the average of those owned as of 12/31/2005 and 12/31/2006 and are at statement valuation.
(2) All interest and dividend income are averaged as of 12/31/2005 and 12/31/2006 and are at statement valuation.

a. Investment Expense of -0.64% applies uniformly to all items of income.

Total Interest and Dividend Income (excluding Expenses):	54,448,028
Investment Expenses & Real Estate Depreciation:	350,210
Total Interest and Dividend Income (including Write-ins & Expenses):	54,097,818
Expense Multiplier:	-0.64%

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Selected Target Return on Equity = 14.0%

Note: Figure selected based on Insurance Information Institute Industry 2006 Return on Equity range of 10% - 14.9% from presentation of Dr. L. James Valverde, Jr. for Stock, Mutual and All Companies (Fortune 1000 Group). Figure represents rate of return that can be earned by investors in industries offering comparable degree of risk. This rate must be sufficient to maintain and attract capital. Presentation can be found at:
http://server.iii.org/yy_obj_data/binary/766218_1_0/0607IndustryOverview.ppt

Arkansas
United States Liability Insurance Company
Professional Liability

Calculation of Permissible Loss Ratio

	Expense Components	Selected Expenses
(1)	Commissions	20.0%
(2)	Other Acquisitions	12.0%
(3)	General Expenses	0.2%
(4)	Taxes, Licenses, & Fees	4.1%
(5)	Profit & Contingencies includes Offset for Investment Income	5.6%
(6)	Total Expenses [(1) + (2) + (3) + (4) + (5)]	41.9%
(7)	Permissible (Expected) Loss Ratio incl ULAE [1 - (6)]	58.1%
(8)	ULAE	4.0%
(9)	Permissible Loss + ALAE Ratio [(7)-(8)]	54.1%

Arkansas
United States Liability Insurance Company
Other Liability (Claims-Made)

Dollars in (000's)

Expense Provision			2002	2003	2004	2005	2006	Total	
(1)	Direct Written Premium		116,076	136,099	141,986	146,361	149,333	689,855	
(2)	Direct Earned Premium		101,320	126,932	140,651	144,348	147,556	660,807	
(3)	Other Acquisition Expense		11,781	14,577	16,788	18,002	20,840	81,988	
(4)	General Expense		187	195	202	183	234	1,001	
(5)	Commission and Brokerage Fees		23,332	26,645	27,699	29,057	29,588	136,321	
(6)	Taxes, Licenses and Fees		4,815	2,963	3,334	3,185	3,506	17,803	
(7)	Adjusting and Other Expense		3,231	5,254	5,454	6,552	6,634	27,125	
								Average	**Selected**
(8)	Other Acquisition Expense	(3)/(1)	10.15%	10.71%	11.82%	12.30%	13.96%	11.88%	**12.0%**
(9)	Commission and Brokerage Fees	(5)/(1)	20.10%	19.58%	19.51%	19.85%	19.81%	19.76%	**20.0%**
(10)	Total Production Expense	(7)+(8)	30.25%	30.29%	31.33%	32.15%	33.77%	31.65%	**32.0%**
(11)	General Expense	(4)/(2)	0.18%	0.15%	0.14%	0.13%	0.16%	0.15%	**0.2%**
(12)	Taxes, Licenses & Fees	(6)/(1)	4.15%	2.18%	2.35%	2.18%	2.35%	2.58%	**4.1%**
(13)	Adjusting and Other Expense	(7)/(2)	3.19%	4.14%	3.88%	4.54%	4.50%	4.10%	**4.0%**
								Total	**40.3%**

Source: Insurance Expense Exhibit, United States Liability Insurance Company, Direct of Reinsurance, Other Liability (Claims-Made). Data is on countrywide basis.

