

SERFF Tracking Number: USLI-125777270 State: Arkansas
Filing Company: United States Liability Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: NP-CAP-08-07-R
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0022 Other
Product Name: Non-Profit Community Association
Project Name/Number: NP-CAP-08-07/NP-CAP-08-07

Filing at a Glance

Company: United States Liability Insurance Company

Product Name: Non-Profit Community Association SERFF Tr Num: USLI-125777270 State: Arkansas

Association

TOI: 17.0 Other Liability - Claims Made/Occurrence SERFF Status: Closed State Tr Num: EFT \$100

Sub-TOI: 17.0022 Other

Co Tr Num: NP-CAP-08-07-R

State Status: Fees received

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Edith Roberts

Authors: Mark Miller, Patti Ivey

Disposition Date: 08/19/2008

Date Submitted: 08/15/2008

Disposition Status: Filed

Effective Date Requested (New): On Approval

Effective Date (New):

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: NP-CAP-08-07

Status of Filing in Domicile: Pending

Project Number: NP-CAP-08-07

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 08/19/2008

State Status Changed: 08/15/2008

Deemer Date:

Corresponding Filing Tracking Number: NP-CAP-08-07-F

Filing Description:

We are filing revisions to our approved Non-Profit Community Association Product. These include the addition of:

-Rates for Table 2 risks, which are defined as above average hazard associations.

-Introduction of modification factors for table 2 risks

-Introducing optional Employee Benefits Liability coverage

-Introduction of rate for the additional liability exposure "Swimming Beach"

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We appreciate your review and approval of our filing.

Company and Contact

Filing Contact Information

Mark Miller, State Filings Manager mmiller@usli.com
 190 South Warner Road (888) 523-5545 [Phone]
 Wayne, PA 19087-2191 (610) 688-4391[FAX]

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 State ID Number:
 Group
 (888) 523-5545 ext. 586[Phone] FEIN Number: 23-1383313

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
United States Liability Insurance Company	\$100.00	08/15/2008	21960538

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	08/19/2008	08/19/2008

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Disposition

Disposition Date: 08/19/2008

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	Actuarial Support	Filed	Yes
Rate	Rate Manual	Filed	Yes

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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Rate Manual		Replacement	NP-CAP-07-02 Arkansas CAP Manual ED 6_10_2008 Final.pdf

United States Liability Insurance Group Community Association Package Product Rating Rules

This product consists of three coverage parts. Coverage Part A provides Community Association Professional Liability coverage. Coverage Part B provides General Liability coverage. Coverage Part C provides Property coverage.

All coverage parts are optional and may be purchased as a mono-line policy or as a package policy with one or more additional coverages.

Coverage Part A: Community Association Professional Liability

Rating follows the current Community Association Professional Liability Rating Rules in effect for each state.

Coverage Part B: General Liability:

The following describes the step-by-step process for quoting General Liability manually. Classify the account as a Table 1 or Table 2 risk per the below. Then follow the individual table rating rules.

Rate Table Classification:

- Table 1 risks are classified as average hazard associations. These risks are not responsible for maintaining the residential unit building(s). Table 1 risks include single-family homeowner's associations, townhome associations, planned unit developments and master associations.
- Table 2 risks are classified as above average hazard associations. These risks are responsible for maintaining the residential unit building(s). Table 2 risks include residential condominium associations and cooperatives.

Table 1 rating:

1. Determine the total number of units from the information provided.
2. Determine the base rate per unit at the desired Limit of Liability from the table below. Multiply the base rate per unit by the number of units from step 1.

Base Rate Per Unit

Limit of Liability	300K/ 600K	500K/ \$1M	\$1M/ \$2M
Rate	\$4.25/unit	\$4.50/unit	\$5.00/unit

3. Obtain the additional liability premiums from the following additional exposure table. The Additional Insured exposures are to be added after the final premium has been compared to the Minimum Premium.

Additional Liability Exposures

Description	Rating Basis	300K & 500K Limits	\$1,000,000 Limit
Building*	Per Square Foot	.03	.04
Sport Courts	Each	20	30
Fitness Center	Flat	75	100
Swimming Beach	Flat	350	500
Bicycle Trails	Per mile	10	14
Equestrian Trails	Per mile	15	25
Lakes	Per acre	75	100
Parks	Per acre	15	27
Playgrounds	Each	30	45
Streets/ Roads	Per mile	25	40
Pools/Spa/Hot Tub**	Each	600	900
Docks/ Slips	Each	15	25
Hired/ Non Owned	Flat	100	150
Non Owned Auto	Flat	50	75
Additional Insured	Flat	50	75

*Building includes clubhouse, pool house, cabana, guard house, etc.

**A single pool exposure charge applies to all pools, etc. enclosed in the same fenced area.

4. Add the premiums obtained in step 2 and step 3.
5. Add the additional premium(s) for any optional coverage as below to the final base premium to determine the final premium.

Employers Liability Coverage – Limits and Rating (available in OH, WA, ND and WY)

Limits of Insurance BI each Accident/ BI each Disease/ Aggregate	Premium Charge	Minimum Charge
300,000/300,000/600,000	.15 per \$100 of payroll	\$150
500,000/500,000/1,00,000	.20 per \$100 of payroll	\$200
1,000,000/1,000,000/1,000,000	.25 per \$100 of payroll	\$250

Employee Benefits Liability Coverage

Employee Count	Liability Limits		
	300,000/600,000	500,000/1,000,000	1,000,000/2,000,000
1 – 5	75	85	100
6 – 20	125	150	175
21 – 50	150	200	250
51 – 100	400	500	600

6. Compare the final premium to the following minimum premiums:

General Liability Limit	Minimum Premium
\$300,000/\$600,000	\$412
\$500,000/\$1,000,000	\$445

\$1,000,000/\$2,000,000

\$500

The quoted premium will be the greater of the final base premium or the Minimum Premium. Add any additional premiums for Additional Insureds to the quoted premium.

