# Best's Rating Report


## ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Hamilton HM 11, Bermuda


**A**


**Operating Company Non-Life**

**ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED**

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**AMB#: 085055** **AIIN#: AA-3190004**


### BEST'S CREDIT RATING

**Best's Financial Strength Rating:** A **Outlook**: Stable

**Best's Financial Size Category:** XIII

### RATING RATIONALE

**Rating Rationale:** The ratings reflect Associated Electric & Gas Insurance Services Limited's (AEGIS) excellent risk-adjusted capitalization and historically strong long-term financial performance. AEGIS' investment strategy emphasizes diversification and a relatively conservative approach to preservation of capital and yield enhancement. These favorable factors are partially offset by the periodic unfavorable loss experience in certain lines of business over time. Management continues to focus on the company's operating performance by improving its risk management strategies, including premium rate adjustments, continued refinement of its underwriting criteria and the judicious use of available reinsurance protection. AEGIS continues to demonstrate a strong market profile as evidenced by a high member retention ratio, an adaptive and highly responsive management team, and the continued expansion of programs within its corporate mission.

Although AEGIS is well positioned at its current rating level, key rating drivers that may lead to positive movement in AEGIS' ratings are the sustained favorable underwriting performance and the significant improvement in the company's risk-adjusted capitalization.

Key rating drivers that could negatively impact the ratings are increased underwriting volatility, significant investment losses, or an outsized catastrophe, in conjunction with a decline in the risk-adjusted capitalization.

## FIVE YEAR RATING HISTORY

| Date | Best's FSR | Date | Best's FSR |
|---|---|---|---|
| 08/17/17 | A | 06/18/14 | A |
| 07/12/16 | A | 06/24/13 | A- |
| 06/11/15 | A | | |

## BUSINESS PROFILE

AEGIS writes excess general liability coverage on a claims-first-made basis, to which employers' liability coverages can be added . The company also writes directors and officers liability, professional liability and fiduciary and employee benefits liability coverages on a claims-first-made basis and excess workers' compensation coverage on an occurrence basis. The company also writes property coverages and offers a cyber program.

AEGIS accepts business primarily from brokers but can write policies directly for utilities and other energy-related businesses. Its operations as a surplus lines insurer in the United States are supported by its wholly owned managing general agent, AEGIS Insurance Services, Inc., which provides AEGIS and its affiliates with professional staff and services.

In 1999, AEGIS formed Lloyd's Syndicate 1225, known as AEGIS London, which writes most of AEGIS' international business. AEGIS London provides an array of energy and non-energy coverages which helps to reduce the volatility of the overall underwriting results of AEGIS.

AEGIS has historically formed strategic alliances with other insurance carriers to serve members' needs for admitted paper and primary coverages. AEGIS supports these alliances by reinsuring the carrier. These coverages provide primary commercial general liability, commercial automobile and workers' compensation coverages, excess workers' compensation coverage in certain jurisdictions, and umbrella coverages that are issued to utilities and other energy-related businesses.

AEGIS benefits from specialized expertise in providing a variety of liability and property coverages and risk management services to utilities and related energy companies. This strategy has brought significant surplus growth while retaining virtually all of the original core membership.

Insureds that participate only in the affiliation programs, such as AEGIS London, are provided the full support of AEGIS but are not considered full members of the company, do not vote on AEGIS matters, and do not participate in its continuity credit benefits. Certain of the non-traditional programs currently offered are also not eligible for continuity credits and do not provide voting rights. The company offers separate London and property credits for those policyholders that participate in these programs.

**Scope of Operations:** As a mutual insurer, AEGIS' primary purpose is to provide liability and property insurance coverage for policyholder-owner members in the electric and gas utility and related energy industries. The company's core lines of business are excess liability, D&O and excess workers' compensation. It also provides property and cyber coverage, as well as a full line of integrated financial products.

## RISK MANAGEMENT

AEGIS has an enterprise risk management (ERM) program and a strategic planning process to improve the quality of operational decision-making. Its long-term goal is to serve the energy industry by providing consistently superior insurance and risk management products and services, through a secure and stable company, enabling members to achieve the lowest overall long-term cost of risk. Management asserts that a well-developed ERM program allows AEGIS to better navigate fluctuating market conditions and provide a more stable insurance platform for its members.

