

SERFF Tracking Number: ACEH-126456019 State: District of Columbia
Filing Company: ACE American Insurance Company State Tracking Number:
Company Tracking Number: 10-MR-2008701
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0029 Other
Made/Occurrence
Product Name: 10-MR-2008701
Project Name/Number: Allied Health/10-MR-2008701

Filing at a Glance

Company: ACE American Insurance Company

Product Name: 10-MR-2008701

TOI: 11.0 Medical Malpractice - Claims

Made/Occurrence

Sub-TOI: 11.0029 Other

Filing Type: Rate

SERFF Tr Num: ACEH-126456019 State: District of Columbia

SERFF Status: Closed-APPROVED State Tr Num:

Co Tr Num: 10-MR-2008701

State Status:

Reviewer(s): Robert Nkojo

Authors: Ginny Boyles, Marlene

Thomas, Viola McBride

Disposition Date: 09/03/2010

Date Submitted: 01/20/2010

Disposition Status: APPROVED

Effective Date Requested (New): 02/20/2010

Effective Date (New):

Effective Date Requested (Renewal): 02/20/2010

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Allied Health

Project Number: 10-MR-2008701

Reference Organization:

Reference Title:

Filing Status Changed: 09/03/2010

State Status Changed:

Created By: Marlene Thomas

Corresponding Filing Tracking Number:

Filing Description:

- The purpose of this filing is to reduce our currently approved Allied Health rates by 15%.
- Our last Allied Health rate filing was approved in your state on 3/10/09 under our filing number 08-MR-2007652.
- We respectfully request that the proposed rates be implemented for all business effective on and after the earliest possible date of acknowledgement or approval.
- Revised Manual Pages –

Allied Health Professional & General Liability

General Rules – AH-8, AH-9 Edition 12/2009

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Marlene Thomas

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 Project Name/Number: Allied Health/10-MR-2008701

Company and Contact

Filing Contact Information

Viola McBride, Filing Technician
 436 Walnut Street
 WB04G
 Philadelphia, PA 19106
 viola.mcbride@acegroup.com
 215-640-5238 [Phone]
 215-640-4986 [FAX]

Filing Company Information

ACE American Insurance Company
 PO Box 1000
 436 Walnut Street
 Philadelphia, PA 19106
 (215) 640-5123 ext. [Phone]

 CoCode: 22667
 Group Code: 626
 Group Name:
 FEIN Number: 95-2371728
 State of Domicile: Pennsylvania
 Company Type:
 State ID Number:

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
ACE American Insurance Company	\$0.00		

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Robert Nkojo	09/03/2010	09/03/2010

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Deemer	Note To Reviewer	Viola McBride	06/29/2010	06/29/2010
Status Request	Note To Reviewer	Viola McBride	06/18/2010	06/18/2010
Status Request	Note To Reviewer	Viola McBride	05/07/2010	05/07/2010
Status Request	Note To Reviewer	Viola McBride	03/29/2010	03/29/2010

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Disposition

Disposition Date: 09/03/2010
 Effective Date (New):
 Effective Date (Renewal):
 Status: APPROVED
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
ACE American Insurance Company	-20.200%	-15.000%	\$-6,634	8	\$44,229	-15.000%	-15.000%
	Percent Change Approved:						
	Minimum:	%	Maximum:	%	Weighted Average:		%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Cover Letter All Filings		Yes
Supporting Document	Consulting Authorization		Yes
Supporting Document	Actuarial Certification (P&C)		Yes
Supporting Document	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)		Yes
Supporting Document	District of Columbia and Countrywide Loss Ratio Analysis (P&C)		Yes
Supporting Document	Actuarial Memo		Yes
Supporting Document	Redline		Yes
Supporting Document	Filing Memo		Yes
Supporting Document	Supporting Documents		Yes
Rate	Manual Pages - Allied Health Professional & General Liability General Rules		Yes

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Made/Occurrence
Product Name: 10-MR-2008701
Project Name/Number: Allied Health/10-MR-2008701

Note To Reviewer

Created By:

Viola McBride on 06/18/2010 09:33 AM

Last Edited By:

Viola McBride

Submitted On:

06/18/2010 09:33 AM

Subject:

Status Request

Comments:

Please advise of the status of this filing. Thank you.

SERFF Tracking Number: ACEH-126456019 State: District of Columbia
Filing Company: ACE American Insurance Company State Tracking Number:
Company Tracking Number: 10-MR-2008701
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0029 Other
Made/Occurrence
Product Name: 10-MR-2008701
Project Name/Number: Allied Health/10-MR-2008701

Note To Reviewer

Created By:

Viola McBride on 05/07/2010 08:24 AM

Last Edited By:

Viola McBride

Submitted On:

05/07/2010 08:25 AM

Subject:

Status Request

Comments:

Please advise of the status of this filing. Thank you.

SERFF Tracking Number: ACEH-126456019 *State:* District of Columbia
Filing Company: ACE American Insurance Company *State Tracking Number:*
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Made/Occurrence
Product Name: 10-MR-2008701
Project Name/Number: Allied Health/10-MR-2008701

Note To Reviewer

Created By:

Viola McBride on 03/29/2010 08:28 AM

Last Edited By:

Viola McBride

Submitted On:

03/29/2010 08:29 AM

Subject:

Status Request

Comments:

Please advise of the status of this filing. Thank you.

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Rate Information

Rate data applies to filing.

Filing Method: File & Use
Rate Change Type: Decrease
Overall Percentage of Last Rate Revision: -15.000%
Effective Date of Last Rate Revision: 03/10/2009
Filing Method of Last Filing: File & Use

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
ACE American Insurance Company	N/A	-20.200%	-15.000%	\$-6,634	8	\$44,229	-15.000%	-15.000%

SERFF Tracking Number: ACEH-126456019 State: District of Columbia
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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
	Manual Pages - Allied Health Professional & General Liability General Rules	AH-8 & AH-9	Replacement	2008 CW page 8 _rev_.pdf 2008 CW page 9 _rev_.pdf

A 5% credit shall be applied to policies marketed through electronic commerce distribution channels.

