From the Editor

Managed care is a hot topic in the health industry these days and is finding its way into more and more non-traditional "health insurance" coverages such as auto insurance and workers' compensation. This issue starts out with an article by Richard Lynde of the New York Insurance Department that describes that state's new managed care law for no-fault auto insurance. You may recall that in last quarter's *RQ*, there was a similar article that explored Colorado's experience with this type of arrangement for no-fault insurance. In future issues, we hope to be able to share more states' experiences as they continue to incorporate managed care options into traditional insurance coverages.

This issue includes other health related articles and summaries as well. Diana Wright outlines the results of a survey of NAIC members concerning the accounting treatment of health care delivery assets held by HMOs. This question is of particular interest to regulators deliberating the appropriate treatment of such assets under the emerging health organizations RBC formula, but is also of interest to researchers in general. The results of this survey may help to dispel some incorrect assumptions about the treatment of these assets by state regulators.

Also included in this issue is a summary of the health insurance premiums and loss ratios reported by state by insurers filing the "blue blank" with the NAIC. The data is broken out for reporting years 1991-1995 for each state according to the nine categories reported in the Accident and Health Insurance Exhibit on page 21 of the 1995 annual statement blank.

Another health-related article, "Health Insurance RBC Underwriting Risk Measurement," describes one of the procedures that is sometimes used to validate the underwriting risk measurements of the RBC formulas. While this article focuses on health insurance premiums reported in the life RBC filings, the process can be generalized to other lines of business as well. A detailed mathematical appendix is included for connoisseurs of statistical legerdemain.

In future issues, look for more insights into alternative approaches to traditional insurance coverage being introduced in the various states, updates on the NAIC's urban auto insurance research, further discussion of the use of credit reports in underwriting personal lines insurance, reviews of industry investment practices, comparative statistics on investment returns for the life and p-c industries, risk-based capital trends and more in future issues of the RQ. As always, comments and suggestions are welcome.

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The view expressed in these articles do not necessarily represent the views of the NAIC members, individurally or collectively.

NY's New No-Fault Managed Care Law

by Richard Lynde, Supervising Examiner, Property/Casualty Bureau, New York Insurance Department

Editor's Note: This article, which is reprinted from the December 1995 edition of The Bulletin*, a publication of the New York Insurance Department, describes the New York approach to managed care arrangements for no-fault auto insurance. In the January 1996 edition of the* NAIC Research Quarterly*, Christel Szczesniak of the Colorado Insurance Department detailed that state's experience with this innovative approach to auto insurance. Managed care arrangements for the provision of health care services have exhibited strong growth in recent years, and more and more states are debating the efficacy of similar arrangements in auto and in other insurance lines. The experience in Colorado and New York are prime exhibits of one of the great strengths of state regulation — the ability to experiment with alternative approaches in diverse markets.*

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Richard Lynde is responsible for Claims Practices regulation in the Property/ Casualty Bureau of the New York Insurance Department. During the past 18 years, he has been heavily involved in developing Department regulations dealing with No-Fault Insurance, Supplementary Uninsured Motorists coverage and Unfair Claims Practices.

At the end of 1993, the New York State Legislature passed a bill permitting no-fault insurers to offer managed care coverage as an option to their policyholders. Shortly thereafter, the bill was signed into law becoming Chapter 726 of the Laws of 1993. Under the law, a policyholder who chooses the managed care option would be covered by the insurer's health care network. Premiums would be reduced to reflect the anticipated decrease in insurer losses. The law aims to reduce the costs and enhance the quality of medical and other health care services provided to motor vehicle accident victims by providing managed care alternatives.

Why was managed care for no-fault considered by the Legislature? Until the late 1980s, New York had experienced a stable automobile rate environment. It was evident that the Auto Reform Act of 1977, which included the revised no-fault law and its verbal "serious injury" threshold for making a claim for "pain and suffering," had accomplished the objectives of reducing the number of lawsuits and stabilizing auto insurance rates. Auto insurance rate increases were typically below the increases in the Consumer Price Index. Unfortunately, both no-fault and auto bodily injury liability claim experience began to steadily deteriorate in the late 1980s, resulting in increased auto insurance costs for New York's consumers. One way to control costs — one that had apparently been successfully implemented in Colorado — was to permit insurers to offer managed care for no-fault coverage.

For several months following passage of the managed care law, the New York Insurance Department met with a diverse group of interested parties, including a wide representation of health care providers, negligence attorneys, consumer groups and insurers. This task force worked to develop proposed regulations to implement the law. In July 1994, the Department proposed the 23rd Amendment to Regulation 83. Two public hearings elicited a substantial amount of comment. The regulations were then revised, reproposed and finally promulgated to become effective on August 15, 1995.

How will no-fault managed care be structured? A health care network will submit an application to the Insurance Department to become certified as a Managed Care Organization (MCO). An insurer can also make a filing establishing an MCO. If

certified, the Managed Care Organization is then free to contract with insurers to provide services through an insurer's managed care program.

An insurer that establishes a managed care program may contract with one or more Managed Care Organizations. The insurer, either directly or through its Managed Care Organizations, will be required to meet standards regarding accessibility, quality assurance, utilization management and dispute resolution.

It does not appear that all insurers will opt to provide managed care coverage. Therefore, some policyholders will not be able to avail themselves of such coverage. If an insurer does elect to offer this coverage, it must provide its policyholders with a three-page disclosure statement and a list of the providers that participate in the program. If the insured decides to purchase managed care coverage, a copy of the signed disclosure statement must be returned to the insurer before coverage will begin.

New York's Regulation 68 applies specifically to no-fault coverage. It contains the coverage endorsements — or policy provisions — and comprehensive rules for providing no-fault benefits. The 23rd Amendment to this regulation contains the new Managed Care Coverage Endorsement that will be provided to policyholders who elect this coverage. It also contains requirements that will be applicable to managed care organizations and to insurer managed care programs. Also included are the two prescribed disclosure statements that insurers must provide to their policyholders.

An insured who elects managed care coverage will receive the new prescribed no-fault endorsement that will include all the provisions pertaining to managed care coverage. This endorsement will be provided in place of the prescribed endorsement that applies to unmanaged no-fault coverage and will contain all the requirements for making claims under the managed care coverage.

Managed care applies only to the named insured and relatives residing in the household. It does not apply to pedestrians, passengers or permissive operators (i.e., those who have been granted permission by the vehicle owner to drive that vehicle). They will all be covered in the same manner as they are today — by the standard no-fault coverage. This means that managed care coverage will be available only on policies where the insured is an individual. The option will not be offered through commercial policies.

