



BEST'S COMPANY REPORT



SAMPLE PROPERTY/CASUALTY INSURANCE COMPANY

Domiciliary Address: 123 Main Street, Oldwick NJ, United States 08858

Administrative Address: 123 Main Street, Oldwick NJ, United States 08858

Mailing Address: 123 Main Street, Oldwick NJ, United States 08858

AMB #: XXXXXX

NAIC #: XXXXX

FEIN#: XX-XXXXXX

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Website: samplepccompany.com



Best's Credit Rating Effective Date

September 23, 20XX

Analytical Contacts

Product Rating
Financial Rating
Rating Methodology
Rating Guide
Market Segment Outlooks

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 Property/Casualty Insurance Company

AMB #: XXXXXX | **NAIC #:** XXXXX | **FEIN #:** XX-XXXXXXX

Ultimate Parent: AMB # XXXXXX - Sample Holdings Corp.

Best's Credit Ratings

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable Action: Affirmed

Assessment Descriptors

	Balance Sheet Strength	Strongest
	Operating Performance	Strong
	Business Profile	Limited
	Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: Strongest

- Lion Insurance Company (LIC) maintains the strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), which benefits from a high credit quality investment portfolio and low reinsurance dependence.
- The company has grown surplus organically in each of the last five years. The compound annual growth rate of surplus over the latest five-year period compares favorably to the rate of net premiums written in the same period.
- LIC's net loss reserves have mainly consisted of 2008 losses arising from estimated low frequency, high severity claims that probable above the \$1.5 million deductible in the policy of its affiliate, South East Personal Lines, Inc. (SEPLI).
- Reserve development in a calendar year basis has been robust, but these robustness are slightly offset by voluntary reinsurance contributions to LIC on its first year of reinsurance. \$1.5 million across \$1.5 million in some years. The net contribution premium was minimal, and there are no more contributions available.

Operating Performance: Strong

- LIC has reported very favorable results on its high deductible policy each year in the last decade with periodic returns on net premiums earned outperforming the workers' compensation composite.
- Underwriting results have been favorable with loss and loss adjustment expense ratios markedly lower in each of the last ten years compared to the workers' compensation composite.
- LIC's low net investment yield is mainly attributable to the inclusion of 20% collateral funds in LIC's invested assets, but LIC is selling out interest income earned on 20% funds.

Business Profile: Limited

- LIC is dedicated to writing a high deductible workers' compensation policy for an affiliate, SEPLI.
- SEPLI and LIC are related through common ownership with the ultimate distributor for LIC being John Perrowe and the ultimate owners of SEPLI being John and Deborah Perrowe.
- SEPLI also has a high deductible policy with an unaffiliated carrier in those states where LIC is not licensed, namely California and New York, all premium covering losses above the high deductible is assumed from that carrier to LIC.
- LIC benefits from its leading position in the construction industry and its ability to write small business risks and start-ups.

Enterprise Risk Management: Appropriate

- The company employs traditional risk management techniques focusing on areas such as underwriting, investments, liquidity, credit, regulatory changes, operational, and cyber risk exposure.
- Action plans are developed to measure, monitor and mitigate risks arising from identified and emerging exposures.
- ERM activities were recently enhanced with the introduction of stress testing for a number of the company's large risks.

Outlook

- The rating outlooks reflect all Best's expectation that the company's overall balance sheet strength assessment will remain in the strongest range and that operating results will be profitable over the intermediate term, contributing to organic surplus growth.

Rating Drivers

- Negative rating actions could be taken should there be a deterioration in the company's operating performance.
- Negative rating actions could be taken should prior year reserve development result in a material decline in the company's overall balance sheet strength assessment.
- Negative rating actions could be taken should there be a material adverse change in the results of affiliate South East Personal Lines, Inc., from which LIC derives virtually all of its premium and has substantial credit exposure.
- While outlooks over the near term, positive rating actions may occur should LIC's overall balance sheet strength assessment improve markedly and at a sustained level.

Credit Analysis

Balance Sheet Strength

Our insurance members strongly risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (CAR), which benefits from a high credit quality investment portfolio and the reinsurance department. It is important to note, however, that most of the claims being settled are claims that fall under 90/10 \$1.0 million deductibles; as such, they are not reflected in our Income Statement, and the large collateral balance held on our Balance Sheet that is maintained to pay those claims is not being charged to the \$1.0M excess. Partly offsetting that concern is the collateral balance which is maintained over the actuarial required amount to meet claim obligations.

