Best's Rating Report

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED (AEGIS)

Hamilton HM 11, Bermuda

A

Operating Company Non-Life

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED (AEGIS)

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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 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.

The company's ratings could be pressured if external market conditions weaken significantly, resulting in weakened free cash flow, decline in liquidity, increase in leverage, and outsized catastrophe or investment losses in conjunction with a decline in risk-adjusted capitalization.

FIVE YEAR RATING HISTORY

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

BUSINESS PROFILE

AEGIS writes excess general liability coverage that provides a maximum policy limit of up to USD 35 million on a claims-first-made basis, to which can be added employers' liability coverages. 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, each up to a maximum of USD 35 million. In addition, the company writes property coverages with limits up to USD 200 million, and in 2014 introduced a property consortium program that increases coverage limits to USD 350 million for certain risks. A cyber program was launched in early 2013, which provides a maximum policy limit of up to USD 50 million.

AEGIS accepts business from brokers and also writes 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 now provides an array of energy and non-energy coverages which helps to reduce the volatility of the overall results of AEGIS. AEGIS London has contributed over USD 300 million (after-tax) to the parent's surplus since its inception.

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. For the last three years, the company's overall member retention ratio averaged 97%.

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. At year-end 2015, members numbered 295, down from 308 at year-end 2014 due to consolidation activity and to members not renewed. AEGIS gained seven new members and lost 20, but lost no core utility members in 2015. 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 program (ERM) 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 2014 and 2015. While operating performance in 2009 through 2015 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 turbine, boiler and excess liability and 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 in 2008, 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 USD 323 million or 30% erosion in policyholders' surplus that year. AEGIS recovered this entire lost surplus by 2012 and by year-end 2015 added an additional USD 209 million to its pre-2008 surplus level. The company's investment performance rebounded significantly in 2009 through 2014, despite the historically low-interest-rate environment, but investment returns in 2015 due to a volatile equity market and adverse foreign currency fluctuations were negative.

Gross premiums written grew 9.7% from the end of 2011 to the end of 2015. 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: Although the company's underwriting costs in three of the past seven years exceeded earned premiums, investment income helped produce positive net income in each of those years. Since 2008, reserve strengthening in the excess liability line of business, combined with losses from the California wildfires in 2008 and Superstorm Sandy in 2012, negatively impacted underwriting results. In 2013, AEGIS experienced favorable loss development across all lines of business except domestic property, which had further development of Superstorm Sandy losses. In 2014 and 2015, underwriting results were favorable primarily due to favorable prior year reserve development across all lines of business, but were partly offset by higher current year 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. Based on recent positive financial results, AEGIS increased the level of D&O credits from 2.5% of allocated surplus to 3%, and reinstated the excess liability credit program at 3% of allocated surplus for the 2016 credit year that begins July 1, 2016.

Underwriting profits have been reported in three 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. Directors and officers remains one of AEGIS' larger lines of business in terms of premium volume and it continues to have a strong impact on the company's overall underwriting results. Results for this line of business have been consistently favorable for more than 10 years. In more recent years, the property line of business has generated the highest loss ratios.

Investment Results: The portfolio at year-end 2015 was allocated approximately 76% to fixed-income securities, 7% to cash and cash equivalents, 6% to equities and 3% to equity funds. The remaining 8% is invested in 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 maturities of its fixed-income securities are 88% less than five years, 8% five-to-ten, and 4% over-ten years. In 2008, investment results were a negative USD 301 million due to that year's financial market turmoil. These losses were recovered by 2012. In the five most recent years, investment results have ranged from a high of USD 188 million in 2009 to negative USD 17 million in 2015. In 2015, approximately 30% 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 USD 104 million in 2009, USD 139 million in 2010, USD 49 million in 2011, USD 50 million in 2012, USD 56 million in 2013, USD 65 million in 2014, and USD 69 million in 2015. 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. Surplus fell substantially in 2008, but through year-end 2015 exceeded its pre-2008 level by 19%, and the gross and net leverage measures have improved to the pre-2008 level.

Gross premiums written decreased 7% in 2015, following growth of 5%, 3%, 9% and 12%, respectively, in each of the preceding years. In recent years, AEGIS has re-underwritten a number of problem accounts and increased premium rates as needed to offset poor loss experience. Additional premium growth over the six-year period is related primarily to its excess liability and property lines of business and AEGIS London. In 2015, AEGIS London recorded a premium revenue decrease due to a soft market. In 2009, AEGIS significantly reduced its level of participation in the Liberty Mutual alliance but increased it slightly in 2013. In 2015, the Liberty Mutual alliance was replaced by a new alliance with Everest National Insurance Company.

Liquidity: A favorable liquidity position is maintained with about 68% of total assets invested as of December 31, 2015. Equity investments have fluctuated over the past several years. Due to volatile market conditions in 2008, AEGIS reduced its overall allocation to equity investments from 22% at year-end 2007 to 9% at December 31, 2015, invested mainly in equities (6%), and equity funds (3%). 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 U.S. dollar. Risk of possible rate rises has been mitigated by managing to a target duration of two years, improving liquidity.