The company has an enterprise risk management steering committee that is chaired by the CEO and comprised of senior officers. The committee's primary function is to identify and evaluate risks confronted by the company. In addition, it recommends policies and processes needed to identify, manage, monitor and control exposures to significant risks, and assist the CEO in identifying and executing risk mitigation strategies and changes to AEGIS' overall risk profile. The company's enterprise risk management activities are discussed regularly with the board of directors as well as with its internal and external stakeholders. It has historically defined its group risk appetite to be a 99% probability of not reducing surplus by more than 30% in any one year, which is applicable to all facets of its business (underwriting, investments, loss reserving, etc.), and used as a measurement against surplus.

**Catastrophe Exposure and Management:** AEGIS provides, directly and through alliances and affiliates, a full array of liability and property insurance coverages to the energy industry. As such, it is exposed to frequent and destructive industry catastrophe events such as gas explosions, wildfires, hurricanes, wind, earthquakes, floods and other perils. While the company maintains a solid reinsurance program and is not highly dependent on the use of reinsurance to manage its book of business, it regularly performs extensive modeling in conjunction with its actuaries to assess exposure to hurricane, earthquake, wind and other perils. AEGIS assesses the reinsurance structures and limits that are most responsive to the company's value-at-risk/tolerance levels. Decision points are analyzed using metrics such as the corporate risk tolerance, examination of 1-in-100-year and 1-in-200-year events, reinsurance efficiency, capital adequacy and volatility.

**Regulatory and Accounting Environment:** Insurance companies in Bermuda are supervised by the Bermuda Monetary Authority. Bermuda companies fall into two principal categories: companies incorporated by Bermudians to trade primarily in Bermuda (must be at least 60% owned by Bermudians) and companies incorporated by non-Bermudians for the purpose of conducting business outside Bermuda (known as exempted companies). AEGIS is an exempted company in Bermuda and is therefore exempted from those provisions of Bermuda law which stipulate that at least 60% of its equity must be beneficially owned by Bermudians.

In Bermuda, there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory to pay dividends. The only 'tax' imposed on an exempted company such as AEGIS is an annual government fee, which is dependent

upon the level of authorized capital, payable in January of each year. Under the Insurance Act 1978, AEGIS is also required to pay an annual insurance license fee by 31st March each year.

The Bermuda Government has enacted The Exempted Undertaking Tax Protection Act 1966, as amended, under which the Minister is authorized to give an assurance to an exempted company that "in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations" until March 18, 2016. AEGIS received such assurance by letter dated 2 November 1987. In accordance with the Exempted Undertaking Tax Protection Amendment Act 2011, this assurance was extended until March 31, 2035.

In 1983, AEGIS elected to be taxed as a United States corporation and has since filed U.S. federal income tax returns.

## OPERATING PERFORMANCE

**Operating Results:** AEGIS' overall operating performance has been favorable. The company consistently produced positive operating results, measured by pre-tax operating returns in each of the most recent five years, largely the result of strong investment income combined with strong underwriting results. Operating performance and underwriting results were strong in 2015 and 2016. While operating performance in 2009 through 2016 compared favorably to year-end 2008, the company's pre-tax profit and net income fell markedly in both 2012 and 2011 compared to 2010. This decline was attributable to catastrophe losses related to Superstorm Sandy, Japan and New Zealand earthquakes, Thailand floods, U.S. tornadoes, as well as losses related to significant turbine, boiler and excess liability claims from several insureds.

AEGIS historically relied on investment earnings to support overall net income and underwriting results were managed toward the break-even level. However, increased loss experience on its excess liability line of business and volatility in the bond and equity marketplace led to decreased profitability and produced a sizable erosion in policyholders' surplus in 2008. AEGIS recovered this entire lost surplus by 2012 and currently operates above its pre-2008 surplus level. The company's investment performance rebounded significantly in 2009 through 2016, despite the historically low-interest-rate environment.

