

September 29, 2021

Workers' Compensation Still Outpacing Other Lines

Underwriters of workers' compensation have consistently generated better underwriting profits than other P/C lines have

Despite considerable uncertainty about the impact of the COVID-19 pandemic on the US economy, the effect on insurers' operating performance in 2020 was minimal. The outbreak and the ensuing economic downturn caused the ranks of unemployed workers in the US to swell and had a material effect on certain property/casualty insurance coverages, including workers' compensation (WC). As the line most sensitive to economic cycles, WC is expected to continue to experience the impact of the pandemic over the long term.

Business closures and the downsizing of staff for many businesses that remained in operation were among the worst impacts in 2020 and remained top of mind in 2021. The most significant job losses took place early on, in the spring, with four service industries suffering the worst: leisure and hospitality; retail; professional/business/other services; and education and health. The Northeast, Midwest, and some of the Northwest coast states appeared to suffer the most economically.

The job losses due to new COVID-19 cases declined significantly in the second half of 2020, particularly towards the end of the year. During the first quarter of 2021, a hiring surge started reversing the impact of the pandemic on payroll, employment, and wage growth statistics.

AM Best's Negative outlook for the WC segment, the largest component of the commercial lines market, reflects the continued uncertainty about the effects of COVID-19, from both an economic and a regulatory perspective. Moreover, although the impact of the pandemic on insurers' balance sheets to date has been tempered somewhat, concerns about the prolonged low interest rate environment persist. As a result, investment returns are expected to remain flat, and insurers may begin seeking riskier investments to generate higher yield.

The main offsetting factor for the outlook is the segment's solid risk-adjusted capitalization, which AM Best believes will withstand the impact of the pandemic over the long term. Additionally, the segment has historically been in a redundant loss position, which remained the case through the end of 2020. There could also be some favorable short-term impact of the pandemic on the workers' compensation segment, such as declines in fraud, workplace accidents, and defense costs. However, these positives are outweighed by economic and financial market concerns, along with the possibility of significant claims latency, as the long-term health effects of the virus emerge.

P/C Industry—Especially, Workers' Compensation—Weathers the Pandemic

The overall P/C market largely withstood the early direct and indirect effects of the pandemic, with half the jobs lost recovered by the end of the summer of 2020. The industry still managed to generate solid overall results, with the workers' compensation line helping lead the way. How well the industry will remain resilient in the face of COVID-19 variants through the end of 2021 remains to be seen, but indications through the first half of the year show reason for optimism. As **Exhibit 1** shows, the impact of COVID included a

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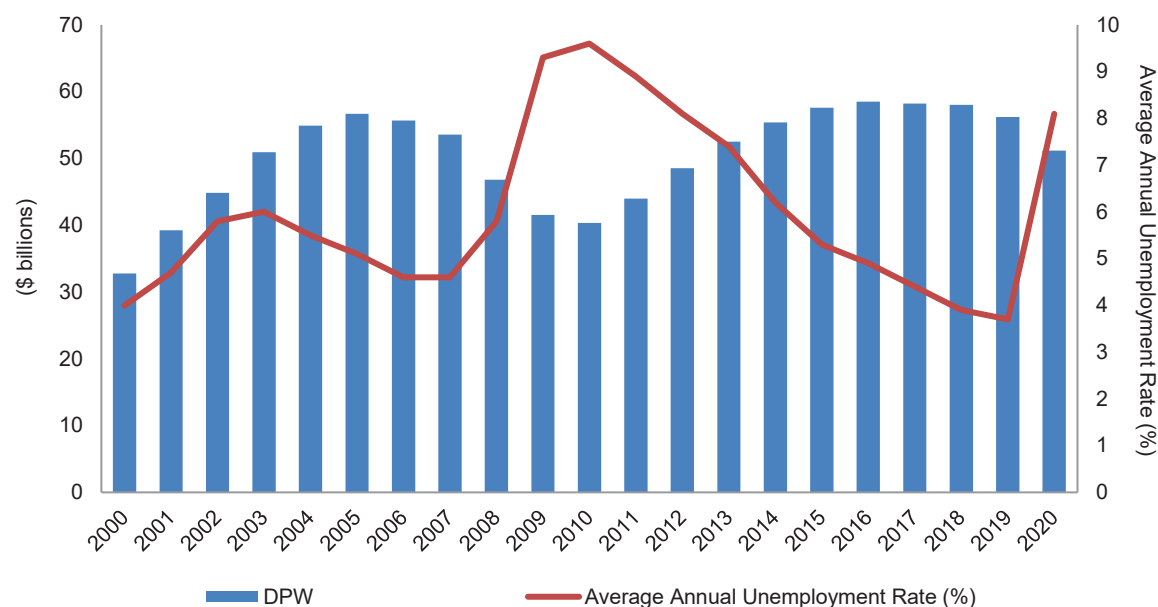
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Exhibit 1

US Workers' Compensation – Employment Effect on DPW, 2000-2020



Sources: US Bureau of Labor Statistics and AM Best data and research

Exhibit 2

US Workers' Compensation – Combined Ratio Components, 2016-2020

	2016	2017	2018	2019	2020
Net Premiums Written (\$ billions)	48.2	47.5	51.0	49.2	44.3
Pure Net Loss Ratio	53.6	49.0	45.4	45.4	48.8
Net Loss Adjustment Expense (LAE) Ratio	14.3	14.4	12.8	13.3	12.4
Loss & LAE Ratio	67.9	63.4	58.2	58.7	61.3
Underwriting Expense Ratio	24.4	25.4	25.2	25.7	26.5
Combined Ratio (B/PHDS)	92.3	88.8	83.5	84.4	87.7
Policyholder Dividend Ratio	3.1	3.4	2.7	4.1	3.4
Combined Ratio (A/PHDS)	95.4	92.2	86.2	88.5	91.1

Source: AM Best data and research

9% decrease in workers' compensation direct premiums written (DPW), owing to the substantial drop in payrolls during the second quarter of the year. The underwriting results of the WC insurers were again strong in 2020, despite a 10% decline in bottom-line net premiums written (NPW) (**Exhibit 2**).

Some businesses—especially in the hospitality and service industries—suffered considerably from the pandemic and were unable to remain open, driving the NPW decline. Nevertheless, the decline in frequency resulted in a decline in claims activity, so that the loss and loss adjustment expense (LAE) ratio rose only modestly. The WC line's combined ratio in 2020 was a few points higher than in 2019 but still comfortably under the breakeven mark of 100.0 and reflected profitable underwriting. Given the decline in premium, expense ratios rose, but the increase was nominal and did not constrain underwriting earnings much. The higher net loss and LAE ratio was due in large part to the decline in net premiums earned (NPE), which was

The Issue of Presumptive Coverage

Typically, workers' compensation does not provide coverage for illnesses such as a cold or flu because they can't be directly linked to the workplace. Some states recognized that this was a potential issue for front-line and essential workers. They needed essential employees, such as healthcare workers, first responders, police officers, firefighters, and other employees to continue to work throughout the pandemic, despite the risk of contracting COVID-19 as they routinely interact on the job with people who may be infected.

States addressed this issue through either Executive Actions or legislation that created what is called "presumptive coverage." Specific legislation varies by state, but presumptive coverage generally designates that an employee who contracted COVID-19 was presumed to have done so while at work, and workers' compensation insurance would apply. In most states, presumptive coverage included a "rebuttable" aspect that allowed coverage to be refuted by evidence presented by the employer.

Kentucky was one of the first states to take action, when Governor Andy Beshear issued Executive Order 2020-277 on April 9, 2020. Under this order, workers who were removed from work by a physician due to occupational exposure to COVID-19 would be entitled to temporary total disability payments if they were employed by a healthcare entity, or if they were first responders or in numerous other essential occupations, including child care and grocery stores.

Other states followed suit in early 2020: Alaska, Arkansas, California, Illinois, Michigan, Minnesota, Missouri, New Hampshire, North Dakota, Utah, Washington, and Wisconsin. However, the actions weren't without industry pushback. In Illinois, for example, the initial presumptive workers' compensation rule was repealed and had to be reworked to receive industry approval.

Throughout 2021, actions continue to be undertaken at both the state and federal levels on this issue. As of July 2021, 28 states had either enacted presumptive legislation or had legislation pending in their House or Senate committees. In Minnesota, for example, one bill was enacted in April 2020, which provides, in part, a presumption for COVID-19 workers' compensation claims for certain employees. To date, one additional bill related to presumptive coverage for "education employees" is still in the state's Senate Committee. Five bills are still in the House Committee, related to presumptive coverage for firefighters and education employees, and which expand the definition of occupational diseases related to COVID-19.

At the federal level, the American Rescue Plan Act of 2021, signed into law on March 11, 2021, provided certain federal employees workers' compensation benefits if an injury was deemed to be caused by exposure to COVID-19 arising out of their employment.

AM Best will continue to monitor developments regarding presumptive legislation and its potential impact on the financial results of the workers' compensation industry.

line with the 10% decrease in net premiums written and was almost three times the 3.7% drop in net incurred losses for the year.

Underwriters of workers' compensation have consistently generated underwriting profit margins that have outpaced those of the other casualty lines of coverage, with double digit

Other Trends Worth Watching

Growing Use of Technology: The use of telehealth and telemedicine grew significantly in 2020 and is expected to become even more commonplace in 2021. The quality and ease of treatment can be enhanced through telehealth, which helps provide injured workers with faster treatment, easier access to medication, and personalized care. It will also save time as patients will not have to travel to visit physicians.

Environmental, Social, and Governance (ESG) Considerations: Employee safety and engagement, community support, and compliance have become even more vital considerations because of COVID. Companies are dedicating greater resources to human capital management and governance programs. Whether formalized or not, integrating ESG metrics into employee health and safety initiatives isn't new, conceptually. However, the increased regulatory scrutiny and the growing importance of social and environmental issues make companies' enhancing their ESG capabilities and job safety protocols imperative.

