

Signals

NEWS AND INFORMATION FOR COMMERCIAL LINES AGENTS

MESSAGE FROM THE PRESIDENT



Douglas R. Jones
President and CEO
Arbella Protection
and Arbella Indemnity

Nothing breeds confidence like confidence.

That may sound strange on the surface. But on the heels of our fifth consecutive “best ever” year in commercial lines, it makes perfect sense.

By continuing to favor Arbella with your best business, you helped make 2006 yet another historic year. Thank you for playing an integral part in our mutual success.

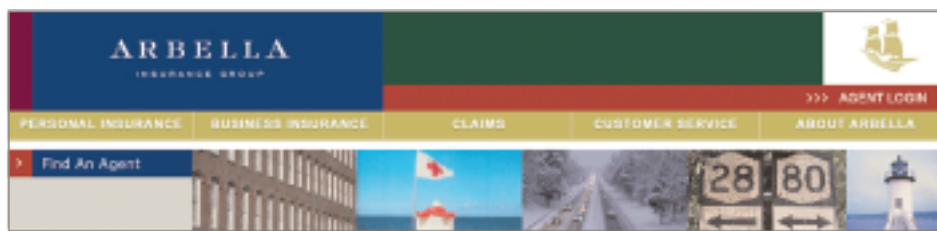
That success has set the bar mighty high for 2007, particularly in light of the current soft market for commercial lines. Still, it’s worth a look back at 2006’s record numbers:

- 11 percent increase in commercial package
- 18 percent increase in workers’ compensation
- 10 percent increase in total voluntary premium
- 93.8 net combined ratio; including 83.7 in Rhode Island
- \$4.5 million profit-sharing payout

Our three core strengths — underwriting expertise, claims and operational excellence and the quality of our agent force

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Arbella.com Features at a Glance



Commercial Auto Electronic Applications

Last September, we introduced an enhancement allowing you to submit commercial auto applications through Arbella.com. This feature expedites the commercial auto new business application process, resulting in quicker policy delivery to customers.

BOP Quick Quote

Don’t overlook the Businessowner Program Quick Quote. This feature, found on the new business menu, allows you to get a no-frills BOP price in only two screens. As the name implies, this is a great tool to use when you need a price ASAP.

Express Endorsement Request

You can request policy changes to artisan, businessowners, commercial auto, and commercial package policies by simply logging on

to Arbella.com. Search and locate the policy, then click the “Change Request” form in the “Billing and Policy Inquiry” page. It’s as simple as that.

Commercial Lines Reference Center

The commercial lines reference center is one of Arbella.com’s most popular tools. We update this great feature regularly with the most current information pertaining to our commercial lines products, allowing you to identify the business that truly defines our appetite.

Arbella.com Support Hotline

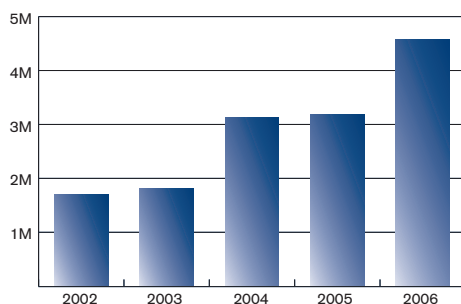
If you have any questions pertaining to the personal lines and commercial lines portions of Arbella.com, call our Arbella.com tech support hotline at 1-800-Arbella ext. 3. Our online support teams will be happy to assist you.

Online Commercial Lines Tools Training

Agents who are trained by one of our field people use our BOP and commercial auto software more frequently and with greater confidence. So, please ask your marketing representative for an overview of these Arbella.com products.

We developed these features to make it easier for you to write commercial lines business with us. We understand that our Web site is a work in progress. That’s why we continue to listen, document, and, in many cases, implement your suggestions. For example, based on your comments, we recently decided to post commercial auto modifications on Arbella.com.

COMMERCIAL LINES PROFIT SHARE PAYOUTS 2002-2006



Putting Commercial Auto into Overdrive

We're hungrier than ever before for your commercial auto business. That's not just talk. We back it up with the flexibility offered by our three voluntary ratings tiers.

With our preferred and standard rating tiers, we can offer competitive pricing on your best commercial auto business. And our bridge tier provides great flexibility in renewing existing commercial auto customers who are: (a) borderline candidates for CAR's ceded pool or (b) looking to transition out of the ceded pool. This tier also lets you write new business with a slightly higher risk profile. That kind of flexibility can translate to a savings of five percent or more for customers and additional commission and profit-sharing dollars for you.

Many carriers will ask for your commercial auto business. With the flexibility of our rating tiers and our increased appetite, we're equipped to earn it. To find out more on how we can create a win-win situation for your commercial auto business, please contact your underwriter or marketing representative. As always, you can refer to Arbella.com's Eligibility Guidelines to prequalify potential new business.

