AM Best
September 4, 2024

Guide to *Best's Credit Reports*

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Understanding Insurer Performance and Creditworthiness

AM Best: What We Do

AM Best is a global credit rating agency, news publisher and data analytics provider specializing in the insurance industry. Headquartered in the United States, the company conducts business in over 100 countries with regional offices in London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City.

Business professionals throughout the world have referred to Best's Credit Ratings for more than a century as a forward-looking, independent and objective opinion of an insurer's creditworthiness. Each credit rating involves the extensive quantitative and qualitative analysis of an insurer's balance sheet strength, operating performance, business profile and enterprise risk management.

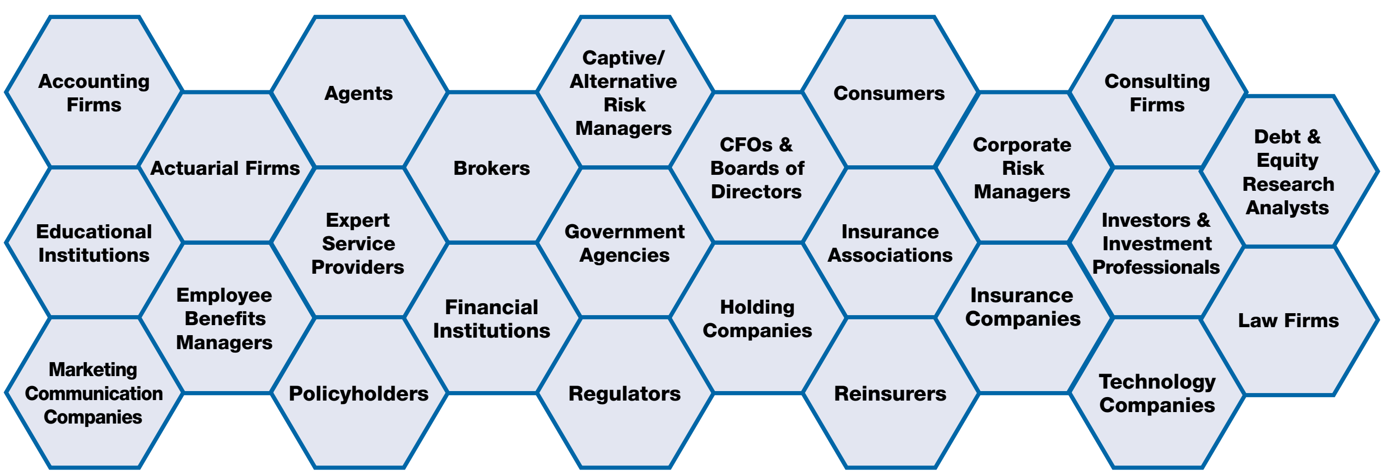
Why *Best's Credit Reports*?

Best's Credit Reports, which explain the details behind this analysis, are a critical tool for understanding an insurer's credit rating. They provide expert commentary, based on ongoing interaction with insurance company management, that extends beyond data to communicate AM Best's complete, unbiased opinion of insurer financial strength. To complement this analysis of the rating process, we offer dynamic company information and data in *Best's Financial Reports*.

With a clear understanding of the factors that support insurer creditworthiness, you'll be better positioned to make more informed, more strategic credit decisions. In the pages that follow, we'll break down the report section by section to expand upon its content, clarifying what it means and why it's important.

AM Best Rating Services assesses the creditworthiness of and/or reports on over 16,000 insurance companies worldwide. While the report images shown in this guide are based on the US property/casualty industry, we also offer credit reports on life/health, health, title and global (non-US) insurers.

Who uses *Best's Credit Reports*?



On Which Types of Companies Does AM Best Publish *Best's Credit Reports*?

AM Best uses the concept of a "rating unit" in evaluating members of insurance groups. This approach recognizes that the financial performance of certain insurance group members may be so intertwined that they are most appropriately analyzed as a whole. Therefore, the analysis behind Best's Credit Ratings is completed at the rating unit level, and *Best's Credit Reports* are published for the rating units AM Best uses to analyze the companies we rate.

Best's Financial Reports are published for both rating units and legal entity group member companies, offering updates to the financial data and other company information.

How Can *Best's Credit Reports* Help Me?

Best's Credit Reports give professionals across many disciplines a window into the rating process, helping them to:

- Assess insurer creditworthiness.
- Research whether the company backing an insurance policy is in a stable enough position to pay its claims and financial obligations.
- Understand an insurer's financial condition when determining their suitability for a merger or acquisition.
- Determine whether an insurer is a good prospect for their products and services.
- Gain a better picture of the financial health of individual insurers and the well-being of local and international insurance markets.
- Evaluate insurers/reinsurers when exploring reinsurance arrangements.
- Provide valuable financial strength information about insurers when potential policyholders are contemplating purchasing decisions.
- Offer a high-level academic resource, giving students access to the same information as insurance professionals.