Shortages of Qualified Workers: COVID-19 has led to not only unexpected job losses, but also workers' deciding to change professions if their occupations have been transformed in the new remote working environment. Recent jobs reports from the US Bureau of Labor Statistics indicate that millions of people remain unemployed even as employers complain of worker shortages. There have been anecdotal reports of workers who have found the transition to a new remote or hybrid working situations less than desirable and have instead opted for retirement. There are similar reports that rich benefits and financial support from federal COVID-19 stimulus packages are also contributing to shortages of available workers. The resulting labor shortages could compel some employers to hire less skilled, untrained, or inexperienced workers, which could be to their detriment because it increases the risk of accidents occurring. Employees with less skill or training do not have the same level of safety training as experienced workers and may be more willing to take unnecessary risks. For example, untrained workers constitute a significantly higher exposure to potential WC losses to employers in the construction, manufacturing, and trucking fields.

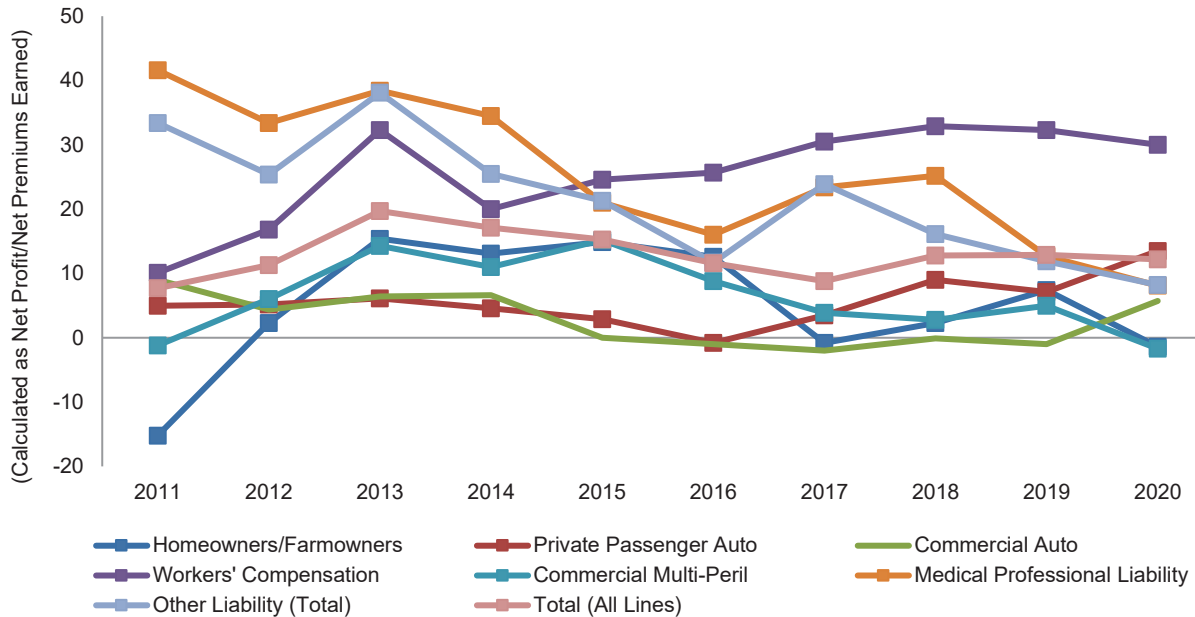
Aging Workforce: US Bureau of Labor Statistics data shows that the proportion of workers over the age of 55 is expected to increase to nearly 25% of the working population by 2024. For older workers, recovery time from even minor injuries tends to be longer. Since the cost of workers' compensation claims often increases as employees age, WC insurers' ability to maintain their current level of profitability may be pressured.

ratios of net profit to net revenue every year since 2010 (**Exhibit 3**). The medical professional liability and general liability lines have long generated double-digit profit margins as well, but these have been narrowing and were in the single digits in 2020, in contrast to the generally consistent results for the WC line the last four years.

Despite the smaller premium base, the WC insurers were highly profitable in comparison to other lines, **Exhibit 4** shows. The calendar year combined ratio (after accounting for policyholder dividends) of 91.1 for all insurers writing the coverage was markedly better than the industry's 98.8 combined ratio. WC underwriters have benefitted from a decline in lost-time claims frequency that has been tied to efforts to improve workplace safety. Other factors that have benefited the line's profitability are the declines in fraud, workplace accidents, and defense costs.

Exhibit 3
US Workers' Compensation vs Other P/C Lines – Profit Margin Comparison, 2011-2020

(Net Profit/Net Premiums Earned)



Source: AM Best data and research

Exhibit 4
US Workers' Compensation vs PC Industry – NPW Growth by Line, 2019-2020

(\$ millions)

	Calendar Year 2020							
	2019 NPW	2020 NPW	YoY % Change in 2020	CR (B/PHDS)	Policyholder Dividend Ratio	Combined Ratio (A/PHDS)	Operating Ratio	
Homeowners Multiple Peril	92,358	95,895	3.8	106.9	0.5	107.4	104.9	
All Private Passenger Auto	247,707	242,520	-2.1	90.5	2.0	92.5	90.1	
All Commercial Auto	38,942	39,570	1.6	101.7	0.2	101.9	97.6	
Workers' Compensation	49,235	44,330	-10.0	87.7	3.4	91.1	79.2	
Commercial Multiple Peril (Total)	38,898	40,542	4.2	108.7	1.1	109.8	105.5	
Other Liab (Occurrence)	38,649	42,064	8.8	109.4	0.1	109.5	99.1	
Other Liab (Claims-made)	21,889	26,856	22.7	99.7	0.1	99.8	91.9	
Medical Professional Liability	8,724	9,026	3.5	111.6	2.0	113.6	100.1	
Total	641,765	653,067	1.8	97.6	1.2	98.8	99.2	

Source: AM Best data and research

Established Leading Writers Maintain Their Positions

Exhibit 5 shows that all but one of the top 25 insurers of workers' compensation saw a decline in premium in 2020, with double-digit premium drops for nine of the top 15 and 14 of the top 25. Only 14 carriers generated more than \$1.0 billion in workers' compensation DPW, compared to 16 in 2019. Despite the decline in premium volume, the private carriers generated favorable direct underwriting results, while only one of the five state funds, CopperPoint Insurance Group, did so. Results by market share among the top 25 were largely in line with 2019, with some minor changes in positioning. The top carriers continue to

Exhibit 5
**US Workers' Compensation – Top 25, Ranked by 2020 Direct
 Premiums Written, 2019-2020**

(\$ millions)

AMB #	Company/Group Name	DPW		YoY Change (%)	2020 Market Share (%)	2019 Market Share (%)	2020 Direct WC Combined Ratio
		2020	2019				
18674	Travelers Group	3,737	4,212	-11.3	7.3	7.5	89.6
00048	Hartford Insurance Group	2,992	3,365	-11.1	5.9	6.0	87.9
18549	Zurich Insurance US PC Group	2,495	2,640	-5.5	4.9	4.7	73.2
18498	Chubb INA Group	2,295	2,431	-5.6	4.5	4.3	45.8
00060	Liberty Mutual Insurance Companies	2,140	2,447	-12.6	4.2	4.4	90.4
00811	Berkshire Hathaway Insurance Group	1,999	2,311	-13.5	3.9	4.1	68.4
18533	AmTrust Group	1,956	2,172	-9.9	3.8	3.9	75.8
18680	AF Group	1,668	1,745	-4.4	3.3	3.1	86.4
04029	State Insurance Fund WC Fund	1,611	1,996	-19.3	3.2	3.6	112.6
00734	Old Republic Insurance Group	1,302	1,410	-7.6	2.6	2.5	81.8
18540	American International Group	1,189	1,454	-18.2	2.3	2.6	76.7
04835	Great American P & C Insurance Group	1,165	1,313	-11.2	2.3	2.3	72.0
18252	W. R. Berkley Insurance Group	1,087	1,261	-13.8	2.1	2.2	80.4
04028	State Compensation Insurance Fund	1,077	1,206	-10.7	2.1	2.1	166.5
02967	ICW Pool	964	1,041	-7.4	1.9	1.9	82.6
11453	Texas Mutual Insurance Company	923	1,069	-13.7	1.8	1.9	109.4
18313	CNA Insurance Companies	815	828	-1.5	1.6	1.5	74.0
03116	Fairfax Financial (USA) Group	700	852	-17.8	1.4	1.5	63.2
18756	Starr International Group	662	700	-5.3	1.3	1.2	64.8
18484	Arch Insurance Group	632	636	-0.7	1.2	1.1	71.4
18602	Employers Insurance Group	571	687	-17.0	1.1	1.2	86.6
18724	CopperPoint Insurance Group	570	561	1.5	1.1	1.0	85.6
03471	Pinnacol Assurance	512	589	-13.0	1.0	1.0	103.5
18468	Market Corporation Group	498	551	-9.7	1.0	1.0	71.5
05696	Everest Re U.S. Group	494	550	-10.3	1.0	1.0	72.0

