

SERFF Tracking Number: AGNY-125339036 State: District of Columbia  
Filing Company: Granite State Insurance Company State Tracking Number:  
Company Tracking Number: AIC-07-EO-24  
TOI: 11.2 Medical Malpractice - Occurrence Only Sub-TOI: 11.2019 Optometry  
Product Name: General Healthcare Providers Professional Liability Program  
Project Name/Number: General Healthcare Providers Professional Liability Program/AIC-07-EO-24

## Filing at a Glance

Company: Granite State Insurance Company  
Product Name: General Healthcare Providers Professional Liability Program  
TOI: 11.2 Medical Malpractice - Occurrence Only  
Sub-TOI: 11.2019 Optometry  
Filing Type: Rate  
SERFF Tr Num: AGNY-125339036 State: District of Columbia  
SERFF Status: Closed-APPROVED State Tr Num:  
Co Tr Num: AIC-07-EO-24 State Status:  
Author: Myron Harry Reviewer(s): Monica Myers  
Date Submitted: 11/07/2007 Disposition Date: 11/30/2007  
Disposition Status: APPROVED  
Effective Date Requested (New): 01/01/2008 Effective Date (New):  
Effective Date Requested (Renewal): 01/01/2008 Effective Date (Renewal):  
State Filing Description:

## General Information

Project Name: General Healthcare Providers Professional Liability Program Status of Filing in Domicile: Authorized  
Project Number: AIC-07-EO-24 Domicile Status Comments:  
Reference Organization: Reference Number:  
Reference Title: Advisory Org. Circular:  
Filing Status Changed: 11/30/2007  
State Status Changed: Deemer Date:  
Created By: Myron Harry Submitted By: Myron Harry  
Corresponding Filing Tracking Number:  
Filing Description:  
Granite State Insurance Company (the "Company") currently has on file with your Department its General Healthcare Provider Professional Liability Program (the "Program"). The Company submits for your review and approval its Optometrists Rate Plan Addendum to be used with this Program.

Please refer to the attached actuarial materials for information about the rate plan addendum included in this submission.

## Company and Contact

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### Filing Contact Information

Myron Harry, myron.harry@aig.com  
175 Water Street - 17th Floor 212-458-7057 [Phone]  
New York, NY 10038 212-458-7077 [FAX]

### Filing Company Information

Granite State Insurance Company CoCode: 23809 State of Domicile: Pennsylvania  
70 Pine Street Group Code: Company Type:  
New York, NY 10270 Group Name: State ID Number:  
(212) 770-7000 ext. [Phone] FEIN Number: 02-0140690  
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### Filing Fees

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

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Monica Myers	11/30/2007	11/30/2007

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Monica Myers	11/20/2007	11/20/2007	Myron Harry	11/28/2007	11/28/2007
Industry Response						

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## Disposition

Disposition Date: 11/30/2007  
 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):
Granite State Insurance Company	%	%	\$		\$	%	%
	<b>Percent Change Approved:</b>						
	<b>Minimum:</b>	%	<b>Maximum:</b>	%	<b>Weighted Average:</b>		%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Cover Letter (P&C)		No
Supporting Document	Consulting Authorization		No
Supporting Document	Actuarial Certification (P&C)		No
Supporting Document	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)		No
Supporting Document	District of Columbia and Countrywide Loss Ratio Analysis (P&C)		No
Supporting Document	Schedule of Rates or Methodology (P&C)		No
Rate	Rate Page		No

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## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	11/20/2007
Submitted Date	11/20/2007
Respond By Date	12/04/2007

Dear Myron Harry,

Do you currently have any DC policyholders with Opometrist coverage? Would this be a new coverage for the General Healthcare Providers Professional Liability Program?

Sincerely,  
Monica Myers

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## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	11/28/2007
Submitted Date	11/28/2007

Dear Monica Myers,

### Comments:

### Response 1

Comments: Ms. Myers,

In response to your request, please be advised that this is a new coverage for Optometrists in DC, we currently do not have any policyholders for this coverage in DC.

Please let us know if we can be of any further assistance.

### Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,  
Myron Harry

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**Rate Information**

Rate data applies to filing.

