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March 17, 2009

Ms. Sherry Richard
Assistant Vice President - Finance
Fortress Insurance Company
6133 N. River Road - Suite 650
Rosemont, IL 60018-5173

RE: ILLINOIS MEDICAL MALPRACTICE DATA CALL

Dear Sherry:

Fortress Insurance Company (Fortress) has requested assistance from Milliman, Inc. (Milliman) in responding to the medical malpractice data call issued by the Illinois Department of Insurance. Specifically, we have been asked to provide the following information:

- Claims-made step factors and tail factors in the most recent Illinois rate filing;
- Other factors used in the rate development, including:
 - Contingency load;
 - Death, Disability and Retirement (DDR) provision;
 - Commission expenses;
 - General expenses;
 - Other acquisition expenses;
 - Taxes, licenses and fees;
 - Impact of class/territory changes (i.e., off-balance factor);
 - Profit load;
 - Reinsurance load;
 - Investment income provision;
 - Schedule credits/debits; and
 - Other factors.

In addition to specifying the factors outlined above, we have also been asked to provide a general description of the actuarial methodologies we use to monitor and assess Fortress's loss and loss adjustment expense reserves. Finally, we have allocated our October 31, 2008 countrywide ultimate loss and allocated loss adjustment expense (ALAE) estimates to a state-specific level and have summarized those results for Illinois.

Background on Fortress's Illinois Rates

Fortress's most recent rate filing in Illinois was effective December 1, 2008. We have relied on this rate filing in providing the information below. The remainder of this letter provides the requested information, along with certain explanatory comments where necessary.

Claims-Made Step Factors and Tail Factors

The following table provides Fortress's claims-made step factors and tail (also referred to as reporting endorsement) factors, expressed as a function of the mature claims-made rate:

COVERAGE YEAR	CLAIMS-MADE STEP FACTOR	TAIL FACTOR
1 st	0.37	0.69
2 nd	0.67	1.06
3 rd	0.85	1.22
4 th	0.94	1.29
Mature	1.00	1.31
Occurrence	1.11	N/A

Other Factors Used in Rate Development

The following table provides a summary of the other factors we relied on in developing our indicated rates for Fortress.

FACTOR	PROVISION	COMMENT
Contingency Load	0.0%	Function of premium
DDR Load	3.8%	Function of premium
Commission Expense	12.5%	Function of premium
General Expense	18.0%	Function of premium
Other Acquisition Expense	13.0%	Function of premium
Taxes, Licenses and Fees	4.0%	Function of premium
Class/Territory Offset ¹	N/A	Initial Illinois class/territory definitions maintained; thus, no offset calculated
Profit Load	5.0%	Function of premium
Reinsurance Load	N/A	Rate development does not include a reinsurance load
Investment Income Provision	(6.8)%	Function of premium; based on Fortress-specific payment pattern
Schedule Credit/Debit	N/A	Premium used is net of schedule credits/debits
Other – ULAE ²	7.5%	Function of loss and ALAE

¹ Fortress's class plan definitions are:
 Class I: General Dentistry
 Class II: Dental Anesthesiologist

Fortress's territory plan definitions are:
 Territory I: Cook County
 Territory II: Remainder of State
 Please note that Fortress's class and territory plans have never changed in Illinois.

² ULAE refers to unallocated loss adjustment expenses.

General Description of Assessing Fortress's Loss Reserves

As part of our reserve work for Fortress, we review the Company's claims experience as of October 31st and provide estimates of ultimate loss and ALAE (and the corresponding unpaid loss and ALAE) by year, separately for the claims-made and occurrence (including tail) business written. For credibility purposes, the analysis is conducted on a countrywide basis and designed to produce both gross and net of reinsurance estimates. The following actuarial projection methodologies are included:

- Incurred loss development method;
- Paid loss development method;
- Frequency/severity method;
- Hindsight outstanding method; and
- Bornhuetter-Ferguson method.

The results of our October 31st analysis are then used in conjunction with the actual year-end data in order to assess Fortress's year-end carried loss and loss adjustment expense reserves. In order to monitor Fortress's loss reserves between December 31st and October 31st, we also provide Fortress with loss development "benchmarks" in order to compare the emerging experience to that implicit in our year-end loss reserve estimates. Lastly, we perform a reserve analysis for Fortress's claims-made business only (from which the bulk of its reserves stem) as of June 30th each year, in conjunction with our rate-making work for Fortress.