Recent Product Enhancements

Keeping our products fresh and up-to-date is another way we make it easier for you to make Arbella part of your day every day. These recent product changes are good examples.

Herbicide/Pesticide Endorsement

We now offer an herbicide / pesticide coverage endorsement in Massachusetts and Rhode Island for use with our package, artisan, and general liability policies. The coverage is designed for lawn care professionals and landscape gardeners whose application of herbicides and pesticides comprises less than 30 percent of their total receipts.

The coverage is only available to qualified, properly licensed lawn care professionals. Limits of \$50,000 occ. /\$100,000 agg. are available for a flat charge of \$150. Increased limits at \$100,000 occ./\$300,000 agg. can be purchased for \$250. Ask your underwriter or marketing representative for more information.

Both of these enhancements came as a direct result of comments from our agent advisory council and customer service advisory council. We have even more changes in the works, so stay tuned for future announcements once all the filings have been approved.

BOP/Safe Harbor Enhancements

We have also made enhancements to our Businessowners Safe Harbor endorsement and expanded eligibility for the BOP policy. An important enhancement to the Safe Harbor endorsement is the increase in our ordinance or law coverage. If your client suffers a partial loss and local ordinance requires demolition of the property, or reconstruction with better materials, we will cover these increased costs up to \$100,000. The coverage is still free, and double the limit previously provided.

Spring Breakfast Meetings



Several years ago, we promised to provide regular updates on the status of all things Arbella. That promise evolved into our fall and spring breakfast meetings — a promise we continue to keep each year.

New Marketing Vice President Rick Grisolia hosted this year's spring meetings, held in Plymouth, Quincy, Sturbridge, and Wakefield, with a similar session planned for Rhode Island later this spring. Each meeting featured presentations by John Donohue, Doug Jones, and Andrea Mackay on 2006's record-setting results.

Mr. Donohue reminded all of two other important promises kept: to steadily improve our results each year, and to lead the fight against phony efforts at auto insurance reform. He thanked agents for the role they have played in fighting the attempts by large out-of-state insurers to undermine Mass. auto and reminded them to stay involved and informed on this hot-button issue. Mr. Donohue also thanked agents for their help in making 2006 a historic year for Arbella and urged them to continue to favor us with their best personal and commercial lines business.

His presentation concluded with an update of Arbella's branding campaign, including a presentation of three new video clips to appear on Arbella.com. Following the formal meeting, agents were invited to attend a video demonstration of private passenger upload, the newest addition to electronic submission capabilities through Arbella.com.

Our agent breakfast meetings typically take place every March and October/November. If you were unable to attend this year's meetings, please contact your marketing representative for a brief overview of their content.

Grisolia Joins Arbella as Marketing VP

Arbella recently hired Rick Grisolia as vice president of marketing. In this newly-created position, he will be responsible for all aspects of our marketing, brand, and agent functions.



Rick Grisolia

An insurance industry veteran of more than 20 years, Grisolia has extensive experience in the areas of underwriting, pricing, sales, marketing, product development, and reinsurance.

He comes to Arbella after more than 11 years with Atlantic Mutual where he served first as a regional vice president and eventually became an officer and vice president overseeing marketing, underwriting and sales activities for 16 states across the southern and western regions of the US.

“We’re thrilled to have someone of Rick’s talent, experience and versatility leading our marketing team,” said John Donohue, chairman of Arbella Insurance Group. “As we continue to grow and develop the Arbella brand, we’ll rely heavily on Rick’s expertise and vision to take our marketing efforts to the next level.”



with
Rick
Grisolia

Title: Vice President, Marketing

Education: Bachelor of Science in Business Administration, Baker University; MBA, Webster University

First job in insurance: Personal lines underwriting trainee, Aetna

Started with Arbella: February 2007

What was your first impression of Arbella?

RG: That it was a very well managed company from a financial perspective.

How many agents have you spoken with, either in person or by phone, since you started?

RG: I lost track after 100.

What’s been the easiest transition to your new job?

RG: The welcoming environment both here at Arbella and with agents.

What’s been the most difficult?

RG: Adjusting to how Massachusetts does auto insurance and the relationship with CAR.

If you had to pinpoint one characteristic about Arbella, the one that made the biggest impression on you and drew you to the company, what would that be?

RG: Commitment. The people at Arbella are committed to the core business values and practices that they know will bring success.

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Workers Compensation Growth Continues

In 2006, Arbella wrote \$13.4 million in workers’ compensation business, up 17.6 percent from the previous year. That figure becomes even more impressive when you consider workers comp experienced an 11.4 percent growth in 2005.

That kind of growth is no coincidence. We’ve increased our appetite considerably for workers’ compensation business as part of our commercial package and BOP accounts over the last several years. While the objective is to write all lines of business for an account, we have written many new

workers compensation policies on a mono-line basis.