Source: AM Best data and research

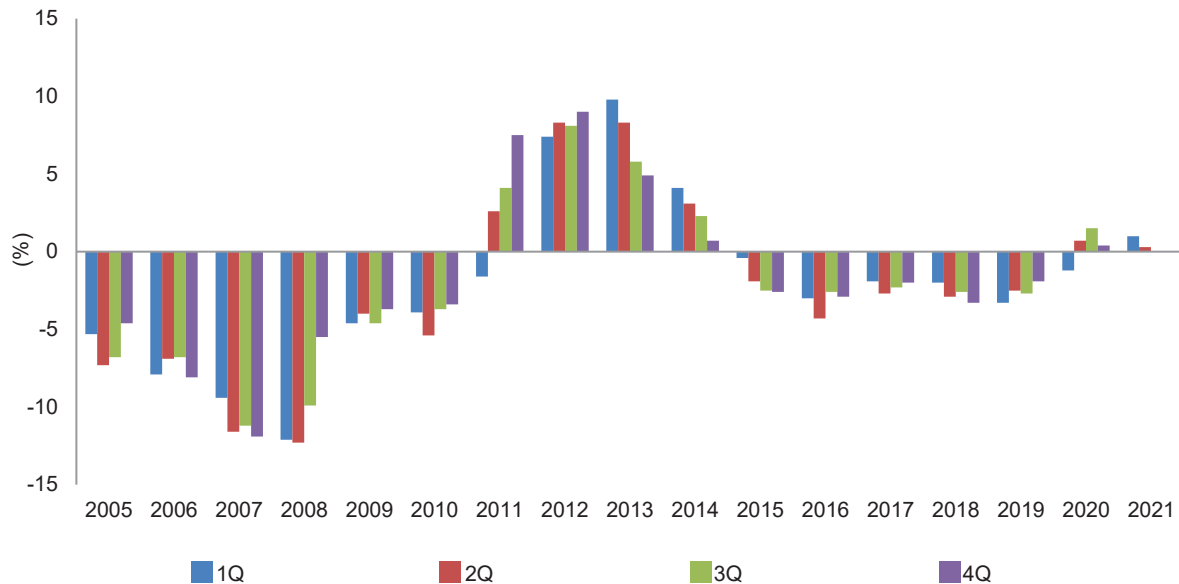
dominate the market, accounting for about 67% industry's DPW, with the top 10 carriers generating about 44%.

Premium volume for WC writers has been somewhat constrained by rate decreases in most states and market competition. WC writers have scrutinized rate and premium trends to determine which states offer the best opportunities to underwrite profitably. Some are looking to develop new products and explore new markets in other lines of coverage and allowing their WC top line premium to decline in the states where they generate significant premium.

Exhibit 6 shows that, on average, pricing has fallen for 20 consecutive quarters, resulting in double-digit annual declines in some years, resulting in double-digit annual declines in some years, owing to insurers applying rate modifications to lower policy premiums on individual accounts. Pricing decreases continued in the first three months of 2020 before reversing, with modest quarterly pricing increases beginning in the second quarter of 2020 and continuing through the second quarter of 2021, when the reported pricing change rose 3% on average. Rates declined consistently for a number of years, but the extent of the declines wasn't consistent across states or class codes. WC reform in some states also played a crucial role in rate decreases, with a number of states pursuing initiatives to lower or cap payments,

Exhibit 6

US Workers' Compensation – Quarterly Change in Price, 1Q05-1Q21



Source: Council of Insurance Agents and Brokers Quarterly Survey

introducing additional criteria to improve pricing accuracy, and implementing better controls over claims processes.

Several other factors have contributed to WC rate decreases the last few years, particularly in the more loss-sensitive markets—among them, a decline in loss frequency that has offset an increase in severity, particularly with regard to medical cost inflation. State legislation intended to limit attorney's involvement has also tempered the rising cost of claims. In a competitive marketplace, carriers seeking to grow their portfolios are judiciously implementing aggressive pricing strategies, which has helped make the WC market more dynamic—but this could change if more insurers find profit margins narrowing as average rates decline further.

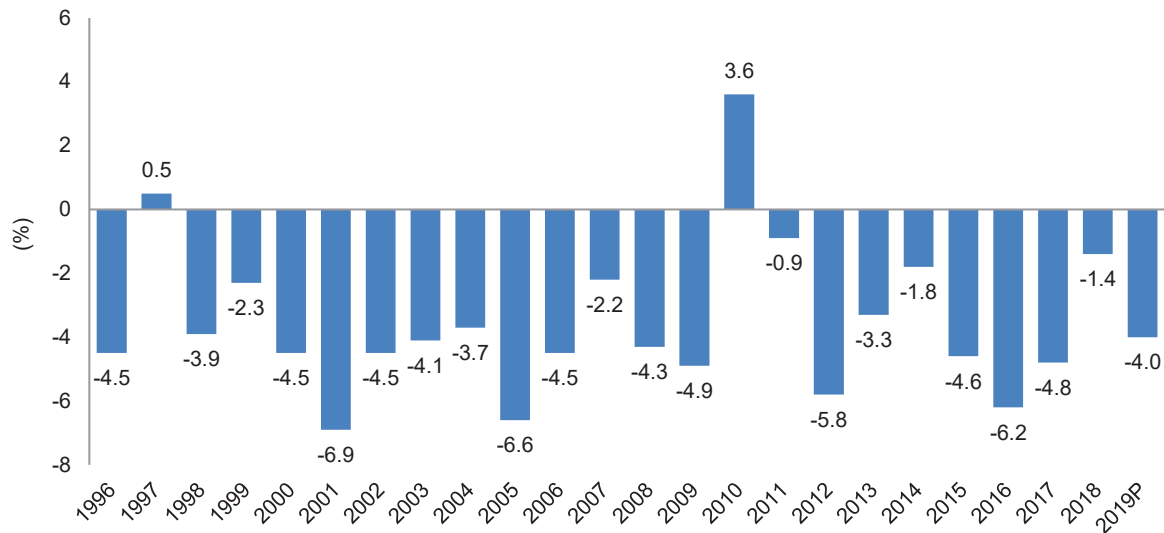
Over the short term, trends will depend partly on the impact of lost-time claims driven by COVID. According to the National Council on Compensation Insurance (NCCI), which provides rate-making services in 35 states and the District of Columbia, the majority of these claims thus far involve healthcare workers, first responders, and other essential workers, and the vast majority of WC claims filed since the onset of the pandemic were less than \$10,000. Larger losses—those over \$100,000—accounted for only 1% of all COVID-19 claims but approximately 60% of total losses.

Divergent Loss Frequency and Severity Trends

Based on NCCI data, the frequency of lost-time claims has declined over the past two decades (**Exhibit 7**). The magnitude of the declines has varied, from a 6.2% drop in 2016 to a drop of only 1.4% in 2018. The small decline in 2018 may have been due to a rise in slip and fall claims stemming from the severe winter weather that year. The overall drop in frequency is due in large part to the substantial resources allocated by employers to improve workplace safety, which resulted in fewer sprains and strains, in particular. Claims involving back strains have also declined noticeably. Meaningful reforms to address escalating costs and abuses, in addition to investments in automation and robotics, have contributed to the favorable loss frequency trends as well.

Exhibit 7

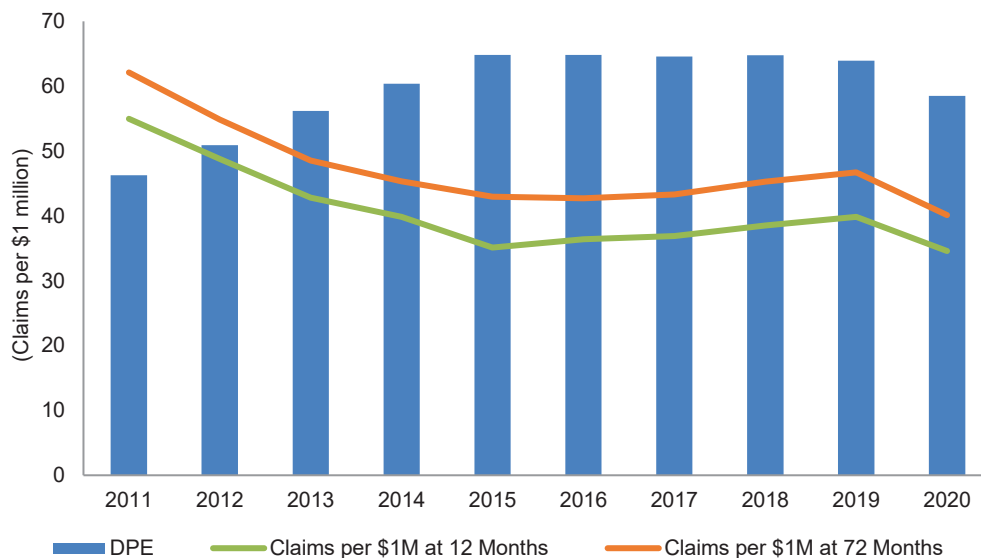
US Workers' Compensation – Change in Lost-Time Claims Frequency per \$1M in Pure Premium, 1996-2019P



P = Projected
 Source: National Council on Compensation Insurance

Exhibit 8

US Workers' Compensation Claims per \$1 Million in Premium, 2011-2020



Sources: US Bureau of Labor Statistics, AM Best data and research

Based on insurers' Schedule P data, claims per \$1 million of premium at both 12 and 72 months declined steadily (**Exhibit 8**), which has more than offset any rise in payroll exposure in recent years. At current rate levels, older years' premium would be lower, which would make the decline even more pronounced. The fall in claims frequency is very much in line with the NCCI's results.