Note:	Taxes, Licenses & Fees are for Arkansas	5.5%	3.8%	3.6%	3.9%	3.8%	4.1%

Arkansas
United States Liability Insurance Company
Professional Liability

Estimated Investment Earnings On Unearned Premium Reserves And Loss Reserves

A.	Unearned Premium Reserve		
	A1.	Net 2006 Earned Premium (Total Other Liability (Claims-Made))	129,399,000
	A2.	Mean Unearned Premium Reserve	70,366,500
	A3.	Deduction for Prepaid Expenses	
		a.) Commission and Brokerage Expense	0.200
		b.) Taxes, Licenses, and Fees	0.041
		c.) 50% of Other Acquisition and General Expense	0.061
		d.) Profit and Contingencies	0.000
		e.) Total Prepaid Expense [a + b + c + d]	0.302
	A4.	Deduction for Federal Income Tax Payable	0.070
	A5.	Net Subject to Investment [A2 x (1.0 - A3e - A4)]	44,190,080
B.	Delayed Remission of Premium (Agent's Balances)		
	B1.	Net 2006 Earned Premium (Total Other Liability (Claims-Made))	129,399,000
	B2.	Ratio of Agents Balances of Uncollected Premiums to Net Earned Premium for all LOBs	0.129
	B3.	Delayed Remission [B1 x B2]	16,665,451
C.	Loss Reserve		
	C1.	Net 2006 Earned Premium (Total Other Liability (Claims-Made))	129,399,000
	C2.	Expected Loss and LAE Incurred [C1 x ELR]	82,427,012
	C3.	Expected Mean Loss Reserve	307,564,778
D.	Net Subject to Investment [A5 - B3 + C3]		335,089,407
E.	Average After Tax Rate of Return		3.5%
F.	Investment Earnings on UEPR and Loss Reserves [D x E]		11,728,129
G.	Average Rate of Return as a Percent of Net Earned Premium After Federal Income Taxes [F / A1]		9.1%
H.	Allocated Policyholder Surplus (A1/prem to surplus ratio)		129,399,000
I.	Investment Earnings on Surplus as Percent of Earned Premium		3.5%
J.	Equity (H*Equity to Surplus ratio)		150,035,539
K.	Target After-Tax Return on Equity		14.0%
L.	Implied After-Tax Underwriting Profit as % of Net Earned Premium (J*K-E*H-G*A1)/A1		3.7%
M.	Implied Pre-Tax Underwriting Profit Provision as % of NEP		5.6%
N.	Selected Profit and Contingencies provision		5.6%

Arkansas
United States Liability Insurance Company
Professional Liability

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

Line A2

The mean unearned premium reserve is determined by multiplying the net earned premium in line A1 by the worldwide ratio of the mean unearned premium reserve to the net earned premium for 2006 for Other Liability (Claims-Made) insurance.

1) Net 2006 Earned Premium	129,399,000
2) Unearned Premium Reserve as of 12/31/2005	69,450,000
3) Unearned Premium Reserve as of 12/31/2006	71,283,000
4) Mean Unearned Premium Reserve: .5 x [(2) + (3)]	70,366,500

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7% (0.2 x 0.35 = 0.07) of the unearned premium reserve.

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. Agent's balances of uncollected premiums amount to 0.129 of net earned premiums. The 0.129 is based on the following:

1 Net Earned Premium for Calendar Year 2006	136,670,762
2 Net Agent's Balances as of 12/31/2005 (Net Admitted)	17,616,025
3 Net Agent's Balances as of 12/31/2006 (Net Admitted)	17,587,954
4 Ratio: [(2) + (3)] / [2.0 x (1)]	0.129

Arkansas
United States Liability Insurance Company
Professional Liability

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 net Other Liability (Claims-Made) earned premium for calendar year 2006 in line C1 by the expected loss and loss adjustment expense ratio determined below.

1	General Expenses	0.20%
2	Commission and Brokerage Expenses	20.00%
3	Other Acquisition Expenses	12.00%
4	Taxes, Licenses, & Fees	4.10%
5	Profit & Contingencies	***0.00%***
6	Total Expense Ratio: (1) + (2) + (3) + (4) + (5)	36.30%
7	Expected Loss and LAE Ratio: 1.00 - (6)	63.70%
8	Net Other Liability Earned Premium for Calendar Year 2006	129,399,000
9	Expected Loss and LAE Incurred	82,427,012