Gross premiums written grew from the end of 2011 to the end of 2016. Continued growth in AEGIS' core lines, combined with the significant increase in writings through AEGIS London and the domestic property program, have contributed positively to AEGIS' overall writings. Despite necessary rate increases, AEGIS has demonstrated its ability to maintain its current base of insureds and to attract some new members through its strong market presence and the offering of additional products. Management has indicated that AEGIS has experienced an increased level of competition, particularly within its directors and officers line, and in London businesses. Nonetheless, management anticipates higher premium volume due to growth in the product lines it offers. In addition, AEGIS has taken strong underwriting and rating actions with a number of those members that have generated substantial loss experience.

The company places considerable emphasis on generating an optimum return while preserving capital and maintaining sufficient liquidity to meet ongoing claims and operating expenses. The overall goal is to provide an efficient utilization of funds that effectively generates sufficient additional earnings to stabilize the costs of insurance for its members. As such, AEGIS is a conservative, highly diversified, total-return-oriented investor. It works closely with the investment committee of the board of directors and its investment advisors to develop asset allocation strategies which are expected to produce superior after-tax returns at an acceptable level of risk.

**Underwriting Results:** The company's strong underwriting results over the most recent five years combined with investment income helped produce positive net income in each of those years. In 2015 and 2016, underwriting results were favorable primarily due to favorable prior year reserve development across all lines of business, but were partly offset by higher current accident year property losses. Management anticipates further underwriting improvement in the near future given the continued revision of its operational decision-making processes, and as member accounts are re-underwritten. Operating earnings have also been offset historically by the distribution of continuity credits, which led to planned reductions in retained profit.

Underwriting profits have been reported in four of the five most recent years, which highlights management's efforts to properly price each risk and to reduce its reliance on investment income in this low-interest-rate environment. The company generally prices its business on a "total return" basis, i.e., the planned use of the company's investment results to support underwriting pricing. AEGIS has low-cost operations and its philosophy is to have members share in the investment income generated from their premiums through the company's member credit programs. A significant component of the company's operating ratio is attributable to the effect of member continuity credits that are applied as offsets to a member's subsequent year premium charge.

**Investment Results:** The portfolio at year-end was allocated approximately 85% to fixed-income securities, 5% to cash and cash equivalents, and the remainder in equities and equity funds, syndicated bank loans, direct lending, REITs and convertibles. The fixed-income holdings are comprised primarily of high-quality corporate bonds, mortgage-backed securities and high-yield securities. Pre-2008, the equity portfolio had been placed in domestic and international equity funds and hedge funds. In response to the financial market turmoil in 2008, AEGIS significantly reduced its direct equity exposures and began the liquidation of its fund-of-funds hedge fund investments. The duration of the portfolio is short at 1.4 years. Approximately 33% of the investment portfolio was designated held-to-maturity, which will decrease surplus volatility from capital market fluctuations and provide a stable foundation for future growth.

## BALANCE SHEET STRENGTH

**Capitalization:** AEGIS remains adequately capitalized to its investment, reinsurance and underwriting risks per its Best Capital Adequacy Ratio (BCAR) score. Capitalization significantly weakened in 2008, largely due to a reported net loss that included significant investment-related realized losses and impairment charges, which produced a USD 323 million or 30% erosion in policyholders' surplus. Surplus began to rebound thereafter, increasing by approximately USD 670 million since then. While not anticipated, management has also indicated it can further adjust the level of its member credits or again curtail their issuance from year to year to boost capitalization levels, should the need arise.

**Underwriting Leverage:** The gross leverage measures are at their lowest level since the early 2000s. Gross premiums written are stable since 2012. In recent years, AEGIS has re-underwritten a number of accounts and increased premium rates as needed to offset poor loss experience. Also, the current soft markets impact AEGIS London. Underwriting leverage is considered to be low in the past five years, on a net premiums written basis.

**Liquidity:** A favorable liquidity position is maintained with about 67% of total assets invested. Equity investments have fluctuated over the past several years. Due to volatile market conditions in 2008, AEGIS reduced its overall allocation to equity investments, invested mainly in equities, REITs, and equity funds (8%). AEGIS' implicit investment risk is partially mitigated by its use of various portfolio managers, careful monitoring of results and exposures by management, and extensive diversification among holdings. Income expectations from any foreign-currency-denominated fixed-income securities are generally forward hedged to the US dollar. Risk of possible rate rises has been mitigated by managing to a target duration of two years (currently at 1.4 years), improving liquidity.