Table 2 rating:

1. Determine the total number of units from the information provided.
2. Determine the base rate per unit at the desired Limit of Liability from the table below. Multiply the base rate per unit by the number of units from step 1.

Base Rate Per Unit

Limit of Liability	300K/ 600K	500K/ \$1M	\$1M/ \$2M
001 – Entire State	\$10.20/unit	\$10.80/unit	\$12.00/unit

3. The base rate per unit is further modified by the below criteria:

Base per unit rate modification-table 2 risks

# of Stories (debit is based on tallest single building written on policy)	# of stories	1-3	4-7	8+
	debit factor	1	1.25	1.32
Any Rental Units Handled by Association or Property Manager		1.05		
Subsidized Units more than 10%		1.05		
All buildings not constructed within the last 10 years		1.05		
Student Housing Units up to 20%		1.10		

Multiply the final base rate per unit by sum of debits from the "Base per unit rate modification-table 2 risks".

4. Obtain the additional liability premiums from the additional exposure table. The Additional Insured exposures are to be added after the final premium has been compared to the Minimum Premium.

Additional Liability Exposures

Description	Rating Basis	300K & 500K Limits	\$1,000,000 Limit
Building*	Per Square Foot	.03	.04
Sport Courts	Each	20	30
Fitness Center	Flat	75	100
Swimming Beach	Flat	350	500
Bicycle Trails	Per mile	10	14
Equestrian Trails	Per mile	15	25
Lakes	Per acre	75	100

Parks/Common Area	Per acre	15	27
Additional Insured	Flat	50	75
Playgrounds	Each	30	45
Streets/ Roads	Per mile	25	40
Pools/Spa/Hot Tub**	Each	675	1,000
Docks/ Slips	Each	15	25
Hired/ Non Owned	Flat	100	150
Non Owned Auto	Flat	50	75
Parking – Private (46622)	Per 1,000 sq. ft.	36	40
Condo – Commercial (62000)	Per 1,000 sq. ft.	22	24
Bldg or Premises – Lessors' Risk Only (61216)	Per 1,000 sq. ft.	31	35

*Building includes clubhouse, pool house, cabana, guard house, etc.

**A single pool exposure charge applies to all pools, etc. enclosed in the same fenced area.

5. Add the premiums obtained in step 3 and step 4.
6. Add the additional premium(s) for any optional coverage as below to the final base premium to determine the final premium.

Employers Liability Coverage – Limits and Rating (available in OH, WA, ND and WY)

Limits of Insurance BI each Accident/ BI each Disease/ Aggregate	Premium Charge	Minimum Charge
300,000/300,000/600,000	.15 per \$100 of payroll	\$150
500,000/500,000/1,00,000	.20 per \$100 of payroll	\$200
1,000,000/1,000,000/1,000,000	.25 per \$100 of payroll	\$250

Employee Benefits Liability Coverage

Employee Count	Liability Limits		
	300,000/600,000	500,000/1,000,000	1,000,000/2,000,000
1 – 5	75	85	100
6 – 20	125	150	175
21 – 50	150	200	250
51 – 100	400	500	600

7. Compare the final premium to the following minimum premiums:

General Liability Limit	Minimum Premium
\$300,000/\$600,000	\$412
\$500,000/\$1,000,000	\$445
\$1,000,000/\$2,000,000	\$500

The quoted premium will be the greater of the final base premium or the Minimum Premium. **Add any additional premiums for Additional Insureds to the quoted premium.**

Coverage Part C: Property:

The following describes the step-by-step process for quoting Property manually.

1. Determine the applicable Construction, Building and Business Personal Property values from the information provided.
2. Multiply the base building rate for the applicable construction by the building value.
3. Multiply the base business personal property rate for the applicable construction by the business personal property value.
4. Add the premium amounts obtained in step 2 and step 3.
5. Multiply the amount obtained in step 4 by the protection class factor obtained from the rating plan below to determine the protection class surcharge, if any.
6. Multiply the amount obtained in step 6 by the deductible factor obtained from the rating plan below to determine the final premium amount.

7. Compare the final premium amount to the following minimum premiums:

State	Minimum Premium
All states	\$350

The quoted premium will be the greater of the final premium or the Minimum Premium.

Construction	Building Rate	Business Personal Property Rate
Frame	.60	.70
Joisted Masonry	.50	.60
All Other	.40	.40

Protection Class Surcharge

Class 1-6 = 1.00
 Class 7-8 = 1.20
 Class 9 = 1.75

Deductible Factor

\$1,000 = 1.00
 \$2,500 = .95
 \$5,000 = .90
 \$10,000 = .85

OPTIONAL COVERAGES

1) **COVERAGE ENHANCEMENT ENDORSEMENTS:**

Value Endorsement, CP-131, is available for an additional charge of \$250.

Value Plus Endorsement, CP-108, is available at an additional charge of \$250.