IX. Rates
Table I

Professional Classification	Professional Rate	Student Rate
Addiction Counselor (NAADAC Program) (1)	169	21
Addiction Counselor (Non-NAADAC) (2)	313	18
Addiction Interventionist	417	N/A
Administrative/Clerical	94	31
All other Aide, Assistant, or Technician	224	75
Art, Music, Dance, Pet, and Recreation Therapist (2)	224	N/A
Audiologist	224	75
Auricular & Full Body Acupuncture Therapy and Counseling	626	207
Auricular Acupuncture Therapy and Counseling	313	104
Behavioral Analyst	313	18
Blood Bank Technician	224	75
Cardiology Technician	224	75
Case Workers and Case Manager (2)	313	104
Certified Employee Assistance Professional	241	18
Certified Tech./ Assistant	224	75
Companion	109	37
Cytotechnologist	224	75
Dental Assistant	94	31
Dental Hygienist	224	75
Dialysis Technician	224	75
Dietician/Nutritionist	224	75
EKG/EEG Technician	224	75
Health Educator (2)	224	75
Home Health Aide	145	48
Homemaker	109	37
Intern Mental Health/Addiction Counselor	224	N/A
Lab Technician	224	75
Licensed or Certified Mental Health Counselor (2)	313	18
LPN	224	75
Marriage and Family Therapists/Counselor (2)	313	18
Massage Therapist	417	139
Medical Office Assistant	94	31
Medical Records Technician	224	75
Medical Technologist	224	75
MRI Technician	224	75
Nurse Aide	130	43
Nurse Practitioner	904	301
Nurse/RN	253	84
Occupational Therapist	289	96
Paramedics/EMTs (Eligible for Students Only)	N/A	145
Pastoral Counselor	313	N/A
Pathology Assistant	224	75
Patient Intake Technician	94	N/A
Personal Coach	313	N/A
Pharmacist (Mail Order, Nuclear)	542	181
Pharmacist (Non-Mail Order – Non-Nuclear)	434	145

Pharmacy Assistant	145	48
Pharmacy Technician (Dispensing)	217	72
Phlebotomist	224	75
Physical Therapist	417	139
Physician's Assistant	N/A	482
Psychological Assistant (Masters Degree) (2)	417	N/A
Psychologist (Bachelors or Masters Degree) (2)	904	N/A
Psychologist (Doctorate Degree)	904	Post Doctoral 224
Radiological Technologist	224	75
Rehabilitation Counselor/Therapist	313	18
Rehabilitation Counselor/Therapist Assistant	224	N/A
Respiratory Assistant	224	75
Respiratory Therapist	434	145
Social Worker (2)	313	18
Speech Therapist (2)	289	96
Surgical Assistant	N/A	482
Surgical Technologist	224	75
Surgical Technologist/First Assistant	224	75
Ultrasound Technician	224	75
Utilization Review Technician (2)	313	N/A
Volunteer	94	N/A
Wellness Counselor (2)	313	18
X-Ray Machine Operator/Technician	224	75

Note 1. Certified Members of the National Association of Alcoholism and Drug Abuse Counselors (NAADAC) are to be written in conjunction with the Behavioral Health Purchasing Group with the rate shown in Table I for limits of \$ 1,000,000 Per Professional Incident / \$ 3,000,000 Aggregate. This rate contemplates coverage for individuals who have been NCAC certified as members of NAADAC. The only Optional Coverages under Section XIV offered for these members are the Entity Coverage Extension, the Additional Insured Endorsement and Claims Made Coverage.

Note 2. A credit of up to 50% applies to individuals who receive primary professional liability coverage from their employer.

Table II

Allied Health Professional Liability Rate Table – Optometrists/Opticians		
Basic Limits - \$1,000,000 / \$1,000,000		
Professional Classification	Professional Rate	Student Rate
Optometrists	300	100
Opticians	212	71

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Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: Cover Letter All Filings		
Comments:		
Attachment: cover letter.pdf		

	Item Status:	Status Date:
Bypassed - Item: Consulting Authorization		
Bypass Reason: n/a		
Comments:		

	Item Status:	Status Date:
Satisfied - Item: Actuarial Certification (P&C)		
Comments:		
Attachment: DC eiv - Allied Health.pdf		

	Item Status:	Status Date:
Bypassed - Item: District of Columbia and Countrywide Experience for the Last 5 Years (P&C)		
Bypass Reason: n/a		
Comments:		

	Item Status:	Status Date:
Bypassed - Item: District of Columbia and		

SERFF Tracking Number: ACEH-126456019 State: District of Columbia
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 Company Tracking Number: 10-MR-2008701
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0029 Other
 Made/Occurrence
 Product Name: 10-MR-2008701
 Project Name/Number: Allied Health/10-MR-2008701
 Countrywide Loss Ratio Analysis
 (P&C)
Bypass Reason: n/a
Comments:

Item Status: **Status Date:**

Satisfied - Item: Actuarial Memo
Comments:
Attachment:
 Actuarial Memorandum.pdf

Item Status: **Status Date:**

Satisfied - Item: Redline
Comments:
Attachments:
 2008 CW page 8 _red_.pdf
 2008 CW page 9 _red_.pdf

Item Status: **Status Date:**

Satisfied - Item: Filing Memo
Comments:
Attachment:
 Explanatory Memo.pdf

Item Status: **Status Date:**

Satisfied - Item: Supporting Documents
Comments:
Attachments:
 DC Allied Health - Indication.pdf
 DC Allied Health - Profit Support.pdf



ace usa

Office of Regulatory
Compliance
Routing WB04G
436 Walnut Street
Philadelphia, PA 19106
USA

Viola McBride
Associate Product Manger

215-640-5238 *tel*

viola.mcbride@acegroup.com
www.acegroup.com

January 20, 2010

Insurance Commissioner
Dept. of Insurance Securities Reg.
Insurance Products Division
810 1st Street NE Set. 601
Washington, DC 20002

Re: Company ACE USA #0626 NAIC# FEIN
 ACE American Insurance Company 22667 95-2371728
 Allied Health Program– Rate Filing
 Our Filing Number: 10-MR-2008701

Dear Commissioner:

This filing proposes to implement a 15% reduction in the base rates for ACE's Allied Health business, effective January 15, 2010.

The proposed reduction is supported by a review of ACE's Allied Health experience through Accident / Report Year 2008, evaluated as of September 30, 2009. The overall indicated rate change is the result of combining the indications from a State Specific experience review and a Countrywide experience review, and assigning the remaining credibility to an indication based on trend from the date of the last approved rate change, which was during 2008.

The rate level indication exhibits present data separately for claims made and occurrence policies. Both a paid and incurred development method are presented, and the selected ultimate loss for each year is taken to be the average of these two results.

The loss development factors are based on ACE's countrywide Allied Health triangles.
Trend factors are based on ISO's most recent review of Physicians and Surgeons data.

The permissible loss ratio was derived using standard actuarial techniques involving the selection of expense provisions and the calculation of a profit provision that contains an offset for investment income.

* Please note, the rate for Addiction Counselor – NAADAC program is remaining as-is.*

The actuarial support is presented in two pdf files:

Allied Health – Indication
Allied Health – Profit Support

Sincerely,

Insurer Name: ACE American Insurance Company
 NAIC Number: 22667
 Line of Insurance: Medical Malpractice

Date: January 20, 2010

**DISTRICT OF COLUMBIA
 EXPENSE INFORMATION WORKSHEET**

List the following expense information for the latest three years from your Insurance Expense Exhibit
 (Part II - Allocation to Lines of Business, Section A)

All data is to be expressed in decimal form. For example, 6.8% should be shown as 0.068; 21.7% as 0.217.