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the average worldwide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2005 and 2006 for Other Liability (Claims-Made) insurance. This ratio, which includes an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following (all dollar amounts appear in thousands):

		Other Liability (Claims-Made)
1	Net Incurred Losses (*) for Calendar Year 2005	45,794
2	Net Incurred Losses (*) for Calendar Year 2006	24,753
3	Loss Reserves (*) as of 12/31/2004	108,703
4	Loss Reserves (*) as of 12/31/2005	128,004
5	Loss Reserves (*) as of 12/31/2006	128,523
6	Mean Loss Reserve 2005: 0.5 x [(3) + (4)]	118,354
7	Mean Loss Reserve 2006: 0.5 x [(4) + (5)]	128,264
8	Ratio: (6) / (1)	2.584
9	Ratio: (7) / (2)	5.182
10	Mean Ratio: 0.5 x [(8) + (9)]	3.883
11	Estimated Reserve Discount	0.112
12	Federal Taxes (ratio to reserves): (11) x 0.35	0.039
13	After Tax Ratio (10) x [1.0 - (12)]	3.731

(*) Including all loss adjustment expenses.

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line H

The 2006 net written premium to surplus ratio is 0.69 for all lines of business for USLI companies.

	Year	Net WP	Surplus	Premium to Surplus	Benchmark Premium to Surplus
All Lines	2006	332,221,084	479,352,856	0.69	1.00

Line J

Equity was determined by applying an equity to surplus ratio to the surplus in Line H. In this ratio, surplus was defined as Total Surplus as regards Policyholders as of 12/31/2006 as found in our 2006 Consolidated Annual Statement. After GAAP adjustments (see below) are made to this figure, the equity to surplus ratio is equal to 1.16.

Annual Statement Surplus @ 12/31/2006 (millions)	479
SAP to GAAP adjustments:	76
GAAP Equity @ 12/31/2006	556
Equity to Surplus Ratio	1.16

United States Liability Insurance Company
Other Liability (Claims-Made)

Calculation of Other Liability (Claims-Made) Reserve Discount
Data in (000's)

Year	(1) Net Losses Unpaid & Unpaid Expenses	(2) Reserve Discount Factor	(1) x (2)
2006	49,822	0.88590	44,137
2005	31,573	0.88833	28,047
2004	23,991	0.88571	21,249
2003	13,304	0.89357	11,888
2002	6,100	0.89844	5,480
2001	2,967	0.90205	2,676
2000	-93	0.89143	-83
1999	566	0.90579	513
1998	244	0.90083	220
1997	49	0.91783	45
Prior	0	0.94644	0
Total	128,523		114,173

Average	0.88835
1.0 - Average	0.11165

United States Liability Insurance Company and Affiliates

Calculation of Average After Tax Rate of Return for 2006

Assets Available for Investment	(1) Average Asset Value	(2) Average Interest and 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:	-6,239,678	-299,178	-297,254	4.76%	35.00%	-104,039	3.10%
Bonds:							
Tax Exempt		351,270	349,010		0.00%	0	
Taxable		3,222,566	3,201,838		35.00%	1,120,643	
Total	46,605,945	3,573,835	3,550,848	7.62%		1,120,643	5.21%
Affiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	0	0	0		0.00%	0	
Total	0	0	0	0.00%	0.00%	0	0.00%
Unaffiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	116,974,047	2,755,570	2,737,846		14.18%	388,090	
Total	116,974,047	2,755,570	2,737,846	2.34%	0.00%	388,090	2.01%
Mortgage Loans on Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Real Estate:	0	0	0	0.00%	35.00%	0	0.00%
Collateral Loans:	0	0	0	0.00%	35.00%	0	0.00%
Short Term Investment:	1,009,805,218	48,417,801	48,106,377	4.76%	35.00%	16,837,232	3.10%
Other Assets:	0	0	0	0.00%	35.00%	0	0.00%
Total	**1,167,145,531**	**54,448,028**	**54,097,818**	**4.64%**	**33.72%**	**18,241,926**	**3.07%**

Capital Gains Ratio:

