

Best's Rating Report



UNITED STATES LIABILITY INSURANCE GROUP
A BERKSHIRE HATHAWAY COMPANY

UNITED STATES LIABILITY INSURANCE GROUP

United States Liability Ins Co

A++

Mount Vernon Fire Ins Co

A++

U S Underwriters Insurance Co

A++



Associated With:

Berkshire Hathaway Inc.

UNITED STATES LIABILITY INSURANCE GROUP

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AMB#: 000936

Associated Ultimate Parent#: 058334

RATING RATIONALE

Rating Rationale: These ratings apply to United States Liability Insurance Company and its wholly owned subsidiaries, collectively referred to as United States Liability Insurance Group (USLI). They reflect USLI's strong capitalization, outstanding long-term operating profitability and the advantages derived from management's proven underwriting discipline. The ratings also recognize the implicit and explicit finan-

cial support provided by its ultimate parent, Berkshire Hathaway Inc. (BRK), and the added financial flexibility afforded by its affiliate, National Indemnity Company (NICO) via reinsurance. These strengths are partially offset by USLI's high investment leverage, which has led to variability in realized and unrealized gains and losses over the last several years. A.M. Best is also highly attentive to recent organizational structure and market changes implemented at USLI. The outlooks reflect USLI's strong risk-adjusted capitalization, outstanding historical operating profitability, and favorable near-term and long-term prospects.

Over the years, USLI has consistently generated strong operating results that far exceed composite norms. This significant advantage stems from USLI's commitment to low hazard small business, stable product offerings, management's strict underwriting and price discipline, and customer-centric philosophy. The group also benefits from the operating flexibility afforded through its use of admitted and non-admitted paper, its continued focus on service, and its ef-

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fective sales and marketing strategy. The ratings further recognize management's historically conservative loss reserving strategy and a prudent catastrophe management philosophy, which is modeled to a 1-in-100-year net probable maximum loss (PML) event equal to less than 1% of reported policyholders' surplus. As of January 1, 2015, another subsidiary, Mount Vernon Specialty, was transferred to an affiliated organization within BRK. This action had no significant impact on USLI.

Downward rating pressure could materialize if USLI's risk-adjusted capital and/or operating performance fall markedly short of A.M. Best's expectations, including a significant deterioration in loss trends, and/or any material disruptions to the present business strategy.

Outlook: Stable

RATING UNIT MEMBERS

United States Liability Insurance Group (AMB# 000936):

AMB#	Company	Best's FSR
002541	United States Liability Ins Co	A++
002540	Mount Vernon Fire Ins Co	A++
003736	U S Underwriters Insurance Co	A++

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2010	157,382	61,740	784,909	357,404	84.8
2011	161,518	50,886	796,182	372,358	87.3
2012	193,322	48,885	894,163	441,121	86.5
2013	221,111	59,331	1,047,141	537,503	84.7
2014	250,826	54,395	1,130,187	563,321	85.4

(* Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

BUSINESS PROFILE

Founded in 1951, USLI is a leading commercial and specialty lines insurance group with operations conducted in all 50 states and the District of Columbia. The overall split between admitted and non-admitted business is maintained at 75% to 25%, respectively. USLI consists of three companies: United States Liability Insurance Company, Mount Vernon Fire Insurance Company and U.S. Underwriters Insurance Company.

Business is placed in one of the companies based on licensing as well as rate and form filings. Prior to mid-2010, all business was written through approximately 175 professional wholesale brokers with rough-

ly 395 locations throughout the U.S. In June 2010, the group began expanding its distribution system to include selected retail agents. Operations are classified under 14 distinct underwriting teams. These include 10 regional commercial lines teams, each of which write all 64 general liability, property and package products, professional liability, personal lines, non-profit package and liquor liability. Within these teams, run as profit centers, are 112 products with an average policy premium less than \$1,500. The two largest components of USLI's business are professional liability and general liability. The professional liability segment offers various errors and omissions (E&O) coverage for specified professions, as well as directors and officers (D&O) liability coverage and employment practices liability (EPL) coverage. USLI offers a variety of general liability coverages for specialized exposures, including child care, artisan contractors, vacant buildings, bars and taverns, and janitorial services. USLI offers a broad range of property coverages that include habitational, other buildings and premises business, builder's risk for commercial and residential properties, and inland marine. Package coverage is offered on various exposures, including habitational, vacant buildings, bars and taverns, child care, and lessor's risk. USLI provides personal lines coverage in the form of personal umbrella, dwelling liability and fire, excess personal auto, excess personal liability, and excess watercraft and recreational vehicles. USLI also provides non-profit package policy coverage for non-profit entities, such as foundations and community associations.

2014 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Oth Liab Occur	255,546	46.8	...	...
Oth Liab CM	180,632	33.1	...	...
Fire	93,557	17.1	...	...
All Other	15,833	2.9	...	...
Total	545,569	100.0	...	...

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Oth Liab Occur	135,491	46.0	120,055	47.9	47.0
Oth Liab CM	97,169	33.0	83,463	33.3	46.2
Fire	53,723	18.2	39,834	15.9	42.6
All Other	8,359	2.8	7,474	3.0	47.2
Total	294,742	100.0	250,826	100.0	46.0

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MANAGEMENT

Financial control of United States Liability Insurance Company since May 27, 1971, has rested with U.S. Investment Corporation, a Pennsylvania holding company. On August 8, 2000, 100% of the stock of U.S. Investment Corporation was acquired by Berkshire Hathaway Inc. All of the outstanding capital stock of Mount Vernon Fire Insurance Company is owned by United States Liability Insurance Company. All of the outstanding capital stock of U.S. Underwriters Insurance Company is held by Mount Vernon Fire Insurance Company. The three insurers maintain joint administrative offices, and day-to-day operations of all the companies are under the direction of the same management team.

Consolidated Balance Sheet

Admitted Assets (\$000)

	12/31/2014	%
Bonds	\$ 18,943	1.7
Preferred stock	56,000	5.0
Common stock	385,463	34.1
Cash & short-term invest	392,456	34.7
Investments in affiliates	<u>176,496</u>	<u>15.6</u>
Total invested assets	\$1,029,357	91.1
Premium balances	72,196	6.4
Accrued interest	1,952	0.2
All other assets	<u>26,682</u>	<u>2.4</u>
Total assets	\$1,130,187	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 313,186	27.7
Unearned premiums	139,805	12.4
Conditional reserve funds	11	0.0
All other liabilities	<u>113,864</u>	<u>10.1</u>
Total liabilities	\$ 566,866	50.2
Capital & assigned surplus	5,200	0.5
Unassigned surplus	<u>558,121</u>	<u>49.4</u>
Total policyholders' surplus	\$ 563,321	49.8
Total liabilities & surplus	\$1,130,187	100.0

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Why is this *Best's® Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation**

to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company or A.M. Best Europe – Rating Services Limited.

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