Year:	Latest Three Calander Years			Three Year Avg.	Prospective Provisions
	2006	2007	2008		
A1. Commission & Brokerage	0.124	0.134	0.145	0.134	0.170
A2. Other Acquisition	0.021	0.022	0.024	0.022	0.020
A. Total Production Expense (A1+A2)	0.145	0.156	0.169	0.156	0.190
B. General Expense	0.036	0.038	0.037	0.037	0.035
C. Taxes, Licenses & Fees	0.022	0.008	0.013	0.014	0.020
D. Other*					
Total Expenses	0.202	0.202	0.219	0.208	0.245
E. Profit and Contingency Provision (Before Investment Income Offset)					0.1930
F. Total Expense, Profit and Contingency Provision					0.4380
G. Expected Loss Ratio (1.000 - F)					0.5620

* "Other" may only be used for expenses unique of the District or which are otherwise statistically supported in an attachment.

ACE American Insurance Company
Allied Health
Actuarial Memorandum

This filing proposes to implement a 15% reduction in the base rates for ACE's Allied Health business, effective January 15, 2010.

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A 5% credit shall be applied to policies marketed through electronic commerce distribution channels.

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Pharmacy Assistant	<u>145</u>	<u>48</u>
Pharmacy Technician (Dispensing)	<u>217</u>	<u>72</u>
Phlebotomist	<u>224</u>	<u>75</u>
Physical Therapist	<u>417</u>	<u>139</u>
Physician's Assistant	<u>N/A</u>	<u>482</u>
Psychological Assistant (Masters Degree) (2)	<u>417</u>	<u>N/A</u>
Psychologist (Bachelors or Masters Degree) (2)	<u>904</u>	<u>N/A</u>
Psychologist (Doctorate Degree)	<u>904</u>	Post Doctoral <u>224</u>
Radiological Technologist	<u>224</u>	<u>75</u>
Rehabilitation Counselor/Therapist	<u>313</u>	<u>18</u>
Rehabilitation Counselor/Therapist Assistant	<u>224</u>	<u>N/A</u>
Respiratory Assistant	<u>224</u>	<u>75</u>
Respiratory Therapist	<u>434</u>	<u>145</u>
Social Worker (2)	<u>313</u>	<u>18</u>
Speech Therapist (2)	<u>289</u>	<u>96</u>
Surgical Assistant	<u>N/A</u>	<u>482</u>
Surgical Technologist	<u>224</u>	<u>75</u>
Surgical Technologist/First Assistant	<u>224</u>	<u>75</u>
Ultrasound Technician	<u>224</u>	<u>75</u>
Utilization Review Technician (2)	<u>313</u>	<u>N/A</u>
Volunteer	<u>94</u>	<u>N/A</u>
Wellness Counselor (2)	<u>313</u>	<u>18</u>
X-Ray Machine Operator/Technician	<u>224</u>	<u>75</u>

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Note 1. Certified Members of the National Association of Alcoholism and Drug Abuse Counselors (NAADAC) are to be written in conjunction with the Behavioral Health Purchasing Group with the rate shown in Table I for limits of \$ 1,000,000 Per Professional Incident / \$ 3,000,000 Aggregate. This rate contemplates coverage for individuals who have been NCAC certified as members of NAADAC. The only Optional Coverages under Section XIV offered for these members are the Entity Coverage Extension, the Additional Insured Endorsement and Claims Made Coverage.

Note 2. A credit of up to 50% applies to individuals who receive primary professional liability coverage from their employer.

Table II

Allied Health Professional Liability Rate Table – Optometrists/Opticians		
Basic Limits - \$1,000,000 / \$1,000,000		
Professional Classification	Professional Rate	Student Rate
Optometrists	<u>300</u>	<u>100</u>
Opticians	<u>212</u>	<u>71</u>

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ACE American Insurance Company
Allied Health Professional & General Liability
Explanatory Memorandum

- The purpose of this filing is to reduce our currently approved Allied Health rates by 15%.
- Our last Allied Health rate filing was approved in your state on 3/10/09 under our filing number 08-MR-2007652.
- We respectfully request that the proposed rates be implemented for all business effective on and after the earliest possible date of acknowledgement or approval.
- Revised Manual Pages –
Allied Health Professional & General Liability
General Rules – AH-8, AH-9 Edition 12/2009

Allied Health Experience Review

Summary of Results

<u>Statistic</u>	<u>Credibility Weighted</u>	<u>istrict of Columb</u>	<u>Countrywide</u>	<u>Complement</u>	<u>Reference</u>
Credibility	100%	1%	41%	58%	See Below
a Loss & ALAE Ratio - Projected	0.582	0.179	0.430	0.697	Exhibits 1A and 1B
b Loss & ALAE Ratio - Permissible	0.728	0.728	0.728	0.728	Exhibit 2
Indicated Rate Change (a/b - 1.0)	-20.2%	-75.5%	-40.9%	-4.3%	
Proposed Rate Change	-15.0%				
Proposed Effective Date	1/15/2010				

Derivation of Credibility

N	Number Claims	1	1,090		Exhibits 1A and 1B
K	ISO Full Credibility Standard	6,500	6,500		ISO General Liability
	Credibility (N/K) ^ 0.5	100%	1%	41%	58%

Allied Health Experience Review District of Columbia Data

Claims Made Data as of September 30, 2009

Report Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	0	0	0	1.000	1.000	0	0	0	0.6128	0	2.049	0	0.0%
2001	0	0	0	1.000	1.000	0	0	0	0.6450	0	2.048	0	0.0%
2002	0	0	0	1.005	1.002	0	0	0	0.6790	0	1.624	0	0.0%
2003	0	0	1,958	1.027	1.011	0	0	0	0.7147	0	1.384	2,710	0.0%
2004	0	0	2,677	1.070	1.034	0	0	0	0.7524	0	1.141	3,053	0.0%
2005	0	0	2,425	1.199	1.101	0	0	0	0.7920	0	0.951	2,305	0.0%
2006	0	0	1,500	1.320	1.256	0	0	0	0.8337	0	0.950	1,426	0.0%
2007	0	0	1,498	1.667	1.455	0	0	0	0.8776	0	0.950	1,423	0.0%
2008	0	0	10,440	4.143	2.516	5,769	4,582	5,176	0.9239	4,782	0.950	9,922	48.2%
Total	0	0	20,497			5,769	4,582	5,176		4,782		20,839	22.9%