	2006	2005	2004	2003	2002	Total
Net Realized Cap Gains	-2,004	0	8,242,751	34,145,416	3,313	42,389,476
Total Assets:	1,310,869,321	1,160,168,398	1,039,281,997	893,662,041	709,458,902	5,113,440,659
Realized Cap GainsRatio	0.0%	0.0%	0.8%	3.8%	0.0%	0.8%
Tax Rate on Capital Gains						35%
Realized Cap Gains Ratio (after tax)						**0.54%**

Total Return on Assets, including Realized Capital Gains (after tax)		**3.61%**
	Selected	**3.50%**

NOTES:
(1) All assets are the average of those owned as of 12/31/2005 and 12/31/2006 and are at statement valuation.
(2) All interest and dividend income are averaged as of 12/31/2005 and 12/31/2006 and are at statement valuation.

a. Investment Expense of -0.64% applies uniformly to all items of income.

Total Interest and Dividend Income (excluding Expenses):	54,448,028
Investment Expenses & Real Estate Depreciation:	350,210
Total Interest and Dividend Income (including Write-ins & Expenses):	54,097,818
Expense Multiplier:	-0.64%

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Selected Target Return on Equity = 14.0%

Note: Figure selected based on Insurance Information Institute Industry 2006 Return on Equity range of 10% - 14.9% from presentation of Dr. L. James Valverde, Jr. for Stock, Mutual and All Companies (Fortune 1000 Group). Figure represents rate of return that can be earned by investors in industries offering comparable degree of risk. This rate must be sufficient to maintain and attract capital. Presentation can be found at:
http://server.iii.org/yy_obj_data/binary/766218_1_0/0607IndustryOverview.ppt

ACTUARIAL MEMORANDUM

We are filing to introduce a new product in the state of Arkansas known as Microtek Pak. This package product will provide Businessowners and Errors & Omissions coverages to small, technology-based risks. Target risks for this product will have 1 to 3 Principals, Partners, and/or Professional Employees that provide consulting services for a fee with annual revenue subject to a maximum of $500,000. Based on input from our customers, this niche market requires a pared-down package policy to meet contract obligations. Hence, the goal of this product is to provide the marketplace with an affordable product that specifically addresses the business needs and coverage requirements of the small business segment of technology professionals who have more limited means and are apt to purchase only enough insurance coverage to satisfy the requirements of the companies contracting their services and to cover losses to their business equipment.

ERRORS & OMISSIONS COVERAGE - Claims-Made with Defense Inside the Limits

Proposed Base Rates @ 1M/1M limits with Standard Deductible = $0:

# Principals	Rate
1	$695
2	$945
3	$1,195

Proposed Increased (or Decreased) Limit Factors:

Limit	Factor
500K/500K	0.85
1M/1M	1.00
1M/2M	1.20
1M/3M	1.40
2M/2M	1.50
3M/3M	1.85
4M/4M	2.15
5M/5M	2.40

Claim Modification Factors

# Paid Claims in Past 3 Years	Factor
0	1.00
1 where paid amount < $2500	1.05
1 where paid amount >= $2500	1.10
2	1.15
3 or more	1.25

OPTIONAL Intellectual Property Coverage:

20% additional charge

OPTIONAL Additional Insured Coverage:

10% blanket charge

In addition to the above coverages, we are also filing Prior Acts Coverage factors and Extended Reporting Period factors to be used in conjunction with the Errors & Omissions coverage. Please refer to enclosed actuarial exhibits and rate manual pages for more specific information.

GENERAL LIABILITY COVERAGE - Occurrence with Defense Outside the Limits

Proposed Base Rates @ 1M Occ/2M Agg limits:
The GL rate reflects the inclusion of the first $25,000 of Business Personal Property, $5,000 in Medical Payments, and $50,000 in Damage to Premises Rented to You coverages.

# Principals	Rate
1	$300
2	$350
3	$400

OPTIONAL Additional Insured Coverage:

$25 Additional Premium applies per each additional insured.