Best's Credit Report, Explained

Best's Credit Ratings: Current Rating Details at a Glance

A. Best's Financial Strength Rating

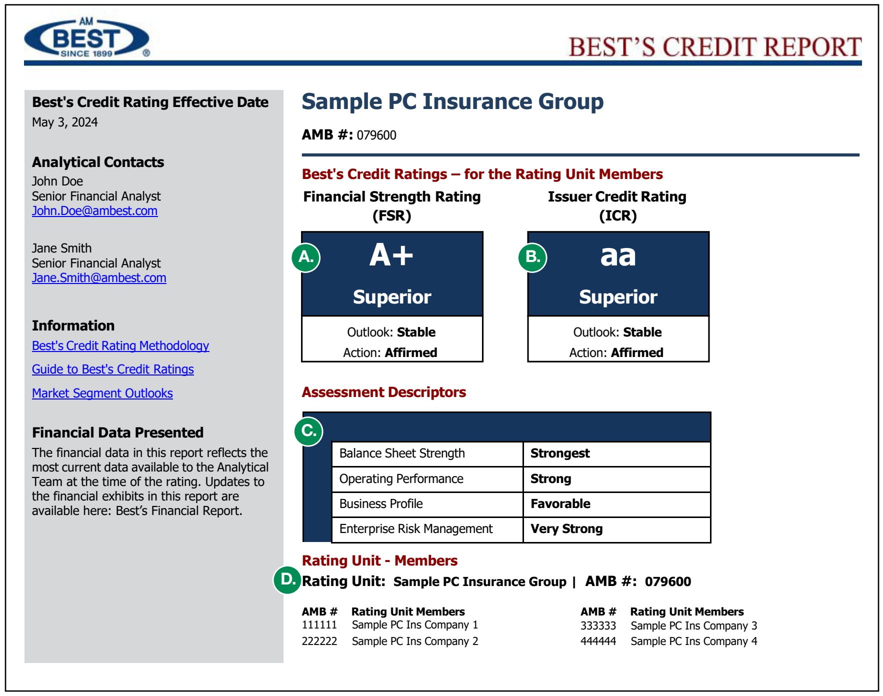
is an independent opinion of an insurer's financial strength and ability to meets its ongoing insurance policy and contract obligations.

B. Best's Issuer Credit Rating

is an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

C. Assessment Descriptors

indicate the assessment of an insurer in four key categories: balance sheet strength, operating performance, business profile and enterprise risk management. See breakdown below.



BEST'S CREDIT REPORT

Best's Credit Rating Effective Date
May 3, 2024

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Information
Best's Credit Rating Methodology
Guide to Best's Credit Ratings
Market Segment Outlooks

Financial Data Presented
The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Sample PC Insurance Group
AMB #: 079600

Best's Credit Ratings – for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A. A+ Superior	B. aa Superior
Outlook: **Stable** Action: **Affirmed**	Outlook: **Stable** Action: **Affirmed**

Assessment Descriptors

C.

Balance Sheet Strength	**Strongest**
Operating Performance	**Strong**
Business Profile	**Favorable**
Enterprise Risk Management	**Very Strong**

Rating Unit - Members
D. **Rating Unit: Sample PC Insurance Group | AMB #: 079600**

AMB #	Rating Unit Members	AMB #	Rating Unit Members
111111	Sample PC Ins Company 1	333333	Sample PC Ins Company 3
222222	Sample PC Ins Company 2	444444	Sample PC Ins Company 4

D. A list of **Rating Unit – Members** appears when AM Best evaluates the members of an insurance group as a whole. It includes the name of the Rating Unit that was used as part of the analytical process, along with each of the members that were rated during this analysis.

Rating Unit Assessment Types and Descriptors

Balance Sheet Strength	Operating Performance	Business Profile	Enterprise Risk Management (ERM)
Strongest	Very Strong	Very Favorable	Very Strong
Very Strong	Strong	Favorable	Appropriate
Strong	Adequate	Neutral	Marginal
Adequate	Marginal	Limited	Weak
Weak	Weak	Very Limited	Very Weak
Very Weak	Very Weak		

For a full breakdown of the assessment descriptors, including their application to holding companies and in other areas, please refer to Best's Credit Rating Methodology.

Rating Rationale: Summarizing the Reasoning Behind the Credit Rating

E. Examine the key factors considered during the **Balance Sheet Strength** analysis, including an assessment of capital adequacy, liquidity, reserve adequacy and investment risk, along with holding company impact and country risk.

F. **Operating Performance**, a leading indicator of future balance sheet strength and long-term financial stability, helps you understand the sources of an insurer's earnings, and the degrees and trends in profitability. You'll be able to assess the stability, diversity and sustainability of those sources of earnings, and analyze underwriting, investment performance and total operating earnings.

G. With the **Business Profile,** evaluate the insurer's market position, degree of competition, distribution channels, pricing sophistication and data quality, management quality, product/geographic concentration and product, regulatory, event and market risks, as well as innovation.