Occurrence Data as of September 30, 2009

Accident Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	0	0	3,899	1.012	1.016	0	0	0	0.6128	0	2.049	7,988	0.0%
2001	0	0	6,704	1.012	1.016	0	0	0	0.6450	0	2.048	13,729	0.0%
2002	0	0	7,472	1.024	1.056	0	0	0	0.6790	0	1.624	12,133	0.0%
2003	0	0	8,973	1.058	1.109	0	0	0	0.7147	0	1.384	12,423	0.0%
2004	0	0	7,514	1.127	1.149	0	0	0	0.7524	0	1.141	8,571	0.0%
2005	0	0	3,693	1.249	1.212	0	0	0	0.7920	0	0.951	3,510	0.0%
2006	0	0	2,320	1.767	1.525	0	0	0	0.8337	0	0.950	2,205	0.0%
2007	0	0	1,984	6.222	3.551	0	0	0	0.8776	0	0.950	1,886	0.0%
2008	0	0	3,827	41.403	21.103	2,720	2,656	2,688	0.9239	2,483	0.950	3,637	68.3%
Total	0	0	46,386			2,720	2,656	2,688		2,483		66,081	3.8%

Total Claims-Made and Occurrence Data as of September 30, 2009

Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	0	0	3,899			0	0	0		0		7,988	0.0%
2001	0	0	6,704			0	0	0		0		13,729	0.0%
2002	0	0	7,472			0	0	0		0		12,133	0.0%
2003	0	0	10,931			0	0	0		0		15,133	0.0%
2004	0	0	10,190			0	0	0		0		11,624	0.0%
2005	0	0	6,118			0	0	0		0		5,815	0.0%
2006	0	0	3,820			0	0	0		0		3,630	0.0%
2007	0	0	3,482			0	0	0		0		3,309	0.0%
2008	0	0	14,268			8,489	7,238	7,864		7,265		13,559	53.6%
Total	0	0	66,884			8,489	7,238	7,864		7,265		86,921	8.4%
Latest 3	0	0	21,569			8,489	7,238	7,864		7,265		20,498	17.9%

Selected 17.9%

Total # Claims 1

Bornhuetter Ferguson Method used in Accident Year and Report Year 2008
A-priori Loss Ratio = Permissible Loss Ratio = 0.728

Allied Health Experience Review Countrywide Data

Claims Made Data as of September 30, 2009

Report Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	0	0	145,710	1.000	1.000	0	0	0	0.6128	0	1.589	231,504	0.0%
2001	3,873,924	3,873,924	625,364	1.000	1.000	3,873,924	3,873,924	3,873,924	0.6450	2,498,813	1.475	922,623	270.8%
2002	1,910,234	1,910,234	3,813,234	1.005	1.002	1,919,244	1,913,568	1,916,406	0.6790	1,301,207	1.446	5,514,367	23.6%
2003	1,394,156	1,424,156	8,070,334	1.027	1.011	1,432,010	1,440,140	1,436,075	0.7147	1,026,390	1.389	11,207,002	9.2%
2004	3,758,764	3,800,360	10,289,423	1.070	1.034	4,023,451	3,930,562	3,977,006	0.7524	2,992,465	1.315	13,530,538	22.1%
2005	4,013,597	4,078,099	12,382,586	1.199	1.101	4,812,807	4,491,224	4,652,016	0.7920	3,684,600	1.076	13,320,249	27.7%
2006	3,177,352	3,023,952	9,873,532	1.320	1.256	4,194,745	3,799,575	3,997,160	0.8337	3,332,554	0.940	9,280,921	35.9%
2007	1,827,648	2,773,148	8,537,028	1.667	1.455	3,047,583	4,035,781	3,541,682	0.8776	3,108,218	0.925	7,900,681	39.3%
2008	410,238	1,931,943	7,147,499	4.143	2.516	4,359,797	5,069,047	4,714,422	0.9239	4,355,800	0.923	6,598,444	66.0%
Total	20,365,913	22,815,816	60,884,712			27,663,559	28,553,822	28,108,691		22,300,047		68,506,328	32.6%

Occurrence Data as of September 30, 2009

Accident Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	3,312,594	3,362,594	2,601,106	1.012	1.016	3,351,863	3,414,971	3,383,417	0.6128	2,073,298	1.674	4,354,706	47.6%
2001	4,568,159	4,583,659	4,291,424	1.012	1.016	4,622,312	4,655,055	4,638,684	0.6450	2,992,109	1.745	7,489,211	40.0%
2002	5,729,265	5,730,017	7,059,320	1.024	1.056	5,864,263	6,049,118	5,956,690	0.6790	4,044,492	1.717	12,122,998	33.4%
2003	2,990,191	3,040,193	6,012,388	1.058	1.109	3,164,505	3,372,628	3,268,566	0.7147	2,336,107	1.439	8,650,097	27.0%
2004	177,495	177,545	3,433,408	1.127	1.149	200,016	204,037	202,026	0.7524	152,013	1.377	4,727,103	3.2%
2005	2,143,889	2,178,890	3,259,821	1.249	1.212	2,677,144	2,641,746	2,659,445	0.7920	2,106,397	1.105	3,602,873	58.5%
2006	538,807	559,409	4,086,127	1.767	1.525	951,913	853,120	902,517	0.8337	752,456	0.967	3,951,010	19.0%
2007	92,357	88,360	3,948,696	6.222	3.551	574,652	313,794	444,223	0.8776	389,855	0.951	3,754,279	10.4%
2008	71,313	192,123	3,501,576	41.403	21.103	2,560,167	2,621,721	2,590,944	0.9239	2,393,852	0.941	3,295,513	72.6%
Total	19,624,069	19,912,789	38,193,866			23,966,835	24,126,190	24,046,512		17,240,579		51,947,791	33.2%

Total Claims-Made and Occurrence Data as of September 30, 2009

Year	Paid Loss & ALAE	Incurred Loss & ALAE	Earned Premium	Paid LDF	Inc'd LDF	Paid Loss x LDF	Inc'd Loss x LDF	Selected Ultimate Loss & ALAE	Loss Trend Factor	Trended Ultimate Loss & ALAE	On-Level Factor	Premium at Current Rates	Projected Loss & ALAE Ratio
2000	3,312,594	3,362,594	2,746,816			3,351,863	3,414,971	3,383,417		2,073,298		4,586,210	45.2%
2001	8,442,083	8,457,583	4,916,788			8,496,236	8,528,979	8,512,608		5,490,921		8,411,834	65.3%
2002	7,639,499	7,640,251	10,872,555			7,783,506	7,962,686	7,873,096		5,345,700		17,637,365	30.3%
2003	4,384,347	4,464,349	14,082,722			4,596,514	4,812,768	4,704,641		3,362,497		19,857,098	16.9%
2004	3,936,259	3,977,905	13,722,831			4,223,467	4,134,599	4,179,033		3,144,478		18,257,642	17.2%
2005	6,157,485	6,256,988	15,642,407			7,489,951	7,132,970	7,311,460		5,790,997		16,923,122	34.2%
2006	3,716,159	3,583,361	13,959,660			5,146,658	4,652,696	4,899,677		4,085,009		13,231,931	30.9%
2007	1,920,005	2,861,508	12,485,724			3,622,234	4,349,575	3,985,905		3,498,073		11,654,959	30.0%
2008	481,551	2,124,066	10,649,076			6,919,964	7,690,768	7,305,366		6,749,652		9,893,957	68.2%
Total	39,989,982	42,728,605	99,078,577			51,630,394	52,680,011	52,155,203		39,540,626		120,454,119	32.8%
Latest 3	6,117,715	8,568,935	37,094,459			15,688,856	16,693,038	16,190,947		14,332,735		34,780,848	43.0%