OPTIONAL Hired and Non-Owned Auto Liability Coverage:

Limit of Liability	Additional Premium
$100,000	$150
$300,000	$175
$500,000	$200
$1,000,000	$225

BUSINESS PERSONAL PROPERTY COVERAGE - Occurrence with Defense Outside the Limits

With this product, we are offering the first $25,000 of Business Personal Property in combination with the General Liability coverage. Therefore, the rate for this is reflected in the General Liability rates. If the insured elects to purchase additional limits above the first $25,000 of coverage, the rate will be $4.00 for each additional $1,000 in coverage.

TERRORISM COVERAGE

The filed terrorism charges are the same as those approved by the Arkansas Insurance Department for other filings.
Charges are shown below.

	Entire State
Percent of Premium	5.0%

ADDITIONAL LIMITS AVAILABLE FOR MEDICAL PAYMENTS & DAMAGE TO PREMISES RENTED TO YOU COVERAGES

We are filing to offer the following OPTIONAL additional limits for these coverages:

$10,000 of Medical Payments Coverage for an additional charge of $10.
$300,000 of Damage to Premises Rented to You Coverage for an additional charge of $100.

STATISTICAL REPORTING

Our statistical reporting agent is ISO. We report our data to ISO on a basis that is consistent with our accounting reporting by annual statement line of business.

Enclosed Support Exhibits:

EXP-5	Derviation of Expected Loss Ratio for Liability (Occ), Liability (C-M), and Property
EXP-6	Investment Income Exhibits for Liability (Occ), Liability (C-M), and Property
JDG-1	Explanation of Key Areas of Judgment
CMP-1	Company Analysis
CMP-2	Rating Factor Comparison
EXP-9	Rating Factors and Rating Rules

ERRORS & OMISSIONS COVERAGE SUPPORT

PROPOSED BASE RATES AT 1M/1M LIMITS

# Principals	Rate
1	$695
2	$945
3	$1,195

Calculation of Proposed Base Rates:

		1 Principal
A.	Average Gross Receipts	$130,648
	SOURCE: Non-admitted C/W data	
B.	2007 Fixed Expense Per Policy	$244
C.	Expected Severity*	$42,459
D.	Expected Frequency*	0.79%
E.	Expected Loss = (C) x (D)	$337
F.	Variable Expenses	
	Commissions	20.0%
	Taxes, Licenses & Fees	4.1%
	Profit & Contigencies (w/ II offset)	5.6%
	ULAE	4.0%
	Total	33.7%
G.	Calculated Full Prior Acts Claims-Made Rate [(B) + (E)] / [1 - (F)]	$876
H.	Rate with No Prior Acts (Retro Date = Inception Date) (G) / (Full Prior Acts Factor of 1.25)	$701
I.	**Selected Rate w/ No Prior Acts 1 Principal**	**$695**
J.	Implied Rate per $1,000 Earnings (I) / (A) * 1000	$5.32

			2 Principals	3 Principals
K.	Average Gross Receipts		$195,350	$249,500
	SOURCE: Nonadmitted C/W data			
			2 Principals	3 Principals
L.	Calculated Base Rate		$1,039	$1,327
	[(K) / 1000] * (J)			
M.	**Final Selected Rate**	**1 Principal**	**2 Principals**	**3 Principals**
	w/ No Prior Acts	**$695**	**$945**	**$1,195**

* Based on company Countrywide non-admitted and admitted historical data for TK and CEO policies.

EXTENDED REPORTING PERIOD FACTORS

Extended Reporting Period	USLI Factor
12 Months	65% of Annual Premium
24 Months	125% of Annual Premium
36 Months	195% of Annual Premium

EXPLANATION:

The intention of the extended reporting period factors is to provide additional reporting time for occurrences that took place during the policy period. As our company's computer systems were set up by non-actuaries, the system does not currently capture the accident date for claims-made coverages. In fact, our systems only capture the report date for claims-made coverage. Therefore, we are unable to calculate the extended reporting period factors as this would require data by report year and accident year lag (report year - accident year) . Since we do not have this data, we are relying on the experience of our professional lines underwriters in estimating the appropriate extended reporting period factors. In addition, we are aware that it is common in the industry that these factors charge up to 200% of the annual premium for an additional reporting period of 3 years. Therefore, the selected factors above, which are based on underwriting judgment, also fall within the industry standards.