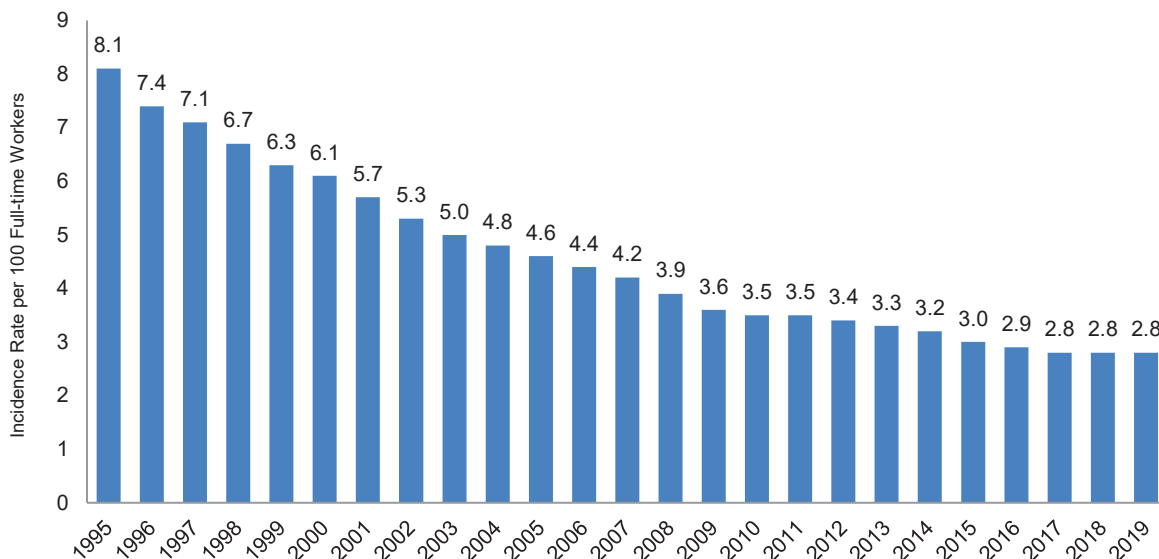
The rate of non-fatal workplace injuries has also declined steadily for most of the last 25 years, and by more than half since 2000 (**Exhibit 9**). According to the US Bureau of Labor Statistics, the private WC segment reported approximately 2.8 million non-fatal workplace injuries and illnesses each year from 2017 to 2019. The incidence rate for total recordable cases per 100 full-time equivalent workers, as defined under the Occupational Safety and Health Act, has been the same since 2019. Prior to 2018, it had dropped steadily for 15 years, remaining unchanged only twice—between 1995 and 2010, the incidence rate for private industry insurers in NCCI states declined by at least 100,000 each year. The 2.8 million total for private industries represents about 80% of the injuries and illnesses in total, combining private industry, state, and local government injury figures.

Approximately 15% of all private industry non-fatal workplace injuries in 2019 were attributable to manufacturing jobs, although the rate of total recordable cases decreased from 3.4 per 100 full-time equivalent workers in 2018 to 3.3 in 2019. Of these, laborers and freight, stock, and material movers had the highest number of cases of days away from work, followed by heavy and tractor-trailer truck drivers. The greater demand for warehousing space driven by steady growth in e-commerce may be a factor in the increase in the number of warehouse-related injuries. Numbers for 2020 will tell us how many healthcare and social assistance workers accounted for the number of injury and illness cases reported for the year, in light of the pandemic.

A little more than 95% of the 2.8 million reported incidents in private industry were injuries, while the remainder were illnesses, a proportion that has generally held across industry segments. Of the 2.8 million, more than 888,000 caused private industry workers to miss at least one day of work in 2019, which was pretty much in line with 2018 statistics. As in 2018, three sectors—healthcare and social assistance, manufacturing, and retail—accounted for roughly half the nonfatal injury and illness cases reported by private industries in 2019.

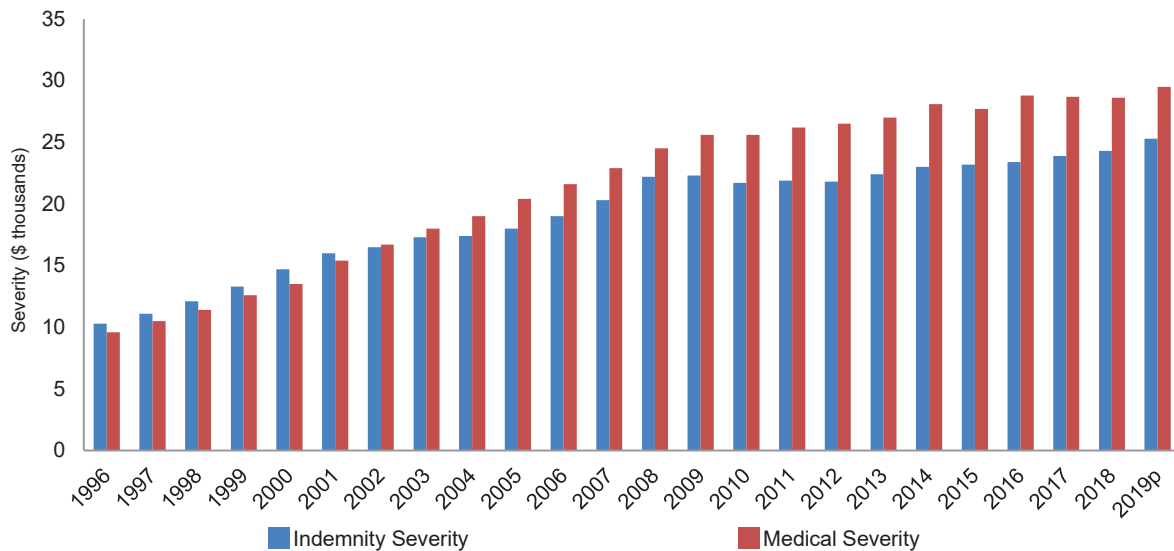
Exhibit 9

US Workers' Compensation – Non-Fatal Workplace Injuries & Illnesses, 1995-2019



Sources: US Dept. of Labor, Bureau of Labor Statistics

Exhibit 10

US Workers' Compensation – Average Cost per Lost-Time Claim, 1996-2019P

P = Preliminary, projected data valued as of 12/31/19.

Source: National Council on Compensation Insurance (NCCI)

Over the past few years, the frequency of lower back claims (sprains) has declined the most, followed by arm/shoulder injuries, which have declined by about half the amount of lower back claims. These results may reflect the impact of insurers' risk management and loss control efforts (in conjunction with policyholders) on workplace safety initiatives. Sprains, strains, and muscle tears are roughly in the middle in terms of the number of days they cause workers to miss, but they still represent the most common type of non-fatal workplace injury leading to missed time. Workplace injury statistics reveal that accidents resulting in multiple injuries (such as fractures, fractures, and amputations) and carpal tunnel syndrome are responsible for the most time from work for both employees and independent contractors.

Even as lost-time claims frequency has been dropping, indemnity and medical severities have been rising, as **Exhibit 10** shows. NCCI projected a rise in average indemnity severity of 4.1%, to an estimated \$25,300 per claim, in 2019, following a 1.7% increase to \$24,300 per claim in 2018. Prior to 2008, indemnity claims severity grew modestly faster than wages. The NCCI reports that, since 1999, the cumulative change in indemnity claims severity of 85% has outpaced the cumulative change in wage inflation of 78%. Over the same period, indemnity claims severity more than doubled, due in large part to an increase of more than 70% in median net compensation over that time, according to the Social Security Administration's national average wage index.

In 2019, average medical lost-time severity also increased, by an estimated 3.1%, to \$29,500, following three years of modest declines, from \$28,800 in 2016 to \$28,600 in 2018. The change in medical lost-time claims severity has consistently outpaced the change in the personal healthcare price index the last few years, with medical cost severity a bigger contributor than indemnity severity. According to NCCI data, claims severity in most jurisdictions has increased every year since 2015.

Exhibit 11

US Workers' Compensation – Underwriting Performance by State

Top 10 States Ranked by 2020 Direct Premiums Written

State	2020 DPW (\$ millions)	DPW Change (%)	% of Total DPW	Direct Underwriting Ratios				
				Loss & LAE Ratio	UW Expense Ratio	Combined Ratio (B/PHDS)	Policy- holder Dividend Ratio	Combined Ratio (A/PHDS)
California	10,165	-11.1	19.9	50.5	25.8	77.9	1.7	79.6
New York	4,750	-15.5	9.3	62.1	19.1	86.2	5.0	91.2
Florida	2,831	-9.1	5.5	60.1	23.9	87.7	3.7	91.5
Pennsylvania	2,369	-9.6	4.6	48.3	21.6	70.6	0.7	71.3
Texas	2,236	-11.5	4.4	47.8	24.7	88.1	15.6	103.7
Illinois	2,216	-7.0	4.3	59.3	21.7	81.4	0.4	81.8
New Jersey	2,188	-10.2	4.3	63.6	22.2	89.3	3.5	92.8
Wisconsin	1,748	-9.5	3.4	59.9	19.9	90.1	10.3	100.4
Georgia	1,636	-2.7	3.2	53.1	24.6	78.1	0.4	78.5
North Carolina	1,300	-6.9	2.5	55.8	22.9	79.1	0.5	79.6

Source: AM Best data and research

Exhibit 12

US Workers' Compensation – Direct Loss Ratio of Top 10 States by DPW, 2010-2020

(\$ millions)

State	2020 DPW	Direct Loss Ratio										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
California	10,165	72.5	60.9	73.2	70.0	62.8	56.3	51.6	47.2	40.9	40.2	40.1
New York	4,750	95.8	77.8	85.1	44.1 *	74.3	65.4	62.8	55.6	47.0	46.9	54.9
Florida	2,831	66.7	41.3	55.5	50.8	55.6	57.8	49.3	55.7	53.1	49.2	50.2
Pennsylvania	2,369	73.7	65.0	69.2	63.2	63.5	59.7	61.8	42.4	48.1	54.8	42.0
Texas	2,236	51.5	43.3	47.7	47.6	46.2	44.2	40.1	35.8	47.0	37.0	41.4
Illinois	2,216	89.3	75.3	72.2	60.5	61.3	53.1	54.3	44.0	43.8	45.1	51.3
New Jersey	2,188	72.0	71.9	73.5	68.0	62.3	62.8	58.0	54.2	48.3	54.3	53.5
Wisconsin	1,748	66.8	66.0	65.7	66.0	65.4	60.3	62.6	56.4	51.9	55.2	53.3
Georgia	1,636	64.4	59.3	62.8	56.5	56.5	58.0	57.6	52.5	46.9	44.8	45.2
North Carolina	1,300	73.9	74.3	74.3	60.2	55.4	50.1	46.1	41.4	35.6	37.0	48.9
Total	51,162	73.6	69.0	68.2	60.5	60.9	57.4	54.6	50.2	45.6	46.1	47.4

* The adjusted 2013 direct loss ratio of 87.3 for New York reflects the removal of the impact of the State of New York's Workers' Compensation reform.