The balance sheet has some unique aspects as a result of the high deductible policy written for affiliate South East Personnel Leasing, Inc. (SEPL). Collateral funds from SEPL to cover its obligations have comprised around two-thirds of our total liabilities in each of the last five years; in 2014, it was 57%.

The company's underwriting leverage ratio compares favorably to the average for the workers compensation industry composite. Coverage ratios have been very conservative with 99% / Surplus of 1.11 and Loss & L&E / Surplus of 1.00 at year-end 2014. The largest item in our liabilities, as mentioned above, has been the collateral funds from affiliate SEPL. The net leverage ratio at year-end 2014 was 1.26, slightly lower than the prior year. The year-end net leverage ratio benefits from very little interest premium outstanding on the policy to SEPL received on January 1.

SEPL retains the first \$1 million of losses under a large deductible with Lion and State National Insurance Company. The company's net retention is the next \$1.0 million excess of the SEPL deductible. The first year is \$1.0 million excess \$1.0 million with a 20% co-participation. Future years are \$1.0 million excess \$1.0 million with a 50% co-participation, \$11.0 million excess \$11.0 million, and \$1.0 million excess \$11.0 million.

Capitalization

The company has grown rapidly organically in each of the last 5 years. The compound annual growth rate of surplus over the latest five-year period was 4.7% which compares favorably to the rate of 3.4% for net premiums written in the same period.

Asset Liability Management - Investments

Our investment portfolio is relatively conservative with a heavy allocation to common equities and no alternative assets. Management reports that the fixed income portfolio, which is entirely investment grade, has an average duration of 4.04 years (80% have a duration less than 7 years, 30% have a duration less than 3 years). The company's asset liquidity ratio reflects the conservative allocation of assets and has been well above the workers compensation composite in each of the last five years as have been the current and trend liquidity ratios, although not to the same degree. Invested assets include the collateral funds provided by SEPL to fund losses under its high deductible policy.

Reserve Adequacy

Over the last five years, CAR has comprised approximately 90% of total net loss and L&E reserves, compared with an average of approximately 70% for the workers compensation composite. As a result of the high deductible policy with SEPL, the losses are much less frequent, high severity loss claims that penetrate through the deductible. Calendar year loss reserve development has been rebounded in each of the last five calendar years. In turn, SEPL funds the collateral to meet the actuarially required amount of future reserves together with an additional excess of \$11.0 million. These disbursements and receipts do not flow through our underwriting account or cash flow.

Holding Company Assessment

The holding company assessment is Neutral.

Operating Performance

Our loss reported very favorable results on its high deductible policy each year in the last decade with year-to-date returns on net premiums earned averaging approximately at 15.4% over that period compared with 11.0% for the workers compensation composite. The year-to-date return on surplus over the same period is 1.0% compared with 0.0% for the composite, most is due due to the lower spending

Operating Performance (Continued...)

Average being generated from the high deductible policy compared with the competitor's business which is comprised predominantly of low or no deductible policies.

Underwriting results have been very favorable with a loss & L&E ratio that has not exceeded 90% in any year over the last decade compared with the workers' compensation composite that has never been below that level (lowest ratio for the composite was 85.4% in 2011 was the first year the loss and loss adjustment expense ratio exceeded 90% at 98.4% due to higher frequency with four excess claims reported by 1/3/2014). Despite higher than average expense ratios, the company has reported combined ratios below 90% over the last decade including 2014, whereas the lowest combined ratio reported by the composite in the last decade resulted in 2016 and was 86.2%. Loss ratio results reflect its relatively higher severity ; lower frequency book of business as coverage is provided to 50% above a \$1.5 million deductible policy.

The loss and treatment cost paid by loss over the last five years is mainly attributable to the inclusion in treated costs of collateral funds maintained by 50% to cover its obligations falling under the policy deductible, and loss paying the interest income attributable to those collateral funds to 50%. Other factors affecting the net gain is the high balance maintained in cash and short term investments, which comprised 17.4% of total treated costs at year end 2014.