PROFESSIONAL LIABILITY - MISCELLANEOUS OPTIONAL COVERAGES

INTELLECTUAL PROPERTY COVERAGE (OPTIONAL)

We are filing to introduce optional coverage for Intellectual Property Claims alleging infringement of copyright, title, slogan, trademark, trade name, or trade dress arising out of activities committed or attempted in the performance of Professional Services by an insured.

Median Claim Severity	**2002 Bureau of Justice Figure**			**Inflation-Adjusted Figures (2008)***
Median Monetary Award	$84,500	Trademark		$100,897
	$159,000	Copyright		$189,854
	$121,750	Average		$145,376
LAE Load as % of Loss				175%
NOTE: The expenses for Intellectual Property losses are extremely high given the complex, extensive, and technical nature of discovery. Also, many of the typical defense firms don't have the expertise to handle these claims, requiring the company to pay higher hourly rates for specialists.				
			Weight#	
Expected Claim Severity - Paid Claims			30%	$399,784
Expected Claim Severity - Closed w/ No Payment			70%	$0
(A) Weighted Average Expected Claim Severity				**$119,935**

SOURCE: Motivans, Mark, Ph.D. "Bureau of Justice Statistics Special Report: Intellectual Property Theft, 2002." National Crime Journal, October 2004.

* Used assumption of 3% Inflationary Trend.

\# Based on reported IP claims from non-admitted countrywide data.

(B) Expected Claim Frequency	**0.081%**
Intellectual Property Claims / Ttl Rptd Technology Claims	
SOURCE: Company C/W non-admitted and admitted data for technology E&O claims	
(C) Expected Pure Premium - Intellectual Property = (A) x (B)	**$97**
(D) Average Pure Premium for E&O coverage = [(a) * (1 - c)] - (b)	**$450**
(a) Expected Average E&O Policy Premium	$945
(b) Fixed Expense (75% of Ttl General/Other Acq Expenses)	$185
(c) Variable Expense (Including P&C & 25% of Genl/Other Acq Expenses)	32.8%
(E) Estimated Additional Charge for Intellectual Property Coverage = (C) / (D)	**21%**
(F) Selected Additional Charge	**20%**

EXPLANATORY COMMENTS

Judgment: Based on the lack of credibility of our own claims experience (on a non-admitted countrywide basis) for Intellectual Property Claims, we have decided that a more credible figure is obtainable from the Bureau of Justice Statistics data. However, for the splits between paid vs. closed without payment reported claims (30% & 70%, respectively), we have used the actual splits as shown from our own reported claims for an estimate instead of relying solely on judgment alone.

Differences: The difference between the estimated additional charge and the selected additional charge is based on rounding and ease of computation.

GENERAL LIABILITY COVERAGE SUPPORT

PROPOSED BASE RATES AT 1M Occ/2M Agg LIMITS

# Principals	Rate
1	$300
2	$350
3	$400

Calculation of Proposed Base Rates:

		1 Principal	
A.	2007 Fixed Expense Per Policy	$0	NOTE: The fixed expense per policy of $244 is already built into the E&O portion of the package rate.
B.	Expected Severity*	$28,652	
C.	Expected Frequency*	0.11%	
D.	GL Expected Loss = (B) x (C)	$31	
E.	Variable Expenses		
	Commissions	20.0%	
	Taxes, Licenses & Fees	4.1%	
	Profit & Contigencies (w/ II offset)	7.1%	
	ULAE	4.3%	
	Total	35.5%	
F.	Calculated GL Rate [(A) + (D)] / [1 - (E)]	$48	
G.	1st $25K of BPP Coverage Rate SOURCE: Property Support Exhibit	$177	
H.	$5,000 Medical Payments Coverage SOURCE: See Exhibit EXP-9	$10	
I.	$50,000 Damage to Premises Rented to You (Fire Legal Liability) SOURCE: See Exhibit EXP-9	$45	

		Calculated	Selected
J.	**Rate - 1 Principal** (F) + (G) + (H) + (I)	$281	**$300**
K.	**Rate - 2 Principals** Selected (J) + [1 x (F)]	$348	**$350**
	Rate - 3 Principals Selected (J) + [2 x (F)]	$397	**$400**

* Based on company Countrywide non-admitted and admitted GL historical data for technology package policies.

