

Best's Rating Report



UNITED STATES LIABILITY INSURANCE GROUP A BERKSHIRE HATHAWAY COMPANY UNITED STATES LIABILITY INSURANCE GROUP

Wayne, Pennsylvania



A++

Berkshire Hathaway Insurance Group UNITED STATES LIABILITY INSURANCE GROUP

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BEST'S RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Rating of A++ (Superior). The group's Financial Size Category is Class IX.

DOMESTIC P/C RATINGS

Company/Group	AMB #	AMB Rating
Mount Vernon Fire Ins Co	02540	A++ g
U S Underwriters Insurance Co	03736	A++ g
United States Liability Ins Co	02541	A++ g

RATING RATIONALE

Rating Rationale: The rating applies to United States Liability Insurance Company and its two subsidiaries, Mount Vernon Fire Insurance Company and U.S. Underwriters Insurance Company, which together form the U.S. Liability Insurance Group. The rating reflects the group's strong capitalization, outstanding operating profitability and the advantages derived from management's proven underwriting discipline and cycle management strategy. The rating also recognizes the group's affiliation with Berkshire Hathaway, Inc. These strengths are somewhat tempered by the group's considerable growth reported between 2001 and 2003 and its significant concentration in the

Northeast. The rating outlook is based upon the expectation that profitability and capitalization levels will remain commensurate with the current rating.

Over the past decade, the group has consistently generated strong operating results which far exceed composite norms. This significant advantage stems from management's strict underwriting focus, its customer centric philosophy, and the group's stability in the marketplace. The group also benefits from its use of admitted and non-admitted paper, its effective sales and marketing strategy, service, and most recently, the effects from a more favorable competitive environment. The rating further recognizes the group's strong capitalization as well as management's historically conservative loss reserving and investment strategies.

Despite these strengths, there remains some concern regarding the group's appreciable growth in premium. However, this concern is largely mitigated by the impact of rate increases on premium growth during this period, management's proven underwriting expertise and its conservative loss reserving practices. The group also maintains minimal exposure to catastrophe losses which is evidenced by a modeled 100 year net probable maximum loss (PML) estimate equal to less than 2% of policyholder's surplus.

Best's Rating: A++

Outlook: Stable

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KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2001	186,852	40,399	586,693	243,996	88.4
2002	233,811	45,191	713,060	275,506	88.7
2003	319,177	43,741	896,997	336,605	86.7
2004	321,784	64,502	1,041,946	367,588	84.4
2005	320,408	84,885	1,165,533	419,617	83.3

Data has been compiled through the A.M. Best Consolidation of statutory filings.

BUSINESS REVIEW

Founded in 1951, United States Liability Insurance Group is a leading specialty lines insurer. Its operations are conducted throughout the United States, although the core region of operations tends to be in the northeastern states. New York remains the largest state of operation in terms of direct premium production, generating approximately 21% of total direct business, down from over 30% in 2001. The entire northeast region constitutes almost 50% of direct writings with the group's overall split between admitted and non-admitted business historically being close to 40%/60%, respectively. All business is written through 168 professional wholesale brokers with 290 locations throughout the U.S. The group consists of three companies: United States Liability Insurance Company, Mount Vernon Fire Insurance Company and U.S. Underwriters Insurance Company. The three companies are utilized to write business on either an admitted or a surplus lines basis, depending on the jurisdiction and the particular company licensed. In 2003, admitted premium declined slightly as a percentage of overall written premium due to the discontinuance of writing on an admitted basis in New York. This admitted withdrawal resulted from regulatory hurdles regarding the group's underwriting of certain hazards such as mold. The group also withdrew from doing most business in Alabama and West Virginia in 2003. In 2004, the group ceased writing excess automobile coverage nationally, writing real estate brokers errors & omissions coverage in Texas and writing liquor liability coverage in Iowa. In 2005, the group ceased writing liquor liability coverage in Illinois.