Business Profile

Loss Insurance Company (LIC) is dedicated to writing a high deductible workers' compensation policy for an affiliate, South East Financial Group, Inc. (SEFI). The offer is a Professional Employer Organization (PEO), which is an entity that enters into an arrangement with a client whereby employee responsibilities are shared or allocated between the client and the PEO. Under the PEO contract, clients lease their employees from 50%, which provides payroll services and other work related costs and benefits including workers' compensation insurance. While 50% clients are spread over a wide variety of businesses and geographies, there is a relatively heavy emphasis in the construction industry with 80% of all 2014 direct premium written in Florida.

For a brief period, 2008 through 2011, LIC offered coverage to entities outside of the employee leasing model through independent agents with policy deductibles ranging from none to large deductible programs. While LIC discontinued that book, it still writes a small number of minimum premium policies to provide supplemental workers' compensation coverage to 50% clients.

50% and LIC are related through common ownership with the ultimate distribution for LIC being John Perrowe and Deborah Perrowe and the ultimate owner of 50% being John Perrowe. The immediate holding company for LIC is Investment Holding Corp. In addition to the common ownership and business relationship between LIC and 50%, LIC itself is a client of 50% from which it leases employees under a lease leasing agreement.

Other affiliated companies include Richard Jones Administration, which handles the majority of LIC's claims, and Plymouth Insurance Agency, Inc., both companies directly owned by John and Deborah Perrowe.

50% also has a high deductible policy with an unaffiliated carrier in those states where LIC is not licensed, primarily for business in California and New York. The premium covering losses above the high deductible is ceded to LIC, which pays a handling fee as well as all premium taxes and fees on the ground up policy. A collateral fund is maintained by LIC with that unaffiliated carrier.

LIC benefits from its leading position in the construction industry and its ability to write small business rate and start-up. Construction claims are a major part of the book, but the book of business from 50% is well diversified by 50% class code and includes agriculture, trucking, chemicals, food & tobacco, retailing & retail farming, quarrying & related operations, manufacturing & freight handling and storage.

Enterprise Risk Management

The company employs traditional risk management techniques focusing on areas such as underwriting, treatment, liquidity, credit, regulatory changes, operational and other risk exposures. Action plans are developed to measure, monitor and mitigate risks arising from identified exposures, as well as consideration of new risks as they emerge (e.g. non-renewal of 100% and 100% etc). LIC has formalized an annual risk assessment review for its top ten risks. One of the top ten risks is the credit risk exposure to 50%, an affiliated PEO, from which the company derives all of its business. The company has eliminated this risk by requiring 50% to pre fund its annual expected deductible losses. The collateral fund is currently over funded (approximately 50% at each year end).

LIC's risk framework has proven to be effective as it has proven resilient against the impacts from the climate risk, COVID, inflation and economic turmoil.

Enterprise Risk Management (Continued...)

Reinsurance Summary

ABC reinsures the first \$1 million of losses under a large deductible with Lion and State National Insurance Company. The company's net retention is the next \$0.1 million excess of the ABC deductible. The first layer is \$1.1 million excess \$1.1 million with a 20% co-participation. Second layer is \$1.1 million excess \$1.1 million with a 50% co-participation, \$11.1 million excess \$11.1 million, and \$1.1 million excess \$11.1 million.

Environmental, Social & Governance

ABC Best considers the credit quality of Lion to be low risk as the insurer's exposure to ABC factors is limited. Weather-related events and climate risk do not pose significant threats to the company at this time. Lion's risk framework includes a component devoted to the surveillance of the government and risk culture. The company closely monitors the current economic and political environment and maintains an appropriate reinsurance program in conjunction with a conservative portfolio. At present, it is unlikely that the credit quality of Lion will be impacted by ABC factors over the short term.

Financial Statements

	6-Months		Year End - December 31			
	20XX		20XX		20XX	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	10,000	8%	10,000	8%	10,000	8%
Bonds	20,000	15%	20,000	15%	20,000	15%
Preferred and Common Stock	1,000	1%	1,000	1%	1,000	1%
Other Invested Assets	50	0%	50	0%	50	0%
Total Cash and Invested Assets	31,050	24%	31,050	24%	31,050	24%
Premium Balances	100	0%	100	0%	100	0%
Net Deferred Tax Asset	100	0%	100	0%	100	0%
Other Assets	10,000	1%	10,000	1%	10,000	1%
Total Assets	41,150	30%	41,150	30%	41,150	30%
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	1,000	1%	1,000	1%	1,000	1%
Net IBNR Loss Reserves*	10,000	8%	10,000	8%	10,000	8%
Net LAE Reserves	100	0%	100	0%	100	0%
Total Net Loss and LAE Reserves	11,100	9%	11,100	9%	11,100	9%
Net Unearned Premiums	1,000	1%	1,000	1%	1,000	1%
Other Liabilities	20,000	15%	20,000	15%	20,000	15%
Total Liabilities	32,100	24%	32,100	24%	32,100	24%
Capital Stock	100	0%	100	0%	100	0%
Paid-In and Contributed Surplus	10,000	8%	10,000	8%	10,000	8%
Unassigned Surplus	10,050	8%	10,050	8%	10,050	8%
Total Policyholders' Surplus	20,150	15%	20,150	15%	20,150	15%
Total Liabilities and Surplus	41,150	30%	41,150	30%	41,150	30%