Selected 43.0%
Total # Claim: 1,090

Bornhuetter Ferguson Method used in Accident Year and Report Year 2008
A-priori Loss Ratio = Permissible Loss Ratio = 0.728

Allied Health Calculation of Permissible Loss and ALAE Ratio

<u>Expenses</u>	<u>% of Premium</u>
Commissions	17.00%
Other Acquisition	2.00%
General Expenses	3.50%
Taxes, Licenses, Fees	2.00%
Unallocated LAE	4.80%
<u>Other Expense</u>	<u>0.00%</u>
Subtotal Expenses	29.30%
Profit & Contingencies	19.30%
<u>Offset for Investment Income</u>	<u>-21.44%</u>
Profit Net of Inv Income	-2.14%
(1) Expense Ratio incl ULAE	27.16%
(2) Permissible Loss & ALAE Ratio	72.84%
1.0 - [(1)]	

Calculation of Trended Permissible Loss and ALAE Ratio

Annual Prem Trend Rate	0.0%
<u>Annual Loss Trend Rate</u>	<u>-5.0%</u>
(3) Annual Net Trend Rate	-5.0%
Effective date of current rates	3/10/2009
Effective date of proposed rates	1/15/2010
(4) Number of Years	0.9
(5) <u>Trended</u> Permissible Loss & ALAE Ratio*	69.7%
[(2) x ((3) ^ (4))]	

* for Complement of Credibility

Allied Health On Level Factor Calculation

Rate Change History

<u>Effective Date</u>	<u>Percent Change</u>	<u>Factor</u>
12/15/1999	0.0%	1.000
12/15/2001	48.0%	1.480
1/13/2004	45.7%	1.457
3/10/2009	-15.0%	0.850

Premium On Level Factor

<u>Year</u>	<u>Rate On Level Factor</u>
1999	2.049
2000	2.049
2001	2.048
2002	1.624
2003	1.384
2004	1.141
2005	0.951
2006	0.950
2007	0.950
2008	0.950
2009	1.000

Allied Health Calculation of Trend

Loss Trend

ISO Medical Professional Liability-Physicians, Surgeons and Dentists (Multi-State)

PR-2008-BMPL1 Pg. E-24

Policy Year Ending	Basic Limit Losses at Ultimate	Aggregate Loss Costs at Current Level	Experience Ratio	Fitted Values by Exponential Curves		
				6 Yr	7 Yr	8 Yr
6/30/2001	489,829,521	469,208,981	0.958			0.972
6/30/2002	555,018,499	494,510,421	0.891		0.933	0.925
6/30/2003	545,671,398	521,409,562	0.956	0.914	0.887	0.881
6/30/2004	501,825,044	418,362,995	0.834	0.861	0.843	0.840
6/30/2005	519,435,446	431,609,493	0.831	0.811	0.801	0.800
6/30/2006	579,867,587	420,665,346	0.725	0.764	0.762	0.762
6/30/2007	589,146,829	398,672,304	0.677	0.720	0.724	0.725
6/30/2008	598,694,434	438,344,889	0.732	0.678	0.688	0.691
Annual Trend - ISO - incl latest year				-5.8%	-4.9%	-4.7%
Annual Trend - ISO - excl latest year				-8.0%	-6.1%	-5.5%
Annual Trend - Selected				-5.0%		

ACE's selected trend rate for Allied Health is lower than the industry average trend rate for Medical Professional Liability. This lower selected trend rate reflects our belief that the increases in Medical Professional Liability claim costs over time are more driven by the Physicians and Surgeons categories than the Nurses category.

Exposure Trend

The exposure base used is number of insureds.

Since this is not inflation sensitive, there is no premium trend.

Annual Trend - Selected

0.0%

Allied Health Incurred Loss Development

Countrywide Claims Made Data

Report Year	Age	9	21	33	45	57	69	81	93	105	117
2000		0	0	0	0	0	0	0	0	0	0
2001		293,499	1,672,520	2,464,636	2,093,115	2,470,836	4,089,847	4,049,307	4,049,307	3,873,924	
2002		37,758	321,782	636,310	733,842	1,871,213	1,784,986	1,799,936	1,910,234		
2003		37,151	441,972	1,404,308	1,592,829	1,398,858	1,399,046	1,405,219			
2004		162,844	2,385,821	3,252,024	3,291,529	3,643,999	3,800,360				
2005		442,095	3,080,352	3,502,909	3,543,186	4,078,099					
2006		270,741	2,238,131	2,432,961	3,023,952						
2007		356,637	603,073	2,773,148							
2008		0	1,931,943								
2009		69,224									
ATA		9-21	21-33	33-45	45-57	57-69	69-81	81-93	93-105	105-117	
2000											
2001		5.699	1.474	0.849	1.180	1.655	0.990	1.000	0.957		
2002		8.522	1.977	1.153	2.550	0.954	1.008	1.061			
2003		11.897	3.177	1.134	0.878	1.000	1.004				
2004		14.651	1.363	1.012	1.107	1.043					
2005		6.968	1.137	1.011	1.151						
2006		8.267	1.087	1.243							
2007		1.691	4.598								
2008											
All Year		8.242	2.116	1.067	1.373	1.163	1.001				
3 Year		4.979	2.274	1.089	1.045						
Ex Hi/Lo		8.270	1.826	1.078	1.146						
Median		8.267	1.474	1.073	1.151	1.022	1.004				
Tri Sel		7.439	1.922	1.077	1.179	1.092	1.003				
Prof Study		5.131	1.536	1.240	1.125	1.058	1.025	1.009	1.002	1.000	
Wt to Tri		50%	50%	50%	30%	20%	10%	0%	0%	0%	
Select		6.285	1.729	1.158	1.141	1.065	1.023	1.009	1.002	1.000	
Age-Ult		15.815	2.516	1.455	1.256	1.101	1.034	1.011	1.002	1.000	

