

BEST'S RATING REPORT



UNITED STATES LIABILITY INSURANCE GROUP

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

AMB #: 000936

NAIC #: N/A

FEIN#: N/A

Phone: 800-523-5545

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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 22, 2018

AMB#	Company	Rating Unit	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.
- Best's Capital Adequacy Ratio (BCAR) at the strongest level in the 99.6% VaR.
- Surplus is compounding at high rates, with the help of unrealized capital gains and net underwriting income.
- Investment portfolio is managed by the ultimate parent, Berkshire Hathaway Inc., in Omaha, NE.
- National Indemnity Company is United States Liability Insurance Company's (USLI) 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.
- Most of investment performance results from unrealized capital gains, which are the main reason for the surplus growth and outperforms industry total returns on a consistent basis.
- Gross and net premiums growth is still very strong, although it has moderated in recent years.
- Surplus CAGR above 10% in the past 10 years, despite dividend payments.

Business Profile: Neutral

- Diversified geographically in the U.S. by product line, sales channel, and customer base.

- United States Liability Insurance Group (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 A.M. 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 in the long term if operating performance falls markedly short of A.M. Best's expectations, including a significant deterioration in loss trends, material disruptions of its 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 USLI.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Bonds	31,462	456,395	2.1	36.2
Preferred Stock	320	56,000	...	4.4
Common Stock	731,935	550,959	49.3	43.7
Cash and Short-term Invest	609,889	61,214	41.1	4.9
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	...	...	...	...
Investments in Affiliates	...	25,173	...	2.0
Real Estate, Offices	...	...	...	...
Total Invested Assets	1,373,607	1,149,741	92.6	91.3
Premium Balances	78,710	74,229	5.3	5.9
Accrued Interest	699	1,620	...	0.1
All Other Assets	30,773	33,784	2.1	2.7
Total Assets	1,483,789	1,259,374	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Loss and LAE Reserves	334,020	327,123	22.5	26.0
Unearned Premiums	166,124	154,983	11.2	12.3
Derivatives	...	...	...	...
Conditional Reserve Funds	...	...	...	...
All Other Liabilities	156,419	130,007	10.5	10.3
Total Liabilities	656,563	612,112	44.2	48.6
Surplus notes	...	...	...	...
Capital and Assigned Surplus	37,966	37,966	2.6	3.0
Unassigned Surplus	789,260	609,296	53.2	48.4
Total Policyholders' Surplus	827,226	647,262	55.8	51.4
Total Liabilities and Surplus	1,483,789	1,259,374	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.

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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.

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