Unless specified exceptions apply, all health care must be received in accordance with the terms of the insurer's managed care program. In most cases, the insured will be required to use only the providers designated by the insurer's managed care program.

There will be circumstances when a policyholder must seek care outside the managed care program. Such care may be necessary during an emergency or if the policyholder is traveling out of state and has no access to network providers. For these and similar cases, exceptions have been carved out. Care that is not provided by a managed care organization will be covered if it's emergency care or care that is not available or accessible within the program. No penalties will be assessed if necessary care is received under these circumstances.

Significant financial penalties can be imposed if care is not received in accordance with the terms of the managed care program. If the exceptions do not apply, the insurer can apply a deductible or coinsurance requirement. Insurers, in their filings, can specify a deductible of up to $2,500 and/or a coinsurance requirement of up to 25% for out-of-network care.

The managed care program must provide an internal dispute resolution mechanism. The insurer or the Managed Care Organization will be required to respond promptly to grievances and complaints. A negative determination by the MCO will be considered a denial of claim and the claimant will be able to commence a regular no-fault arbitration proceeding.

Those who elect managed care coverage will receive with the renewal of their policies an additional prescribed disclosure notice that reminds them that they are covered by the managed care program and provides a general description of the requirements. They will be advised to contact the insurer or their agent if they no longer wish to be covered by managed care.

The Insurance Department issued Circular Letter No. 11 (1995) on July 21, 1995. This letter

advised insurers that the Department had promulgated amendments to Regulation 68 and 83 that implement the managed care law. It also provided copies of the application for approval of an insurer's managed care program and for the certification of Managed Care Organizations.

Chapter 726 requires the Superintendent of Insurance to report to the Legislature on the effect of managed care programs. This report, due in late 1997, will evaluate any existing programs and recommend whether the program should be continued. The law is currently scheduled to expire on June 30, 1998. Until that time, the Insurance Department will be monitoring the performance and results of the managed care programs in order to determine if, in the Department's view, the law should be made permanent.

Questions regarding no-fault managed care can be directed to the Insurance Department's Property/Casualty Bureau at 212-602-0334.

Research Bureau - New York State Insurance Department

The Research Bureau is the New York State Insurance Department's smallest bureau. Established in the early 1950s, the Bureau publishes a monthly newsletter, *The Bulletin*, and prepares various statistical reports as well as the Department's Annual Report to the Legislature. *The Bulletin* communicates the latest regulatory developments to the New York insurance community and provides a forum for original research conducted by Department staff.

The Bureau prepares a complaint ranking each year that ranks New York's 170 private passenger automobile writers by complaints closed by the Department weighted by premium volume. Similar reports are prepared for the State's commercial and non-profit health insurers as well as for its HMOs.

The Bureau maintains a research library and provides research services to Department staff. Consumer brochures are prepared by the Bureau in conjunction with various line bureaus. The Bureau works closely with the Department's Public Affairs Bureau and is frequently called upon to prepare testimony, speeches and articles of interest.

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212-602-0472

Admissibility of Health Care Delivery Assets

by Diana Wright

The NAIC is currently developing an RBC formula for health organizations to complement the existing RBC formulas for property–casualty companies and life–health companies. The new health organizations RBC formula is meant to set a minimum capital standard for health organizations such as Blue Cross/Blue Shield plans, limited service health organizations and health maintenance organizations. The formula will develop a minimum capital standard based on each organization's own unique risk characteristics. The health organizations RBC formula will face unique problems because the formula will have to meld a number of different annual statement blanks, accounting conventions, and accounting practices to develop that single formula.

The RBC formulas developed for life and p-c companies were simpler in that sense. All life insurers file on the same annual statement blank and fill in the blanks according to the same set of rules. Also, by definition these insurance companies are subject to the jurisdiction of the state's insurance commissioner. For health organizations, however, that does not necessarily hold true. For instance, in some states the Department of Commerce has primary jurisdiction over HMOs. Also, some of the regulatory jurisdictions over emerging forms of managed care companies are unclear.

During development of the life and p-c RBC formulas, emphasis was usually placed on risk factors that were deemed most important to those industries as a whole. However, risk factors that were important to the life industry were not always as important to p-c companies. The life formula includes a relatively complex formula treatment, including a company experience adjustment factor, for mortgage loans. The p-c formula, on the other hand, simply applies a single factor to the statement value of mortgages. For the life industry, mortgages have historically been an important part of the balance sheet. For p-c companies, that has not been the case.

During the development of the HORBC formula, concerns have been raised over new issues that are relatively important to the health organizations that will conceivably fall under this formula. One concern that has not been addressed in either the life or the p-c formula is the appropriate treatment of health care delivery assets. For some of the health organizations that could fall under this new formula, the question of the admissibility of health care delivery assets and the appropriate RBC treatment of such assets is a very important subject. For example, a Staff Model HMO that owns its own treatment facilities is very much concerned with how those assets are accounted for, as well as the RBC formula charge for those types of assets.

Currently, the statutory accounting treatment of health care delivery assets differs between organizations. Entities that are organized and licensed as life–health insurers must treat some or all of such assets as nonadmitted. The HORBC formula under development is a modification to the current Life RBC formula, so many participants in the current debate are concerned over the eventual outcome.

As part of the support function to regulators faced with making these decisions, the NAIC staff was asked to survey the member states to determine what rules are currently in place regarding the accounting treatment of health care delivery assets. With this information, regulators will be better able to assess the impact of regulatory policies and RBC standards. The results of the survey are presented in the following pages.

Caution should be used in the interpretation of the answers to question 3 of the survey. The detailed responses should be reviewed before any conclusions are formed by the reader.

Diana Wright is a health care actuary on staff at the NAIC. She has worked closely with the American Academy of Actuaries and has been providing technical assist-ance to the NAIC's Health Organizations RBC Working Group on this issue.

Survey Questions and Summary

1. Do you allow the admission of HMO health care delivery assets (land, buildings, equipment, etc. used the delivery of health care) for statutory reporting?

   Yes **36** No **0** Other - **2** (AK, HI)

2. If yes is the answer to #1 above, what is the basis for the valuation of the health care delivery assets?

   Market Value **0** Book Value **31** No Answer - **3** (AK, HI, SD)

   Other **4** (CT, FL, UT, WY)

3. Are there limits to the amount of health care delivery assets that can be admitted?

   Caution should be used when interpreting these summary answers! The detailed responses should be reviewed before any conclusions are formed.

   Yes **16** No **18** Other - **2** (NH, VT) No Answer - **2** (AK, HI)

   If yes, what are the rules? _____

4. Does your state require use of the NAIC Orange Blank for HMO statutory reporting?
   Yes **36** No **1** (VT) No Answer - **1** (AK)

   If no, please attach a sample of the required statutory reporting format.