Allied Health Incurred Loss Development

Countrywide Occurrence Data

Accident Year	Age										
	9	21	33	45	57	69	81	93	105	117	
2000	0	14,764	179,317	1,369,284	561,476	596,512	663,153	690,264	693,247	853,115	
2001	666	287,605	542,453	2,209,156	5,344,490	3,561,306	3,723,102	3,645,165	3,685,067		
2002	12,062	158,648	1,746,110	3,736,198	4,682,797	5,182,441	5,391,196	5,383,961			
2003	2,760	227,388	1,681,434	1,774,528	1,785,806	1,887,751	1,911,132				
2004	764	91,015	88,024	187,965	166,798	179,365					
2005	3	20,618	453,807	1,810,255	2,178,890						
2006	9,622	159,142	467,987	559,409							
2007	10,856	15,320	88,360								
2008	50,706	192,123									
2009	924										
ATA	9-21	21-33	33-45	45-57	57-69	69-81	81-93	93-105	105-117		
2000		12.145	7.636	0.410	1.062	1.112	1.041	1.004	1.231		
2001	431.535	1.886	4.073	2.419	0.666	1.045	0.979	1.011			
2002	13.152	11.006	2.140	1.253	1.107	1.040	0.999				
2003	82.387	7.395	1.055	1.006	1.057	1.012					
2004	119.129	0.967	2.135	0.887	1.075						
2005	6872.590	22.010	3.989	1.204							
2006	16.539	2.941	1.195								
2007	1.411	5.768									
2008	3.789										
All Year	942.566	8.015	3.175	1.197	0.994	1.052	1.006	1.008	1.231		
3 Year	7.246	10.240	2.440	1.032	1.080	1.033	1.006				
Ex Hi/Lo	111.088	6.857	2.706	1.088	1.065	1.043	0.999				
Median	49.463	6.581	2.140	1.105	1.062	1.043	0.999	1.008	1.231		
Tri Sel	277.591	7.923	2.615	1.105	1.050	1.043	1.002	1.008	1.231		
Prof Study	8.331	3.962	2.042	1.323	1.056	1.035	1.056	1.043	1.016		
Wt to Tri	50%	50%	50%	30%	20%	10%	10%	10%	0%		
Select	142.961	5.942	2.329	1.258	1.055	1.036	1.051	1.039	1.016		
Age-Ult	3016.914	21.103	3.551	1.525	1.212	1.149	1.109	1.056	1.016		

Allied Health Paid Loss Development

Countrywide Claims Made Data

Report Year	Age										
	9	21	33	45	57	69	81	93	105	117	
2000	0	0	0	0	0	0	0	0	0	0	0
2001	43,499	372,557	933,973	1,967,453	2,095,324	2,464,335	2,549,307	2,549,307	3,873,924		
2002	11,088	231,620	538,510	608,342	936,213	1,709,986	1,724,936	1,910,234			
2003	23,391	236,562	1,162,048	1,507,318	1,368,357	1,368,546	1,375,219				
2004	89,269	1,962,056	2,999,674	3,199,431	3,197,401	3,758,764					
2005	142,491	1,306,397	3,327,305	3,367,682	4,013,597						
2006	58,366	1,397,323	1,725,753	3,177,352							
2007	108,867	277,694	1,827,648								
2008	0	410,238									
2009	9,840										
ATA	9-21	21-33	33-45	45-57	57-69	69-81	81-93	93-105	105-117		
2000											
2001	8.565	2.507	2.107	1.065	1.176	1.034	1.000	1.520			
2002	20.890	2.325	1.130	1.539	1.826	1.009	1.107				
2003	10.113	4.912	1.297	0.908	1.000	1.005					
2004	21.979	1.529	1.067	0.999	1.176						
2005	9.168	2.547	1.012	1.192							
2006	23.941	1.235	1.841								
2007	2.551	6.582									
2008											
All Year	13.887	3.091	1.409	1.141	1.295	1.016					
3 Year	13.246	3.454	1.307	1.033							
Ex Hi/Lo	14.143	2.764	1.334	1.085							
Median	10.113	2.507	1.213	1.065	1.176	1.009					
Tri Sel	12.847	2.954	1.316	1.081	1.235	1.012					
Prof Study	5.877	2.015	1.210	1.110	1.091	1.045	1.022	1.005	1.000		
Wt to Tri	50%	50%	50%	30%	20%	10%	0%	0%	0%		
Select	9.362	2.485	1.263	1.101	1.120	1.042	1.022	1.005	1.000		
Age-Ult	38.791	4.143	1.667	1.320	1.199	1.070	1.027	1.005	1.000		

Allied Health Paid Loss Development

Countrywide Occurrence Data

Accident Year	Age										
	9	21	33	45	57	69	81	93	105	117	
2000	0	14,764	99,319	1,337,637	450,876	546,512	662,653	690,264	692,747	803,115	
2001	666	70,624	279,342	1,466,256	2,608,488	3,429,304	3,602,102	3,619,164	3,669,567		
2002	1,752	58,533	1,639,366	2,796,996	4,301,295	4,866,691	5,305,693	5,383,459			
2003	0	81,088	950,384	1,245,526	1,730,805	1,837,749	1,861,130				
2004	0	20,639	31,945	134,134	163,467	176,041					
2005	0	18,612	257,802	1,625,252	2,143,889						
2006	8,920	73,398	232,385	538,807							
2007	2,853	13,211	92,357								
2008	0	71,313									
2009	0										
ATA	9-21	21-33	33-45	45-57	57-69	69-81	81-93	93-105	105-117		
2000		6.727	13.468	0.337	1.212	1.213	1.042	1.004	1.159		
2001	105.967	3.955	5.249	1.779	1.315	1.050	1.005	1.014			
2002	33.403	28.008	1.706	1.538	1.131	1.090	1.015				
2003		11.720	1.311	1.390	1.062	1.013					
2004		1.548	4.199	1.219	1.077						
2005		13.852	6.304	1.319							
2006	8.228	3.166	2.319								
2007	4.631	6.991									
2008											
All Year	38.057	9.496	4.937	1.264	1.159	1.091	1.020	1.009	1.159		
3 Year	6.429	8.003	4.274	1.309	1.090	1.051	1.020				
Ex Hi/Lo	20.815	7.735	3.955	1.366	1.140	1.070	1.015				
Median	20.815	6.859	4.199	1.354	1.131	1.070	1.015	1.009	1.159		
Tri Sel	21.529	8.023	4.341	1.323	1.130	1.071	1.018	1.009	1.159		
Prof Study	17.486	5.285	2.703	1.454	1.103	1.064	1.036	1.012	1.012		
Wt to Tri	50%	50%	50%	30%	20%	10%	10%	10%	0%		
Select	19.507	6.654	3.522	1.415	1.108	1.065	1.034	1.012	1.012		
Age-Ult	807.661	41.403	6.222	1.767	1.249	1.127	1.058	1.024	1.012		