Source: AM Best data and research

As Always, Performance Varies by State

The WC industry's DPW declined by 9.1% in 2020, owing largely to the pandemic. However, the market in each state is distinct (**Exhibit 11**). California and New York remain the top two states for WC premiums by a wide margin, accounting for 29.2% of all WC business written, down slightly from years past. The top ten states by direct premium wrote 61.4% of all US WC business and thus have a significant impact on overall industry results. NCCI data showed that the most recently approved changes in voluntary market advisory rates or loss costs in just about every jurisdiction in which NCCI provides rate-making services resulted in decreases, which contributed to the drop in premiums. Nevertheless, all but two states among the top ten generated a combined ratio (after policyholder dividends) of under 100, indicating profitable underwriting.

DPW declined in 47 out of 51 (including the District of Columbia) jurisdictions, the four exceptions being Arkansas, Maine, Washington, and Wyoming. The last two are among the four

states, along with North Dakota and Ohio, with monopolistic state funds. DPW declined for North Dakota (-9.6%) and Ohio (-23.8%). Ohio, West Virginia (-17.9%) and New Mexico (-14.7%) experienced the largest decreases in premiums year over year. Wyoming was a true outlier, with growth of 22.3%. Twelve states experienced double-digit declines in direct premium, including California (-11.1%), New York (-15.5), Texas (-11.5%), and New Jersey (-10.2).

New York reported the highest direct loss ratio of the top ten states in 2020 (**Exhibit 12**). For most of the 2010-2019 decade, New York reported the highest direct loss ratio annually (66.6 on average). The impact of reform became evident in 2018 and 2019, when New York's loss ratio was more in line with those of the other top ten. New Jersey (61.7 average annual direct loss ratio) and Wisconsin (60.9) were the only other states generating average loss ratios of more than 60.0 over the past decade. The states generating the most favorable direct underwriting results in 2020 were California, Texas, and Pennsylvania.

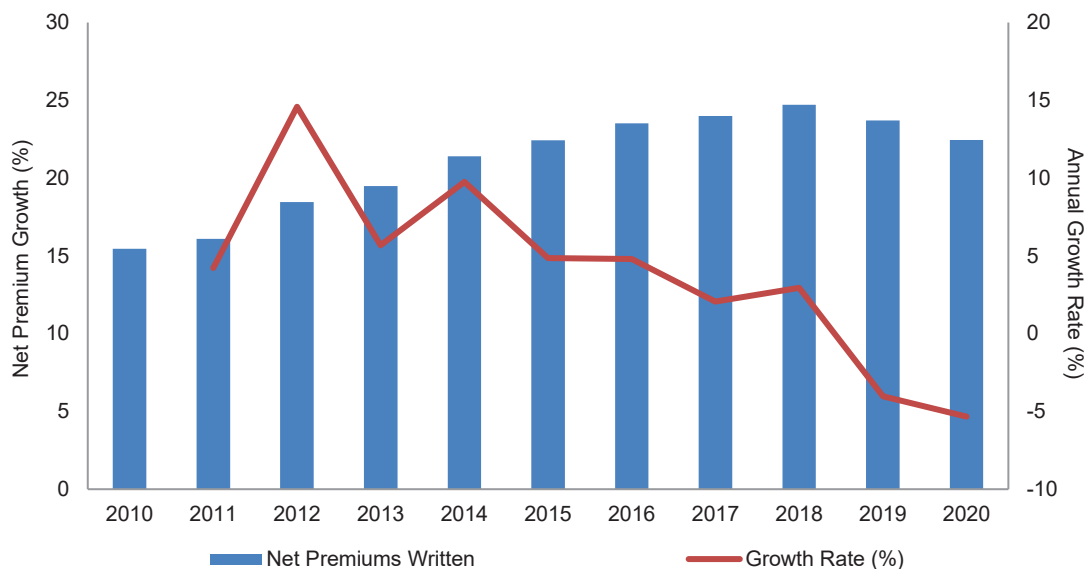
WC Composite and Specialists Grow Market Share and Remain Profitable

AM Best's Workers' Compensation Composite (WCC) is composed of US companies (including state funds) whose WC and excess WC net premiums constitute more than 50% of their total net premiums. Approximately 75% of the WCC's direct premium and more than 80% of its net premium were attributable to WC in 2020. From 2016 to 2020, the compound annual growth rate of the composite's direct premiums was negative, -1.2%, owing largely to declining rates. On a net basis, premium volume grew for most of the last decade, before relatively small NPW decreases in 2019 and 2020 resulted in the composite ending 2020 with a total of \$22.4 billion (**Exhibit 13**).

Some larger multiline P/C carriers writing WC insurance have been curbing their appetites, tightening underwriting guidelines, and in some cases, decreasing their exposure to the WC line in recent years, which has allowed the specialist writers in the composite to pick up some of that business. The WCC's market share of net premiums dropped slightly from 42.5% in 2016 to 40.9% in 2020, when it wrote \$18.9 billion of the P/C industry's \$44.3 billion in net premium.

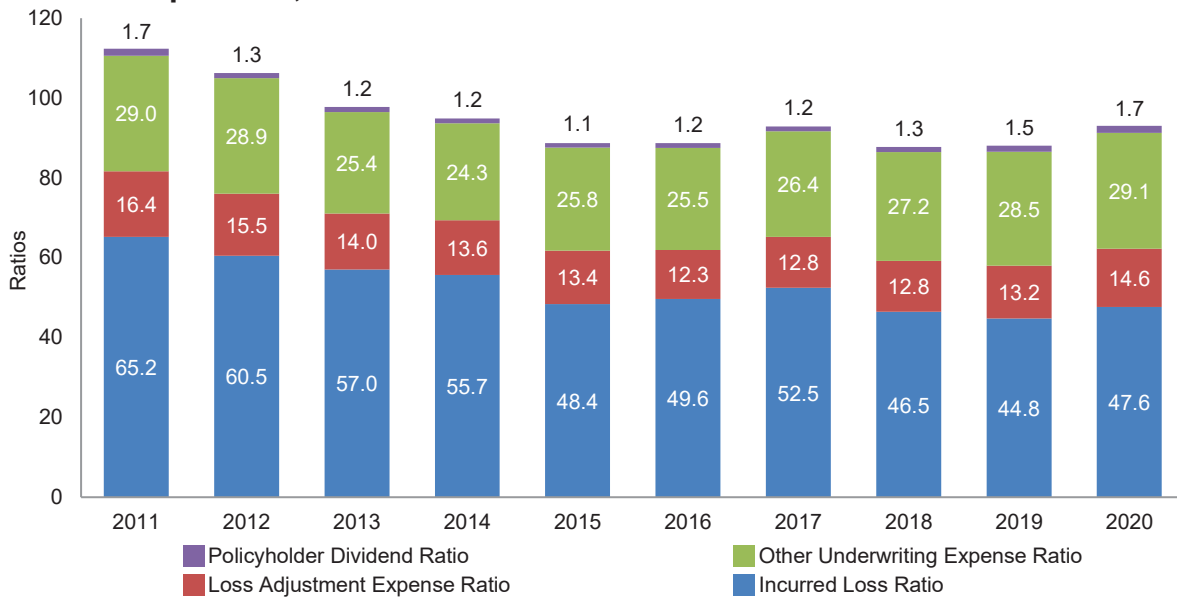
Exhibit 13

US Workers' Compensation Composite – NPW, 2010-2020



Source: AM Best data and research

Exhibit 14
US Workers' Compensation Composite – Private Carriers' Net Combined Ratio Components, 2011-2020



The population is comprised of insurers in AM Best Predominating Workers' Compensation Composite, excluding State Funds.
 Source: AM Best data and research

Exhibit 14 depicts the performance of the carriers writing only workers' compensation insurance. (The exhibit excludes state funds from the analysis owing to their higher loss & LAE ratios, which skew the composite's results.) The underwriting results of the WCC specialists have improved steadily, as evidenced by the 19.3-point difference in the incurred loss and LAE ratio and the 19.5-point difference in the combined ratio from 2011 and 2020. Underwriting expense ratios were fairly steady over the period, so the improvement in the combined ratio was driven by an improvement in the loss and LAE ratio.

Since 2011, the composite has increased its net WC premium volume by about \$5.3 billion, reaching \$11.6 billion at the end of 2020, which was down 10.9% from a high of \$13.0 billion in 2018. However, even with the 2020 decline in WC premium (due to the pandemic), the market share of the WC specialists rose to 26.2% in 2020, up considerably from 16.7% in 2011.

Solid Underwriting and Operating Results Drive Surplus Growth

Although the WCC's underwriting performance has bolstered pre-tax and net earnings, calendar year underwriting profitability has been substantially buoyed by almost \$12.6 billion in total annual reserve releases between 2015 and 2020. The WCC incurred an underwriting loss of approximately \$491 million in 2020 that would have been significantly worse, if not for the almost \$2.9 billion in favorable prior year loss reserve development. The relatively small underwriting loss in 2020 (largely attributable to the drop in net written and earned premium) outpaced the decline in incurred losses. Net underwriting results also benefitted from a 30% drop in policyholder dividends owing to the decline in premium.