5. Please cite your state's law or regulation or provide a copy for reference.

   Either cited regulation and/or attached copy - **35**
   No Answer - **2** (AK, TN)
   Other - **1** (CT)

State	*1. Allow admission of HMO health care delivery assets for statutory accounting?*	*2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?*	*3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?*	*4. State requires use of NAIC Orange Blank for HMO statutory reporting?*	*5. State law or regulation cited / copy attached.*
Alabama					
Alaska	(Other) (At this time, we have no admitted HMOs in Alaska.)	- - -	- - -	- - -	- - -
American Samoa					
Arizona					
Arkansas					
California	Yes	Book	No	Yes	Knox Keene Act, Title IV
Colorado	Yes	Book	No, statutorily. Internal standards applied on case-by-case basis. Must apply for approval when purchasing building, etc.	Yes	Investments of HMOs 10-16-403 § (1) (A), (2) (A); 10-16-410 Buy bonds/ stocks similar to life–health insurers
Connecticut	Yes	Other, depreciated value	No	Yes	Law is silent on this issue.
Delaware					
District of Columbia					
Florida	Yes	(Other) See attached Fla. Statute 641.35 (10)	Yes, 641.35 (10) (11)	Yes	Chap. 641 and 4-191 FAC
Georgia	Yes	Book, generally follow statutory acct. guidelines, depending on category of asset	No	Yes	OCGA 33-21-8, 8(a)(1)
Guam					
Hawaii	(Other) (Law went into effect 1/1/96 - prior to this was not regulated; 180 days to submit application; 6 months to hold hearings for rules; admitted assets not designed yet.)	- - -	- - -	(Yes) Commissioner may design - will probably use NAIC Blank	HRS Title 24; Chapter 432D
Idaho					

State	***1. Allow admission of HMO health care delivery assets for statutory accounting?***	***2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?***	***3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?***	***4. State requires use of NAIC Orange Blank for HMO statutory reporting?***	***5. State law or regulation cited / copy attached.***
Illinois	Yes	Book	Yes, furniture and equipment limited to 30% of admitted assets. Real estate, including leasehold improvements, limited to 20% of admitted assets (an additional 20% is allowed if HMO is staff model type).	Yes	215 ILCS 125/1-1 et seq
Indiana					
Iowa	Yes, only home office real estate (land & building)	Book	Yes, see attached, 511.8 (10)	Yes	Attached
Kansas					
Kentucky					
Louisiana	Yes	Book	No	Yes	22:2001-2027
Maine					
Maryland	Yes	Book	No	Yes	Law Article, Health-General MD Regulation 09-30-54
Massachusetts	Yes	Book	No	Yes	M.G.L. Ch. 176 G 211 CMR. 43.00
Michigan	Yes	Book	No, same as insurers	Yes, also Limited Health Services Organizations (Purple Blank) - Vision/Podiatry, etc.	MCL 500.901 § 1, 2 Investments of Insurers Public Health Code 333.21057
Minnesota	Yes	Book	Yes, 30% of admitted assets	Yes	Minnesota Statutes 62D and Minnesota Rules 4685
Mississippi					
Missouri	Yes	Book	Yes, EDP equipment having an aggregate cost of not less than $25K and not exceeding 5% of the admitted assets of the company. Only 50% of office furniture and equipment may be admitted.	Yes	354.400 - 354.550 20 CSR 200 - 1.040

State	*1. Allow admission of HMO health care delivery assets for statutory accounting?*	*2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?*	*3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?*	*4. State requires use of NAIC Orange Blank for HMO statutory reporting?*	*5. State law or regulation cited / copy attached.*
Montana	Yes	Book	Yes, land and buildings used for transaction of business is limited to 5% of assets. Total real estate owned by insurer shall not at any time exceed 10% of assets. See §§33-31-215, 33-2-806(9), and 33-2-832, MCA.	Yes	Attached
Nebraska	Yes, except for furniture, equipment and similar assets. See Section 44-32, 134.	Book	Yes, the Nebraska Investment Code is applicable to HMOs. See Chapter 44, Article 51 of the Nebraska Insurance Statutes	Yes	Sec. 44-32, 134 Sec. 44-32, 137
Nevada					
New Hampshire	Yes, furniture and fixtures not admitted	Book, cost less accumulated depreciation and net of mortgages payable	(Other) We do not have any Staff Model HMOs but would probably make an exception if we did. (For the equipment used in the delivery of health care.)	Yes	420, attached
New Jersey					
New Mexico	Yes	Book	No	Yes	59A-46
New York	Yes	Book	Yes, an HMO cannot spend more than 10% of its annual premium income on real estate in a year.	Yes, but also requires a “New York Data Requirements” statement to be filed (copy attached).	Health Dept. Regulation 98 requires an annual statement to be filed. Real estate investments are controlled by Sections 1109, 1404, 4310 of the Insurance Law.
North Carolina	Yes	Book	Yes, admit up to 10% of net worth of furniture and equipment, admit all of land.	Yes	Act 67 of Chapter 58 of the General Statutes

State	***1. Allow admission of HMO health care delivery assets for statutory accounting?***	***2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?***	***3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?***	***4. State requires use of NAIC Orange Blank for HMO statutory reporting?***	***5. State law or regulation cited / copy attached.***
North Dakota	Yes	Book	Yes, we have no quantitative limitations, only that the investment be reasonable for the transaction of its business.	Yes	26.1-18.1
Ohio	Yes	Book, cost less accumulated depreciation	Yes, 1742.151 - R/E may not exceed 40% total admitted assets unless approved by Dept., if HMO provides medical services. Percentage changes to 25% if HMO does not provide medical services. Furniture, medical equipment and other equipment are admitted assets up to 10% of total admitted assets, per ORC 1742.171 (A), (1), (r).	Yes	O.R.C. 1742
Oklahoma	Yes	Book	Yes, no more than 10% total in real estate and no more than 4% in one investment. Equipment is limited to 3% of admitted assets. 36 O.S. Sec. §1624 §1612	Yes	Title 63 Sec. 2500 et seq
Oregon	Yes	Book (depreciated cost)	No, must maintain specific assets equal to its required capitalization. Minimum $500,000 and certain types of investments (733.580). Can't have 100% of assets in real property.	Yes	ORS-750.005(1)B Price of Assets; ORS-733, ORS-733.770(1)d, ORS-733.160(4)b-Accounting and Investment
Pennsylvania	Yes, medical equipment only	Book	Yes, unimproved real estate (lesser of 10% of admitted assets/45% of net worth)	Yes	PA Title 31, Sec. 301.121(j) and 40.P.S. Sec. 504.1, 504.2 and 506 HMO Act 364
Puerto Rico					
Rhode Island	Yes	Book	No	Yes	§27-41-9(e) and §27-12-1

