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Statement of Actuarial Opinion

Annual Statement of
American Commerce Insurance Company
For the Year Ended December 31, 2007

I, Warren S. Ehrlich, Assistant Vice President – Senior Actuary, am an officer of Commerce Insurance Company, a member of the American Academy of Actuaries, and meet its qualifications standards. I am a Fellow of the Casualty Actuarial Society. I was appointed by the Board of Directors of the American Commerce Insurance Company ("the Company") on December 3, 2007 to provide this opinion.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2007. The Company is part of an intercompany pooling agreement with other affiliates of the Commerce Group (the four companies in the group/pool are Commerce Insurance (lead company), Citation Insurance, American Commerce Insurance, Commerce West and State-Wide Insurance Companies). Premiums and losses are allocated to the Company based on its assigned percentage of the total pool. Analysis of the reserve items identified has been performed for all pool companies combined. Any favorable or adverse development will impact pool members in a manner consistent with their pool participation.

The amounts listed in Exhibit A reflect the Loss Reserve Disclosure items (8) through (13) in Exhibit B.

My review was based upon summaries of exposures, loss data, and other related information for the Company and the other four companies in the Group.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by Randall Becker, SVP and Chief Financial Officer of the Company. I evaluated the data used directly in my analysis for reasonableness and consistency. I also reconciled that data and the data from the other four companies to a composite Schedule P – Part 1 comprising the total intercompany pool to which the Company belongs. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary. In my opinion, this review was conducted in accordance with commonly accepted loss and loss expense reserving methods and was based on actuarial factors that are relevant after due inquiry as to policy provisions.

OPINION

In my opinion, that amounts carried in Exhibit A on account of the items identified:

(A) Meet the requirements of the insurance laws of the State of Ohio.

(B) Are consistent with reserves computed in accordance with generally accepted actuarial standards and principles.

(C) Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements. This is a Category a. determination (Determination of Reasonable Provision).

RELEVANT COMMENTS

Based on my understanding of the use of this Opinion, I evaluated materiality in the context of 15% of the Company's net loss and LAE reserves, 25% of statutory surplus, and the action/control level from the Risk-Based Capital position at December 31, 2007, of which the minimum was selected (15% of reserves). I considered adjusting this amount to reflect the difference between the booked and the actuarial point estimate reserves, which would have increased the standard, but decided not to do so. Since reserves are the selected basis for the materiality standard, the materiality standard for each company is equivalent to that using a total materiality amount for the pool multiplied by the pooling percentage. Other measures of materiality might be used for reserves that are being evaluated in a different context. In this Opinion, I therefore considered an adverse deviation of $10.7 million to be material. At this time, my assessment is that the Company does not have a significant risk for a material adverse deviation. Please note that the Commerce Group primarily writes personal auto, does not write long tailed lines and has booked reserves above the Actuarial Central Estimate for reserves.

There have been no material changes in the actuarial assumptions and/or methods from those used as of December 31, 2006, i.e., in the assumptions and/or methods used to analyze each company's pre-pooled data.

The estimation of unpaid losses and loss adjustment expense is based on factors existing at the date of estimation. I have assumed that coverages will not be broadened by legislative action or judicial interpretation. Similarly, the estimates of the reserves cited in Exhibit A make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or which are not yet quantifiable. In addition, future events or events for which the impact on the ultimate loss and loss adjustment expenses cannot be readily determined at the date of estimation may result in loss and loss adjustment expenses significantly varying from a reasonable provision as of the date of the estimation. No warranty is expressed or implied that such variance will not occur.

I have reviewed the Company's exposure to asbestos and environmental claims. In my opinion, there is a remote chance of material liability, since the Company has not provided coverage that could reasonably be expected to produce material levels of asbestos and/or environmental

liability claims activity. The Company does not write "extended loss" policies and does not have material exposure to the 2005 hurricanes (e.g. Katrina).

During the course of my analysis, I reviewed the Company's exposure to terrorist attack losses. No claims have been presented to date. In my opinion, the risk of significant liabilities as of December 31, 2007 arising from terrorist attack losses is remote, given the nature of the coverage provided by the Company and prevailing coverage interpretations.

The Company does not discount loss and loss adjustment expense reserves.

The Company takes credit for expected future salvage and subrogation recoveries in its reserves. The amount is shown on Exhibit B.

The Company participates in certain voluntary and involuntary pooling arrangements (directly or by inter-company pooling). The Company records 100% of the loss and loss adjustment expenses reserves reported to it by these pools. For the Commonwealth Automobile Reinsurers pool (CAR), by far the largest pool the Company participates in, the Company also adds an accrual for reporting lag. I have relied upon the Statement of Actuarial Opinion of Alan M. Hines, PriceWaterhouseCoopers, LLP for CAR reserves (as of September 30, 2007). Commonly accepted actuarial techniques are used to establish pool reserves.

I am not aware of any reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or financial reinsurance.

The Company does not have exposure to long duration contracts defined as being single or fixed premium policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium adjustment (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts).

Ceded loss reserves are all, with one exception, either with residual market pools or, if a material amount, with companies rated A+ or better by A.M. Best Company as of February 26, 2008 or fully collateralized. The exception is AAA Southern New England Insurance Company, which is rated NR-1 by A.M. Best Company and is a newly formed insurance company owned by AAA Southern New England. Past uncollectibility levels and current amounts in dispute have been reviewed and found to be immaterial relative to surplus. Therefore, reinsurance collectibility does not appear to be an issue. Relying on the information cited above, I have treated the reported net reinsurance recoverables as collectible for purposes of this study and have not anticipated any contingent liability that could arise if any of the reinsurers prove unable to meet their loss and loss adjustment expense obligations under the terms and conditions of their contracts with the Company.

ACTUARIAL OPINION

I have reviewed the Company's Calculations of the National Association of Insurance Commissioners; Insurance Regulatory Information System tests that relate to the Company's December 31, 2007 loss and loss adjustment expense reserves (Test 11, One Year Reserve Development to Surplus; Test 12, Two Year Reserve Development to Surplus; and Test 13, Estimated Current Reserve Deficiency to Surplus). No exceptional values were noted with respect to the Company's December 31, 2007 loss and loss adjustment expense reserve tests.

I have not reviewed the Company's unearned premium reserves nor have I performed any analysis to determine whether a premium deficiency reserve is needed to supplement the unearned premium reserves reported by the Company.

My review was limited to the liability items shown herein and did not include an analysis of any other balance sheet items. I have not examined the assets of the Company, and I have formed no opinion as to the validity or value of these assets. My opinion of the reserves rests upon the presumption that all reserves are supported by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet the cash flow requirements of the liabilities.

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An actuarial report and any underlying actuarial work papers supporting this actuarial opinion will be retained for a period of seven years in the administrative offices of the Company and will be available for regulatory examination.

My review related only to those reserves identified herein, and I do not express an opinion on the Company's financial statement taken as a whole.

This statement of opinion is solely for the use of and only to be relied upon by the Company and the various state insurance departments with which it files its Annual Statement and is not intended for any other purpose.

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February 27, 2008

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Attachments