Illinois-Specific Ultimate Loss and ALAE

The final item we were asked to provide was to develop Illinois-specific ultimate loss and ALAE by referencing our October 31, 2008 countrywide reserve analysis (note that we have not referenced our December 31st analysis, as the requisite detail underlying our October 31st analysis was more readily available, although we have shown the 2008 year on a full-year basis). For the claims-made business, we have allocated our indicated countrywide incurred but not reported (IBNR) reserves using our countrywide IBNR-to-case ratio. We did this separately for both loss and ALAE. For the occurrence business, we relied on an IBNR-to-case ratio to allocate the IBNR through the 2007 accident year, but for the 2008 accident year relied on an IBNR-to-premium ratio, due to the high leverage in the IBNR-to-case ratio for this year. We also combined loss and ALAE for the occurrence and tail business (as this is the manner in which our reserve analysis is performed). The following tables summarize the results of this process for the State of Illinois for claims-made coverage and for occurrence and tail coverage, respectively:

SUMMARY OF ILLINOIS PREMIUM AND CLAIMS EXPERIENCE GROSS OF REINSURANCE CLAIMS-MADE COVERAGE AS OF OCTOBER 31, 2008						
Report Year	Direct Earned Premium¹	Paid Loss & ALAE	Case Reserve Loss & ALAE	Incurred Loss & ALAE	Ultimate Loss & ALAE	Unpaid Loss & ALAE
2004	\$223,000	\$70,446	\$0	\$70,446	\$70,446	\$0
2005	353,000	34,295	307	34,602	34,813	519
2006	408,000	57,618	36,265	93,883	143,077	85,459
2007	532,214	23,854	21,137	44,991	72,774	48,920
2008 ²	701,977	203	28,797	29,000	131,927	131,724
Total	\$2,218,191	\$186,416	\$86,506	\$272,922	\$453,038	\$266,622

¹ Includes premium for claims-made and occurrence business (an allocation between the two was not readily available).
² 2008 year is included on a full-year basis.

SUMMARY OF ILLINOIS PREMIUM AND CLAIMS EXPERIENCE GROSS OF REINSURANCE OCCURRENCE/TAIL COVERAGE AS OF OCTOBER 31, 2008						
Accident / Cancel Year	Direct Earned Premium¹	Paid Loss & ALAE	Case Reserve Loss & ALAE	Incurred Loss & ALAE	Ultimate Loss & ALAE	Unpaid Loss & ALAE
2003	\$78,000	\$3,121	\$0	\$3,121	\$3,121	\$0
2004	223,000	77,429	249,125	326,554	449,641	372,211
2005	353,000	96,963	23,390	120,353	140,916	43,953
2006	408,000	55,012	129,383	184,396	390,136	335,124
2007	532,214	66,764	144,632	211,395	649,967	583,204
2008 ²	701,977	\$7,405	85,956	93,361	248,959	241,554
Total	\$2,296,191	\$306,694	\$632,486	\$939,180	\$1,882,740	\$1,576,046

¹ Includes premium for claims-made and occurrence business (an allocation between the two was not readily available).
² 2008 year is included on a full-year basis.

Other Considerations

Sherry, several final points should be made. First, any study of rate level requirements involves estimates of future contingencies. A coverage such as medical malpractice, with its volatile swings in frequency and severity patterns, is especially difficult to estimate. While our indications represent our best professional judgment, arrived at after careful actuarial analysis of the available data, it is important to note that a significant degree of variation from the projected underwriting results is not only possible, but in fact, probable. While the degree of such variation cannot be quantified, it could be in either direction from our estimates.

Second, we have relied on information prepared by Fortress without audit or independent verification. If the data or information provided to us is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

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We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Finally, this report has been prepared for the use of and is only to be relied upon by the management of Fortress. No portion of this report may be provided to any other party without Milliman's prior written consent. In the event such consent is provided, the report must be provided in its entirety. This report may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman or Milliman's estimates in securities filings, analyst meetings, and press releases are not authorized. We understand that Fortress may provide this letter to the Illinois Department of Insurance in support of its response to the Department's data call. We consent to such distribution so long as the letter is provided in its entirety.

We appreciate working with Fortress Insurance Company on this project. If you have any questions, please let us know.

Sincerely,



Chad C. Karls, FCAS, MAAA
Principal and Consulting Actuary



Susan J. Forray, FCAS, MAAA
Consulting Actuary

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Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Claims-Made Coverage @ 10/31/08

Derivation of Gross Ultimate Loss

	(1)	(2)	(3) (1) x (2)	(4)	(5) (3) + (4)
Report Year	Illinois Case O/S Loss	Countrywide IBNR to Case Ratio ¹	Indicated Illinois Loss IBNR	Illinois Incurred Loss	Illinois Ultimate Loss
2004	0	23.3%	0	28,000	28,000
2005	0	177.5%	0	16,500	16,500
2006	25,000	143.7%	35,934	45,500	81,434
2007	15,000	68.9%	10,328	15,000	25,328
2008	25,000	368.0%	92,003	25,000	117,003
Total	65,000		138,264	130,000	268,264

¹ From Fortress company wide reserve analysis as of 10/31/08
 Note: 2008 adjusted to reflect twelve months of exposure.