State	***1. Allow admission of HMO health care delivery assets for statutory accounting?***	***2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?***	***3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?***	***4. State requires use of NAIC Orange Blank for HMO statutory reporting?***	***5. State law or regulation cited / copy attached.***
South Carolina	Yes	Book	No	Yes	38-33-90
South Dakota	(Yes) (We do not have a statute addressing this. Our only domestic HMO does not have health care delivery assets.)	- - -	(Yes) (No specific statute - under general insurance company law limit would be 15% of assets.)	Yes	Chapter 58-41
Tennessee	Yes	Book	No	Yes	- - -
Texas	Yes	Book (cost)	No	Yes	Chapter 20A Texas Insurance Code and Subchapter I, Title 28, Texas Administrative Code
Utah	Yes	(Other) Depreciated value or market, whichever is lower	No	Yes	31A-8-101 et seq Utah Code R590-76 & R590-116 Utah Rules
Vermont	Yes	Book	(Other) Whatever GAAP allows. We have one active HMO in Vermont and we allow it to use GAAP.	No, GAAP	Title 8, Chapter 139, Heath Maintenance Organization Sections 5101-5115
Virgin Islands					
Virginia	Yes	Book	No	Yes	Virginia Code - Chapter 43 of Title 38.2 and Insurance Regulation 28 (attached)
Washington	Yes, however with special consent, above minimum surplus and liquidity factors	Book	Yes, must be above minimum surplus	Yes	Chapter 48.46 and Title 48 RCW

State	***1. Allow admission of HMO health care delivery assets for statutory accounting?***	***2. If Q.1 is yes, what is basis for valuation of assets - market, book or other value?***	***3. Limits to amount of health care delivery assets that can be admitted? If yes, what are the rules?***	***4. State requires use of NAIC Orange Blank for HMO statutory reporting?***	***5. State law or regulation cited / copy attached.***
West Virginia	Yes, only on some of the assets; land, building and some equipment.	Book, at the Commissioner' s discretion, the land and building valuation may be increased after the proper filings and procedures are completed	Yes, § 33-8-16(1) "...the amount invested in such real property shall not exceed ten per centum of the investing insurer's assets." The Commissioner may grant higher percentage, if by hearing the insurer shows due cause that the percentage is insufficient to provide convenient accommodations for the insurer's business.	Yes	§ 33-25A
Wisconsin	Yes	Book	No, receivables from affiliates or IPAs are nonadmitted. Goodwill and similar intangibles (such as development costs) are only admitted to 10% of net worth.	Yes	HMOs are licensed as insurers, so the general insurance stats and rules apply. HMO specific regs are Ins. 3.50 Wis. Adm. Code and Ch. 609 Wis. Stats. The limitation on goodwill is accomplished through a special annual statement instruction.
Wyoming	Yes (WY 26-34-105 (a)(i)	(Other) Lower of book or market	Not specifically. WY 26-34-105(b) - must be approved by Commissioner before purchase	Yes, 26-34-110(a) and Regulation Chapter 13 § 11	See specific categories

Health Insurance RBC Underwriting Risk Measurement

by Mike Barth

As part of ongoing validation testing on the life RBC formula, NAIC staff tested the efficiency of the C-2 health insurance risk components, based on data contained in the 1994 RBC filings and annual statement data. This testing gives some insights into the risk posture of companies writing health insurance and helps regulators to evaluate both the formula itself as well as the accuracy of the testing methods. The technical statistical details of the analytical process are included as an appendix. Also included is a short list of pertinent references that provide more insight into the methodology used.

Much of this research and similar research originates from the financial literature on options pricing. More and more academicians are incorporating option pricing principles into insurance-related research, and it has long been a staple in the literature on banking capital standards. Several of the references at the end of the appendix discuss applications of this methodology to establishing capital standards for insurance companies.

Background on Methodology

The basic procedure used to evaluate the accuracy of the RBC formula approach to health insurance risk is the estimation of the standard deviation of the combined ratio for health insurance coverages. That statistic is in turn used to estimate the amount of underwriting loss that could reasonably be expected under "normal" conditions. The RBC standard should be proportional to the amount of underwriting loss that might occur, but the definition of what is "normal" is subjective. In this evaluation, that standard was assumed to be the 95 percent confidence interval of the combined ratio about its mean.

The *combined ratio* is measured as the ratio of losses and expenses (the sum of lines 3, 4, 8 and 8A or Schedule H Part 1) to earned premiums (line 2, Schedule H Part 1). If there is an underwriting gain before dividends to policyholders, the ratio will be less than one. If there is an underwriting loss before dividends to policyholders, the ratio will be greater than one. Underwriting losses are a direct charge against surplus, so the minimum surplus requirement should be proportional to the standard deviation of the underwriting losses. For example, if the combined ratio is known to be less than 125 percent 99.9 percent of the time, then an RBC cushion equal to 25 percent of premium would be sufficient to absorb the full amount of surplus drain from this risk element 99.9 percent of the time. The confidence interval can be set at 99.9 percent, or at 95 percent, or at 90 percent, or at any other level. The choice of the "normal" amount of risk is usually a subjectively determined standard set by regulators.

The initial stage of this research requires an estimate of the mean and standard deviation of the combined ratio in each of the eight premium categories in Schedule H:

1. Group Accident and Health
2. Credit (Group and Individual)
3. Collectively Renewable
4. Other Individual Policies - Noncancelable
5. Other Individual Policies - Guaranteed Renewable
6. Other Individual Policies - Non-Renewable for Stated Reasons Only
7. Other Individual Policies - Other Accident Only
8. Other Individual Policies - All Other

Note that these categories do not match the by line detail reported in the RBC formula. Therefore, direct evaluation of the component pieces of the RBC formula approach cannot be done. The results

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on the aggregate portfolio of health insurance, though, may be compared to the aggregate generated by the RBC formula. These results also give some insight into what type of testing might be conducted if more details (e.g., incurred losses and expenses) were solicited in the RBC filings. Also, there is some basis for comparison of the overall health earned premium RBC computed in the current formula and the hypothetical RBC generated through the process outlined here.

The technical procedure, limitations and the mathematical formula for the validation testing are included as an appendix for the mathematically inclined reader. The remainder of this article presents a summary of the results of the research. Comparisons are drawn between the RBC ratios that are actually included in the formula (RBC%) and the hypothetical RBC ratios (CAP95) that are developed through the validation methodology. If both methodologies produce identical results, that may be considered a validation of the current process. However, if the two processes produce dissimilar results, that does not necessarily invalidate the current RBC formula — it may well indicate that the testing procedure is invalid.