Summarized Accounts as of December 31, 2015

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, 2015, was conducted by Deloitte & Touche LLP.

ASSETS

	12/31/2015 USD(000)	12/31/2015 % of total	12/31/2014 USD(000)
Cash and equivalents	256,538	4.5	713,318
Long term fixed maturity investments	3,129,759	54.7	2,739,715
Equity investments	335,602	5.9	300,619
Other investments	154,064	2.7	89,142
Invested assets	3,619,425	63.3	3,129,476
Receivables	211,218	3.7	242,995
Reinsurance recoverable	940,443	16.5	1,211,877
Deferred policy acquisition cost	55,547	1.0	67,148
Other assets	635,111	11.1	672,337
Total assets	5,718,282	100.0	6,037,151

LIABILITIES & SURPLUS

	12/31/2015 USD(000)	12/31/2015 % of total	12/31/2014 USD(000)
Property / Casualty reserves	2,879,855	50.4	3,165,788
Unearned premium reserves	719,937	12.6	747,717
Total policy reserves	3,599,792	63.0	3,913,505
Other liabilities	828,385	14.5	902,099
Total liabilities	4,428,177	77.4	4,815,604
Accumulated other comprehensive income	19,865	0.4	38,461
Retained earnings	1,269,990	22.2	1,182,836
Other equity	250	…	250
Total equity	1,290,105	22.6	1,221,547
Total liabilities & equity	5,718,282	100.0	6,037,151

STATEMENT OF INCOME

	12/31/2015 USD(000)	12/31/2014 USD(000)
Direct premiums written	1,217,678	1,312,451
Reins assumed	32,832	36,042
Gross premiums written	1,250,510	1,348,493
Reins ceded	390,389	405,391
Net premiums written	860,121	943,102
Change in unearned premiums	-32,564	45,136
Net premiums earned	892,685	897,966
Net investment income	85,557	83,065
Net realized gains/(losses)	-102,482	-1,022
Net unrealized gains/(losses)	134	994
Non-operating revenue	28,642	…
Total revenue	904,536	981,003
Benefits & reserves	535,092	579,749
Operating expenses	212,128	249,218
Non-operating expenses	…	42,587
Total benefits & expenses	747,220	871,554
Earnings before interest & taxes (EBIT)	157,316	109,449
Pre-tax income/(loss) from continuing operations	157,316	109,449
Total taxes	70,162	42,581
Net income/(loss) before minority interest	87,154	66,868
Net income/(loss) from continuing operations	87,154	66,868
Net income/(loss)	87,154	66,868

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

STATEMENT OF CHANGES IN EQUITY

	12/31/2015 USD(000)	12/31/2014 USD(000)
AOCI - beginning balance	38,461	39,965
AOCI - change in unrealized gains/losses on investments	-18,596	-1,504
AOCI - ending balance	19,865	38,461
Other equity, beg. bal.	250	250
Other equity, end. bal.	250	250
Retained earnings, beginning balance	1,182,836	1,115,968
Retained earnings, net income	87,154	66,868
Retained earnings, ending balance	1,269,990	1,182,836
Total shareholder equity	1,290,105	1,221,547

STATEMENT OF CASH FLOWS

	12/31/2015 USD(000)	12/31/2014 USD(000)
Net cash provided/(used) in operating activities	193,841	183,195
Net cash provided/(used) in investment activities	-650,265	103,564
Effect of exchange rates on cash	-356	-2,070
Total increase (decrease) in cash	-456,780	284,689
Cash, beginning balance	713,318	428,629
Cash, ending balance	256,538	713,318

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. It commenced business on January 1, 1999.

At year-end 2015, capitalization of AEGIS consisted of a statutory surplus fund of USD 250,000, policyholders' surplus of USD 1,269,990,000, and accumulated other comprehensive income of USD 19,865,000.

MANAGEMENT

The company is a mutual insurance company owned by 295 utility and related-energy company members headquartered primarily in the United States and Canada.

The board of directors is comprised mainly of prominent utility executives and is chaired by Wesley W. von Schack. The staff is headed by President & Chief Executive Officer 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.

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 comprised of risk management representatives of the member companies and chaired by the Chairman of the Board. The Risk Management Advisory Committee and senior management are also supported by member task forces that provide additional expertise and counsel, which currently focus on evolving utility industry risks, enterprise risk management, and a directors & officers handbook.

Officers: Chairman, Wesley W. von Schack; Vice Chairman and Vice President, Richard G. Reiten; 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.