2) **TERRORISM:** The higher of \$100 minimum premium or the applicable percentage shown below applied to the annual policy premium:

Entire State: 5%

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Supporting Document Schedules

Satisfied -Name: Actuarial Support

Review Status:

Filed

08/19/2008

Comments:

Attachments:

Actuarial Memo NonProfit CAP (13).pdf

ExpensesInvInc_June08_ver1 OTHER LIAB USLI (24).pdf

Community Association Package - Current with rev.pdf

ACTUARIAL MEMORANDUM

Actuarial ID No.: R-AR-NPP-700

PROPOSED REVISIONS

Our company is filing to revise our current Community Association Package Product as follows:

- Under Coverage Part B - General Liability, we are filing to revise Table 2 rates for risks classified as above average hazard associations. These risks are responsible for maintaining the residential unit building(s) and include residential condominium associations and cooperatives. Please find below a rating comparison of our proposed rates vs. our current Table 2 rates for Class Code 62003 (Condos) which are based on ISO loss costs:

Limit	Per Unit Rate		% Chg
	Proposed USLI	Current USLI	
Territory:	001		
300K/600K	\$10.20	\$10.19	0.1%
500K/1M	\$10.80	\$14.53	-25.7%
1M/2M	\$12.00	\$15.47	-22.4%

We are revising our rates based on underwriting and marketing input. Currently, we are uncompetitive in the marketplace on the higher limits for Condo Associations. Therefore, we are filing to reduce our rates at the higher limits. We have no inforce policies containing Table 2 risks, therefore, the rate impact of this revision is 0%.

NOTE 1: ISO Loss Costs GL-2006-BGL1 (Ed 10/1/2006) and ILFs GL-2005-RRPL1 (Ed 11/1/05)

- For Table 2 risks, as described above, we are also filing to introduce modification factors based on risk characteristics such as number of stories combined with percentage of subsidized units, age of buildings, percentage of units allocated to student housing, and rental units handled by either the Association or a Property Manager.

Number of Stories:	1 through 3	1.00
	4 through 7	1.25
	8 or more	1.32
Any Rental Units Handled by Association or Property Manager		1.05
Subsidized Units more than 10%		1.05
All buildings not constructed within the last 10 years		1.05
Student Housing Units up to 20%		1.10

The above rate modification factors are based on underwriting judgment.

- We are also filing to introduce an OPTIONAL Employee Benefits Liability coverage. The rates for this coverage are based on our countrywide rates as shown below:

Employee Count	Liability Limits		
	300K/600K	500K/1M	1M/2M
1 - 5	\$75	\$85	\$100
6 - 20	\$125	\$150	\$175
21 - 50	\$150	\$200	\$250
51 -100	\$400	\$500	\$600

- We are filing to introduce a rate for the additional liability exposure of Swimming Beach. The proposed rates are as follows:

	300K/500K	1M	Rating Basis
Swimming Beach	\$350	\$500	flat rate
Parking - Private	\$36	\$40	per 1,000 sq ft
Condo - Commercial	\$22	\$24	per 1,000 sq ft

Bldg & Premises - LRO \$31 \$35 per 1,000 sq ft

5. We are filing to introduce the following OPTIONAL coverage enhancement forms that provide additional limits of insurance for the coverages shown below:

Endorsement Name:	CP-131 Value	CP-108 Value Plus
Coverage	Limit of Ins	Limit of Ins
Fire Department Service Charge	\$2,500	\$2,500
Electronic Data	\$25,000	\$25,000
Personal Effects & Property of Others	Up to your BPP Limit	
Value Papers & Records (other than electronic data)	\$25,000	\$25,000
Property Off-Premises	\$15,000	\$15,000
Outdoor Property	\$10,000	\$10,000
Fire Extinguishing Equipment Recharge	\$5,000	\$5,000
Arson Reward	\$5,000	\$5,000
Accounts Receivable	\$25,000	\$25,000
Fine Arts	\$25,000	\$25,000
Employee Dishonesty	\$5,000	\$5,000
Water Back Up at Sewer, Drain or Sump	\$5,000	\$5,000
Signs	\$10,000	\$10,000
Property in Transit	\$10,000	\$10,000
Money & Securities		\$5,000
Proposed Additional Charge	\$250	\$250

These proposed additional charges are identical to the charges as filed and approved under our Commerical Package product in jurisdictions such as Indiana, Montana, Ohio, Utah, and Wyoming.

OVERALL RATE IMPACT

	Coverage A	Coverage B	Coverage C	Total - Pkg
Written Premium	\$9,516	\$0	\$0	\$9,516
\$ Impact	\$0	\$0	\$0	\$0
% Change	0.0%	0.0%	0.0%	0.0%
# Policyholders				9

ENCLOSED ACTUARIAL EXHIBITS

- Exhibit 1 - Expense - Other Liability
- Exhibit 2 - Investment Income - Other Liability
- Current Manual Pages, with revisions marked

Arkansas
United States Liability Insurance Company
NonProfit CAP - General Liability

Calculation of Permissible Loss Ratio

<u>Expense Components</u>	<u>Selected Expenses</u>
(1) Commissions	20.0%
(2) Other Acquisitions	14.0%
(3) General Expenses	0.2%
(4) Taxes, Licenses, & Fees	3.9%
(5) Profit & Contingencies includes Offset for Investment Income	10.5%
(6) Total Expenses [(1) + (2) + (3) + (4) + (5)]	48.5%
(7) Permissible (Expected) Loss Ratio incl ULAE [1 - (6)]	51.5%
(8) ULAE	4.5%
(9) Permissible Loss + ALAE Ratio [(7)-(8)]	47.0%