The group's operations are classified under seven distinct underwriting teams or profit centers: commercial liability, liquor liability, professional liability, commercial property, commercial package, personal lines and non-profit package. Within these profit centers, there are 90 products with an average policy premium of approximately \$2,000. The two largest components of the group's business are professional liability and commercial liability. The professional liability segment offers various errors & omissions (E&O) coverage for insurance agents, real estate agents and consultants, as well as directors & officers (D&O) liability coverage and employment practices liability coverage. Under its commercial liability operation, the group offers a variety of coverages for specialized exposures including child care, artisan contractors, vacant buildings, bars and taverns, liquor liability and janitorial services. The commercial property operations offer a broad range of coverage that includes habitational, other buildings and premises business, builder's risk for commercial and residential properties and excess commercial coverage for large risks. Package coverage is offered on various exposures including habitational, vacant buildings, bars & taverns, child care and lessor's risk. The liquor liability team is focused on providing liability coverage for bars, taverns, restaurants and retail stores. The liquor liability coverage may be

packaged with general liability coverage. The group provides personal lines coverage in the form of personal umbrella, homeowner dwelling liability and fire, excess personal auto, excess personal liability, and excess watercraft and recreational vehicles. Beginning on January 1, 2005, the group began providing non-profit package policy coverage for nonprofit entities such as foundations and Chambers of Commerce. Workers' compensation coverage had been offered on artisan contractors, restaurants, retail stores, and social services. However, effective April 2002, the group decided to stop writing this coverage. The last policy expired or was cancelled on March 31, 2003.

2005 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of	Pure	Loss &
	Direct	Net	Total NPW	Loss Ratio	Loss & LAE Res.
Oth Liab Occur	195,413	166,180	51.9	39.5	353,084
Oth Liab Cl-Made	126,369	109,043	34.0	25.7	159,848
Fire	59,994	36,455	11.4	23.7	9,768
All Other	12,944	8,730	2.7	6.8	16,336
Totals	394,720	320,408	100.0	32.2	539,036

HISTORY

The United States Liability Insurance Company was incorporated on April 12, 1867 under Pennsylvania laws as the United States Plate Glass Insurance Company of Philadelphia. The title was changed in 1939 to the United States Plate Glass and Liability Insurance Company and in 1941 to the United States Liability Insurance Company of Philadelphia. The words "Of Philadelphia" were deleted from the name on May 8, 1951. The company was dormant from 1941 to May 17, 1951. Active operations were resumed when the Berry family acquired control of the company's charter in 1950. Mount Vernon Fire Insurance Company was organized on September 18, 1958, also under the laws of Pennsylvania. It began business on December 15, 1958. U.S. Underwriters Insurance Company was incorporated under the laws of Delaware on January 10, 1972. It began business on December 27, 1977. On October 22, 1992, the company re-domesticated from Delaware to North Dakota.

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 administration of the companies' affairs are under the direction of the same management.

Officers: Chairman of the Board, President and Chief Executive Officer, Thomas P. Nerney; Executive Vice Presidents, David S. Charlton (Underwriting), Steven R. Zodtner (Operations/Information Technology); Senior Vice President, Treasurer and Chief Financial Officer, Louis F. Rivituso; Senior Vice Presidents, Ronald R.

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Bradshaw (Underwriting), Jack T. Carballo (Administration), Shelley L. Palma (Claims); Vice President, Secretary and Chief Compliance Officer, J. Richard Petersen, Jr.; Vice President and Actuary, Diane S. Duda; Vice President, John G. Donahue.

Directors: David S. Charlton, John G. Donahue, Diane S. Duda, Thomas P. Nerney, Shelley L. Palma, J. Richard Petersen, Jr., Louis F. Rivituso, Thomas C. Snyder, Steven R. Zodtner.

Consolidated Balance Sheet

Admitted Assets (\$000)

	12/31/2005	%
Bonds	\$ 53,437	4.6
Common stock	71,087	6.1
Cash & short-term invest	966,434	82.9
Investments in affiliates	0	0.0
Total invested assets	\$1,090,958	93.6
Premium balances	45,953	3.9
Accrued interest	629	0.1
All other assets	27,992	2.4
Total assets	\$1,165,533	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 539,036	46.2
Unearned premiums	176,229	15.1
All other liabilities	30,650	2.6
Total liabilities	\$ 745,915	64.0
Total policyholders' surplus	\$ 419,617	36.0
Total liabilities & surplus	\$1,165,533	100.0

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

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

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. Best's Ratings represent the current and independent **opinion** of a company's financial strength and ability to meet obligations to policyholders. Best's Ratings are **not a warranty** of an insurer's current or future ability to meet obligations to policyholders, nor are they a recommendation of a specific policy form, contract, rate, or claim practice.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

Secure Best's Ratings

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good

Vulnerable Best's Ratings

B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

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