Our enthusiasm towards workers’ comp business stems from several key factors. From a global perspective, there have been dramatic improvements in workplace safety over the last decade, with lower accident frequency and severity rates. Second and probably more importantly, we possess a very high level of expertise when it comes to handling workers’ comp accounts.

Arbella’s Anchor Solutions loss control, claims and medical case management professionals know how to control exposures,

reduce accidents, and manage claim costs. Couple that with our seasoned underwriting staff’s capabilities and writing workers’ comp business becomes an appealing and profitable proposition.

Even more enticing for agents and customers is our 10 percent deviation for qualifying accounts. Combine this with one of our 40 individual classification deviations and we can offer up to 20 percent off standard rates!

For more information on our eligibility guidelines for workers’ comp accounts, please contact your underwriter.

MESSAGE FROM THE PRESIDENT

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— lay the foundation for success. But it's how we augment those attributes, with innovative products and services and some key intangibles, that carries Arbella to a higher plane.

A great example is our bridge tier. Incorporated into our offerings at the end of 2005, the bridge tier gives agents a viable alternative for commercial auto accounts that might otherwise end up in the ceded pool.

business. They've experienced soft markets before and know how to responsibly underwrite business in this climate. As a result, we're able to expand our appetite for certain types of business and for larger-sized operations that we may not have previously written.

Adjusting our appetite, responding to your comments, and incorporating your suggestions into actual products and services are just some of the ways we earn your best business.

We're a local company that puts a premium on listening — from the customer service rep to the CEO.

A second example lies in the loss control and case management capabilities available through our subsidiary, Anchor Solutions. They have proven a tremendous benefit to workers' compensation customers. By taking steps to minimize exposures, we help reduce the number of workers' comp claims. And when claims do arise, our case management professionals provide the oversight needed to avert exaggerated claims and to get injured employees back to work in a timely fashion.

Consider, also, the online products available at Arbella.com. We have a variety of tools, databases, and other features in e-SUITE™ that allow you to do business with us anywhere you have an internet connection, seven days a week, 24 hours a day.

Yet it's the intangibles where I believe we shine brightest. We want to make it as easy as possible to do business with Arbella and we put our money where our mouth is. Perhaps our most valuable intangibles remain our "localness" and accessibility. We're a local company that puts a premium on listening — from the customer service rep to the CEO. We're not some big, distant corporation. We're real people who live and work in your communities, and we are always open to your ideas and suggestions.

Today's commercial lines market presents many challenges, particularly when it comes to getting the appropriate premium for each risk. Our underwriters average 25 years' experience writing commercial lines

They are part of the formula that has led to record-breaking results for us and to record-breaking payouts for agents. That's why we not only feel we've earned your best business, but warrant more of it as well. As our performance clearly shows, we have earned it. And we will continue to earn it day after day.

Thank you once again for helping us make history in 2006. You can rest assured that the last key ingredient to our formula for success — our strong desire to continuously improve — will stay in place as we work to exceed your needs and expectations.

COMMERCIAL LINES ADMIRAL AGENTS FOR 2006-2007

Albert G. Brock Company, Inc
Carey, Richmond & Viking
Chisholm Insurance Agency, Inc.
Commonwealth Insurance Partners, LLC
Dadgar Insurance Agency, Inc.
Decarolis Insurance Agency, Inc.
Dowling Insurance Agency, Inc.
Eastern Insurance Group, LLC
Gencorp Insurance Group, Inc
Global Insurance Network, Inc.
Ideal Insurance Agency, Inc.
Insurance Center of New England, Inc.
Lawrence Carlin Insurance, Inc.
Lighthouse Insurance Agency, Ltd
Marketing Associates Ins. Agency, Inc .
Mone Insurance Agency, Inc.
Northstar Insurance Services, Inc.
Prescott & Son Insurance Agency, Inc.
President Insurance Agency, Inc.
Rodman Insurance Agency, Inc.
Rogers & Gray Insurance Agency, Inc.
Segreve & Hall Insurance, Inc.
Southeastern Insurance Agency, Inc.
Sudbury Insurance Agency, Inc.
R. L. Tennant Insurance Agency, Inc.
L. V. Toole Insurance Agency, Inc.

New Stewardship Program makes UNCOMMON SENSE

For us, being a good business partner means taking a personal interest in your customers. With our new large account stewardship program, we mean that literally. We'll meet them with you, face-to-face – to review their accounts and to share our expertise in loss control, claims management, and underwriting.

The new program, which began last November, is tailored to multi-line commercial clients (other than contractors) with premiums of \$200,000 or more. It's a good way for you, your clients and some of our claims, loss control and underwriting professionals to get acquainted. It gives everybody a chance to exchange information, update policies, plan follow-up meetings and simply put names to faces.

For clients accustomed to dealing with impersonal national carriers, that's huge. From our perspective, helping customers minimize risk and benefit most from their patronage of Arbella just makes sense.

To find out more about the stewardship program, please contact your commercial underwriter.