Rating Rationale

E. Balance Sheet Strength: Strongest

- The risk-adjusted capitalization of the group, as measured by Best's Capital Adequacy Ratio (BCAR), is within the strongest category, at the 99.6% VaR level.
- Comprehensive catastrophe reinsurance program that targets less than annual aggregate catastrophe losses, net of reinsurance, not to exceed 5.0% of surplus.
- Financial flexibility, efficient management of capital within the organization and diversified invested asset base provide supportive liquidity levels.
- Over the past five-year period, the group has recorded surplus growth despite continued dividend payments to the parent company.

F. Operating Performance: Strong

- The group's favorable underwriting results continue to demonstrate its ability to manage its market position in a very competitive U.S. auto and homeowners market.
- Returns on revenue and equity measures have historically outpaced the industry composite metrics, although the group continues to be impacted by the continued exposure to natural catastrophes, e.g., floods and earthquakes.
- Favorable investment income continues at a sizeable pace, augmenting underwriting profitability, which the group continues to develop with new and profitable business.

G. Business Profile: Favorable

- Established position of a market leader in multiple property and casualty markets including private passenger auto, homeowners, and small to mid-size commercial book of business surplus lines.
- The group maintains extensive geographic diversity and market position, which helps to mitigate impact from continued weather-related events, potential regulatory issues, and/or competitive market pressures.
- Engagement of current and potential customers is established through multiple distribution channels and through multiple legal entity platforms.
- National brand recognition across the group's multiple lines of business, and it is distinguished as a leader in pricing sophistication.

H. Enterprise Risk Management: Very Strong

- Extensive risk management capabilities continue to demonstrate an adherence to established risk tolerance levels, capital management and corporate governance frameworks.
- The group focuses on maintaining a strong foundation, building value, and optimizing risk-adjusted returns, with robust internal structures measuring and monitoring the alignment of risk exposures.
- The group performs comprehensive capital stress testing associated with numerous weather, economic, operational, liquidity and solvency scenarios to ensure proper risk selection and establish return profiles.
- Continuous development and implementation of risk management tools that are used to analyze weather and wildfire exposures, complemented by prudent reinsurance programs.

I. Outlook

- The stable outlooks reflect the expectation that the group will continue to maintain the strongest level of risk-adjusted capitalization, as measured by BCAR, supplemented by its consistently profitable operating performance, which continues to benefit from its position as a market leader in its segment.

J. Rating Drivers

- While the expectation of the current rating level is not anticipated to change in the near term, as indicated by the group's stable outlooks, negative rating action could occur if there is a material decline in the group's risk-adjusted capitalization and overall balance sheet strength. Potential rating impact: Minor

H. **Enterprise Risk Management** lets you consider an insurer's development and implementation of its risk management framework, and its risk management capability relative to risk profile.

I. A "positive," "negative" or "stable" **Outlook** gives you an indication of the potential future direction of the rating. The outlook may also be described as "developing" should the rating be under review at that time.

J. **Rating Drivers** give you an idea of the factors that may have an impact on the Best's Credit Rating in the future should they change.

Q: Do all insurance companies have a *Best's Credit Report*?

A: *Best's Credit Reports* are published at the rating unit level, so member companies do not have their own reports. However, the rating unit's report includes all legal entities that are members of the rating unit along with their ratings, and provides the rationale for those ratings. So its content is still applicable to member companies as part of the rating unit.

Key Financial Indicators: Measuring Balance Sheet Strength

K. A **Best's Capital Adequacy Ratio (BCAR)** score expresses the extent of the excess or shortfall as a percentage of available capital at various confidence levels. It is one of the key metrics to assess balance sheet strength and to estimate the level of capital required to support underwriting, credit, investment and other risks.

L. **Key Financial Indicators:** Analyze five-year trends in premiums written, net operating income, net income, total admitted assets and policyholders' surplus, key summary data that highlight balance sheet strength. Quarterly data is also included here for US companies, depending on whether a report is published.

Key Financial Indicators

K. **Best's Capital Adequacy Ratio (BCAR) Scores (%)**

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	71.3	57.8	44.4	37.4

Source: Best's Capital Adequacy Ratio Model - P/C, US

L. Year End - December 31

Key Financial Indicators USD (000)	2023	2022	2021	2020	2019
Premiums Written:					
Direct	65,045,332	62,089,151	62,768,004	60,776,813	59,098,277
Assumed	996,825	634,769	450,264	465,801	427,394
Ceded	4,540,724	4,380,673	4,513,400	4,587,515	4,872,113
Net	61,501,433	58,343,246	58,704,868	56,655,099	54,653,558
Net Operating Income	4,614,248	4,343,056	4,319,666	2,931,713	2,218,530
Net Income	6,354,436	5,672,833	4,574,385	2,663,411	2,644,556
Total Admitted Assets	135,919,539	127,789,642	123,713,970	117,964,567	117,911,551
Policyholders' Surplus	43,643,645	43,973,351	41,728,543	37,763,165	38,368,249