**Filing Method:**

**Rate Change Type:** %

**Overall Percentage of Last Rate Revision:** %

**Effective Date of Last Rate Revision:**

**Filing Method of Last Filing:** New Coverage for Optometrists

**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):
Granite State Insurance Company	N/A	%	%				%	%



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## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
	Rate Page	Rate Page 1	New	IOWA-GENERAL HEALTHCARE PROVIDER-Rate Page-10-2007.pdf

**GRANITE STATE INSURANCE COMPANY  
GENERAL HEALTHCARE PROVIDER  
OPTOMETRISTS RATE PLAN ADDENDUM  
IOWA**

**RATES**

**1. OPTOMETRISTS OCCURRENCE BASE RATES:**

**A. Limit Options**

	<u>Employed</u>	<u>Self Employed</u>
\$100,000/\$300,000	342	411
\$200,000/\$600,000	363	435
\$500,000/\$1,000,000	424	509
\$1,000,000/\$3,000,000	511	613
\$1,000,000/\$6,000,000	520	624

**B. Territory Relativity Factors**

<u>Territory</u>	<u>County</u>	<u>Relativity</u>
Terr 01	Entire State	1.000

**2. PART TIME OR 1ST YEAR GRADUATE DISCOUNT FACTOR** 0.750

**3. GROUP CREDITS**

<u>Number of Professionals</u>	<u>Credit</u>
2-9 Professionals	4%
10-14 Professionals	8%
15 or more Professionals	12%

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## Supporting Document Schedules

**Item Status:** **Status Date:**

**Satisfied - Item:** Cover Letter (P&C)

**Comments:**

Attached please find an Explanatory Memorandum and Actuarial Exhibits.

**Attachment:**

11-07 DC Cover Letter - Rates.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:**

Attached please find an Explanatory Memorandum and Actuarial Exhibits.

**Attachment:**

DISTRICT OF COLUMBIA-General Healthcare Provider- Optometrists-Actuarial Exs-10-2007.pdf

**Item Status:** **Status Date:**

**Bypassed - Item:** District of Columbia and Countrywide Experience for the Last 5 Years (P&C)

**Bypass Reason:** Included with Actuarial Exhibits

**Comments:**

**Item Status:** **Status Date:**

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**Bypassed - Item:** District of Columbia and  
Countrywide Loss Ratio Analysis  
(P&C)  
**Bypass Reason:** N/A  
**Comments:**

**Item Status:**

**Status  
Date:**

**Bypassed - Item:** Schedule of Rates or Methodology  
(P&C)  
**Bypass Reason:** N/A  
**Comments:**



**American International Companies®**  
DBG Legal Services  
State Filings Department  
175 Water Street, 17th Floor  
New York, NY 10038  
212.458.\_\_\_\_\_ (Direct Dial)

November 7, 2007

Honorable Thomas E. Hampton  
Commissioner  
Dept. of Insurance, Securities and Banking (DISB)  
810 First Street N.E. – Suite 701  
Washington, D.C. 20002-4227  
Attn: Mr. Clark Simcock, Chief

**RE: GRANITE STATE INSURANCE COMPANY**  
NAIC #012-23809, FEIN #02-0140690  
General Healthcare Professional Liability Program  
Optometrists Rate Plan Addendum  
**File Number: AIC-07-EO-24**

Dear Mr. Simcock:

Granite State Insurance Company (the "Company") currently has on file with your Department its General Healthcare Provider Professional Liability Program (the "Program"). The Company submits for your review and approval its Optometrists Rate Plan Addendum to be used with this Program.

Please refer to the attached actuarial materials for information about the rate plan addendum included in this submission.

We wish to make this filing effective for all policies effective on or after January 1, 2008, or the earliest date permitted by your Department.

Your favorable review and approval are respectfully requested.

Very truly yours,

Myron Harry  
Filings Analyst  
State Filings Department  
Direct Dial: (212) 458-7057  
Fax: (212) 458-7077  
Email: [myron.harry@aig.com](mailto:myron.harry@aig.com)

**Granite State Insurance Company**  
**General Healthcare Provider- Optometrists**

**Explanatory Memorandum**  
**DISTRICT OF COLUMBIA**

Granite State Insurance Company is proposing to offer a new professional Liability coverage for Optometrists as part of the General Healthcare Provider Program. Since this is a new coverage, the current optometrists' rate plan of Chicago Insurance Company has been used to develop the proposed rate plan. The additional limits proposed to be offered are those currently filed under the General Healthcare Provider Program:

**Exhibit 1: *CALCULATION OF BASE RATE***

The rates have been calculated by using the implied pure premium from Chicago Insurance Company and loading it with Granite State expenses. A provision for rate inadequacy (indicated rate level change vs. selected rate change) shown in Chicago Insurance Company's last rate filing has been built into the rate to ensure rate adequacy. The proposed rates are the same as those in use by Chicago Insurance Company. The \$1,000,000/\$6,000,000 increased limit factor was interpolated using the increased limit factors from Chicago Insurance Company Optometrists' plan and Granite State's General Healthcare Provider rate plan, as the limit was not offered by Chicago Insurance Company.