Arkansas
United States Liability Insurance Company
Other Liability

Dollars in (000's)

<u>Expense Provision</u>			<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>			
(1)	Direct Written Premium		136,099	141,986	146,361	149,333	153,669	727,448			
(2)	Direct Earned Premium		126,932	140,651	144,348	147,556	150,938	710,425			
(3)	Other Acquisition Expense		14,577	16,788	18,002	20,840	24,850	95,057			
(4)	General Expense		195	202	183	234	226	1,040			
(5)	Commission and Brokerage Fees		26,645	27,699	29,057	29,588	31,283	144,272			
(6)	Taxes, Licenses and Fees		2,963	3,334	3,185	3,506	3,524	16,512			
(7)	Adjusting and Other Expense		5,254	5,454	6,552	6,634	7,701	31,595			
									<u>Average</u>	<u>3 Yr Avg</u>	<u>Selected</u>
(8)	Other Acquisition Expense	(3)/(1)	10.71%	11.82%	12.30%	13.96%	16.17%	13.07%	14.14%	14.0%	
(9)	Commission and Brokerage Fees	(5)/(1)	19.58%	19.51%	19.85%	19.81%	20.36%	19.83%	20.01%	20.0%	
(10)	Total Production Expense	(7)+(8)	30.29%	31.33%	32.15%	33.77%	36.53%	32.90%	34.15%	34.0%	
(11)	General Expense	(4)/(2)	0.15%	0.14%	0.13%	0.16%	0.15%	0.15%	0.15%	0.2%	
(12)	Taxes, Licenses & Fees	(6)/(1)	2.18%	2.35%	2.18%	2.35%	2.29%	2.27%	2.27%	3.9%	
(13)	Adjusting and Other Expense	(7)/(2)	4.14%	3.88%	4.54%	4.50%	5.10%	4.45%	4.71%	4.5%	
									Total	42.6%	

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

						<u>Average</u>	<u>3 Yr Avg</u>
Note:	Taxes, Licenses & Fees are for Arkansas	3.8%	3.6%	3.9%	3.8%	3.9%	3.8%

**Arkansas
United States Liability Insurance Company
NonProfit CAP - General Liability**

**Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves**

A. Unearned Premium Reserve			
A1.	Net 2007 Earned Premium (Total Other Liability)	70,609,744	<i>See Note on Restatement</i>
A2.	Mean Unearned Premium Reserve	36,312,740	
A3.	Deduction for Prepaid Expenses		
	a.) Commission and Brokerage Expense	0.200	
	b.) Taxes, Licenses, and Fees	0.039	
	c.) 50% of Other Acquisition and General Expense	0.071	
	d.) Profit and Contingencies	0.000	
	e.) Total Prepaid Expense [a + b + c + d]	0.310	
A4.	Deduction for Federal Income Tax Payable	0.070	
A5.	Net Subject to Investment [A2 x (1.0 - A3e - A4)]	22,530,657	
B. Delayed Remission of Premium (Agent's Balances)			
B1.	Net 2007 Earned Premium (Total Other Liability)	70,609,744	
B2.	Ratio of Agents Balances of Uncollected Premiums to Net Earned Premium for all LOBs	0.239	
B3.	Delayed Remission [B1 x B2]	16,887,726	
C. Loss Reserve			
C1.	Net 2007 Earned Premium (Total Other Liability)	70,609,744	
C2.	Expected Loss and LAE Incurred [C1 x ELR]	36,679,044	
C3.	Expected Mean Loss Reserve	145,820,330	
D.	Net Subject to Investment [A5 - B3 + C3]	151,463,262	
E.	Average After Tax Rate of Return	3.5%	
F.	Investment Earnings on UEPR and Loss Reserves [D x E]	5,301,214	
G.	Average Rate of Return as a Percent of Net Earned Premium After Federal Income Taxes [F / A1]	7.5%	
H.	Allocated Policyholder Surplus (A1/prem to surplus ratio)	116,710,321	
I.	Investment Earnings on Surplus as Percent of Earned Premium	5.8%	
J.	Equity (H*Equity to Surplus ratio)	129,010,077	
K.	Target After-Tax Return on Equity	11.0%	
L.	Implied After-Tax Underwriting Profit as % of Net Earned Premium (J*K-E*H-G*A1)/A1	6.8%	
M.	Implied Pre-Tax Underwriting Profit Provision as % of NEP	10.5%	
N.	Selected Profit and Contingencies provision	10.5%	

United States Liability Insurance Company

Arkansas - NonProfit CAP - General Liability

Explanatory Notes - Estimated Investment Earnings on Unearned Premium Reserves & 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 2007 for the applicable line of insurance.

1) Net 2007 Earned Premium	Actual	-38,710,000
	Restated	70,609,744 <i>See Note on Restatement</i>
2) Unearned Premium Reserve as of 12/31/2006	Actual	71,283,000
	Restated	35,641,479
3) Unearned Premium Reserve as of 12/31/2007		36,984,000
4) Mean Unearned Premium Reserve: $.5 \times [(2) + (3)]$		36,312,740

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% ($0.2 \times 0.35 = 0.07$) 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 0.239 of net earned premiums. This figure of 0.239 is based on the following:

1 Net Earned Premium for Calendar Year 2007	Actual	-37,754,618
	Restated	74,759,574 <i>See Note on Restatement</i>
2 Net Agent's Balances as of 12/31/2006 (Net Admitted)		17,587,954
3 Net Agent's Balances as of 12/31/2007 (Net Admitted)		18,172,526
4 Ratio: $[(2) + (3)] / [2.0 \times (1)]$		0.239