Directors: Gregory E. Abel, Philip C. Ackerman, Keith E. Bailey, Robert W. Best, R. Don Cash, Christopher M. Crane, W. R. P. Dalton, Thomas F. Farrell II, Stephen E. Frank, Walter M. Higgins, Christopher P. Johns, James J. Jura, Constance H. Lau, Ronald L. Litzinger, George L. Mazanec, Eugene R. McGrath, Jane L. Peverett, Richard G. Reiten, 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 are the casualty aggregate excess of loss, the casualty excess of loss, the terrorism aggregate, cyber quota share and the property quota share, per risk excess of loss and catastrophe programs.

Commencing January 1, 2016, the casualty aggregate excess of loss treaty covers aggregate retained losses for USD 115 million excess of USD 235

million and is 100% placed. Subject losses to the program are the first USD 5 million in loss per policy. This treaty covers all casualty lines of business.

The casualty excess of loss treaty provides coverage of USD 30 million excess of USD 5 million per loss, per policy after the USD 100 million annual aggregate deductible. This cover is 100% placed. The casualty excess of loss program covers all casualty lines of business insured or reinsured by AEGIS, inclusive of workers' compensation with the exception of assumed admitted business. Primary participants on these programs are Lloyd's of London, Everest Re, Odyssey Re, SCOR Re, and Hannover Re.

At January 1, 2016, AEGIS purchased a terrorism aggregate excess of loss treaty covering all lines of business. This treaty's term is 12 months. Coverage applies excess of a USD 30 million aggregate net retention for each accident year for both certified and non-certified acts of terrorism including nuclear, biological and chemical acts of terrorism. The limit is USD 100 million and is 100% placed. Primary participants on the terrorism program are Lloyd's of London and Validus Reinsurance.

AEGIS purchases a cyber quota share treaty providing coverage of 90% of USD 50 million per policy. Primary participants on the cyber program are Lloyd's of London, Hannover Re, SCOR Re, Tokio Millenium Re, Axis Re and NEIL Ltd.

The AEGIS property reinsurance program consists of three treaties: a 75% quota share of the first USD 30 million of loss, effective May 1, 2016, with a USD 136 million limit for any one occurrence (USD 102 million at 75%). A property per risk excess of loss treaty, effective May 1, 2016, placed in three layers (USD 20 million excess of USD 30 million; USD 50 million excess of USD 50 million; USD 100 million excess of USD 100 million). All per risk layers are 100% placed. The first layer has two reinstatements, one at 50% and one at 100%, the second layer has two reinstatements both at 100%, and the top layer has one reinstatement at 100%. All per risk layers include terrorism coverage. A property catastrophe program, effective June 1, 2016, 100% placed in two layers (USD 30 million excess of USD 20 million and USD 125 million excess of USD 50 million). Each layer has one reinstatement at 100%. Both layers cover all perils and include aggregate terrorism coverage. Primary participants on the property programs are Lloyd's of London, Hannover Re and SCOR Re.

BALANCE SHEET ITEMS

	USD (000) 2015	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011
Invested assets	3,619,425	3,129,476	3,258,595	3,264,688	3,072,723
Total assets	5,718,282	6,037,151	5,757,767	5,599,079	5,290,224
Total liabilities	4,428,177	4,815,604	4,601,584	4,498,889	4,240,283
Total equity	1,290,105	1,221,547	1,156,183	1,100,190	1,049,941
Total capital	1,290,105	1,221,547	1,156,183	1,100,190	1,049,941

INCOME STATEMENT ITEMS

	USD (000) 2015	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011
Gross premiums written	1,250,510	1,348,493	1,280,125	1,244,704	1,140,260
Net premiums written	860,121	943,102	878,492	763,257	827,915
Net investment income	85,557	83,065	70,589	82,729	78,495
Net realized gains/(losses)	-102,482	-1,022	40,809	63,285	39,475
Net income/(loss)	87,154	66,868	89,632	19,595	47,061

LIQUIDITY RATIOS (%)

	2015	2014	2013	2012	2011
Total investments to total reserves	107.7	98.2	96.9	100.9	100.7
Liquid assets to total liabilities	84.1	78.0	80.0	81.1	77.8
Total investments to total liabilities	87.5	79.8	80.1	81.8	83.5
Bonds to total reserves	86.9	70.0	74.2	79.4	74.1

PROFITABILITY RATIOS (%)

	2015	2014	2013	2012	2011
Loss ratio	59.9	64.6	71.0	78.3	72.0
Expense ratio	21.5	25.4	26.4	30.0	28.7
Combined ratio	81.5	90.0	97.4	108.3	100.7
Investment income ratio	9.6	9.3	8.8	10.3	9.7
Return on assets	1.5	1.1	1.6	0.4	0.9
Return on revenues	9.8	7.5	11.1	2.4	5.8
Return on equity	6.9	5.6	7.9	1.8	4.6

LEVERAGE & DEBT RATIOS (%)

	2015	2014	2013	2012	2011
Net premiums written to equity	66.7	77.2	76.0	69.4	78.9
Cash and equivalents to total assets	4.5	11.8	7.4	7.4	8.8

Best's Rating Report

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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