

**Historical and Reasonable Rates of Return
by Reinsurance Year: All Insurers
Update - March 2010**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Reinsurance Year	Net Gain (Loss) as Percent of Retained Premium	Corporate Tax Rate	Premium to Equity Ratio	Post-Tax Net Gain (Loss) as Percent of Equity	Post-Tax Return on Invested Assets	Historical Rate of Return	Reasonable Rate of Return
1989	8.2%	0.34	1.833	9.9%	6.4%	16.3%	15.9%
1990	12.5%	0.34	1.759	14.5%	6.2%	20.8%	16.2%
1991	9.3%	0.34	1.679	10.3%	6.0%	16.3%	15.4%
1992	4.7%	0.34	1.580	4.9%	6.1%	11.0%	14.5%
1993	-19.2%	0.35	1.551	-19.3%	5.9%	-13.4%	13.8%
1994	19.2%	0.35	1.506	18.8%	5.1%	23.9%	13.7%
1995	17.2%	0.35	1.339	15.0%	4.8%	19.8%	13.6%
1996	21.4%	0.35	1.133	15.8%	5.1%	20.9%	13.2%
1997	27.9%	0.35	1.070	19.4%	5.2%	24.6%	12.9%
1998	17.5%	0.35	1.052	12.0%	5.4%	17.3%	13.1%
1999	14.8%	0.35	0.970	9.3%	5.1%	14.4%	12.7%
2000	14.3%	0.35	0.935	8.7%	5.0%	13.6%	13.1%
2001	14.6%	0.35	1.089	10.3%	4.7%	15.0%	12.0%
2002	-0.6%	0.35	1.437	-0.5%	4.1%	3.5%	10.8%
2003	14.5%	0.35	1.542	14.5%	3.9%	18.4%	9.7%
2004	19.2%	0.35	1.337	16.6%	3.8%	20.4%	10.3%
2005	31.6%	0.35	1.187	24.4%	3.9%	28.4%	10.7%
2006	23.4%	0.35	1.119	17.0%	3.9%	20.9%	11.8%
2007	32.1%	0.35	1.081	22.6%	3.7%	26.3%	11.7%
2008	14.4%	0.35	1.057	9.9%	3.0%	12.9%	11.5%
2009*	34.8%	0.35	1.070	24.2%	2.2%	26.4%	10.7%
Mean						17.0%	12.7%
Std Deviation						9.1%	1.8%

NOTES ON HISTORICAL RATE OF RETURN (Columns 2 - 7)

* 2009 is preliminary and subject to change. RMA data is as of March 2010 accounting period. Some calculations use 2008 industry data for 2009. (See Table Notes (b) below for details.)

1) It is expected that the final number for Net Gain (Col 2) will be lower as a result of remaining and future claims for Reinsurance Year 2009 not reflected in the data.

2) As a result of 1) above, it is expected that the final number for Historical Rate of Return (Col 7) will also be lower than the preliminary number. Therefore, caution should be used when interpreting the 2009 number.

Notes for the derivation of the columns in the table.

(2): Reinsurance Years 1989 to 2007: Data provided to Milliman by RMA in February 2009.

Reinsurance Year 2008 updated by RMA with August 13, 2009 RMA official accounting data.

Reinsurance Year 2009 updated by RMA with RMA accounting data as of March 2010 accounting period.

(3): Table 4 in Milliman report

(4): Calculated as per Milliman methodology.

(5): (2) x (1-(3)) x (4)

(6): Milliman Table 3, with the tax rates in Milliman Table 5 applied.

(7): (5) + (6)

Table Notes for Columns (2) through (7)

(a) These columns are an update of Table 8 in Historical Rate of Return Analysis, 2009, by Milliman, Inc., David Appel, Philip S. Borba; Milliman, Inc., New York, NY; Aug. 18, 2009; page 29.

(b) 2009 industry data is not available as the source of the data (Best's Aggregates and Averages 2010 Edition) has not yet been published as of the time this table was created. Therefore 2009 uses 2008 industry data.

(c) Table Columns (2) through (7) updated March 15, 2010.

(continued on next page)

(d) 2008 includes update of 2008 industry data as reported in Best's Aggregates and Averages, Property/Casualty, United States & Canada 2009 Edition; A.M. Best Company, Oldwick, NJ; 2009.

NOTES ON REASONABLE RATE OF RETURN (Column 8)

* 2009 is subject to change.

1) Methodology is as described in Rate of Return Update - 2008: Reasonable Rate of Return; Milliman, Inc., David Appel, Philip S. Borba; Milliman, Inc., New York, NY; June 23, 2009.

2) Column (8) years 1989 to 2008 are from above report.

Column (8) year 2009 is an update using methodology cited in 1).

Column (8) is update of Table 8 in the Historical Rate of Return Analysis, 2009 cited above.

3) Sources for 2009 update are as follows

- Ibbotson SBBI 2010 Valuation Yearbook, Market Results for Stocks, Bonds, Bills, and Inflation 1926-2009; Morningstar, Chicago, IL; 2010; pages 125, 131, 137.