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Sample Property/Casualty Insurance Company

Last Update

September 23, 20XX

Identifiers

AMB #: XXXXXX

NAIC #: XXXXX

FEIN #: XX-XXXXXXX

Contact Information

Administrative Office:

123 Main Street

Oldwick, NJ 08858

United States

Web: samplepccompany.com

Phone: +1-XXX-XXX-XXXX

Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Filing Date History

August 20, 20XX (6-Month)

May 15, 20XX (3-Month)

February 18, 20XX (April Annual)

February 18, 20XX (March Annual)

November 5, 20XX (9-Month)

Operations

Date Incorporated: April 19, 1953 | **Date Commenced:** April 19, 1953

Domiciled: New Jersey, United States

Licensed: (Current since 10/16/20XX). The company is licensed in THE STATES OF ALABAMA, ARIZONA, ARKANSAS, CALIFORNIA, COLORADO, CONNECTICUT, DELAWARE, FLORIDA, GEORGIA, ILLINOIS, INDIANA, IOWA, KANSAS, KENTUCKY, LOUISIANA, MAINE, MARYLAND, MASSACHUSETTS, MICHIGAN, MINNESOTA, MISSISSIPPI, MISSOURI, MONTANA, NEBRASKA, NEVADA, NEW HAMPSHIRE, NEW JERSEY, NEW YORK, NORTH CAROLINA, NORTH DAKOTA, OHIO, OKLAHOMA, OREGON, PENNSYLVANIA, RHODE ISLAND, SOUTH CAROLINA, SOUTH DAKOTA, TENNESSEE, TEXAS, UTAH, VERMONT, VIRGINIA, WASHINGTON, WEST VIRGINIA, WISCONSIN, WYOMING

Business Type:

Organization Type:

Marketing Type:

Best's Financial Size

Category:

Property/Casualty

Stock

Direct Response

100-250 (100 Million to Less Than 250 Million)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: XXXXXX - Sample Property/Casualty Insurance Company

Best's Credit Rating Effective Date: September 23, 20XX

Refer to the [Best's Credit Report for AM Best XXXXXX - Sample Property/Casualty Insurance Company](#) for details regarding the rating criteria, credit criteria, and financial criteria available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings to this company since 20XX. In our opinion, the company has an excellent ability to meet their ongoing insurance obligations and an excellent ability to meet their ongoing other financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Sep 23, 20XX	A	Stable	Affirmed	a	Stable	Affirmed
Nov 12, 20XX	A	Stable	Affirmed	a	Stable	Affirmed
Dec 7, 20XX	A	Stable	Affirmed	a	Stable	Affirmed
Dec 12, 20XX	A	Stable	Affirmed	a	Stable	Affirmed
Dec 15, 20XX	A	Stable	Affirmed	a	Stable	Affirmed

Management

The company is a wholly owned subsidiary of American Holdings Corp., a privately held Florida corporation owned 100 percent by John A. Bernard. The company is affiliated with South East Insurance Holding, Inc., a privately held Florida corporation owned by John A. Bernard and Deborah A. Bernard.

Officers

President: John A. Bernard
Treasurer: David Campbell

Directors

Robert B. Bernard
David A. Campbell
John A. Bernard
Stephen L. Bernard
Mary Ann Miller

State Rate Filings

Summary of Approved Filings

The table below shows the number of approved filings in the last five years. For more information, please refer to [Best's State Rate Filings - 2020X - Life Insurance Company](#)

Major Line	20XX	20XX	20XX	20XX	20XX
Other Companies	1	1	1	1	1
Total	1	1	1	1	1

Source: Best's State Rate Filings

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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. A Financial Strength Rating 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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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