

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++
Mount Vernon Specialty Ins Co	A++
Radnor Specialty Insurance Co	A++
U S Underwriters Insurance Co	A++



Associated With:

Berkshire Hathaway Inc.

UNITED STATES LIABILITY INSURANCE GROUP

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Associated Ultimate Parent#: 058334

RATING RATIONALE

Rating Rationale: These ratings apply to United States Liability Insurance Company and its wholly owned subsidiaries and strategic affilia-

ates, which are branded as Devon Park Specialty, 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 financial 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,

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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 effective 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.

The stand-alone assessment of the member companies could be downgraded in the long term if operating performance falls markedly short of A.M. Best's expectations, including a significant deterioration in loss trends, any material disruptions to its present business strategy, significant sudden declines in policyholders' surplus, loss of cash flow or liquidity related to investment activity.

The ratings could be downgraded as a result of sudden adverse changes in market conditions across a large portion of the book of business or extreme shifts in claim severity and frequency trends.

Because of the partial enhancement from the reinsurance provided by NICO along with the working relationship with other BRK companies, changes in the ratings or outlooks of the associated companies may impact the ratings of the members of the group.

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++
018657	Mount Vernon Specialty Ins Co	A++
022320	Radnor Specialty Insurance 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
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	59,344	1,066,776	557,112	84.7
2014	250,826	54,439	1,149,916	582,958	85.4
2015	267,875	61,876	1,154,489	588,597	81.4

(*) 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 approximately 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 and the Devon Park Specialty brand consists of Mount Vernon Specialty Insurance Company and Radnor Specialty Insurance Company. The Devon Park brand is used by USLI to provide coverage for small to middle market size insureds that are slightly larger or more complex than the current USLI target market. These risks are ones that management notes require more individual account underwriting. USLI and Devon Park have common ownership, common systems, shared services and a shared strategy. References to USLI include the Devon Park Specialty group.

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 roughly 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 several distinct underwriting teams. These include regional commercial lines teams, each of which write all general liability, property and package products, professional liability, personal lines, non-profit package and liquor liability. Within these teams, run as profit centers, are over 100 products. 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,

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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.

2015 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Oth Liab Occur	279,021	48.0	...	...
Oth Liab CM	192,178	33.1	...	...
Fire	98,856	17.0	...	...
All Other	11,393	2.0	...	...
Total	581,448	100.0	...	...

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Oth Liab Occur	148,554	47.4	130,467	48.7	46.8
Oth Liab CM	103,693	33.1	88,485	33.0	46.0
Fire	55,222	17.6	43,634	16.3	44.1
All Other	6,103	1.9	5,289	2.0	46.4
Total	313,573	100.0	267,875	100.0	46.1

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. U.S. Investment Corporation also owns Mount Vernon Specialty Insurance Company and Radnor Specialty Insurance Company.

Consolidated Balance Sheet Admitted Assets (\$000)

	YE 2015	%
Bonds	\$ 26,462	2.3
Preferred stock	56,000	4.9
Common stock	415,873	36.0
Cash and short-term invest	420,791	36.4
Investments in affiliates	129,067	11.2
Total invested assets	\$1,048,193	90.8
Premium balances	73,471	6.4
Accrued interest	1,875	0.2
All other assets	30,950	2.7
Total assets	\$1,154,489	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 319,332	27.7
Unearned premiums	147,221	12.8
Conditional reserve funds	54	0.0
All other liabilities	99,286	8.6
Total liabilities	\$ 566,892	49.0
Capital & assigned surplus	35,800	3.1
Unassigned surplus	552,797	47.9
Total policyholders' surplus	\$ 588,597	51.0
Total liabilities & surplus	\$1,154,489	100.0

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

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

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

The company information appearing in this pamphlet is an extract from the complete AMB Credit Report. You may obtain the complete report by contacting Customer Service at +1(908)439-2200 or customer_service@ambest.com. Please reference the company's identification number (AMB#) listed on this rating report.

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