- The Value Line Investment Survey, Part 3 - Ratings and Reports, Issue 4, March 19, 2010; Reports on Insurance Companies.

- *The Federal Reserve Statistical Releases, Selected Interest Rates - Form H.15.*

Obtained from web site: <http://www.federalreserve.gov/econresdata/releases/statisticsdata.htm> on March 19, 2010.

Months used in calculations: December 2009, January 2010, February 2010.

4) Column (8) updated March 25, 2010.

NOTES ON OVERALL TABLE

Update errors are responsibility of RMA and not Milliman, Inc.

Updated Historical Rate of Return Analysis Report

March 31, 2010

Figure 1. Rate of Return on Equity (ROE)

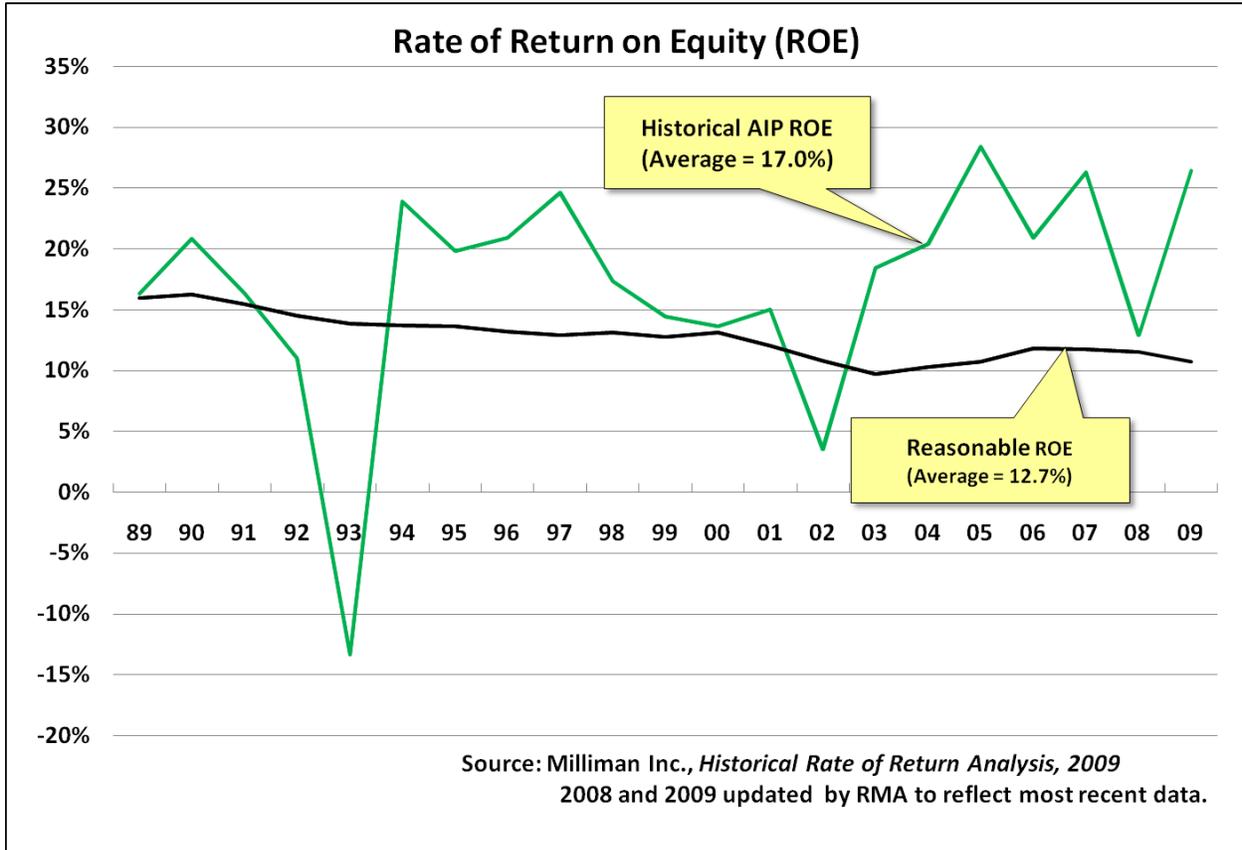


Table 1. Data Supporting Figure 1. Rate of Return on Equity (ROE)

Rate of Return on Equity		
Year	Historical Rate of Return	Reasonable Rate of Return
89	16.3%	15.9%
90	20.8%	16.2%
91	16.3%	15.4%
92	11.0%	14.5%
93	-13.4%	13.8%
94	23.9%	13.7%
95	19.8%	13.6%
96	20.9%	13.2%
97	24.6%	12.9%
98	17.3%	13.1%
99	14.4%	12.7%
00	13.6%	13.1%
01	15.0%	12.0%
02	3.5%	10.8%
03	18.4%	9.7%
04	20.4%	10.3%
05	28.4%	10.7%
06	20.9%	11.8%
07	26.3%	11.7%
08	12.9%	11.5%
<u>09</u>	<u>26.4%</u>	<u>10.7%</u>
Average	17.0%	12.7%