Source: BestLink® - Best's Financial Suite

M. Year End - December 31

Key Financial Ratios (%)	2023	2022	2021	2020	2019	Average
Profitability:						
Combined Ratio	100.0	96.4	97.5	99.8	102.4	99.2
Reserve Development Combined Ratio Impact	...	0.3	0.3	-0.1	-0.4	...
Net Investment Yield	4.5	2.6	3.1	3.2	3.5	3.4
Pre-Tax Operating Return on Net Earned Premiums	7.6	9.0	8.4	6.3	4.8	7.3
Net Income Return on Policyholders' Surplus	14.5	13.2	11.5	7.0	7.0	10.8
Total Return on Policyholders' Surplus	15.7	13.3	17.8	5.9	12.1	13.1
Leverage:						
Net	3.5	3.2	3.4	3.6	3.5	...
Gross	4.1	3.7	3.9	4.2	4.0	...
Non-affiliated Investment	81.0	53.8	59.7	51.2	54.9	...

Source: BestLink® - Best's Financial Suite

M. **Key Financial Ratios:** Different types of insurance organizations will have different metrics for benchmarking profitability, liquidity and leverage. The examples on the next page represent common ratios used in the US property/casualty industry.

Profitability: Review the components of a rating unit's earnings to evaluate the source of profits and the degrees of and trends in profitability. Some common ratios include combined ratio, net investment yield, and total return on policyholders' surplus.

Leverage: Evaluate an insurer's underwriting and non-affiliated asset leverage and financial risks associated with the exposure of its underwriting and assets to adverse economic and market conditions.

Liquidity: Measure an insurer's ability to meet short- and long-term obligations to policyholders and creditors, with analysis based on a holistic and comprehensive approach that examines liquidity at the rating unit level.

Examples: Property/Casualty Financial Ratios

Combined Ratio measures the company's overall underwriting profitability. It is the sum of the Loss and LAE Ratio, Expense Ratio and Policyholder Dividend Ratio (all ratios are divided by net premiums earned), except for the Expense Ratio, which is divided by net premiums written. This ratio does not reflect investment income or income taxes.

Net Investment Yield measures the average return on a company's invested assets by dividing annual net investment income, after expenses, by the mean of net invested assets. This return measure is before capital gains/losses and income taxes.

Total Return on Policyholders' Surplus represents net income plus the change in net unrealized capital gains (losses) divided by the mean of current-year and prior-year policyholders' surplus.

Net Leverage represents the sum of a company's Net Premiums Written and Net Liability Ratios. This ratio measures the combination of a company's exposure to pricing errors and errors of estimation in its liabilities, after reinsurance, in relation to policyholders' surplus.

Non-Affiliated Investment Leverage: The bulk represents the sum of unaffiliated investments, problem bonds NAIC 3-6, mortgage loans, real estate, derivatives, schedule BA, securities lending reinvested collateral assets divided by policyholders' surplus.

Credit Analysis: An In-Depth Quantitative and Qualitative Assessment

N. Review an expanded analysis of **Balance Sheet Strength** to better understand an insurer's ability to meet its current and ongoing financial obligations. It includes rating unit analysis, insurance holding company impact assessment, country risk evaluation, quality and appropriateness of reinsurance programs, quality and diversification of assets, adequacy of reserves, financial and operating leverage, liquidity, quality of capital and internal economic capital models.

Credit Analysis

N. Balance Sheet Strength

Capitalization

The group continues to maintain the strongest level of overall risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), with a significant level of capital that supports its ratings. The capital position is reflective of its consistently favorable operating performance, combined with a high-quality and well-diversified investment portfolio. The capital position is further enhanced by financial flexibility through its holding company. In addition, the group's historical reported strong liquidity measures, favorable cash flows and solid reinsurance programs protect the overall capital position. Partially offsetting these positive factors is the group's moderately above-average underwriting leverage, as well as exposure to both frequent and severe catastrophe losses in multiple exposed states. In addition, the group has been affected by annual stockholder dividend payments to its parent and a modest financial leverage level, which continues to place a certain amount of pressure regarding interest coverage. The capital position is also being impacted by increased loss costs tied to inflationary pressures and continued weather-related events, although these are mitigated by its comprehensive reinsurance program.

O. Understand the annual change in the rating unit's **Capital** resulting from its operating income/losses, investment results and dividends.

O. Capital Generation Analysis USD (000)	Year End - December 31				
	2023	2022	2021	2020	2019
Beginning Policyholders' Surplus	43,977,152	41,728,543	37,905,270	38,363,008	36,943,821
Net Operating Income	4,614,248	4,343,056	4,319,666	2,931,713	2,218,530
Net Realized Capital Gains (Losses)	1,740,188	1,329,777	254,719	-268,302	426,025
Net Unrealized Capital Gains (Losses)	519,481	25,587	2,519,579	-427,062	1,908,774
Net Change in Paid-In Capital and Surplus	-246,808	1,367,701	-19,364	-81,762	155,392
Stockholder Dividends	-6,665,884	-4,718,026	-2,808,981	-2,999,338	-1,917,151
Other Changes in Capital and Surplus	-294,731	-103,288	-442,346	244,908	-1,367,143
Net Change in Policyholders' Surplus	-333,507	2,244,808	3,823,272	-599,843	1,424,428
Ending Policyholders' Surplus	43,643,645	43,973,351	41,728,543	37,763,165	38,368,249
Net Change in Policyholders' Surplus (%)	-0.7	5.4	10.5	-1.6	3.9
Net Change in Policyholders' Surplus (5 yr CAGR)	3.4	...	...	...	...