### Summarized Accounts as of December 31, 2016

Data reflected within all tables of this report has been compiled from the consolidated financial statements of this company (Source: Company Financial Statement).

An independent audit of the company's affairs through December 31, 2016, was conducted by Deloitte & Touche LLP.

## ASSETS

| | 12/31/2016 USD(000) | 12/31/2016 % of total | 12/31/2015 USD(000) |
|---|---|---|---|
| Cash and equivalents | 227,162 | 3.7 | 256,538 |
| Long term fixed maturity investments | 3,332,452 | 54.8 | 3,129,759 |
| Equity investments | 399,250 | 6.6 | 385,742 |
| Other investments | 134,614 | 2.2 | 103,924 |
| Invested assets | 3,866,316 | 63.5 | 3,619,425 |
| Receivables | 235,495 | 3.9 | 211,218 |
| Reinsurance recoverable | 1,055,558 | 17.3 | 940,443 |
| Deferred policy acquisition cost | 55,100 | 0.9 | 55,547 |
| Other assets | 647,579 | 10.6 | 635,111 |
| Total assets | 6,087,210 | 100.0 | 5,718,282 |

## LIABILITIES & SURPLUS

| | 12/31/2016 USD(000) | 12/31/2016 % of total | 12/31/2015 USD(000) |
|---|---|---|---|
| Property / Casualty reserves | 3,068,261 | 50.4 | 2,879,855 |
| Unearned premium reserves | 713,035 | 11.7 | 719,937 |
| Total policy reserves | 3,781,296 | 62.1 | 3,599,792 |
| Other liabilities | 877,216 | 14.4 | 828,385 |
| Total liabilities | 4,658,512 | 76.5 | 4,428,177 |
| Accumulated other comprehensive income | 46,343 | 0.8 | 19,865 |
| Retained earnings | 1,382,105 | 22.7 | 1,269,990 |
| Other equity | 250 | … | 250 |
| Total equity | 1,428,698 | 23.5 | 1,290,105 |
| Total liabilities & equity | 6,087,210 | 100.0 | 5,718,282 |

## STATEMENT OF INCOME

| | 12/31/2016 USD(000) | 12/31/2015 USD(000) |
|---|---|---|
| Direct premiums written | 1,230,200 | 1,217,678 |
| Reins assumed | 6,275 | 32,832 |
| Gross premiums written | 1,236,475 | 1,250,510 |
| Reins ceded | 414,520 | 390,389 |
| Net premiums written | 821,955 | 860,121 |
| Change in unearned premiums | -16,500 | -32,564 |
| Net premiums earned | 838,455 | 892,685 |
| Net investment income | 100,780 | 85,557 |
| Net realized gains/(losses) | 14,151 | -102,482 |
| Net unrealized gains/(losses) | 2,794 | 134 |
| Non-operating revenue | … | 28,642 |
| Total revenue | 956,180 | 904,536 |
| Benefits & reserves | 569,308 | 535,092 |
| Operating expenses | 198,957 | 212,128 |
| Non-operating expenses | 22,333 | … |
| Total benefits & expenses | 790,598 | 747,220 |
| Earnings before interest & taxes (EBIT) | 165,582 | 157,316 |
| Pre-tax income/(loss) from continuing operations | 165,582 | 157,316 |
| Total taxes | 53,467 | 70,162 |
| Net income/(loss) before minority interest | 112,115 | 87,154 |
| Net income/(loss) from continuing operations | 112,115 | 87,154 |
| Net income/(loss) | 112,115 | 87,154 |

The caption "Benefits & reserves" above refers to this company's net claims incurred for property/casualty business.