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the net Other Liability earned premium for calendar year 2007 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	14.00%
4 Taxes, Licenses, & Fees	3.85%
5 Profit & Contingencies	10.00%
6 Total Expense Ratio: $(1) + (2) + (3) + (4) + (5)$	48.05%
7 Expected Loss and LAE Ratio: $1.00 - (6)$	51.95%
8 Net Other Liability Earned Premium for Calendar Year 2007	70,609,744 <i>Restated figure</i>
9 Expected Loss and LAE Incurred	36,679,044

Explanatory Notes - Estimated Investment Earnings on Unearned Premium Reserves & Loss Reserves

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 2006 and 2007 for Other Liability 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):

		<u>Other Liability</u>
1 Net Incurred Losses (*) for Calendar Year 2006	Actual	51,087
	Restated	25,544
2 Net Incurred Losses (*) for Calendar Year 2007	Actual	-82,222
	Restated	27,098
3 Loss Reserves (*) as of 12/31/2005	Actual	203,594
	Restated	101,797
4 Loss Reserves (*) as of 12/31/2006	Actual	218,647
	Restated	109,324
5 Loss Reserves (*) as of 12/31/2007	Actual	116,523
6 Mean Loss Reserve 2006: $0.5 \times [(3) + (4)]$		<u>105,560</u>
7 Mean Loss Reserve 2007: $0.5 \times [(4) + (5)]$		<u>112,923</u>
8 Ratio: $(6) / (1)$		<u>4.133</u>
9 Ratio: $(7) / (2)$		<u>4.167</u>
10 Mean Ratio: $0.5 \times [(8) + (9)]$		<u>4.150</u>
11 Estimated Reserve Discount		0.120 See Calculation of Reserve Discount
12 Federal Taxes (ratio to reserves): $(11) \times 0.35$		<u>0.042</u>
13 After Tax Ratio $(10) \times [1.0 - (12)]$		<u>3.976</u>

(*) Including all loss adjustment expenses.

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line H

The 2007 net written premium to surplus ratio is 0.59 for all lines of business for USLI Companies.

	Year	<u>Net Written Premium</u>	<u>Surplus</u>	<u>Premium to Surplus</u>	<u>Benchmark Premium to Surplus</u>
All Lines	2007	175,918,539 Restated (207,837,109) Actual - See Note on Restatement	296,095,381	0.59	0.605

Note: Benchmark represents industry Premium to Surplus ratio for Other Liability from 2007 Best's Aggregates and Averages.

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 12/31/2007 as found in our 2007 Consolidated Annual Statement. After GAAP adjustments (see below) are made to this figure, the equity to surplus ratio is equal to: 1.11

Annual Statement Surplus @ 12/31/2007 (millions)	296
SAP to GAAP adjustments:	31
GAAP Equity @ 12/31/2007	327
Equity to Surplus Ratio	1.11

**United States Liability Insurance Company
Other Liability**

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

Year	(1) Net Losses Unpaid & Unpaid Expenses	(2) Reserve Discount Factor	(1) x (2)
2007	12,805	0.86617	11,091
2006	7,878	0.88284	6,955
2005	5,894	0.88827	5,235
2004	3,483	0.88481	3,082
2003	2,895	0.88389	2,559
2002	2,605	0.88173	2,297
2001	1,306	0.87450	1,142
2000	311	0.91578	285
1999	141	0.91806	129
1998	65	0.93536	61
<u>Prior</u>	<u>823</u>	<u>0.95285</u>	<u>784</u>
Total	38,206		33,621

Average 0.87998
1.0 - Average 0.12002

United States Liability Insurance Company and Affiliates

Calculation of Average After Tax Rate of Return for 2007

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:	-4,149,415	-188,563	-186,914	4.50%	35.00%	-65,420	2.93%
Bonds:							
Tax Exempt		58,198	57,688		0.00%	0	
Taxable		2,832,186	2,807,415		35.00%	982,595	
Total	38,537,896	2,890,384	2,865,103	7.43%		982,595	4.88%
Affiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	0	5,596,996	5,548,042		0.00%	0	
Total	0	5,596,996	5,548,042	0.00%	0.00%	0	0.00%
Unaffiliated Stocks:							
Preferred	0	0	0		0.00%	0	
Common	210,996,897	0	0		14.18%	0	
Total	210,996,897	0	0	0.00%	0.00%	0	0.00%
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:	715,390,246	32,509,739	32,225,396	4.50%	35.00%	11,278,889	2.93%
Other Assets:	0	0	0	0.00%	35.00%	0	0.00%
Total	960,775,624	40,808,556	40,451,628	4.21%	30.15%	12,196,064	2.94%

Capital Gains Ratio:	2007	2006	2005	2004	2003	Total
Net Realized Cap Gains	244,815	-2,004	0	8,242,751	34,145,416	42,630,978
Total Assets:	746,051,771	1,310,869,321	1,160,168,398	1,039,281,997	893,662,041	5,150,033,528
Realized Cap Gains Ratio	0.0%	0.0%	0.0%	0.8%	3.8%	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)	3.48%
Selected	3.50%

NOTES:

- (1) All assets are the average of those owned as of 12/31/2006 and 12/31/2007 and are at statement valuation.
- (2) All interest and dividend income are averaged as of 12/31/2006 and 12/31/2007 and are at statement valuation.

a. Investment Expense of -0.87% applies uniformly to all items of income.