The WCC reported \$3.1 billion in net income in 2020 (**Exhibit 15**), with almost \$3.7 billion in net investment income helping overcome the \$491 million net underwriting loss. The composite's net investment income rose every year from 2016 to 2019, due to both realized and unrealized investment gains and fueling sizable surplus growth. Realized capital gains have

Exhibit 15 US Workers Compensation Composite – Change in Surplus, 2015-2020

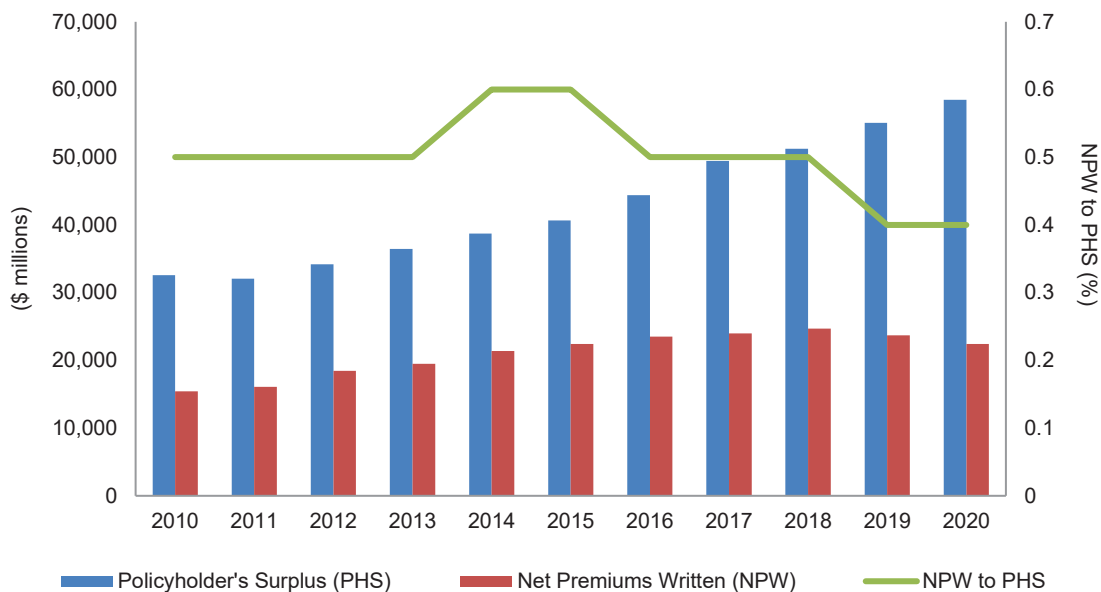
(\$ billions)

	2015	2016	2017	2018	2019	2020
Beginning PHS at Prior Year End	38.7	40.7	44.4	49.4	51.2	55.1
Net Underwriting Income	0.4	0.7	0.2	0.8	0.1	-0.5
Net Investment Income	3.2	3.3	3.4	3.8	4.1	3.7
Pretax Income	3.5	3.7	3.7	4.4	3.9	2.5
Realized Capital Gains	0.5	0.5	1.1	0.6	1.2	1.0
Net Income	3.3	3.6	4.0	4.4	4.6	3.1
Unrealized Capital Gains/Losses	-0.7	0.6	1.4	-1.9	2.0	0.6
Contributed Capital	0.5	0.5	1.0	0.1	-0.4	0.3
Stockholder Dividends	-0.8	-0.9	-1.0	-1.2	1.1	-0.7
Other Changes	-0.3	-0.1	0.4	0.4	1.3	0.1
Ending Policyholder's Surplus	40.7	44.4	49.4	51.2	55.1	58.5
Change in PHS from Prior Year End (\$)	1.9	3.7	5.0	1.8	3.8	3.4
Change in PHS from Prior Year End (%)	5.0	9.2	11.3	3.6	7.5	6.2
After Tax Return on Surplus (ROE %)	8.4	6.4	11.0	10.6	4.9	12.6

Source: AM Best data and research

Exhibit 16

US Workers' Compensation Composite – Net Premium Leverage, 2010-2020

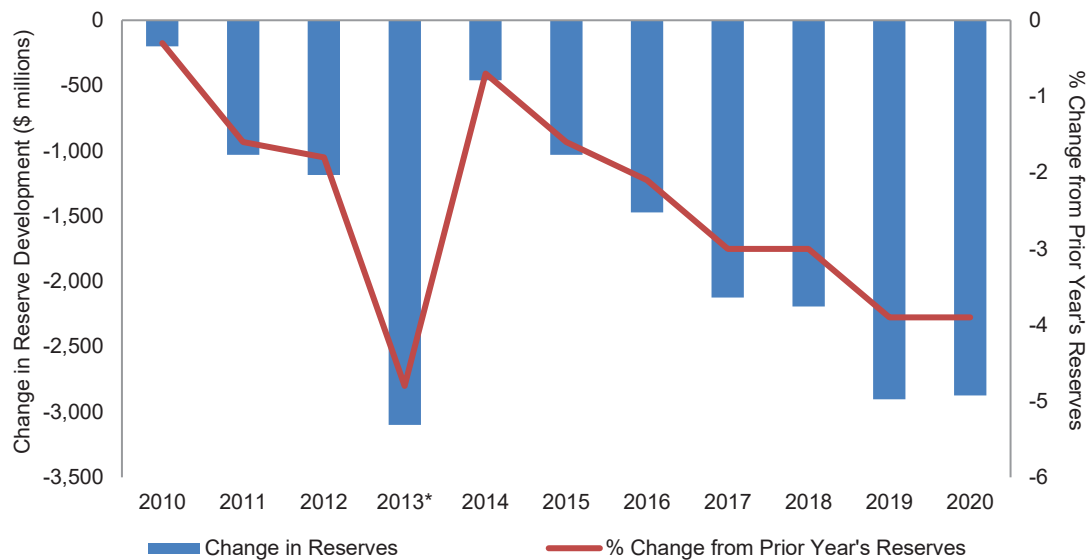


Source: AM Best data and research

consistently contributed to the composite's surplus gains the last five years, but insurers have also benefited from unrealized gains over that time.

The increase in net income has helped the WCC maintain solid after-tax returns on revenue and returns on surplus in years that weren't materially impacted by unrealized capital losses. Increases in surplus have generally outpaced those in NPW, causing net premium leverage to

Exhibit 17

US Workers' Compensation Composite – One Year Reserve Development, 2010-2020

* 2013 includes the impact of the State of New York Workers' Comp reform.
Source: AM Best data and research

decline the last few years (**Exhibit 16**). In the past ten years, surplus has grown at a CAGR of 7.3%, versus a flat CAGR for net premiums, underscoring the modest but favorable movement in NPW leverage during the period. Overall underwriting leverage (taking into account net premium leverage and net liability leverage) has declined from 2.7% in 2016 to 2.2% at the end of 2020, as the CAGR for surplus has outpaced that of both net premium and net liabilities.

As noted, the WCC's bottom line underwriting results have benefited from favorable reserve development in recent years (**Exhibit 17**). In 2020, the WCC had just under \$2.9 billion in favorable reserve development, versus just over \$2.9 billion in 2019. Given the soft WC market conditions and consistent rate decreases in most states the last few years, future loss reserve development could prove less favorable—maybe even unfavorable. Owing to the persistent low-interest rate environment, investment income has been somewhat constrained in recent years, making it imperative that WC underwriters and all insurers maintain their underwriting discipline. If the favorable recent year trends for claims frequency have been overestimated, or the increase in claims severity has been underestimated, the surplus accumulations of recent years could erode quickly and affect not just the WC writers' income statements but their balance sheets as well.

State Funds' Results Are Similar to Overall Market's

State compensation funds compete with private carriers while also serving as the guaranteed market for their states, and thus play a very important role in the market. In this report, the term "state funds" refers to the 17 active US competitive state compensation funds; it does not include the monopolistic state funds that operate in North Dakota, Ohio, Puerto Rico, Washington, and Wyoming.

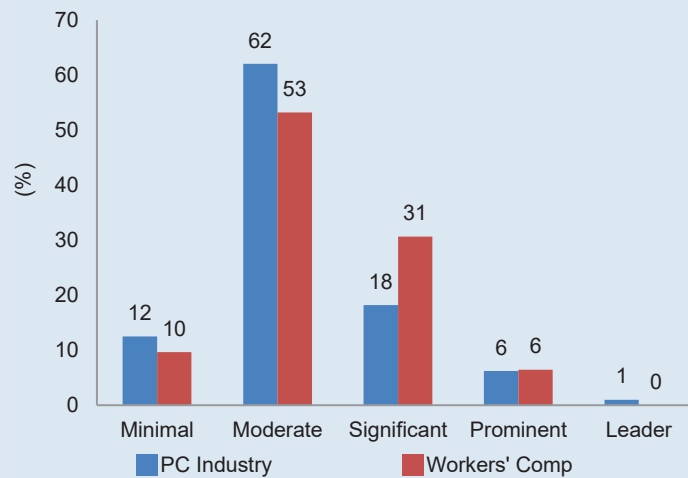
The appeal of purchasing coverage from state funds increases during periods when markets harden and finding coverage becomes more difficult. As **Exhibit 20** shows, when carriers were raising rates quarterly from 2011 through 2014, total net premium for the state funds rose. Rates declined from 2015 through the end of 2019, contributing to the general drop

Workers' Compensation Specialists at the Forefront of Innovation

The P/C industry has always been data-centric. Enhancing the ability to process, analyze, and store large and diverse sets of data is integral to insurers' effectiveness, particularly for workers' compensation insurers. Technological enhancements have been consistently needed for modeling sophistication, risk segmentation and pricing. For claims handling, effective use of data analytics can expedite case resolution, as well as uncover fraudulent activity. Expert data analysis can also help predict high severity incidents, which can lead to implementation of better preventive measures. The use of wearables, sensors, and other connected devices are also examples of risk management initiatives designed to take greater advantage of artificial intelligence that are particularly useful to WC insurers.