Results

Figure 1 shows the adverse underwriting experience ratio (CAP95) and the Health Premium RBC-to-Health Premiums ratio (RBC%) arranged in ascending earned premium order for each company in the data set. The CAP95 ratio is developed through an approximation of the standard deviation of the combined ratio and represents the largest percentage increase over 100 percent that can be reasonably expected to occur 95 percent of the time. That is, for a CAP95 ratio of 30 percent, the expectation is that 95 percent of the time the combined ratio will be less than or equal to 130 percent. However, the CAP95 ratio is also capped at 75 percent for any single company to avoid problems with runaway arithmetic.

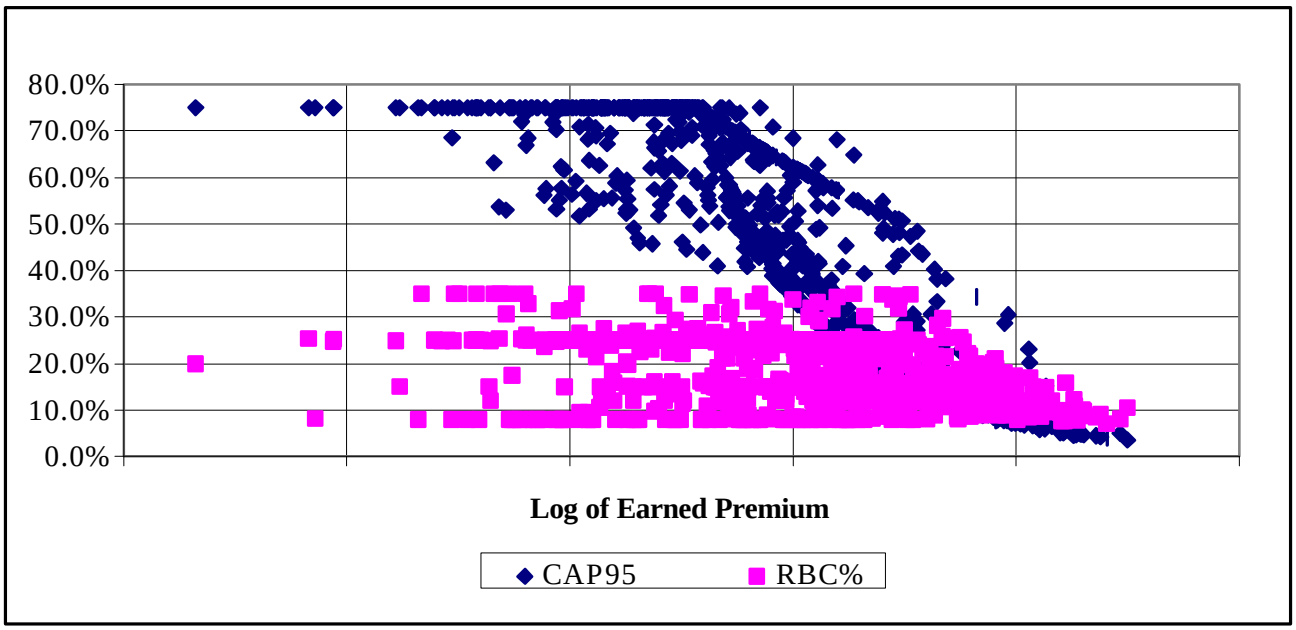
Figure 2 shows a median trace (similar to a moving average) of both the CAP95 and the RBC% statistics for those companies in the data set. The CAP95 trace is consistent with the RBC% trace for premium amounts of $25 million or more (Figure 3), but for smaller premium amounts the two series diverge. This occurs because the RBC formula uses tiered factors for major medical and disability coverages, but the tiered factors start at relatively high breakpoints. The breakpoint for individual major medical is $25 million. For group major medical and for disability income, the breakpoint is $50 million. Most insurance companies have premiums that fall underneath the breakpoints, as shown in Table 1. Less than 12 percent of companies exceed the breakpoint for individual major medical, and only about one-quarter of the companies exceed the breakpoint for group major medical. Only about 5 percent of the disability income writers exceed the breakpoint.

Figure 2 shows that the RBC% ratio is flat for premium amounts under $25 million, while the CAP95 ratio continues to climb to its own cutoff point of 75 percent. That disparity would diminish somewhat with the introduction of flat minimums, some combination of lower breakpoints and/or higher first-tier underwriting risk factors, or by lowering the cap on the CAP95 ratio below 75 percent. From Figure 1, it can be seen that the majority of companies generate higher CAP95 ratios than RBC% ratios. These results imply that the current combination of breakpoints and factors in the RBC formula produces a different level of protection against C-2 health underwriting risk for companies of different sizes.

However, there may also be compelling regulatory reasons for maintaining some disparity. The RBC formulas do not attempt to quantify the "correct" amount capital commensurate with risk, but rather set a minimum amount of capital. The RBC results for relatively smaller companies are more volatile than those for larger companies (see "Trends in Life Risk-Based Capital Results" in the October 1995 *NAIC Research Quarterly*). There is also a difference in the amount of market disruption that would result from the insolvency of a large insurer relative to the insolvency of a smaller insurer. There are also sometimes implicit or explicit parental guarantees in place, and those types of guarantees are more likely to be in effect for a small company than for a very large company. All of these factors imply that a one-size-fits-all formula should not necessarily have a one-size-fits-all comfort level built into its design.

Validation testing of the formulas will virtually always indicate shortcomings because that is the nature of the statistical testing beast. The degree

Figure 1
RBC Ratio and CAP95 Ratio by Health Earned Premium Amount



of acceptable accuracy in the RBC formulas is really a subjective judgment by regulators. Statistical analysis can generally show the degree to which a glass holds water but cannot resolve the debate over whether the glass if half-empty or half-full. Indeed, statistically, half-empty and half-full are by definition equivalent. As the RBC formulas come under more technical scrutiny over time, these half-full/half-empty questions will always remain. A thorough understanding of both the strengths and weaknesses of statistical research on financial data of this nature can help to keep those types of arguments in perspective.