Source: BestLink® - Best's Financial Suite

P. Measure an insurer's ability to meet anticipated short- and long-term obligations to policyholders and other creditors by examining their **Liquidity**. A high degree of liquidity helps an insurer meet unexpected cash needs without the untimely sale of investments or fixed assets.

P.

Liquidity Analysis	Year End - December 31				
	2023	2022	2021	2020	2019
Net Operating Cash Flow USD (000)	5,857,792	5,041,640	4,991,794	3,094,331	3,923,752
Current Liquidity (%)	79.1	85.7	85.0	83.6	86.1

Source: BestLink® - Best's Financial Suite

Q. Examine investments in light of the rating unit's **Asset Liability Management (ALM)** practices, reflecting expected and potential liability and liquidity needs. Comparing the rating unit's asset allocation to the average peers' asset allocation may indicate the relative riskiness of the unit's investment portfolio. A rating unit that does not effectively match asset duration to liability duration may end up with a higher-risk investment portfolio.

Q.

Asset Liability Management - Investments

Although the group continues to produce solid investment returns and maintains an overall conservative portfolio, it does have a higher-than-above-average amount of assets that are classified as "other invested assets" as compared to the industry composite, which are indicated on NAIC Schedule BA. Although the group's holdings of non-investment-grade bonds are greater than industry composite norms, they are not considered to be excessive, and most of them are related to private placements, which continue to perform extremely well from a cash flow and return position. In 2019, the group sold a considerable portion of its equity holdings prior to the COVID-19 market crisis, which ultimately lowered its exposure to market volatility. Reinvestment was in the form of a mix of investment-grade fixed-income securities and U.S. Treasury bills. The group's investment philosophy emphasizes safety of principal and consistent after-tax income generation. The composition of its investment portfolio is the result of a focus on the protection of principal, appreciation, and potential tax consequences. Overall, the group's investment portfolio continues to be well diversified.

Composition of Cash and Invested Assets	Year End - December 31				
	2023	2022	2021	2020	2019
Total Cash and Invested Assets USD (000)	101,669,197	98,084,003	95,163,298	89,801,299	89,791,072
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	3.1	3.0	2.1	1.5	1.0
Bonds	60.4	65.9	63.7	67.5	68.5
Stocks	7.4	3.6	6.6	4.8	5.9
Other Invested Assets	18.0	12.7	12.9	11.6	9.8
Total Unaffiliated	88.9	85.1	85.2	85.4	85.2
Investments in Affiliates	11.5	15.2	14.9	14.6	14.8
Non-Admitted	-0.4	-0.3	-0.2	-0.2	-0.1
Total	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Bonds and Short-Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	0.8	8.8	1.7	0.3	0.6	4.9
Government Agencies and Municipal Bonds	1.5	6.6	4.7	4.9	0.7	7.9
Industrial and Miscellaneous Bonds	4.4	29.1	26.1	3.3	1.9	5.9
Bank Loans	0.1	2.4	1.6	...	...	4.7
Hybrid Securities	...	0.1	...	...	0.6	22.9
Total Bonds	6.8	46.9	34.1	8.4	3.8	6.2

Source: BestLink® - Best's Financial Suite

Review the insurer's investment mix and duration, which should reflect the rating unit's liability profile and is not anticipated to change materially year over year. The ability to take on more investment risk should be balanced by the unit's capabilities and the amount of underwriting risk it undertakes.

R. Though the estimation of ultimate reserve requirements is subject to uncertainty, an examination of the rating unit's **Reserves** plays an important role in determining its balance sheet strength, as well as its underlying and prospective profitability.

R. **Reserve Adequacy**

Historically, loss reserve development has generally been favorable from its primary personal lines business. Favorable reserve development on its personal lines auto business has been particularly impacted by a materially lower frequency due to the pandemic. However, there has been some modest adverse development in recent years on the commercial auto and multi-peril lines. In addition, a modest amount of unfavorable development has also occurred on the runoff of its annuity business.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	Year End - December 31 2023	2022	2021	2020	2019
Loss and ALAE* Reserves USD (000)	38,877,281	36,631,443	36,765,133	36,424,740	36,501,395
Loss and ALAE* Reserves Development USD (000)	...	-8,298	456,018	136,331	312,125
Development to:					
Original Reserves (%)	...	...	1.3	0.4	0.9
Prior Year End Surplus (%)	...	...	1.1	0.4	0.8

Source: BestLink® - Best's Financial Suite

* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Defense and Cost Containment Unpaid. Year End LAE balances include Defense and Cost Containment Unpaid only.

