

BEST'S RATING REPORT



UNITED STATES LIABILITY INSURANCE GROUP

1190 Devon Park Drive, Wayne, Pennsylvania, United States 19087

Mailing Address: 1190 Devon Park Drive, P.O. Box 6700, Wayne, Pennsylvania, United States 19087

AMB #: 000936

NAIC #: N/A

FEIN#: N/A

Phone: 800-523-5545

Fax: 610-688-4391

Website: www.usli.com

| | |
|--------------------------------|-----|
| 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++ |



United States Liability Insurance Group

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

Associated Ultimate Parent: [058334 - Berkshire Hathaway Inc.](#)

A.M. Best Rating Unit: 000936 - United States Liability Insurance Group

Best's Credit Ratings for Group Members:

Rating Effective Date: August 15, 2019

| AMB# | Company | Best's Financial Strength Ratings | | | Best's Issuer Credit Ratings | | |
|--------|--|-----------------------------------|---------|----------|------------------------------|---------|----------|
| | | Rating | Outlook | Action | Rating | Outlook | Action |
| 000936 | United States Liab Ins Group | <i>Rating Unit</i> | | | | | |
| 002541 | United States Liability Ins Co | A++ | Stable | Affirmed | aa+ | Stable | Affirmed |
| 002540 | Mount Vernon Fire Ins Co | A++ | Stable | Affirmed | aa+ | Stable | Affirmed |
| 018657 | Mount Vernon Specialty Ins Co | A++ | Stable | Affirmed | aa+ | Stable | Affirmed |
| 022320 | Radnor Specialty Insurance Co | A++ | Stable | Affirmed | aa+ | Stable | Affirmed |
| 003736 | U S Underwriters Insurance Co | A++ | Stable | Affirmed | aa+ | Stable | Affirmed |

Rating Rationale:

Balance Sheet Strength: Strongest

- Capital flexibility provided by Berkshire Hathaway Inc.'s ownership.
- The Best's Capital Adequacy Ratio (BCAR) of United States Liability Insurance Group (USLI) is at the strongest level in the 99.6% VaR.
- Surplus remains strong despite some decline in 2018 due to unrealized capital losses from the decline in capital markets during the last quarter of the year.
- Investment portfolio is managed by the ultimate parent, Berkshire Hathaway Inc., in Omaha, Nebraska.
- National Indemnity Company is USLI's main reinsurer.

Operating Performance: Very Strong

- Favorable underwriting results led by loss ratios that are significantly lower than its industry over a 10-year period.
- Underwriting expenses trending higher as the company maintains its competitive advantage with service, supporting gross premiums growth; however, the expense ratio is stable over a 10-year period as the expenses have grown in line with premiums.
- Gross and net premiums growth rates are still very strong, although they have moderated in recent years.
- Surplus CAGR above 10% in the past 10 years despite dividend payments and a decrease in 2018 from the decline in capital markets during the last few weeks of trading.

Business Profile: Neutral

- Diversified geographically in the U.S. by product line, sales channel, and customer base.
- USLI is a leading commercial and specialty lines insurance group in the U.S., offering a broad range of products.
- USLI's competitive advantage resides in value-added services to its policyholders and producers beyond the coverage itself.

- Investments in technology have helped increase policyholder retention.

Enterprise Risk Management: Appropriate

- USLI benefits from implicit support from the ultimate parent company, Berkshire Hathaway Inc.
- Reinsurance program is essentially with National Indemnity Company.
- Conservative reserving, risk and governance translate into a culture with a margin of safety disseminated by Berkshire Hathaway Inc.
- High level of risk-adjusted capitalization at the tail (i.e., at the 1-in-500-year return period or 99.8% VaR).

Rating Lift/Drag

- USLI receives financial and operational support from Berkshire Hathaway and its sister company, National Indemnity Company.

Outlook

The stable outlooks reflect AM Best's view that USLI will continue to maintain its current rating fundamentals in the short to medium term.

Rating Drivers

The ratings could be negatively impacted if operating performance falls markedly short of AM Best's expectations, including a significant deterioration in loss trends, material disruptions of the group's business strategy, sudden declines in policyholders' surplus, or assets or liquidity losses related to investment activity.

The ratings could also 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 claims severity and frequency trends.

Because of the rating lift received from the parent, Berkshire Hathaway Inc., and reinsurance provided by the sister company, National Indemnity Company, changes in the ratings or outlooks of the associated companies may impact the ratings of the members of United States Liability Insurance Group.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

| Admitted Assets | Year End - December 31 | | | |
|--------------------------------------|-------------------------------|---------------------|-----------------|-----------------|
| | 2018 (\$000) | 2017 (\$000) | 2018 (%) | 2017 (%) |
| Bonds | 29,874 | 31,462 | 2.2 | 2.1 |
| Preferred Stock | 320 | 320 | ... | ... |
| Common Stock | 960,381 | 731,935 | 70.3 | 49.3 |
| Cash and Short-term Invest | 240,609 | 609,889 | 17.6 | 41.1 |
| Real Estate, Investment | ... | ... | ... | ... |
| Derivatives | ... | ... | ... | ... |
| Other Non-Affil Inv Asset | ... | ... | ... | ... |
| Investments in Affiliates | ... | ... | ... | ... |
| Real Estate, Offices | ... | ... | ... | ... |
| Total Invested Assets | 1,231,184 | 1,373,607 | 90.1 | 92.6 |
| Premium Balances | 93,223 | 78,710 | 6.8 | 5.3 |
| Accrued Interest | 905 | 699 | 0.1 | ... |
| All Other Assets | 40,576 | 30,773 | 3.0 | 2.1 |
| Total Assets | 1,365,889 | 1,483,789 | 100.0 | 100.0 |
| Liabilities & Surplus | Year End - December 31 | | | |
| | 2018 (\$000) | 2017 (\$000) | 2018 (%) | 2017 (%) |
| Loss and LAE Reserves | 340,059 | 334,020 | 24.9 | 22.5 |
| Unearned Premiums | 178,179 | 166,124 | 13.0 | 11.2 |
| Derivatives | ... | ... | ... | ... |
| Conditional Reserve Funds | ... | ... | ... | ... |
| All Other Liabilities | 125,371 | 156,419 | 9.2 | 10.5 |
| Total Liabilities | 643,609 | 656,563 | 47.1 | 44.2 |
| Surplus notes | ... | ... | ... | ... |
| Capital and Assigned Surplus | 37,966 | 37,966 | 2.8 | 2.6 |
| Unassigned Surplus | 684,314 | 789,260 | 50.1 | 53.2 |
| Total Policyholders' Surplus | 722,280 | 827,226 | 52.9 | 55.8 |
| Total Liabilities and Surplus | 1,365,889 | 1,483,789 | 100.0 | 100.0 |

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 04/12/1867

Date Commenced: N/A

Domicile: United States: Pennsylvania

Company 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. United States Liability Insurance Company also owns Mount Vernon Specialty Insurance Company, which in turn owns Radnor Specialty Insurance Company.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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. A Financial Strength 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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation 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. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

Visit <http://www.ambest.com/ratings/notice.asp> for additional information or <http://www.ambest.com/terms.html> for details on the Terms of Use. For current ratings visit www.ambest.com/ratings

[Best's Credit Rating Methodology](#) | [Disclaimer](#) | [Best's Credit Rating Guide](#)

Copyright © 2019 A.M. Best Company, Inc. and/or its affiliates. All rights reserved.

No portion of this content may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of AM Best. While the content was obtained from sources believed to be reliable, its accuracy is not guaranteed. For additional details, refer to our Terms of Use available at AM Best website: www.ambest.com/terms.