## STATEMENT OF CHANGES IN EQUITY

| | 12/31/2016 USD(000) | 12/31/2015 USD(000) |
|---|---|---|
| AOCI - beginning balance | 19,865 | 38,461 |
| AOCI - change in unrealized gains/losses on investments | 26,478 | -18,596 |
| AOCI - ending balance | 46,343 | 19,865 |
| Other equity, beg. bal. | 250 | 250 |
| Other equity, end. bal. | 250 | 250 |
| Retained earnings, beginning balance | 1,269,990 | 1,182,836 |
| Retained earnings, net income | 112,115 | 87,154 |
| Retained earnings, ending balance | 1,382,105 | 1,269,990 |
| Total shareholder equity | 1,428,698 | 1,290,105 |

## STATEMENT OF CASH FLOWS

| | 12/31/2016 USD(000) | 12/31/2015 USD(000) |
|---|---|---|
| Net cash provided/(used) in operating activities | 173,972 | 193,841 |
| Net cash provided/(used) in investment activities | -208,433 | -650,265 |
| Effect of exchange rates on cash | 5,085 | -356 |
| Total increase (decrease) in cash | -29,376 | -456,780 |
| Cash, beginning balance | 256,538 | 713,318 |
| Cash, ending balance | 227,162 | 256,538 |

## HISTORY

The company was organized under the laws of Bermuda as a non-assessable mutual insurance company in 1971. It commenced operations in March of 1975, under the name of General Assurance Services Limited (GAS) to provide general liability insurance to gas utilities in the United States. In 1978, the company expanded its base of insureds beyond gas utilities to include electric utilities and adopted the name Associated Electric & Gas Insurance Services Limited (AEGIS).

Effective December 31, 1988, the company assumed all of the assets and liabilities of Directors & Officers Liability Insurance, Ltd. (DOLI), under a

portfolio transfer agreement. In 1998, the company received approval to establish its Lloyd's syndicate, AEGIS Energy Syndicate 1225, known as AEGIS London. It commenced business on January 1, 1999.

## MANAGEMENT

The company is a mutual insurance company owned by utility and related-energy company members headquartered primarily in the United States and Canada.

The board of directors is comprised mainly of prominent energy executives and is chaired by Wesley W. von Schack. The staff is headed by President & CEO Owen M. Ryan. Mr. von Schack is the former Chairman, President & CEO of Energy East Corporation. Prior to assuming the chair of AEGIS, Mr. von Schack held the position of Chairman of the Audit & Finance Committee and has been a director of AEGIS since 1997.

Since July 1, 1983, management of the company's affairs has been under a service agreement with its wholly owned subsidiary, AEGIS Insurance Services, Inc. The management company is headed by Owen M. Ryan, President & CEO, who joined in 2016, after serving as CEO at Deloitte Advisory.

In addition to an Executive Committee, an Audit & Finance Committee, an Investment Committee, a Loss Control Committee and an Underwriting Committee, the board has a Risk Management Advisory Committee (RMAC) comprised of risk management representatives of the member companies and chaired by the Chairman of the Board. The RMAC and senior management are also supported by member task forces that provide additional expertise and counsel, which currently focus on evolving utility industry risks and enterprise risk management.

**Officers:** Chairman, Wesley W. von Schack; Vice Chairman, Gregory E. Abel; President and Chief Executive Officer, Owen M. Ryan; Assistant Vice Presidents, William P. Cullen, William Hillman; Secretary, Mark A. Walsh; Treasurer, Rip Reeves; Actuary, Simon J. Day; Controller, Michael S. Johnson; Assistant Secretary, Stephen P. Byrne; Assistant Treasurer, Patricia L. McKenna.

**Directors:** Gregory E. Abel, Robert W. Best, Thomas G. S. Busher, Christopher M. Crane, Thomas F. Farrell, II, Walter M. Higgins, Christopher P. Johns, James J. Jura, Constance H. Lau, Ronald L. Litzinger, Jane L. Peverett, Owen M. Ryan, Charles A. Schrock, William B. Timmerman, Wesley W. von Schack (Chairman).

**Territory:** AEGIS is an eligible surplus lines insurer in all US jurisdictions; a licensed foreign insurance company in all provinces and territories of Canada; and on the general register of foreign reinsurers in Mexico.

## REINSURANCE

The major reinsurance treaties include casualty aggregate excess of loss, casualty excess of loss, terrorism aggregate, cyber quota share and property quota share, per risk excess of loss and catastrophe programs.