Loss and Loss Adjustment Expense Reserves and Development - Accident Year	Year End - December 31 2023	2022	2021	2020	2019
Original Loss and ALAE Reserves USD (000)	16,655,234	14,236,740	14,658,237	14,581,881	14,820,686
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	16,655,234	13,890,424	15,079,579	14,301,794	14,723,232
Development to Original Reserves (%)	...	-2.4	2.9	-1.9	-0.7
Accident Year Loss and LAE Ratio (%)	72.5	66.8	70.3	70.6	73.9
Accident Year Combined Ratio (%)	100.1	95.1	98.0	99.4	102.6

Source: BestLink® - Best's Financial Suite

S. Insurance **Holding Companies** and their capital structures can have a significant impact on a subsidiary's overall financial strength and are therefore important to consider when analyzing a lead rating unit's balance sheet strength. Holding companies can provide subsidiaries with a degree of financial flexibility through capital contributions, access to capital markets and, in some cases, additional cash flow from other operations. Conversely, debt and other securities are typically the holding company's obligations and can potentially diminish the enterprise's financial flexibility, strain future earnings and inhibit subsidiaries' future surplus growth.

S. **Holding Company Assessment**

Although the group continues to distribute capital to its parent company via dividends, it has helped to bolster the capital position of the overall organization, resulting in financial flexibility for the operating companies when needed. A substantial number of highly liquid cash positions are maintained at the holding company, which can be deployed to the insurance operations to support growth opportunities. The holding company's debt-to-total-capital ratio is within acceptable levels for the ratings and is supported by favorable fixed-charge and interest coverages.

T. Evaluate the **Operating Performance** of each rating unit, with the understanding that performance metrics are affected by the type of insurance the rating unit writes, as well as its risk profile, from both a product and investment perspective.

T.

Operating and Financial Performance Ratios (%) - Company	Year End - December 31 2023	2022	2021	2020	2019	Weighted Average
Calendar Year Loss and LAE Ratio	72.5	68.0	69.8	70.9	73.7	71.0
Expense and Policyholder Dividend Ratio	27.5	28.3	27.7	28.9	28.7	28.2
Combined Ratio	100.0	96.4	97.5	99.8	102.4	99.2
Reserve Development Ratio Impact	...	0.3	0.3	-0.1	-0.4	...
Net Investment Yield	4.5	2.6	3.1	3.2	3.5	3.4
Pre-Tax Operating Return on Net Earned Premiums	7.6	9.0	8.4	6.3	4.8	7.3
Net Income Return on Policyholders' Surplus	14.5	13.2	11.5	7.0	7.0	10.8
Total Return on Policyholders' Surplus	15.7	13.3	17.8	5.9	12.1	13.1

Source: BestLink® - Best's Financial Suite

U. Factors that may affect a rating unit's **Business Profile** include market position; degree of competition; control of distribution channels; pricing sophistication and data quality; underwriting culture; management quality; business strategy; product/geographic concentration; product risk; and regulatory, event, market and country risks as well as innovation.

Premium Composition and Growth: See five years of premiums by type and the percentage of growth from the previous year (or quarter).

By-Line Business: Gain insight into a company's product mix and retention.

Geographic Breakdown by Direct Premiums: Understand where business is most concentrated over the past five years in the top five states.

Gain a more quantitative sense of state concentration for the current year than can generally be gauged by looking at just the listing of top states, to better highlight exposure to a wide array of possible geographically concentrated risks.

U. Business Profile

The group is one of the largest U.S. groups in terms of premium and surplus. As a market leader with a significant surplus position, it is afforded the flexibility to underwrite at thinner margins, while continuing to add surplus through profitable investment performance and driving markets in terms of pricing and availability. The group writes multiple lines of personal and commercial insurance throughout all fifty U.S. states and Canada. The group's mix of business is split approximately 55% personal auto, 25% homeowners and 20% small to mid-size commercial lines. With personal lines serving as the primary focus for its products, it allows its agents to cross-sell other products with their policyholders, primarily small to mid-size commercial lines and a modest amount of personal financial products. Having multiple products for agents to sell has historically been an effective strategy in achieving high agent and customer retention. Distribution of its products is primarily through independent agencies, with a direct platform accounting for approximately 25% of its entire production but continuing to grow. The multiple distribution mechanisms have been enhanced over the years by acquisitions of other carriers and internally developed innovative distribution platforms. For example, the group has benefited from building its innovative resources for rating and risk selection processes, promoting telematics technology, which has been implemented in its personal and commercial auto lines.