Total Interest and Dividend Income (excluding Expenses):	40,808,556
Investment Expenses & Real Estate Depreciation:	356,928
Total Interest and Dividend Income (including Write-ins & Expenses):	40,451,628
Expense Multiplier:	-0.87%

Arkansas
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Selected Target Return on Equity = 11.0%

Note: Figure selected based on Insurance Information Institute Industry 2008 Forecast Return on Equity range of approximately 11% - 12%.

SOURCE: Hartwig, Dr. Robert P. "Earlybird Forecast 2008." Insurance Information Institute - Special Report. December 17, 2007.

Figure represents rate of return that can be earned by investors in industry offering a comparable degree of risk. This rate must be sufficient to maintain and attract capital. Presentation may be found at: www.iii.org

NOTE ON RESTATEMENT

In our reported financial statements, key 2007 underwriting ratios (loss ratio, expense ratio, combined ratio) are distorted due to the impact of several transactions with National Indemnity Company, intended to facilitate the centralization of cash assets for the Berkshire Hathaway Group. The statutorily-mandated accounting for these transactions, which were pre-approved by the respective state insurance departments, resulted in the reporting of negative written and earned premium. In a related transaction, an extraordinary dividend of \$265 million was approved by the Pennsylvania Insurance Department and paid to Berkshire Hathaway, the Group's parent company.

To complete the standard investment income analyses, we restated 2006 or 2007 Net Written and Earned Premium, Unearned Premium Reserves, Incurred Losses and Loss Reserves as appropriate to remove the distorting impact of the one-time transactions and to make multi-year data comparable.

United States Liability Insurance Group
Community Association Package Product
Rating Rules

This product consists of three coverage parts. Coverage Part A provides Community Association Professional Liability coverage. Coverage Part B provides General Liability coverage. Coverage Part C provides Property coverage.

All coverage parts are optional and may be purchased as a mono-line policy or as a package policy with one or more additional coverages.

Coverage Part A: Community Association Professional Liability:

Rating follows the current Community Association Professional Liability Rating Rules in effect for each state.

Coverage Part B: General Liability:

The following describes the step-by-step process for quoting General Liability manually.

~~1.~~ Classify the account as a Table 1 or Table 2 risk per the below. Then follow the individual table rating rules.

Rate Table Classification:

- Table 1 risks are classified as average hazard associations. These risks are not responsible for maintaining the residential unit building(s). Table 1 risks include single-family homeowner's associations, townhome associations, planned unit developments and master associations.
- Table 2 risks are classified as above average hazard associations. These risks are responsible for maintaining the residential unit building(s). Table 2 risks include residential condominium associations and cooperatives.

Table 1 rating:

~~2.1.~~ Determine the total number of units from the information provided.

~~3. 2.~~ Determine the base rate per unit at the desired Limit of Liability from the rating plan table below. Multiply the base rate per unit by the number of units from step ~~2~~1.

The following was moved from page 2 below:

Base Rate Per Unit

<u>Limit of Liability</u>	300K/600K	500K/\$1M	\$1M/\$2M
<u>Rate</u>	\$4.25	\$4.50	\$5.00

~~4.3.~~ Obtain the additional liability premiums from the additional exposure table. The following additional liability exposures are not to be included in the scheduled or experience rating plans and Additional Insured exposures are to be added after the final premium has been compared to the Minimum Premium.

The following has been moved from page 3:

Additional Liability Exposures

<u>Description</u>	<u>Rating Basis</u>	<u>300K & 500K Limits</u>	<u>\$1,000,000 Limit</u>
Building*	Per Square Foot	.03	.04
Sport Courts	Each	20	30
Fitness Center	Flat	75	100
<u>Swimming Beach</u>	<u>Flat</u>	<u>350</u>	<u>500</u>
Bicycle Trails	Per mile	10	14
Equestrian Trails	Per mile	15	25
Lakes	Per acre	75	100
Parks	Per acre	15	27
Playgrounds	Each	30	45
Streets/Road	Per mile	25	40
Pools/Spa/Hot Tub**	Each	600	900
Docks/Slips	Each	15	25
Hired/Non Owned	Flat	100	150
Non Owned Auto	Flat	50	75

Additional Liability Exposures

<u>Description</u>	<u>Rating Basis</u>	<u>\$300,000 or \$500,000 Limit</u>	<u>\$1,000,000 Limit</u>
Additional Insured	Flat	\$50	\$75

* Building includes clubhouse, pool house, cabana, guard house, etc.

** A single pool exposure charge applies to all pools, etc. enclosed in the same fenced area.

~~5. 4. Add the premiums obtained in step 2 and step 3 ~~and step 4.~~~~

~~6. Obtain scheduled credit or debit from the Rating Plan. If more than one scheduled credit or debit is applied, they will be added together.~~

~~7. Obtain experience credit or debit from the Rating Plan. If more than one scheduled credit or debit is applied, they will be added together.~~

~~8. Add the final scheduled debit or credit obtained in step 6 to the final experience credit or debit obtained in step 6 to determine the final debit or credit percentage.~~

~~9. Multiply the final debit or credit percentage from step 8 by the premium from step 5 to determine the credit or debit premium. Either add this amount to (for a debit) or subtract this amount from (for a credit) the premium for step 5 to determine the final base premium.~~

5. Add the additional premium(s) for any optional coverage as below to the final base premium to determine the final premium.