Explanation for Difference between the calculated rate and selected rate:
We rounded the calculated figures for ease in computation.

OPTIONAL Hired and Non-Owned Auto Liability Coverage Support

Limit of Liability	Proposed Additional Premium
$100,000	$150
$300,000	$175
$500,000	$200
$1,000,000	$225

Explanation for Difference between the calculated average rate and selected rate:
The additional premium is based on what we use on a countrywide basis for this coverage under other package products.

BUSINESS PERSONAL PROPERTY COVERAGE SUPPORT

(A) Estimated Average Exposure: $500 Base Deductible
Location: Entire State
Construction: Joisted Masonry
Protection Class 5
CSP Class 0702 - Banks and Offices other than Governmental

(B) BPP ISO Loss Cost - CF-2007-RLA1 Eff. 10/1/2007 - Basic Form

	(1)	(2)	(3) = (1) x (2) x (25000/100)
Territory	**Joisted Masonry Loss Cost per $100 of insurance**	**Prot Class Ftr**	**Loss Cost for $25,000 Basic BPP Coverage**
Entire State	0.231	1.000	57.750
S/W Average	**0.231**		**57.750**

(C) Offices - Special Form ISO Loss Cost Increment $55

(D) Calculated Special Form Office Loss Cost for First $25,000 of BPP Coverage: $113
(B) + (C)

(E) Modified Loss Cost Multiplier 1.57
NOTE: The fixed expense per policy of $244 is already built
into the E&O portion of the package rate.

(F) Calculated Special Form Office Rate for First $25,000 of BPP Coverage $177
(D) x (E)

(F) Implied Rate for each additional **$1,000** in coverage: $7
(E) / ($25,000/1,000)

(G) Selected Rate for each additional $1,000 in coverage: $4

Explanation for Difference between implied additional rate and selected additional rate:
Based on our underwriting and claims experience with other technology-related claims, the most frequently occurring property-related claims are theft of laptops and other peripheral computer equipment. These are relatively small losses that fall within the first $25,000 of Business Personal Property Coverage. In addition, those claims that do pierce the first $25,000 of Business Personal Property Coverage occur much less frequently then theft claims and are usually related to damage to larger equipment from hazards such as lightning. While we believe that the ISO loss cost is a reasonable estimate to use for the first $25,000 of BPP coverage, it is our judgment that the implied rate for each additional $1,000 in coverage based on the ISO loss cost is somewhat excessive in comparison to what we have seen and anticipate incurring on the property loss portion of our MicroTek product. Therefore, we have elected to use an additional rate of $4 for each additional $1,000 in coverage. We plan to monitor our future results to determine whether or not the proposed rate is adequate.

EXHIBIT CMP-1 - COMPANY ANALYSIS

DESCRIPTION	USLI	Philadelphia Ins. Co.	New York Casualty
COVERAGE	Package	D&O Flexi Plus Program	D&O Liability Coverage
AGENCY DISTRIBUTION	Wholesale	Independent Agents & Wholesale	Independent Agents
TARGET MARKET	Technology Consultants with 3 or less principals	various	Condo Associations
COMPETITOR MARKET SHARE		Unknown	Unknown
Approval Date (if available)		19-Sep-2003	1-Nov-1998
Filing ID #	PROF-MTK-08-28	R2003002226	R98004866

Please note that we are using these competitors to support claims-made rating factors and professional liability increased limits factors only (ie, not for base rate comparisons).

COMPETITOR COMPARISON - PROF LIABILITY (E&O) FACTORS

INCREASED (DECREASED) LIMIT FACTORS

We are filing to adopt the same increased limit factors as filed and approved for Philadelphia Insurance Company's use under their Flexi Plus program, with the exception of rounding differences at the 1M/2M and 1M/3M limits as shown below:

Limit	USLI Factor	Philadelphia Factor
500K/500K	0.85	0.85
1M/1M	1.00	1.00
1M/2M*	1.20	1.17
1M/3M*	1.40	1.35
2M/2M	1.50	1.50
3M/3M	1.85	1.85
4M/4M	2.15	2.15
5M/5M	2.40	2.40
		R2003002226

* Philadelphia factors at these limits are interpolated. We used our judgment in rounding the Philadelphia interpolated factors to the nearest 10th for our filing.