Figure 3
Median Traces of CAP95 and RBC% - $25 Million and Above

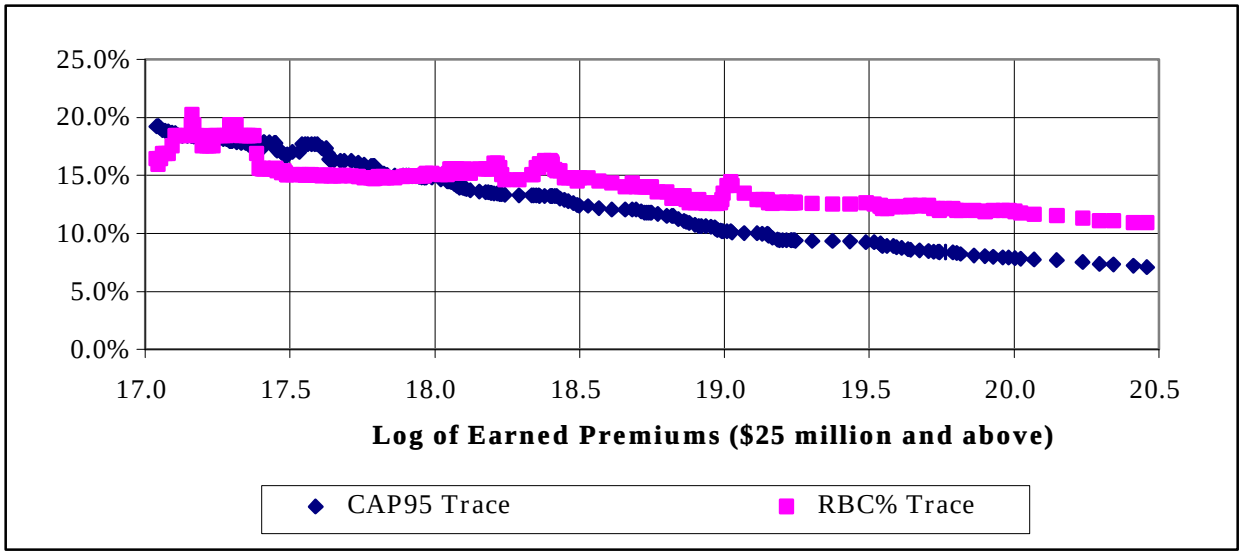


Figure 2
Median Traces of CAP95 and RBC% Ratios

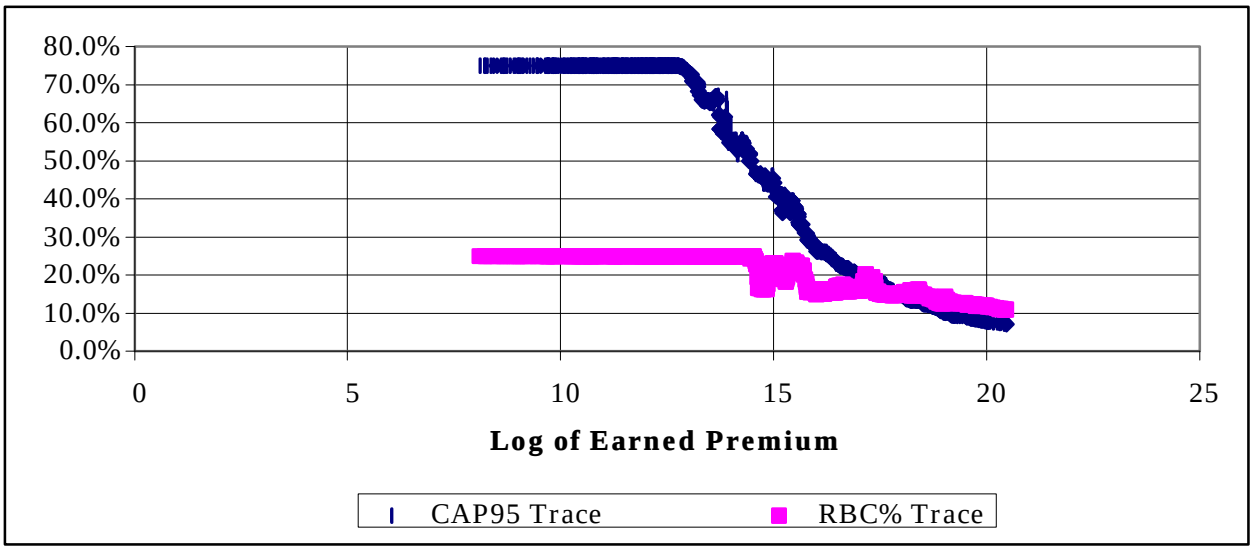


Table 1
Distribution of Companies By Earned Premium Reported in RBC Filing

Line of Business >>>	Maj Med, Hospital	Med Supp, Dental	Hosp Indem, AD&D	Maj Med, Hosp	Stop Loss, Min Prem
Number of Companies >>>	273	194	270	347	151
5%	7,086	39,045	2,132	12,903	32,661
10%	17,195	79,095	8,119	55,311	99,782
15%	35,577	174,727	16,997	189,933	196,558
20%	57,156	279,534	33,665	440,270	480,493
25%	98,303	550,923	62,663	818,096	719,138
30%	139,284	869,422	102,167	1,669,987	1,190,870
35%	178,337	1,161,054	138,261	2,809,289	1,764,483
40%	244,240	1,583,908	198,040	4,391,870	2,334,928
45%	338,185	2,249,787	365,020	7,020,048	2,787,354
50%	657,851	3,327,333	634,682	9,332,937	3,940,136
55%	1,086,390	4,465,013	1,119,746	13,263,109	4,966,526
60%	1,635,100	7,209,596	1,506,235	20,079,645	9,588,578
65%	2,569,584	9,909,321	1,875,815	28,255,951	11,313,372
70%	3,868,191	14,419,478	3,041,883	38,982,996	15,670,315
75%	5,425,465	21,862,405	4,592,428	54,310,663	22,892,612
80%	7,762,016	26,880,627	6,844,920	75,836,427	28,221,000
85%	16,594,015	39,977,231	11,355,088	125,462,299	39,553,433
90%	33,633,020	55,036,074	22,537,817	217,231,950	57,869,797
95%	61,016,585	118,764,031	42,385,779	527,164,947	113,422,006
Breakpoint	25,000,000			50,000,000	
% of Companies Under Breakpoint	88.3%			72.9%	
% of Companies Over Breakpoint	11.7%			27.1%	

Table 1 (continued)
Distribution of Companies By Earned Premium Reported in RBC Filing