**Exhibit 2: *EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO***

Expense provisions are based on the expenses found for Medical Malpractice in the American Home/National Union/New Hampshire Group Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 15%.

**Exhibit 3: *INVESTMENT INCOME EXHIBITS***

The investment income exhibits are based on American Home/ National Union/ New Hampshire Group's Annual Statement experience and incorporate the Medical Malpractice premium and program budgeted expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

**GRANITE STATE INSURANCE COMPANY  
GENERAL HEALTHCARE PROVIDER- OPTOMETRISTS**

Exhibit 1

**Derivation of Base Rates  
DISTRICT OF COLUMBIA**

1. Chicago Insurance Company \$1,000,000/\$3,000,000 Employed Optometrist Base Rates	\$1,722
2. Chicago Insurance Company's Expected Loss Ratio	48.8%
3. Chicago Insurance Company Implied \$1,000,000/\$3,000,000 Employed Optometrist Pure Premium =(1)*(2)	\$840
4. Implicit Rate Deficiency per Chicago Insurance Company's Last Rate Filing =1.39/1.2-1 (Current 8/1/2007 filing)	15.8%
5. Implied Adequate \$1,000,000/\$3,000,000 Employed Optometrist Pure Premium =(3)*[1+(4)]	\$974
6. American Home Assurance Company's Expected Loss Ratio	54.3%
7. Indicated American Home \$1,000,000/\$3,000,000 Employed Optometrist Base Rates =(5)/(6)	\$1,793
8. Selected American Home \$1,000,000/\$3,000,000 Employed Optometrists Base Rates	\$1,722

**GRANITE STATE INSURANCE COMPANY  
GENERAL HEALTHCARE PROVIDER- OPTOMETRISTS**

Exhibit 2

**Derivation of Expected Loss Ratio**

(1) Target rate of return on equity		15.0%
(2) Premium to Surplus Ratio		109.9%
(3) Target rate of return on premium [(1)/(2)]		13.6%
(4) Rate of return on premium		6.6%
(5) Target underwriting profit (loss) [(3)-(4)/.65]		10.9%
(6) Selected underwriting profit (loss)		5.0%
(7) Total Expenses		40.7%
	a. Commissions	27.50%
	b. Other Acquisition	4.99%
	c. General Expenses	1.78%
	d. Taxes, Licenses & Fees	4.36%
	e. Unallocated Loss Adjustment Expense	2.06%
<hr/>		
(8) Expected Loss Ratio [1-(6)-(7)]		54.3%

**Expenses from Countrywide American Home/National Union/New Hampshire Group IEE**

(in 000's) Expense	2006		2005		2004		3 Yr. Wght. Avg. %
	\$	%	\$	%	\$	%	
<b>Written Premium</b>	142,907	----	122,052	----	134,980	----	----
<b>Other Acquisition</b>	8,079	5.65%	6,126	5.02%	5,768	4.27%	4.99%
<b>General Expenses</b>	2,480	1.74%	2,293	1.88%	2,340	1.73%	1.78%
<b>Taxes, Licenses ar</b>	7,636	5.34%	5,483	4.49%	4,325	3.20%	4.36%



ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES

(Explanatory Notes)

## MEDICAL MALPRACTICE

A. UNEARNED PREMIUM RESERVE

1.	Medical Malpractice Direct Earned Premium for Calendar Year 2006			\$138,603
2.	Mean Unearned Premium Reserve [0.314* (1) ] (See Notes p. 2)			43,527
3.	Deduction for Prepaid Expenses (See notes p. 2)			
	a) Commission and Brokerage	27.50%		
	b) Taxes, Licenses and Fees	4.36%		
	c) 50% of Other Acquisition Expenses	2.50%		
	d) 50% of General Expenses	0.89%		
	e) Total	35.25%		
4.	Deduction for Federal Taxes Payable (See Notes p. 2)			7.0%
5.	Net Amount Subject to Investment Income [ (2) x (1.000 - (3) - (4) ) ]			25,138

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium [ (A.1) ]			138,603
2.	Average Agents' Balance (See Notes pp. 2-3)			0.159
3.	Delayed Remission [ (1) x (2) ]			22,066