PRIOR ACTS COVERAGE (Retro Date Factors)

YEAR OF COVERAGE	ISO (GL)	NY CAS	PHILADELPHIA INS	COMPETITOR AVERAGE	USLI
0	1.00	1.00	1.00	1.00	**1.00**
1	1.19	1.16	1.03	1.13	**1.11**
2	1.31	1.21	1.06	1.19	**1.17**
3*	1.36	1.22	1.09	1.22	**1.25**
4	1.40	1.22	1.11	1.25	**1.25**
5	1.49	1.22	1.14	1.28	**1.25**
	GL-MU-1997-RP-002	R98004866	R2003002226		

* Fully Mature Rate (Full Prior Acts) for USLI.

NOTE: Competitor factors rebased for comparison purposes.

ADDITIONAL INSURED COVERAGE (OPTIONAL)

	USLI Proposed	Philadelphia
Charge:	**+10%**	**+10% to 15%**
		R2003002226

EXHIBIT EXP-9 - RATING FACTOR AND RATING RULE CHANGES

1. INTRO OF INCREASED LIMIT AND ADDITIONAL CHARGE FOR MEDICAL PAYMENTS COVERAGE

Please find below our proposed charges for the increased limits on this coverage:

U/L Assumptions: Territory 001 Loss Cost for class code 51942 - Computer Software Mfg. As average representation of our book of business.
ISO Latest LC Edition 12/1/2007 (GL-2007-BGL1)
GL Occ Modified LCM = 1.55

ISO PremOps Loss Cost	Rule 9 Coverage Exclusion Credit*	Implied $5,000 Med Pay Loss Cost**	Implied Rate for $5,000 Med Pay
0.69	3%	0.02	$4
		Selected	**$10**

* As approved in our monoline GL filing for Miscellaneous Classes.
** Implied $5K Med Pay Loss Costs = Exclusion Credit from manual x ISO Loss Cost x modified LCM x avg gross receipts of $131K.

For all types of classifications, please note that this implied rate for $5,000 Med Pay is currently included in the GL coverage at **no additional charge.**

Explanation for difference between implied rate and selected rate: Used countrywide rate for ease in computation & programming.

Proposed Additional Charge for Increased Limits is as follows:

$10K Increased Limit Add'l Rate = 100% of Implied Rate for $5K Med Pay : **$10**

2. INTRO OF INCREASED LIMIT AND ADDITIONAL CHARGE FOR DAMAGE TO PREMISES RENTED TO YOU COVERAGE

Please find below our proposed charges for the increased limits on this coverage:

U/L Assumptions: Average Representation of our book of business:
ROS Commercial Property Joisted Masonry Loss Cost for Class Code 0702
Protection Class 5

(1) S/W Average ISO Loss Cost (from JDG-1 Prop Rate)	(2) (2) Damage to Premises Rented to You loss cost per $100 of limit of liability*	(3) Rate per $100 of limits	(4) Implied Rate for $50,000 Limit
0.231	0.06	$0.09	$45

(1) See Exhibit JDG-1 Property
(2) ISO Rating Rule: 25% of fire (Group I) rate for building per $100 of limit of liability of coverage. Formula = (1) x 25%
(3) Formula = (2) x Modified Loss Cost Multiplier of 1.57
(4) Formula = 50000 / 100 x (3)

Since $50,000 of Coverage for Damage to Premises Rented to You is included at no additional charge in the GL rate, the additional limits of liability are calculated as follows:

FORMULA = [Increased Limit / 100 x (3)] - (4)

Limit	Calculated Rate	Selected Rate
$300,000	$227	**$100**

Explanation: Due to lack of state credibility, we are electing to use our Countrywide selected rate for this coverage.