Medical Malpractice
Development of Expense Provisions and Permissible Loss Ratio
ACE Consolidated

	Direct IEE Data in (000) - ACE Consolidated					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>		
(1) Written Premium	135,231	122,563	112,578	370,372		
(2) Earned Premium	129,284	130,905	116,868	377,057		
(3) Commission & Brokerage Fees	16,736	16,372	16,350	49,458		
(4) Other Acquisition Expense	2,704	2,924	2,756	8,384		
(5) General Expense	4,606	5,024	4,335	13,965		
(6) Taxes, Licenses, and Fees	2,992	955	1,462	5,409		
(7) Unallocated LAE	6,151	1,866	5,652	13,669		
(8) Allocated LAE	35,285	40,126	27,967	103,378		
				<u>Average</u>	<u>Selected</u>	
(3)/(1) Commission & Brokerage Fees	12.4%	13.4%	14.5%	13.4%	17.0%	
(4)/(2) <u>Other Acquisition Expense</u>	2.1%	2.2%	2.4%	2.2%	<u>2.0%</u>	
Total Production Expense					19.0%	
(5)/(2) General Expense	3.6%	3.8%	3.7%	3.7%	3.5%	
(6)/(1) Taxes, Licenses, and Fees	2.2%	0.8%	1.3%	1.5%	2.0%	
(7)/(2) Unallocated LAE	4.8%	1.4%	4.8%	3.6%	N/A	
(8)/(2) Allocated LAE	27.3%	30.7%	23.9%	27.4%	N/A	
						Expense Provision 24.50%
						Pre Tax Profit Provision - Target 19.3%
						<u>Investment Income Recognition</u> -21.4%
						Pre Tax Profit Provision - Net of Inv Inc -2.1%
						Permissible Loss and LAE Ratio 77.6%
						1.288

ACE
Medical Malpractice
Estimated Investment Earnings

A. Unearned Premium Reserve				
A1.	Direct Earned Premium (for this line, from the IEE)	CY =	2008	116,868,000
A2.	Mean Unearned Premium Reserve		(Sheet 2)	52,691,000
A3.	Deduction for Prepaid Expenses		(Exhibit 1 Sheet 1)	
	a.) Commission and Brokerage Expense			17.0%
	b.) 50% of Other Acquisition Expense			1.0%
	c.) 50% of General Expense			1.8%
	d.) Taxes, Licenses, and Fees			2.0%
	e.) <u>Profit and Contingencies</u>			<u>19.3%</u>
	f.) Total Prepaid Expense			41.0%
A4.	Deduction for Federal Income Tax Payable		(Exhibit 2 Sheet 2)	7.0%
A5.	Net Subject to Investment		[A2 x (1.0 - A3f - A4)]	27,373,550
B. Delayed Remission of Premium (Agent's Balances)				
B1.	Direct Earned Premium (for this line, from the IEE)			116,868,000
B2.	Ratio, Agents Uncoll Prem Balances to Dir Earned Prem		(Exhibit 2 Sheet 2)	31.5%
B3.	Delayed Remission		[B1 x B2]	36,804,887
C. Loss Reserve				
C1.	Direct Earned Premium (for this line, from the IEE)			116,868,000
C2.	Expected Loss and LAE Incurred		[C1 x ELR on Exhibit 2 Sheet 3]	65,681,093
C3.	Expected Mean Loss Reserve		[C2 x After Tax Reserve Ratio on Exhibit 2 Sheet 3]	338,654,976
D.	Reserve Funds Subject to Investment		[A5 - B3 + C3]	329,223,639
E.	Average Rate of Return on Investments - After FIT		(Sheet 5)	3.3%
F.	Investment Earnings on Reserve Funds - After FIT		[D x E]	10,764,893
G.	Investment Earnings on Reserve Funds as a % of Premium - After FIT		[F / A1]	9.21%
H.	Investment Earnings on Reserve Funds as a % of Premium - Before FIT		[G / .65]	14.17%
I.	P/S - Premium to Surplus Ratio		(Sheet 6)	0.762
J.	E/S - Equity to Surplus Ratio		(Sheet 6)	1.100
K.	Surplus Funds Subject to Investment		[A1 / I]	153,440,162
L.	Equity Funds Subject to Investment		[K x J]	168,787,420
M.	Investment Earnings on Equity Funds - After FIT		[L x E]	5,518,979
N.	Investment Earnings on Equity Funds as % of Premium - After FIT		[M / A1]	4.7%
O.	Investment Earnings on Equity Funds as % of Premium - Before FIT		[N / .65]	7.3%
P.	Target Total Return as % of Equity - After FIT		(Sheet 7)	8.7%
Q.	Target Total Return as % of Premium - After FIT		[P x J / I]	12.5%
R.	Target Total Return as % of Premium - Before FIT		[Q / .65]	19.3%
S.	Target UW Profit as % Premium - Net of all II - After FIT		[Q - G - N]	-1.4%
T.	Target UW Profit as % Premium - Net of all II - Before FIT		[S / .65]	-2.1%

ACE
Medical Malpractice
Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line A2

The mean unearned premium reserve is determined by multiplying the direct earned premium in line A1 by the ratio of the mean unearned premium reserve to the direct earned premium for the above

			<u>IEE Amount For the Above Line</u>
1)	Direct Earned Premium	CY = 2008	116,868,000
2)	Direct Unearned Premium Reserve	as of 12 / 31 / 2008	50,547,000
3)	Direct Unearned Premium Reserve	as of 12 / 31 / 2007	54,835,000
4)	Mean Unearned Premium Reserve:	$.5 \times [(2) + (3)]$	52,691,000

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. The effective tax rate on UPR is calculated as follows:

Corporate Tax Rate	35.0%
Portion of Unearned Premium Taxable under TRA 1986	20.0%
Effective Tax Rate on Unearned Premium Reserve	7.0%

Line B2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. The ratio of agents' uncollected premium balances to net earned premium is calculated as follows:

		<u>ACE Consolidated Ann Statement Amt</u>
1 Net Earned Premium - Total All Lines	CY = 2008	4,011,115,266
2 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2008	1,319,292,179
3 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2007	1,207,124,679
4 Ratio: [(2) + (3)] / [2.0 x (1)]		0.315

**ACE
Medical Malpractice**

**Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves**

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the direct earned premium by the expected loss and loss adjustment expense ratio determined below.