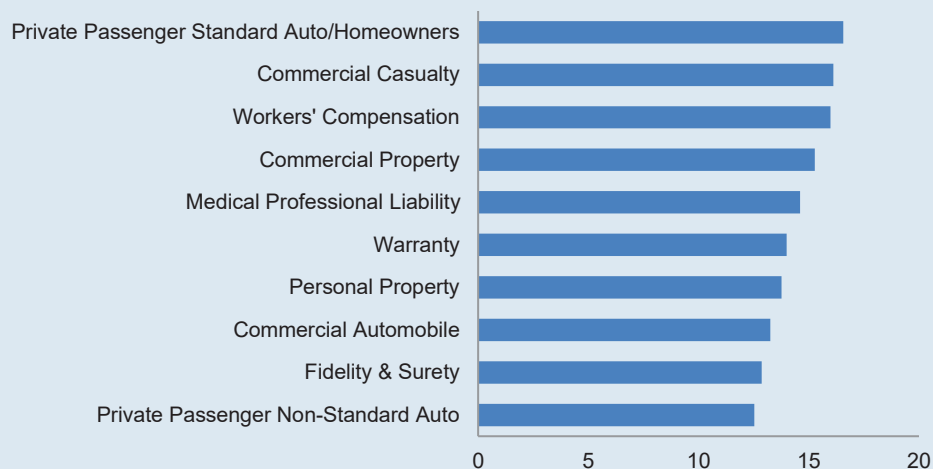
WC insurers have been at the forefront of innovation in the insurance industry, due largely to extensive sets of data available for analysis and modeling. The innovation capabilities of 84% of the carriers specializing in WC were assessed as either "Moderate" or "Significant," versus 80% for all P/C lines (Exhibit 18), while 6% were assessed as "Prominent," on par with the P/C industry. Only two segments had higher overall innovation scores: private passenger auto and commercial casualty (Exhibit 19).

**Exhibit 18
US Workers' Compensation Composite –
Innovation Capability Assessments**



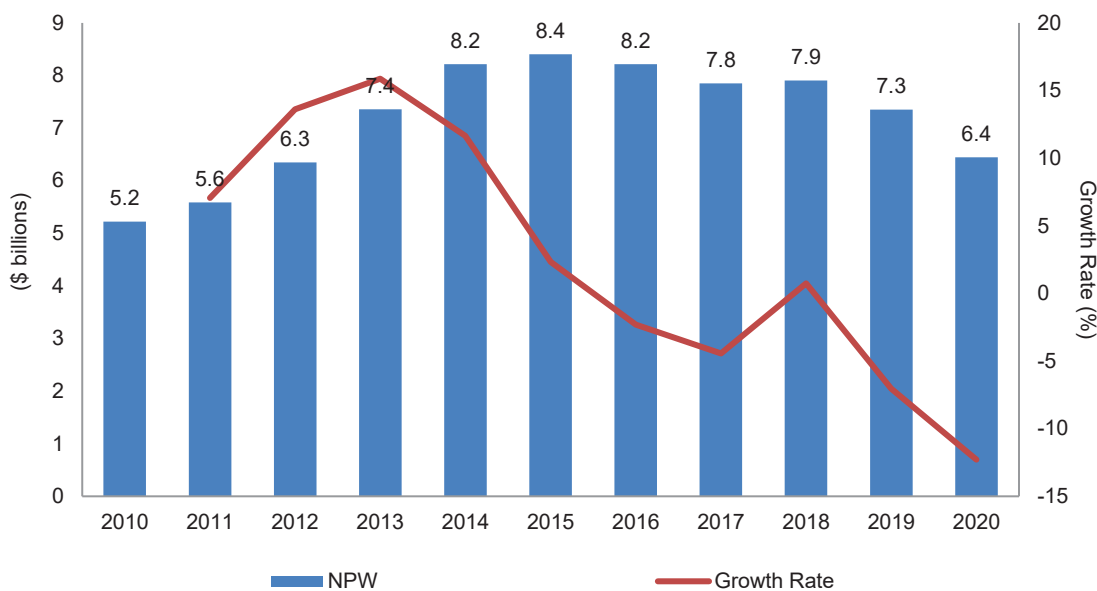
Source: AM Best data and research

**Exhibit 19
US Workers' Compensation Composite – Total Innovation
Score by P/C Line of Business**



Source: AM Best data and research

Exhibit 20 State Funds – Net Premiums Written, 2010-2020



Source: AM Best data and research

Exhibit 21 State Funds – Ranked by 2020 Net Premiums Written

Issuer Credit Ratings as of June 11, 2021

Company Name	State	NPW (\$ millions)	YoY % Change in NPW	Combined Ratio	Operating Ratio
State Insurance Fund WC Fund	NY	1,611	-19.3	112.7	96.7
State Compensation Insurance Fund	CA	1,063	-10.8	149.8	113.7
Texas Mutual Insurance Company	TX	959	-13.4	109.2	97.4
Pinnacol Assurance	CO	520	-12.8	104.4	95.5
SAIF Corporation	OR	477	-6.2	120.3	102.4
Idaho State Insurance Fund	ID	239	0.0	107.4	91.4
Missouri Employers Mutual Insurance Company	MO	227	-7.3	107.7	98.7
Louisiana Workers' Compensation Corporation	LA	202	-3.7	124.9	114.6
CompSource Mutual Insurance Company	OK	191	-2.8	96.1	77.4
Chesapeake Employers' Insurance Company	MD	173	-13.7	108.8	82
Maine Employers' Mutual Insurance Company	ME	164	-0.1	118.0	109.1
Montana State Fund	MT	150	-2.1	109.7	87.6
Kentucky Employers' Mutual Ins Authority	KY	121	-22.4	99.8	91.3
State Workers' Insurance Fund	PA	105	-4.1	-22.9	-57.2
Beacon Mutual Insurance Company	RI	103	-12.3	107.4	102
New Mexico Mutual Casualty Company	NM	84	-10.6	97.7	92.9
Hawaii Employers' Mutual Ins Company, Inc.	HI	57	-11.0	119.1	113.9

Source: AM Best data and research

in state funds' net premiums, despite a minimal rise in premium in 2018. The drop in 2020 was exacerbated by the pandemic. Overall, state funds accounted for 14.5% of total WC net premiums in 2020, down from approximately 16.5% in 2017 and 17.0% in 2016.

Exhibit 21 shows that none of the 17 state funds saw an increase in net premium in 2020. The top four state funds by WC NPW—New York, Texas, California, and Colorado, all of which generated more than \$500 million in NPW—saw double-digit premium declines, as did nine other state fund companies. The top four accounted for 64% of total state funds' net premiums and have a significant effect on aggregate results. With economy recovering towards the end of 2020, the impact of adjustments due to premium audits on 2021 premium totals remains to be seen.

The majority of the state funds reported an underwriting loss in 2020, net of policyholder dividends, owing to both their function as residual markets and the decline in payrolls. However, three—Oklahoma's CompSource Mutual Insurance

Company, Kentucky Employers Mutual Insurance Authority, and New Mexico Mutual Casualty Company—reported operating ratios below 100. Pennsylvania's State Workers Insurance Fund's results included activity (reserve takedowns) that resulted in negative incurred loss an anomaly for the year including a negative combined ratio.

Overall, the state funds remain well capitalized and have generated higher net investment ratios (net investment income earned/net earned premiums) than their private WC specialist counterparts. The investment ratio for the funds is aided by almost 96% of total admitted assets being invested, compared to just under 90% for the WC specialists.

Tumultuous 2020 Halts the Improvement State Funds' Underwriting Results

Pre-dividend underwriting results for the state funds in the aggregate had improved for a couple of years before 2020, owing to an improvement in loss and LAE ratios. However, the sizable decrease in premium volume owing not just to the drop in payrolls, but also a less-than-commensurate decline in losses incurred, led to deterioration in the underwriting ratio (**Exhibit 22**). Combined with higher policyholder dividends paid, the lower premiums and higher losses drove an increase in the combined ratios of state funds in both 2019 and 2020.

An increase in the underwriting expense ratio also helped push the combined ratios (both before and after policyholder dividends) up slightly. Generating additional investment income in recent years has been a challenge owing to persistently low interest rates, but the funds' net investment ratio has nonetheless improved steadily. The comeback in the capital markets after the downturn in the second quarter of 2020 led to higher net investment income. The aggregate operating ratio for state funds was strong, although not as favorable as in the four years prior.

Exhibit 22 State Funds – Combined and Operating Ratios, 2016-2020

	2016	2017	2018	2019	2020
Loss & LAE Ratio	71.9	72.0	70.2	64.7	72.5
Underwriting Expense Ratio	19.6	21.9	23.0	23.4	27.7
Combined Ratio (B/PHS)	91.5	93.9	93.2	88.1	100.2
Policyholder Dividend Ratio	11.3	12.9	9.2	18.7	14.2
Combined Ratio (A/PHS)	102.8	106.7	102.4	106.8	114.4
Net Investment Ratio	21.8	23.5	24.4	26.9	28.7
Operating Ratio	81.0	83.3	78.0	79.9	85.7

Source: AM Best data and research

Exhibit 23 State Funds – Change in Policyholder's Surplus, (\$ billions)

	2016	2017	2018	2019	2020
Beginning PHS at Prior year End	19.3	21.1	23.8	25.2	27.2
Underwriting Income	-0.2	-0.5	-0.2	-0.5	-0.9
Net Investment Income	1.8	1.8	1.9	2.0	1.8
Net Income	1.9	1.8	2.0	1.9	1.5
Unrealized Capital Gains/Losses	0.3	0.7	-0.9	1.1	0.3
Other Changes	-0.5	0.3	0.3	-1.0	0.1
Ending PHS	21.1	23.8	25.2	27.2	28.9
Change in PHS from Prior Year End (\$)	1.7	2.7	1.5	2.0	1.7
Change in PHS from Prior Year End (%)	9.0	12.9	6.2	7.8	6.3
Total Return on Equity (%)	10.7	10.3	4.5	10.9	6.3

Source: AM Best data and research

A number of state funds are also mutuals, which return money to policyholders through dividends. State funds have historically used dividends to offset rate increases and help with retention. This differentiates them strategically from the private companies that make up the WCC. The state funds paid out slightly less in policyholder dividends in 2020. However, owing to the drop in earned premium, the dividend ratio (policyholder dividends/net premiums earned) was higher and contributed to an increase in the net underwriting loss for the state funds of more than \$400 million, to approximately \$929 million, from \$506 million in 2019. The net underwriting loss constituted the largest loss in five years, resulting in the lowest operating ratio during the period.