Premium Composition and Growth	Year End - December 31 2023	2022	2021	2020	2019	5 Year CAGR
Direct Premiums Written USD (000)	65,045,332	62,089,151	62,768,004	60,776,813	59,098,277	...
% Change	4.8	-1.1	3.3	2.8	2.0	2.3
Reinsurance Premiums Assumed USD (000)	996,825	634,769	450,264	465,801	427,394	...
% Change	57.0	41.0	-3.3	9.0	-48.7	3.7
Reinsurance Premiums Ceded USD (000)	4,540,724	4,380,673	4,513,400	4,587,515	4,872,113	...
% Change	3.7	-2.9	-1.6	-5.8	39.2	5.3
Net Premiums Written USD (000)	61,501,433	58,343,246	58,704,868	56,655,099	54,653,558	...
% Change	5.4	-0.6	3.6	3.7	-1.1	2.2

Source: BestLink® - Best's Financial Suite

	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
2022 By Line Business	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
PP Auto Liab	19,399,340	29.8	117,998	11.8	1,162,840	25.6	18,354,498	29.8	94.0
Auto Phys Dmg	15,848,509	24.4	51,547	5.2	720,129	15.9	15,179,928	24.7	95.5
Homeowners	15,153,336	23.3	55,791	5.6	1,157,955	25.5	14,051,173	22.8	92.4
Comm M.P.	4,016,886	6.2	113,934	11.4	426,076	9.4	3,704,745	6.0	89.7
Comm Auto Liab	2,387,946	3.7	71,887	7.2	279,937	6.2	2,179,896	3.5	88.6
Top 5	56,806,018	87.3	411,158	41.2	3,746,936	82.5	53,470,240	86.9	93.5
All Other	8,239,313	12.7	585,668	58.8	793,787	17.5	8,031,194	13.1	91.0
Total	65,045,332	100.0	996,825	100.0	4,540,724	100.0	61,501,433	100.0	93.1

Source: BestLink® - Best's Financial Suite

Geographic Breakdown by Direct Premiums Written USD (000)	Year End - December 31 2023	2022	2021	2020	2019
California	7,338,221	6,690,742	6,765,675	6,561,327	6,140,474
Texas	6,139,361	5,905,190	5,911,074	5,594,376	5,238,909
New York	4,645,353	4,466,743	4,636,197	4,602,892	4,670,645
Florida	3,842,272	3,542,595	3,563,464	3,452,831	3,401,127
Illinois	3,718,349	3,509,462	3,537,339	3,402,125	3,225,567
Top 5 States	25,683,554	24,114,732	24,413,750	23,613,552	22,676,723
All Other	39,361,777	37,974,419	38,354,254	37,163,261	36,421,555
Total	65,045,332	62,089,151	62,768,004	60,776,813	59,098,277

Source: BestLink® - Best's Financial Suite

V. Understand AM Best's view of management's **Enterprise Risk Management** (ERM) framework and of its risk management capability relative to its risk profile. ERM is the common thread that links balance sheet strength, operating performance and business profile. Also consider that, while environmental, social and governance (ESG) factors affect balance sheet strength, operating performance, business profile and ERM, they are considered explicitly with regard to ERM.

Enterprise Risk Management

The group's enterprise risk management (ERM) program operates under a corporate-wide framework, which is a complex structure and manages a diverse set of risks. The program is managed by its chief risk officer and overseen by the chief executive officer and board of directors. ERM at the group provides a framework for risk management activities and promotes a risk management culture throughout the enterprise that enhances risk awareness while supporting the goal of maximizing business opportunities. The board reviews enterprise key risk mitigation strategies, targets, trends, and actions quarterly. A central dedicated ERM department coordinates risk governance practices, as well as enterprise modeling and reporting across the organization. Business unit risk officers and the chief risk officer work together as a group to create an integrated approach to ERM. Internal audits also provide assurance on internal controls to mitigate key risks and evaluate the risk framework and governance. The objectives of the ERM program are to maintain a risk governance structure that facilitates communication across business units and considers the relationship amongst risks. The promotion of a risk management culture is critical and includes the appropriate identification, analysis, treatment, monitoring, and reporting of risk. ERM processes utilize information obtained through risk management activities and financial risk modeling to analyze, understand, and report on enterprise risk. Risk assessments are conducted at least annually in each business unit, as well as economic capital modeling and stress tests. Actual loss experience is continually compared to model output for validation purposes regarding weather-related events and secondary perils for purposes such as concentration and exposure management and pricing. Exposure levels are managed and monitored monthly to ensure compliance with established target levels.

V.

Environmental, Social & Governance

AM Best considers the group's exposure to material environmental, social, and corporate governance (ESG) risks to be low. The group operates in an environment where its underwriting activities have material exposure to climate risk, and its profile on underwriting and investments is exposed to so-called toxic assets and industries. The group operates in line with market peers, and at present, ESG factors are unlikely to impact the credit quality of the group over the short term. There are no regulatory requirements relating to ESG, although the group regularly monitors developments to ensure its practices are compliant.

W. Financial Statements: The Data Supporting the Ratings

Examine annual and quarterly (if available) financial statements, presented in accordance with the customs or regulatory requirements of the insurer's country of domicile.

W.