Employers Liability Coverage – Limits and Rating (available in OH, WA, ND and WY)

<u>Limits of Insurance</u> <u>BI Each Accident/ BI each</u> <u>Disease/ Aggregate</u>	<u>Premium Charge</u>	<u>Minimum Charge</u>
<u>300,000/300,000/600,000</u>	<u>.15 per \$100 of payroll</u>	<u>\$150</u>
<u>500,000/500,000/1,000,000</u>	<u>.20 per \$100 of payroll</u>	<u>\$200</u>
<u>1,000,000/1,000,000/1,000,000</u>	<u>.25 per \$100 of payroll</u>	<u>\$250</u>

Employee Benefits Liability Coverage

<u>Employee Count</u>	<u>Liability Limits</u>		
	<u>300,000/600,000</u>	<u>500,000/1,000,000</u>	<u>1,000,000/2,000,000</u>
<u>1 – 5</u>	<u>75</u>	<u>85</u>	<u>100</u>
<u>6 – 20</u>	<u>125</u>	<u>150</u>	<u>175</u>
<u>21 – 50</u>	<u>150</u>	<u>200</u>	<u>250</u>
<u>51 – 100</u>	<u>400</u>	<u>500</u>	<u>600</u>

10. 6. Compare the final **base** premium to the following minimum premiums:

General Liability limit	Minimum Premium
\$300,000/\$600,000	\$412
\$500,000/\$1,000,000	\$445
\$1,000,000/\$2,000,000	\$500

The quoted premium will be the greater of the final base premium or the Minimum Premium. Add any additional premiums for Additional Insureds to the quoted premium.

Rate Table Classification:

- ~~Table 1 risks are classified as average hazard associations. Examples include single family homeowner’s associations, townhome associations and planned unit developments. The base rate is charged per unit according to the rating plan below.~~
- ~~Table 2 risks are classified as above average hazard associations. Examples include, but are not limited to: condominium associations, cooperatives, business/office park associations, mobile home/manufactured home/recreational vehicle park associations and master associations. The base rate is charged per unit according to the most recent Insurance Services Office rate applied to the Company’s Loss Cost Modifier. The most recent Insurance Services Office increase limit factors.~~

The following has been moved to page 1:

Base Rate Per Unit

<u>Limit of Liability</u>	<u>300K/600K</u>	<u>500K/\$1M</u>	<u>\$1M/\$2M</u>
<u>Rate</u>	<u>\$4.25</u>	<u>\$4.50</u>	<u>\$5.00</u>

The following has been moved to page 2:

Additional Liability Exposures

<u>Description</u>	<u>Rating Basis</u>	<u>300K & 500K Limits</u>	<u>\$1,000,000 Limit</u>
<u>Building*</u>	<u>Per Square Foot</u>	<u>.03</u>	<u>.04</u>
<u>Sport Courts</u>	<u>Each</u>	<u>20</u>	<u>30</u>
<u>Fitness Center</u>	<u>Flat</u>	<u>75</u>	<u>100</u>
<u>Bicycle Trails</u>	<u>Per mile</u>	<u>10</u>	<u>14</u>
<u>Equestrian Trails</u>	<u>Per mile</u>	<u>15</u>	<u>25</u>
<u>Lakes</u>	<u>Per acre</u>	<u>75</u>	<u>100</u>

Parks	Per acre	15	27
Playgrounds	Each	30	45
Streets/Road	Per mile	25	40
Pools	Each	600	900
Docks/Slips	Each	15	25
Hired/Non-Owned	Flat	100	150
Non-Owned Auto	Flat	50	75

* Building includes clubhouse, pool house, cabana, guard house, etc.

Scheduled Credits/Debits

The following scheduled credits/debits shall not exceed 25%:

- Safety Procedures — 0 — 25%
- Nature of Operations — 0 — 25%
- Association Activities — 0 — 25%

Experience Credits/Debits

The following experience credits may not exceed 25%. Debits may not exceed 50%:

- Claim Frequency — 0 — 25%
- Claim Severity — 0 — 25%

Table 2 rating:

1. Determine the total number of units from the information provided.
2. Determine the base rate per unit at the desired Limit of Liability from the table below. Multiply the base rate per unit by the under of units from step 1.

Base Rate Per Unit

<u>Limit of Liability</u>	<u>300K/600K</u>	<u>500K/\$1M</u>	<u>\$1M/\$2M</u>
<u>001 – Entire State</u>	<u>\$10.20/unit</u>	<u>\$10.80/unit</u>	<u>\$12.00/unit</u>

3. The base rate per unit is further modified by the below criteria:

Base per unit rate modification – table 2 risks

<u># of Stores (debit is based on tallest single building written on policy)</u>	<u># of stories</u>	<u>1- 3</u>	<u>4 – 7</u>	<u>8+</u>
	<u>Debit factor</u>	<u>1.00</u>	<u>1.25</u>	<u>1.32</u>
<u>Any Rental Units Handled by Association or Property Manager</u>		<u>1.05</u>		
<u>Subsidized Units more than 10%</u>		<u>1.05</u>		
<u>All buildings not constructed within the last 10 years</u>		<u>1.05</u>		
<u>Student Housing Units up to 20%</u>		<u>1.10</u>		

Multiply the final base rate per unit by sum of debits from the “Base per unit rate modification – table 2 risks”.

4. Obtain the additional liability premiums from the additional exposure table. The Additional Insured exposures are to be added after the final premium has been compared to the Minimum Premium.