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Claims-Made Coverage @ 10/31/08

Summary of Illinois Loss - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred Loss	Paid Loss	Selected Ultimate Loss	Unpaid Loss @ 10/31/08	IBNR @ 10/31/08
2004	223,000	28,000	28,000	28,000	0	0
2005	353,000	16,500	16,500	16,500	0	0
2006	408,000	45,500	20,500	81,434	60,934	35,934
2007	532,214	15,000	0	25,328	25,328	10,328
2008	701,977	25,000	0	117,003	117,003	92,003
Total	2,218,191	130,000	65,000	268,264	203,264	138,264

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Claims-Made Coverage @ 10/31/08

Derivation of Gross Ultimate ALAE

	(1)	(2)	(3) (1) x (2)	(4)	(5) (3) + (4)
Report Year	Illinois Case O/S ALAE	Countrywide IBNR to Case Ratio ¹	Indicated Illinois ALAE IBNR	Illinois Incurred ALAE	Illinois Ultimate ALAE
2004	0	59.0%	0	42,446	42,446
2005	307	68.7%	211	18,102	18,313
2006	11,265	117.7%	13,260	48,383	61,644
2007	6,137	284.4%	17,456	29,991	47,446
2008	3,797	287.7%	10,924	4,000	14,924
Total	21,506		41,851	142,922	184,773

¹ From Fortress company wide reserve analysis as of 10/31/08
 Note: 2008 adjusted to reflect twelve months of exposure.
 Note: Includes sub-limit claims

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Claims-Made Coverage @ 10/31/08

Summary of Illinois ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred ALAE	Paid ALAE	Selected Ultimate ALAE	Unpaid ALAE @ 10/31/08	IBNR @ 10/31/08
2004	223,000	42,446	42,446	42,446	0	0
2005	353,000	18,102	17,795	18,313	519	211
2006	408,000	48,383	37,118	61,644	24,525	13,260
2007	532,214	29,991	23,854	47,446	23,593	17,456
2008	701,977	4,000	203	14,924	14,721	10,924
Total	2,218,191	142,922	121,416	184,773	63,357	41,851

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Claims-Made Coverage @ 10/31/08

Summary of Illinois Loss & ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred Loss & ALAE	Paid Loss & ALAE	Selected Ultimate Loss & ALAE	Unpaid Loss & ALAE @ 10/31/08	IBNR @ 10/31/08
2004	223,000	70,446	70,446	70,446	0	0
2005	353,000	34,602	34,295	34,813	519	211
2006	408,000	93,883	57,618	143,077	85,459	49,194
2007	532,214	44,991	23,854	72,774	48,920	27,783
2008	701,977	29,000	203	131,927	131,724	102,927
Total	2,218,191	272,922	186,416	453,038	266,622	180,115

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Occurrence/Tail Coverage @ 10/31/08

Derivation of Gross Ultimate Loss & ALAE

	(1)	(2)	(3) (1) x (2)	(4)	(5)	(6) (4) x (5)	(7)	(8)	(9) (7) + (8)
Report Year	Illinois Case O/S Loss & ALAE	Countrywide IBNR to Case Ratio ¹	Case Method Indicated Illinois IBNR	Direct Earned Premium	Countrywide IBNR to Premium Ratio ¹	Premium Method Indicated Illinois IBNR	Selected Illinois IBNR	Illinois Incurred Loss & ALAE	Illinois Ultimate Loss & ALAE
2003	0	79.5%	0	78,000	1.2%	936	0	3,121	3,121
2004	249,125	49.4%	123,087	223,000	4.3%	9,569	123,087	326,554	449,641
2005	23,390	87.9%	20,563	353,000	4.7%	16,712	20,563	120,353	140,916
2006	129,383	159.0%	205,741	408,000	8.4%	34,236	205,741	184,396	390,136
2007	144,632	303.2%	438,572	532,214	12.8%	68,029	438,572	211,395	649,967
2008	85,956	2700.0%	2,320,787	701,977	22.2%	155,599	155,599	93,361	248,959
Total	632,486		3,108,749	2,296,191		285,081	943,561	939,180	1,882,740

¹ From Fortress company wide reserve analysis as of 10/31/08

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Fortress Insurance Company
Dentists Professional Liability (Direct Business)
Occurrence/Tail Coverage @ 10/31/08

Summary of Illinois Loss & ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5)	(6)
					(4) - (3)	(4) - (2)
Report Year	Direct Earned Premium	Incurred Loss & ALAE	Paid Loss & ALAE	Selected Ultimate Loss & ALAE	Unpaid Loss & ALAE @ 10/31/08	IBNR @ 10/31/08
2003	78,000	3,121	3,121	3,121	0	0
2004	223,000	326,554	77,429	449,641	372,211	123,087
2005	353,000	120,353	96,963	140,916	43,953	20,563
2006	408,000	184,396	55,012	390,136	335,124	205,741
2007	532,214	211,395	66,764	649,967	583,204	438,572
2008	<u>701,977</u>	<u>93,361</u>	<u>7,405</u>	<u>248,959</u>	<u>241,554</u>	<u>155,599</u>
Total	2,296,191	939,180	306,694	1,882,740	1,576,046	943,561

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.