Balance Sheet	2023 USD (000)	2023 %	2022 USD (000)	2022 %
Cash and Short Term Investments	3,101,689	2.3	2,895,292	2.3
Bonds	61,452,648	45.2	64,607,780	50.6
Preferred and Common Stock	16,325,673	12.0	15,615,898	12.2
Other Invested Assets	20,789,187	15.3	14,965,033	11.7
Total Cash and Invested Assets	101,669,197	74.8	98,084,003	76.8
Premium Balances	23,411,471	17.2	19,721,132	15.4
Net Deferred Tax Asset	2,174,899	1.6	2,874,990	2.2
Other Assets	8,663,972	6.4	7,109,518	5.6
Total Assets	135,919,539	100.0	127,789,642	100.0
Loss and Loss Adjustment Expense Reserves:				
Net Reported Loss Reserves	22,828,899	16.8	20,717,753	16.2
Net IBNR Loss Reserves	10,540,984	7.8	10,130,544	7.9
Net LAE Reserves	7,296,069	5.4	7,892,586	6.2
Total Net Loss and LAE Reserves	40,665,952	29.9	38,740,883	30.3
Net Unearned Premiums	23,846,062	17.5	22,328,131	17.5
Other Liabilities	27,763,879	20.4	22,747,278	17.8
Total Liabilities	92,275,893	67.9	83,816,291	65.6
Capital Stock	115,053	0.1	119,053	0.1
Paid-In and Contributed Surplus	4,983,473	3.7	5,234,209	4.1
Unassigned Surplus	34,925,790	25.7	34,997,417	27.4
Treasury Stock	-45	...	-45	...
Other Surplus	3,619,374	2.7	3,622,716	2.8
Total Policyholders' Surplus	43,643,645	32.1	43,973,351	34.4
Total Liabilities and Surplus	135,919,539	100.0	127,789,642	100.0

Year End - December 31

Source: BestLink® - Best's Financial Suite

Income Statement USD (000)	2023	2022
Net Premiums Earned	59,983,506	57,869,930
Net Losses and LAE Incurred:		
Current Accident Year	43,505,562	39,165,608
Prior Accident Years	-22,058	192,085
Underwriting Expenses Incurred	16,915,449	16,523,985
Dividends to Policyholders	12,057	13,178
Net Underwriting Income	-427,505	1,975,074
Net Investment Income	4,532,885	2,567,032
Other Income (Expense)	459,274	667,462
Pre-Tax Operating Income	4,564,654	5,209,568
Income Taxes Incurred	-49,594	866,512
Net Operating Income	4,614,248	4,343,056
Net Realized Capital Gains (Losses)	1,740,188	1,329,777
Net Income	6,354,436	5,672,833

Year End - December 31

Source: BestLink® - Best's Financial Suite

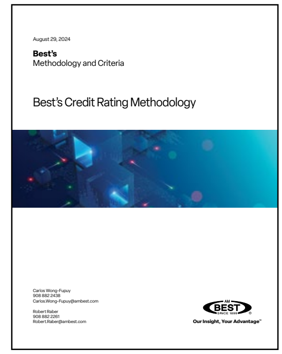
Statement of Operating Cash Flows USD (000)	2023	2022
Net Premiums Collected	60,522,163	58,244,678
Net Losses Paid	36,526,399	32,846,760
Expenses Paid	21,845,236	22,251,217
Dividends to Policyholders	12,557	13,973
Net Underwriting Cash Flow	2,137,972	3,132,728
Net Investment Income	4,359,270	2,505,669
Other Income (Expense)	329,825	566,853
Income Taxes Paid (Recovered)	969,274	1,163,610
Net Operating Cash Flow	5,857,792	5,041,640

Year End - December 31

Source: BestLink® - Best's Financial Suite

See a complete sample *Best's Credit Report*.

Related Methodology and Criteria



Best's Credit Rating Methodology (BCRM) provides a comprehensive explanation of AM Best's rating process. A "building block" approach is used to develop an issuer credit rating (ICR). Included in this approach are quantitative and qualitative evaluations of balance sheet strength, operating performance, business profile and enterprise risk management. Additional applicable Insurance Criteria Procedures or models are also considered as part of the analysis.

Capital Models & Related Criteria Procedures:

- Understanding BCAR for US Property/Casualty Insurers
- Understanding BCAR for Canadian Property/Casualty Insurers
- Understanding BCAR for US and Canadian Life/Health Insurers
- Understanding Global BCAR
- Available Capital and Holding Company Analysis
- Catastrophe Analysis in AM Best Ratings
- Evaluating US Surplus Notes
- The Treatment of Terrorism Risk in the Rating Evaluation

For a complete list, including Specialty Criteria Procedures, visit our website.

For Information About Best's Credit Ratings

- Guide to Best's Credit Ratings
- Guide to Best's Financial Strength Ratings - (FSR)
- Guide to Best's Issuer Credit Ratings - (ICR)
- Guide to Best's Issue Credit Ratings - (IR)
- Guide to Best's National Scale Ratings - (NSR)

Where to Find *Best's Credit Reports*

Best's Credit Reports for insurers in specific regions and sectors can be found:

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- As part of a subscription to *Best's Financial Suite – Global*
- Individually on the AM Best website

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