Additional Liability Exposures

<u>Description</u>	<u>Rating Basis</u>	<u>300K & 500K Limits</u>	<u>\$1,000,000 Limit</u>
<u>Building*</u>	<u>Per Square Foot</u>	<u>.03</u>	<u>.04</u>
<u>Sport Courts</u>	<u>Each</u>	<u>20</u>	<u>30</u>
<u>Fitness Center</u>	<u>Flat</u>	<u>75</u>	<u>100</u>
<u>Swimming Beach</u>	<u>Flat</u>	<u>350</u>	<u>500</u>
<u>Bicycle Trails</u>	<u>Per mile</u>	<u>10</u>	<u>14</u>
<u>Equestrian Trails</u>	<u>Per mile</u>	<u>15</u>	<u>25</u>
<u>Lakes</u>	<u>Per acre</u>	<u>75</u>	<u>100</u>
<u>Parks/Common Area</u>	<u>Per acre</u>	<u>15</u>	<u>27</u>
<u>Additional Insured</u>	<u>Flat</u>	<u>50</u>	<u>75</u>
<u>Playgrounds</u>	<u>Each</u>	<u>30</u>	<u>45</u>
<u>Streets/Road</u>	<u>Per mile</u>	<u>25</u>	<u>40</u>
<u>Pools/Spa/Hot Tub**</u>	<u>Each</u>	<u>675</u>	<u>1,000</u>
<u>Docks/Slips</u>	<u>Each</u>	<u>15</u>	<u>25</u>
<u>Hired/Non Owned</u>	<u>Flat</u>	<u>100</u>	<u>150</u>
<u>Non Owned Auto</u>	<u>Flat</u>	<u>50</u>	<u>75</u>
<u>Parking – Private (46622)</u>	<u>Per 1,000 sq. ft.</u>	<u>36</u>	<u>40</u>
<u>Condo – Commercial (62000)</u>	<u>Per 1,000 sq. ft.</u>	<u>22</u>	<u>24</u>
<u>Bldg or Premises – Lessors’ Risk Only (61216)</u>	<u>Per 1,000 sq. ft.</u>	<u>31</u>	<u>35</u>

* Building includes clubhouse, pool house, cabana, guard house, etc.

** A single pool exposure charge applies to all pools, etc. enclosed in the same fenced area.

5. Add the premiums obtained in step 3 and step 4.

6. Add the additional premium(s) for any optional coverage as below to the final base premium to determine the final premium.

Employers Liability Coverage – Limits and Rating (available in OH, WA, ND and WY)

<u>Limits of Insurance</u> <u>BI Each Accident/ BI each</u> <u>Disease/ Aggregate</u>	<u>Premium Charge</u>	<u>Minimum Charge</u>
<u>300,000/300,000/600,000</u>	<u>.15 per \$100 of payroll</u>	<u>\$150</u>
<u>500,000/500,000/1,000,000</u>	<u>.20 per \$100 of payroll</u>	<u>\$200</u>
<u>1,000,000/1,000,000/1,000,000</u>	<u>.25 per \$100 of payroll</u>	<u>\$250</u>

Employee Benefits Liability Coverage

<u>Employee Count</u>	<u>Liability Limits</u>		
	<u>300,000/600,000</u>	<u>500,000/1,000,000</u>	<u>1,000,000/2,000,000</u>
<u>1 – 5</u>	<u>75</u>	<u>85</u>	<u>100</u>
<u>6 – 20</u>	<u>125</u>	<u>150</u>	<u>175</u>
<u>21 – 50</u>	<u>150</u>	<u>200</u>	<u>250</u>
<u>51 – 100</u>	<u>400</u>	<u>500</u>	<u>600</u>

7. Compare the final premium to the following minimum premiums:

General Liability limit

Minimum Premium

\$300,000/\$600,000

\$412

\$500,000/\$1,000,000

\$445

\$1,000,000/\$2,000,000

\$500

The quoted premium will be the greater of the final base premium or the Minimum Premium. Add any additional premiums for Additional Insureds to the quoted premium.

Coverage Part C: Property:

The following describes the step-by-step process for quoting Property manually.

1. Determine the applicable Construction, Building and Business Personal Property values from the information provided.
2. Multiply the base building rate for the applicable construction by the building value, of the desired building value by the protection class factor in the rating plan below.
3. Multiply the base ~~rate of the desired~~ Business Personal Property rate for the applicable construction by the business personal property value, limit of liability by the protection class factor in the rating plan below.
4. ~~Multiply the base premium obtained in step 2 by the territory multiplier, if applicable. Add the premium amounts obtained in step 2 and step 3.~~
5. Multiply the ~~base premium obtained in step 3 by the territory multiplier, if applicable.~~ amount obtained in step 4 by the protection class factor obtained from the rating plan below to determine the protection class surcharge, if any.
6. ~~Add the premium amounts obtained in step 4 and step 5. Multiply the amount obtained in step 6 by the deductible factor obtained from the rating plan below to determine the final premium amount.~~
7. ~~Multiply the amount obtained in step 6 by the deductible factor obtained from the rating plan below to determine the final premium amount.~~
8. ~~Obtain the scheduled credit or debit from the rating plan below. If more than one scheduled credit or debit is applied, they will be added together.~~

Scheduled Credits/Debits

~~The following scheduled credits/debits shall not exceed 25%.~~

~~Safety Procedures — 0 — 25%~~

~~Nature of Operations — 0 — 25%~~

~~Association Activities — 0 — 25%~~

9. ~~Obtain the experience credit or debit from the rating plan below. If more than one scheduled credit or debit is applied, they will be added together.~~