Higher Earnings Drive State Fund Surplus Growth

The state funds' have grown their surplus the past five years (**Exhibit 23**). Despite yearly underwriting losses from 2011 to 2020 (except for an anomaly in 2013 due to an extraordinary underwriting gain at one particular state fund), the funds generated pre-tax operating gains, driven by consistent net investment earnings (other than in 2011). Improved loss experience had initially led to smaller underwriting losses through 2018, until results worsened in each of the last two years, especially in 2020. Aggregate net income for the state funds has surpassed \$1 billion each year since 2013, with the low being the \$1.2 billion in 2014. All but one (Hawaii Employers Mutual) of the competitive state funds posted net income in 2020, with most retaining the majority of earnings to boost policyholder's surplus.

Policyholders' surplus grew by \$1.7 billion, or 6.3%, in 2020, and over the last five years, has averaged \$1.9 billion in added surplus for average growth of 8.4% year over year. The \$1.7 billion in net income was approximately 55% of the net income generated by the entire WCC, and these funds accounted for 49.4% of the composite's surplus. State funds remain well capitalized compared to private carriers; however, state funds require a larger surplus because of the riskier accounts they assume in the residual market and the possibility of state government intervention.

The primary purpose of each state fund differs. In some states, the primary role is to serve as the state's residual market. In such states, the state funds face a great deal of political pressure, which can directly affect policyholders' surplus and rate levels. Some state funds have transitioned to private mutual insurers, such as Maryland's Chesapeake Employers' Insurance Company (CEIC). In 2015, Maryland passed state legislation that, among other things, required CEIC to fully affiliate with the NCCI and file its rates in accordance with NCCI rules, policies, and loss costs. The legislation also gave CEIC the authority to establish, own, or acquire a subsidiary that allowed it to write WC policies in other states. The process is being phased in over several

Exhibit 24 State Funds – Market Share by State Domicile

Company	State	2020 Market Share
SAIF Corporation	Oregon	71.8
Maine Employers' Mutual Insurance Company	Maine	67.1
Montana State Fund	Montana	59.6
Idaho State Insurance Fund	Idaho	55.1
Pinnacol Assurance	Colorado	54.5
Beacon Mutual Insurance Company	Rhode Island	50.0
Texas Mutual Insurance Company	Texas	41.3
State Insurance Fund WC Fund	New York	33.9
CompSource Mutual Insurance Company	Oklahoma	31.7
Kentucky Employers' Mutual Insurance Authority	Kentucky	25.1
Louisiana Workers' Compensation Corporation	Louisiana	26.6
Hawaii Employers' Mutual Ins Company, Inc.	Hawaii	24.6
Missouri Employers Mutual Insurance Company	Missouri	24.3
Chesapeake Employers' Insurance Company	Maryland	19.7
State Compensation Insurance Fund	California	10.6
New Mexico Mutual Casualty Company	New Mexico	6.6
State Workers' Insurance Fund	Pennsylvania	4.5

Source: AM Best data and research

Exhibit 25

**State Funds vs Private Carriers – Direct Premiums,
2019-2020**

Ranked by 2020 State Fund Direct Premiums Written

	DPW (\$ Millions)				State Funds' % of State DPW 2020	DPW % Growth/(Decline)	
	Private Carriers		State Funds			Private Carriers	State Funds
	2019	2020	2019	2020		2020	2020
New York	3,623	3,138	1,996	1,611	33.9	-13.4	-19.3
California	10,232	9,088	1,206	1,077	10.6	-11.2	-10.7
Texas	1,312	1,312	1,069	923	41.3	0.0	-13.7
Colorado	465	427	589	512	54.5	-8.1	-13.0
Oregon	197	180	488	458	71.8	-8.4	-6.0
Idaho	194	196	243	240	55.1	0.9	-1.2
Missouri	673	681	237	219	24.3	1.2	-7.6
Louisiana	615	570	214	206	26.6	-7.2	-3.5
Oklahoma	457	405	194	188	31.7	-11.3	-3.3
Maryland	734	702	198	172	19.7	-4.4	-13.2
Maine	76	77	156	158	67.1	2.4	1.1
Montana	110	106	159	157	59.6	-3.6	-1.7
Kentucky	402	365	158	122	25.1	-9.3	-22.8
Pennsylvania	2,510	2,262	111	106	4.5	-9.9	-3.8
Rhode Island	109	105	120	105	50.0	-3.4	-12.6
Hawaii	214	191	69	62	24.6	-10.9	-9.5
New Mexico	272	232	20	16	6.6	-14.4	-18.6
Total/Average	22,194	20,039	7,227	6,333	35.7	-6.5	-9.4

Source: AM Best data and research

years: Policyholders started to vote for board members in 2020; the fund will start paying federal income taxes in 2022, when it will also become eligible to write in other states; and it will attain full NCCI affiliation on January 1, 2023. Two board members were elected by policyholders in 2020 and two more will be elected in 2021. CEIC will continue to act as the insurer of last resort for WC coverage in Maryland. Becoming mutual insurers allows newly private insurance companies to expand the scope of their operations and write business across state borders.

Privatization remains one way for state funds to help combat bureaucratic intervention as well as the efforts of state governments to access capital from their WC funds when holes in the state's financial budget needed to be filled. Arizona's state fund became a private mutual insurer in 2013 and Oklahoma's CompSource Mutual, in 2015. Seven of the 17 state funds have market shares of more than 40% in their states (**Exhibit 24**), so any changes in these funds would have wide-reaching consequences for their states' WC insurance markets.

Operating Results Differ by State but Private Carrier Results Remain Superior

In nine of the states with competitive state funds, state fund direct premiums declined by a slightly higher percentage than for the private carriers (**Exhibit 25**). As noted, only one of 17 state funds (Maine Employers Mutual Insurance Company) reported an increase in direct premiums in 2020, while private carriers in three states did so. Notably, the state of Maine was one of the few states that has experienced an increase in loss costs, which factors into the premium growth. With overall WC market premium volume depressed for the year, the increases in those three states were minimal—the largest increase was just 2.4%. In nine states, the premium decline for state funds exceeded that of the private carriers. The percentage of total direct WC premiums written by state funds in these states was fairly steady in 2020, at approximately 36%.

Over the past five years, the competitive state funds reported higher aggregate median direct loss & LAE ratios than their private carrier counterparts did (**Exhibit 26**). (The median was used to counteract the impact of one competitive fund's negative loss ratio in 2020.) In 2020, the difference between them was in line with the almost 20-percentage point difference in 2019. The loss ratios for both appeared similarly affected by the suppressed claims frequency in 2020 due to the decline in payrolls.

The aggregate direct loss and LAE ratios of the private carriers in two—California and New York—of the three states generating the highest annual DPW were decidedly more favorable. The two states were also the ones with the highest aggregate direct loss and LAE ratios for the year. California was one of the states, along with New York, Maine, and Colorado, reporting the largest difference in loss ratios between private carriers and state funds, in favor of the private carriers. Four competitive state funds actually reported lower direct loss & LAE ratios than the private carriers in their states, with Louisiana, New Mexico, and Texas joining Pennsylvania, the state that generated a statistical anomaly in 2020, a negative loss ratio.

As we progress towards the end of 2021 and into 2022, AM Best will continue monitoring rate changes across the country. If rates continue to decline in more states—the norm over the last several years—the profitability of the business in those states could be adversely affected, depending on the debits or credits insurers apply to the filed rates in determining ultimate premiums.

Exhibit 26

State Funds vs Private Carriers – Direct Loss & Loss Ratio 2016-2020

Ranked by Highest 2020 State Fund Direct Loss & LAE Ratio

	Private Carriers					State Funds				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
California	58.5	58.0	45.8	47.7	45.6	106.9	69.6	103.0	72.8	105.7
New York	63.3	59.1	54.3	41.9	48.1	67.8	65.4	70.1	69.2	89.7
Idaho	36.5	59.4	66.5	59.4	81.0	80.0	74.7	84.3	89.1	89.0
Maine	59.2	66.9	43.7	68.4	50.8	73.4	76.9	79.5	83.6	85.2
Maryland	76.8	88.6	67.8	66.7	61.5	85.2	52.3	72.5	71.2	77.9
Hawaii	68.2	58.1	56.5	57.2	60.3	69.3	73.1	67.6	69.2	72.7
Colorado	80.7	63.1	43.1	52.1	47.1	60.5	60.5	59.0	63.1	72.4
Missouri	62.4	66.9	51.6	51.3	51.6	71.2	71.4	79.1	69.7	71.5
Oregon	70.8	60.8	63.4	61.3	68.1	45.3	49.2	36.3	76.4	71.2
Oklahoma	43.6	48.0	36.5	42.5	50.7	69.8	69.6	70.8	50.6	65.5
Montana	59.6	46.0	56.7	43.9	57.1	81.7	76.4	78.6	80.5	65.2
Kentucky	74.7	60.0	43.3	40.4	49.6	83.7	78.6	79.2	77.4	63.2
Rhode Island	55.4	32.8	40.7	26.7	39.3	68.8	79.6	83.9	72.1	58.5
Louisiana	61.4	75.1	14.8	56.9	56.7	38.3	49.5	59.8	60.5	55.2
New Mexico	69.0	47.4	54.5	58.4	50.7	33.8	39.1	58.8	71.9	43.7
Texas	61.3	42.9	54.7	61.8	50.4	39.5	44.6	48.8	38.8	39.5
Pennsylvania	57.1	41.3	59.6	41.7	52.3	95.8	78.0	73.7	120.7	-47.3
Median	61.4	59.1	54.3	52.1	50.8	69.8	69.6	72.5	71.9	71.2

Source: AM Best data and research

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BEST'S MARKET SEGMENT REPORT**A.M. Best Company, Inc.**

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