Line of Business >>>	Individual Med Supp	Ind Hosp Indem, AD&D	Indiv Noncan	Other Indiv Disability	Indiv Disability
Number of Companies >>>	130	204	253	286	572
5%	54,547	5,567	527	1,175	8,262
10%	145,261	21,681	1,692	4,986	29,708
15%	295,259	60,898	3,698	10,516	48,311
20%	358,781	137,160	8,157	19,114	77,451
25%	527,902	250,687	15,846	25,433	132,684
30%	697,892	404,877	25,308	41,085	176,753
35%	1,214,898	642,852	36,317	76,773	231,914
40%	1,649,792	931,622	57,319	117,923	286,454
45%	2,052,634	1,173,623	87,392	171,728	418,090
50%	3,089,451	2,076,991	125,740	246,872	553,697
55%	3,996,906	3,000,192	171,388	376,432	841,280
60%	5,412,792	3,677,834	349,653	484,241	1,107,601
65%	6,839,995	5,128,515	606,854	757,562	1,683,487
70%	8,888,816	6,875,997	1,123,375	1,039,635	2,612,281
75%	11,819,133	9,447,155	1,989,233	1,375,426	4,076,477
80%	20,195,041	14,554,553	3,520,014	1,756,485	6,107,958
85%	32,992,920	23,059,262	7,925,917	2,608,390	11,251,698
90%	44,849,327	37,950,952	24,246,956	5,969,701	21,442,189
95%	97,149,380	90,518,724	65,828,878	14,535,810	50,784,924
Breakpoint			50,000,000	50,000,000	50,000,000
% of Companies Under Breakpoint			94.5%	98.9%	94.9%
% of Companies Over Breakpoint			5.5%	1.1%	5.1%

Appendix

Premium and loss/expense information was pulled for all available companies on the NAIC database for each line of business in Schedule H Part 1 for reporting years 1991 through 1994. Earned premiums come from line 2. Combined losses and expenses come from lines 3, 4, 8 and 8A. For each line of business, all observations that had combined losses and expenses of zero or less were discarded. Also, premiums of less than $100,000 were omitted from the calculations. These adjustments to the data were to minimize the effect of outlier observations on the industry total.

After these adjustments, the combined ratio (losses plus expenses divided by earned premium) for any single observation will range from zero to one (underwriting profit) or from one to infinity (underwriting losses). The combined ratio was assumed to follow a lognormal distribution, which is a common practice among researchers who do this kind of work. The statistical measurements were conducted on the natural log of the combined ratio (LNCR).

Average Value of LNCR

Figures A.1 through A.8 show the value of LNCR plotted against the log of earned premiums for each of the lines in Schedule H Part 1. For each line, the mean value is relatively constant, but the dispersion around the mean is inversely related to the premium volume. This is consistent with the law of large numbers and is also consistent with patterns observed in most financial ratios.

Standard Deviation of LNCR

The standard deviation of LNCR (the dispersion around the mean) is not constant across companies, but is some function of volume. It is also some function of an individual company's ability to underwrite and/or of the underlying volatility of the company's market. The standard deviation can be decomposed into three major components: (1) the industrywide "normal" variability that is common to all companies, (2) the variability that is some function of volume, and (3) the variability that is some function of the company's own unique operations. Note that this concept is similar to the decomposition of the variability of the returns of a common stock into market variance, industry variance and individual variance. The combination of the variability that is a function of volume and the variability that is a function of the company's own abilities is somewhat analogous to the beta of a common stock. The standard deviation of the combined ratio can be written as:

$$\sigma = \alpha\beta P^{\lambda}$$

Figures A.1 through A.8 show that the dispersion of LNCR on the left-hand size of each graph is greater than the dispersion on the right-hand side. The horizontal axis of these graphs is the premium volume in ascending order, so the standard deviation must be some function of premium volume. Therefore, premium volume is one of the determinants of the standard deviation of LNCR, and that relationship is inverse. The exponent λ is a negative number. The more negative, the steeper the slope of the standard deviation with respect to P, which represents "premium." The α component is the normal (i.e., "market") risk, and β is the product of all other company-specific risk factors $\beta 1$, $\beta 2$, $\beta 3$, etc.

The true standard deviation of each company's results cannot be directly measured because there are not enough data points. The most that can be obtained is four data points for any individual company, and that is insufficient to make an accurate estimate. Since the standard deviation is different for each company, the standard deviation of the cross-sectional LNCRs can be infinite because of the "mixture of normal variables" problem (see Hogg and Klugman, p. 49). If the LNCRs can be adjusted for the company-specific risk factors, then the LNCRs will have a finite variance and measurements can be made with some accuracy. The process is then to attempt to decompose the standard deviation into the three component parts.

It can be shown that when the natural log of premiums and the natural log of loss/expenses are normally distributed, then the absolute value of the natural log of the ratio of loss/expenses to premiums is proportional in distribution to the standard deviation as long as the mean is zero or near zero and small relative to the standard deviation (see Beckers, p. 672 for details). Figures A.1 through A.8 lend support to these assumptions, so we can estimate the standard deviation of each

individual observation by taking the absolute value of LNCR:

$$|\text{LNCR}| = \gamma\sigma$$
$$= \gamma\alpha\beta P^{\lambda}$$

where γ is the parameter to adjust for the proportional difference between the absolute value of LNCR and the standard deviation. Taking the natural log of both sides produces an equation that can be used to measure these relationships empirically:

$$\ln|\text{LNCR}| = \ln\gamma + \ln\alpha + \ln\beta + \lambda \ln P$$
$$= b0 + b1 * \ln P + \varepsilon$$

The intercept term b0 in the regression equation is equal to the average of the sum of $\ln\gamma$, $\ln\alpha$ and $\ln\beta$. The b1 parameter is equal to the λ term in the equation and is the elasticity of the standard deviation with respect to premium. The ε term is the random error and statistical noise. Under the assumption that the "average" company's standard deviation is equal to the industry standard deviation, holding all else constant, the value of $\ln\beta$ is zero, the same as the mean value of ε, and its variability is included in the variability of the error term. Therefore, the intercept term from the regression equation can be used to estimate the true "market" standard deviation and can be combined with the premium elasticity parameter to estimate the "normal" standard deviation for an individual company.

Limitations

The data in Schedule H Part 1 is presented on a net basis (direct + assumed - ceded). This can lead to some technical problems with estimating the standard deviations using the process outlined above. Inter-company pooling is something that is quite prevalent in the p-c industry. The presence of pooling arrangements requires an adjustment to the regression formula to isolate the market risk component. Inter-company pooling is reported directly in the P-C annual statement, but not in the life statement. In an inter-company pool, each company cedes all of its business into one big pot, and then the pot is doled out to each pool member on a flat percentage basis. The variability of the individual company results is actually the variability of the pool. This lowers the observed standard deviation of the combined ratio for pool members. If there is any meaningful degree of inter-company pooling in the reported results of these life companies in Schedule H, then the accuracy of the estimates will suffer.

A second problem arises when using accounting values that are discounted with interest. Results for some companies are discounted, while results for others are not. This will affect the measurement of the standard deviation. The underwriting results used to run these calculations for P-C companies are reported gross of virtually all discounts, so discounting is less of a problem. The extent to which discounting with interest may or may not be a problem in Schedule H Part 1 is unknown, but if discounting is present then the estimates produced through this methodology will be affected.