AEGIS purchases reinsurance protection to minimize volatility, protect surplus and lower the overall cost of risk for the membership. For the casualty program, AEGIS purchases cover for USD 30 million in excess of USD 5 million (USD 100 million annual aggregate deductible) which allows AEGIS to smooth experience in the more volatile layers while retaining the more predictable layer (severity protection). Protection for the casualty aggregate is USD 145 million in excess of USD 235 million. This cover protects AEGIS' net retention from frequency. The property line has a net maximum for any one risk of USD 225 million. The company purchases property quota share of the first USD 30 million and an excess of loss cover of USD 195 million in excess of USD 30 million. The property quota share has an occurrence limit of USD 136 million and inures to the catastrophe tower of USD 135 in excess of USD 20 million. The top layer of USD 30 million is shared with the London Syndicate and is in excess of USD 125 million (Mutual) and USD 67.5 million (Syndicate). For its terrorism exposure, terrorism is covered in the property reinsurance treaties and the company purchases protection of USD 100 million in excess of USD 30 million. AEGIS began purchasing protection for the cyber product during 2015. The maximum Cyber limit offered by AEGIS is USD 75 million which is protected by a 90% quota share with no occurrence cap for the first USD 50 million and a 100% surplus share up to USD 75 million with no occurrence cap.

## BALANCE SHEET ITEMS

| | USD (000) 2016 | USD (000) 2015 | USD (000) 2014 | USD (000) 2013 | USD (000) 2012 |
|---|---|---|---|---|---|
| Invested assets | 3,866,316 | 3,619,425 | 3,129,476 | 3,258,595 | 3,264,688 |
| Total assets | 6,087,210 | 5,718,282 | 6,037,151 | 5,757,767 | 5,599,079 |
| Total liabilities | 4,658,512 | 4,428,177 | 4,815,604 | 4,601,584 | 4,498,889 |
| Total equity | 1,428,698 | 1,290,105 | 1,221,547 | 1,156,183 | 1,100,190 |
| Total capital | 1,428,698 | 1,290,105 | 1,221,547 | 1,156,183 | 1,100,190 |

## INCOME STATEMENT ITEMS

| | USD (000) 2016 | USD (000) 2015 | USD (000) 2014 | USD (000) 2013 | USD (000) 2012 |
|---|---|---|---|---|---|
| Gross premiums written | 1,236,475 | 1,250,510 | 1,348,493 | 1,280,125 | 1,244,704 |
| Net premiums written | 821,955 | 860,121 | 943,102 | 878,492 | 763,257 |
| Net investment income | 100,780 | 85,557 | 83,065 | 70,589 | 82,729 |
| Net realized gains/(losses) | 14,151 | -102,482 | -1,022 | 40,809 | 63,285 |
| Net income/(loss) | 112,115 | 87,154 | 66,868 | 89,632 | 19,595 |

## LIQUIDITY RATIOS (%)

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Total investments to total reserves | 108.3 | 107.7 | 98.2 | 96.9 | 100.9 |
| Liquid assets to total liabilities | 85.0 | 85.2 | 78.0 | 80.0 | 81.1 |
| Total investments to total liabilities | 87.9 | 87.5 | 79.8 | 80.1 | 81.8 |
| Bonds to total reserves | 88.1 | 86.9 | 70.0 | 74.2 | 79.4 |

# Best's Rating Report

### PROFITABILITY RATIOS (%)

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Loss ratio | 67.9 | 59.9 | 64.6 | 71.0 | 78.3 |
| Expense ratio | 20.2 | 21.5 | 25.4 | 26.4 | 30.0 |
| Combined ratio | 88.1 | 81.5 | 90.0 | 97.4 | 108.3 |
| Investment income ratio | 12.0 | 9.6 | 9.3 | 8.8 | 10.3 |
| Return on assets | 1.9 | 1.5 | 1.1 | 1.6 | 0.4 |
| Return on revenues | 13.4 | 9.8 | 7.5 | 11.1 | 2.4 |
| Return on equity | 8.3 | 6.9 | 5.6 | 7.9 | 1.8 |

### LEVERAGE & DEBT RATIOS (%)

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Net premiums written to equity | 57.5 | 66.7 | 77.2 | 76.0 | 69.4 |
| Cash and equivalents to total assets | 3.7 | 4.5 | 11.8 | 7.4 | 7.4 |

## Why is this *Best's® Rating Report* important to you?

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899.

A Best's Financial Strength Rating (FSR) is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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