C. LOSS RESERVE:

1.	Direct Earned Premium [ (A.1) ]			138,603
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR:	0.484	67,079
3.	Expected Mean Loss Reserves [1.427 x (2) ] (See Notes p. 3)			95,740

D. SURPLUS

1.	Direct Written Premium			142,907
2.	Surplus Subject to Investment [(D.1)/prem to surp]			130,034

E. NET AMOUNT SUBJECT TO INVESTMENT: [ (A.5) - (B.3) + (C.3) + (D.2) ] 228,846F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.56%G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT [ (E) x (F) ] 10,438H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) [ (G) / (A.1) ] 7.53%I. AVERAGE RATE OF RETURN (After Federal Income Taxes) [ (H) x 0.871 ] 6.56%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

MEDICAL MALPRACTICE

Line A.1

MEDICAL MALPRACTICE direct earned premium for calendar year 2006 as provided by American Home/National Union/ New Hampshire Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Medical Malpractice direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2006. See below for calculation of this ratio. This ratio is based on data for Medical Malpractice from page 15 of the Annual Statement for American Home/National Union/ New Hampshire Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2006	\$ 138,603
2. Direct Unearned Premium Reserve as of 12/31/05	23,287
3. Direct Unearned Premium Reserve as of 12/31/06	63,767
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	43,527
5. Ratio [ (4) / (1) ]	0.314

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums 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. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	<u>(In 000's)</u>
1. Net Earned Premium for Calendar Year 2006	\$ 21,215,096
2. Net Agents' Balances as of 12/31/05	2,422,685
3. Net Agents' Balances as of 12/31/06	2,845,895
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	2,634,290
5. Ratio $[(4) / (1)]$	0.124

The above percentage must be multiplied by a factor of 1.282 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.282 is based on 2006 company data.

Final adjusted Agents' Balance: 0.1592

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2004 and 2005 for Medical Malpractice Insurance. This ratio is based on Annual Statement Data.

	<u>(In 000's)</u>
1. Incurred Losses and L.A.E. for Calendar Year 2005	39,477
2. Incurred Losses and L.A.E. for Calendar Year 2006	204,914
3. Loss Reserves and L.A.E. as of 12/31/04	50,628
4. Loss Reserves and L.A.E. as of 12/31/05	77,903
5. Loss Reserves and L.A.E. as of 12/31/06	482,785
6. Mean Loss Reserve 2005: $1/2 [(3) + (4)]$	64,266
7. Mean Loss Reserve 2006: $1/2 [(4) + (5)]$	280,344
8. Ratio (6) / (1)	1.628
9. Ratio (7) / (2)	1.368
10. Average Ratio $1/2 [(8) + (9)]$	1.498
11. Loss reserve for American Home/National Union/ New Hampshire Group, selected	1.500
12. Estimated Reserve Discount	13.9%
13. Federal Taxes Payable (% of Reserves): (12) x .35	0.048
14. (11) x [1.0 - (13)]	1.427

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

MEDICAL MALPRACTICE

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	<u>Net Investment Income Earned (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2005	1,958,547	48,226,323	4.06%
2006	2,207,870	57,914,122	3.81%
<b>Total</b>	<b>4,166,417</b>	<b>106,140,446</b>	<b>3.94%</b>

<u>Year</u>	<u>Realized Capital Gains (or Losses) (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
1997-2006	2,179,232	348,904,381	0.62%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)	4.56%
---	-------

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2006 for the American Home/National Union/ New Hampshire Group.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.94%	0.094
Net Realized Capital Gains (or Losses)	0.62%	0.350
<b>Total</b>	<b>4.56%</b>	<b>0.129</b>

1.000 - Federal Income Tax Rate	0.871
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ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

<u>Line H (continued)</u>	<u>Investment Income Earned</u>	<u>Federal Income Tax Rate</u>
<u>Bonds</u>		
Taxable	\$ 208,168	0.350
<u>Non-Taxable</u>	<u>1,338,765</u>	<u>0.026</u>
Total	\$ 1,546,933	(A) 0.070
<u>Stocks</u>		
Taxable	\$ 168,925	0.123
<u>Non-Taxable</u>	<u>266,967</u>	---
Total	\$ 435,892	(B) 0.048
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	0	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	21,719	
<u>All Other</u>	<u>503,234</u>	
Sub-Total	\$ 524,953	0.350
Total	\$ 2,507,777	0.125
Investment Deductions	\$ 299,907	0.350
Net Investment Income Earned	\$ 2,207,870	0.094

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%.  $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12%  $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$ .