1 General Expenses	(Exhibit 1 Sheet 1)	3.50%
2 Commission and Brokerage Expenses		17.00%
3 Other Acquisition Expenses		2.00%
4 Taxes, Licenses, & Fees		2.00%
<u>5 Profit & Contingencies</u>		<u>19.30%</u>
6 Total Expense Ratio:		43.80%
7 Expected Loss and LAE Ratio: 1.00 - (6)		56.20%
8 Direct Earned Premium	Cal Yr 2008	116,868,000
9 Expected Loss and LAE Incurred (7) x (8)	Cal Yr 2008	65,681,093

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the IEE ratio of the mean loss and loss adjustment expense reserves to the loss and loss adjustment expense incurred in the last 2 calendar years for the above named line of business. This ratio, which includes an adjustment for the estimated Federal Income Tax payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following:

		<u>IEE Amount for the Above Line</u>
1 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2008	40,803,000
2 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2007	115,508,000
3 Direct Loss and Loss Adjustment Expense Reserves	Year End 2008	329,910,000
4 Direct Loss and Loss Adjustment Expense Reserves	Year End 2007	334,814,000
5 Direct Loss and Loss Adjustment Expense Reserves	Year End 2006	261,724,000
6 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2008	332,362,000
7 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2007	298,269,000
8 Pre Tax Reserve Ratio: (6) / (1)		8.146
9 Pre Tax Reserve Ratio: (7) / (2)		2.582
10 Mean Pre Tax Reserve Ratio: 0.5 x [(8) + (9)]		5.364
11 Estimated Reserve Discount - Sheet 4		0.111
12 Federal Taxes (ratio to reserves): (11) x 0.35		0.039
13 After Tax Reserve Ratio (10) x [1.0 - (12)]		5.156

ACE Consolidated - Annual Statement - Schedule P
Medical Malpractice
Calculation of Reserve Discount
Data in (000's)

<u>Year</u>	(1) Net Loss & Expense <u>Unpaid</u>	(2) Reserve Discount <u>Factor</u>
Prior	33,951	0.90864
1999	495	0.89038
2000	480	0.88742
2001	242	0.88575
2002	3,730	0.87757
2003	2,256	0.86906
2004	1,663	0.85478
2005	2,339	0.82625
2006	2,679	0.83805
2007	2,159	0.83944
2008	<u>3,728</u>	<u>0.85804</u>
	53,722	0.88930 = Average
		0.11070 = 1.00 - Average

(1) ACE Consolidated Annual Statement, Schedule P, Part 1, Column 24

(2) Internal Revenue Bulletin 2005-49, January 22, 2008

ACE Consolidated
Calculation of Average After Tax Rate of Return
2008

	(1) Average of Latest 2 Year Ends Asset Value	(2) Interest & Dividend Income	(3) Net Interest and Dividends (2) x (1 + a)	(4) Pre-Tax Return (3)/(1)	(5) Federal Tax Rate	(6) Federal Tax (3)x(5)	(7) After Tax Return ((3)-(6))/(1)
Cash & Short Term Invested Assets	529,945,277	32,841,461	31,724,718	6.0%	35.0%	11,103,651	3.9%
Bonds							
Tax Exempt		46,584,242	45,000,189		2.4% (b)	1,098,567	
Taxable		644,004,575	622,105,805		35.0%	217,737,032	
Total	12,994,647,847	690,588,817	667,105,994	5.1%		218,835,599	3.4%
Affiliated Stock at Fair Value							
Preferred	0	0	0		0.0%	0	
Common	70,061,513	0	0		0.0%	0	
Total	70,061,513	0	0	0.0%	0.0%	0	0.0%
Unaffiliated Stock at Fair Value							
Preferred	217,102,268	10,641,492	10,279,638		14.2% (c)	1,457,139	
Common	836,503,340	20,431,026	19,736,288		14.2%	2,797,619	
Total	1,053,605,608	31,072,518	30,015,926	2.8%		4,254,758	2.4%
Mortgage Loans on Real Estate	0	0	0	0	35.0%	0	0.0%
Real Estate	96,897,057	550,284	531,572	0.5%	35.0%	186,050	0.4%
Contract Loans	0	1,590,255	1,536,180	0	35.0%	537,663	0.0%
A/O Inv. Assets	423,951,674	0	0	0.0%	35.0%	0	0.0%
Total	15,169,108,974	756,643,335	730,914,390	4.8%	32.1%	234,917,721	3.3%

NOTES:

a. Investment Expenses and Write-ins for Investment Income of apply uniformly to all items of income.

	Total Interest and Dividend Income (excluding Write-ins & Expenses):	756,643,335
PLUS	Write-ins for Investment Income:	19,704,046
LESS	Investment Expenses & Real Estate Depreciation:	45,432,991
	Total Net Investment Income (incl. Write-ins, Net of Investment Expenses):	730,914,390

Write-ins / Expense Multiplier: (a) = -3.4%

b. 46.5% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate rate of 35%.
The applicable tax rate is therefore: $2.4\% = [.465 \times .15 \times .35]$

c. For domestic corporations, 30% of dividend income from unaffiliated stocks is taxed as ordinary income at a full corporate rate of 35%.
and 100% is subject to proration, so that 15% of the remaining 70% is taxed as ordinary income at a full corporate rate of 35%.
The applicable tax rate is therefore: $14.2\% = [(0.30 \times 0.35) + (0.70 \times 0.15 \times 0.35) + (0.70 \times .85 \times 0.00)]$

**ACE Consolidated
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line I Premium to Surplus Ratio

Surplus was determined by dividing the premium in Line A1 by a premium to surplus ratio.
The calculation of the premium to surplus ratio is as follows:

	2007 <u>All Lines</u>
A/S Net Written Premium	4,044,759,560
A/S Surplus as Regards Policyholders	5,310,508,977
A/S Premium to Surplus Ratio	0.762

Line J Equity to Surplus Ratio

Equity was determined by applying an equity to surplus ratio to the surplus in Line K.
The calculation of the equity to surplus is as follows:

	2007 <u>Year End</u>
ACE Consolidated	5,310,508,977
<u>ACE Ins. Co. Puerto Rico</u>	<u>16,065,210</u>
SAP Surplus: ACE Consolidated ex PR and International	5,294,443,767
GAP Equity: ACE Consolidated ex PR and International	5,824,000,000
Equity to Surplus Ratio	1.100

ACE
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line P.

<u>Year</u>	<u>Return on Equity</u>
1997	13.0%
1998	9.6%
1999	6.6%
2000	6.3%
2001	-2.2%
2002	3.1%
2003	9.7%
2004	10.7%
2005	11.6%
2006	14.4%
2007	12.6%
Average	8.7%
Selected	8.7%

Note: The source for the historical industry Returns on Equity is
Net Income / Average Policyholder Surplus from:

1997 - 2000	Standard & Poor's Industry Surveys
2001-2006	Best's Aggregates and Averages - QAR