The values reported by companies in a certain line of insurance in Schedule H will not be homogenous. The group accident and health for one carrier might be all small group, where it may be something altogether different for the next carrier. This methodology measures the "average standard deviation" for all the business reported in each of these lines. About 75 percent of the total premiums reported in Schedule H Part 1 are in the first category, group accident and health. The other lines have significantly less premium and also have relatively few data points on which to compute these estimates. Because the data is so susceptible to outlier values, the degree of accuracy is very much affected by the number of observations. A regression estimate based on only a few hundred data points will be susceptible to a lot of estimation error.

There are some reinsurance issues that affect the accuracy of the estimates. Non-proportional reinsurance will truncate the measured effect of poor underwriting results by passing those poor underwriting results over to the reinsurer. This will result in a truncation of adverse underwriting results and an understatement of the standard deviation estimate. The effect of that bias is difficult to ascertain without having direct statistics to compare with. On the other hand, the C-2 RBC is based on underwriting experience, so net statistics are a better measure of what the underwriting risk is to the company. Once the business is ceded, it ceases to be an underwriting risk and becomes a collectibles risk. That is, for the ceded business, the risk is not that the

underwriting experience deteriorates, but rather that the reinsurer won't honor its obligations. Collectibles risk is much different than the underwriting risk.

The accounting conventions used in Schedule H also cause problems with the estimation process. These are calendar year statistics and include underwriting gains/losses from both the current year and from prior years. Some of these lines also have premiums that are written on the level premium plan, which makes the results less generalizable across time periods. A sufficient number of observations over a sufficient period of time would produce accurate estimates, but there are still relatively few observations available over only four years.

Finally, some companies report non-insurance risk bearing business in Schedule H, even though the instructions clearly require it to be omitted. Some administrative-services-only type business still finds its way into Schedule H. Where this was detected, the data elements for that company were omitted from the analysis.

Results

Table A.1 gives the regression results for the mean value of LNCR. Explanatory variables included the natural log of premium and dummy variables for calendar years 1991, 1992 and 1993. The table shows that the mean values of the combined ratio do move with the premium in some of the lines, but not much. The dummy variables also show that the mean might differ in some calendar years. However, the t tests of the significance of these regression coefficients (the test as to whether the regression coefficient is zero or not) may tend to overstate the power of the test, so an assumption that the mean value of LNCR is equal to zero is acceptable for each line.

Table A.2 gives the regression results for the mean-adjusted absolute value of LNCR. The regression equations in Table A.1 were used to estimate the mean values of LNCR in each line, and these estimates were subtracted from each LNCR observation. The natural log of the absolute value of the mean-adjusted LNCR was regressed against the log of premiums and against the calendar year dummies to look for any anomalies by calendar year. The elasticity parameter for premiums was, as expected, statistically significant, but the calendar years were not. The standard deviation estimates are based on the reduced-form equations shown in the second half of Table A.2. The estimated standard deviation for each line is calculated from these regression results as:

$$\sigma = e^{(b0+2/\pi)} P^{b1}$$

The estimated standard deviations are produced for each of the eight lines of business. However, they have to be combined to calculate the portfolio standard deviation and to compare with the aggregate C-2 health insurance premium RBC amounts generated by the RBC formula. The correlation of results between each of the lines must be estimated before that can be done.

Table A.3 shows the Pearson product-moment correlation coefficients for each pair of lines of business. The Pearson correlation coefficient is highly susceptible to non-normality and to outliers. Since the LNCR value for each line for each individual company has its own unique standard deviation (statistical variance), the cross-sectional set of data violates the normality assumption. This makes the Pearson measure unstable as an estimate of the true underlying correlation between lines of business. A simpler correlation measure, the Kendall tau-B correlation coefficient, was also calculated to measure concordance between the lines.

Table A.4 shows the Kendall correlation coefficients for these lines of business, based on a simple measure of concordance/discordance. That is, the correlation is based on whether the underwriting results of two lines of business in a particular company were both positive or both negative (concordance) or whether the results for one went up while the results for the other went down (discordant). If the underwriting results for a pair of lines tends to be uniformly profitable or uniformly unprofitable during the year, the correlation will be close to 1.00. If the lines move in opposite direction, the correlation will be close to -1.00. If the underwriting profitability is independent, then the correlation will be zero. Note that this procedure tests whether, on average, *individual companies* tend to have correlated results. This procedure does not test whether the industry as a whole tends to have correlated

results. For example, if the 10 largest participants in the health business tend to have correlated results while the remaining 1,000 or so companies do not, and if the largest companies have a dominant market share, then the aggregate industry results will show correlations while the individual company results do not. Since the RBC formula is applied to individual companies, it can be argued that the correlation assumption should be based on individual company results. However, there are also arguments that can be made for using an industry-based correlation.

The results of the Kendall tau-B correlation test (concordance/discordance) suggest that underwriting profitability of these lines is independent when measured within individual companies. That is, for any given company, underwriting results in one line do not imply anything about the underwriting results in another. There were a few instances of statistically significant correlations, but even where those occurred, the correlations were small. For most companies, the underwriting results are independent by line, so a simple square root rule for combining the lines will produce a close approximation of the actual portfolio standard deviation.

It should also be noted that if the combined ratios actually follow a lognormal distribution, then the average combined ratio will be a function of premium size as well. The mean of a lognormal variable is a function of both the mean and variance of the natural log of that variable. Also, while there does not appear to be any systematic differences in the average LNCR across size groups of insurers, it is still possible that individual insurers will have non-zero average LNCRs. However, there are not enough data points to measure the differences for any individual company accurately.

Calculating Results Based on Standard Deviations

The estimated standard deviations were used to estimate the 95th percentile range of the combined ratio for each line of business. This produces an estimate of the amount of surplus change that can arise from losses and expenses exceeding premiums. The 95th percentile is a totally arbitrary standard, and higher or lower capital amounts will result from using a higher or lower percentile. Since the combined ratio is assumed to be lognormal, the 95th percentile is calculated using the LOGINV function in Microsoft Excel and using a mean value of zero for the expected value of LNCR. The combined ratio in excess of 1.00 is multiplied by the earned premiums to estimate the 95th percentile surplus change. The lines were assumed to be uncorrelated, so the square root approximation was used to combine the eight lines of business.

The 95th percentile of a standard normal distribution is 1.645 standard deviations. The formula for computing the surplus requirement for the health premiums in each line i reported in Schedule H Part 1 is:

$$RBC_i = (e^{\sigma_i * 1.645} - 1) * Premium_i$$

$$= \left\{ \left[e^{(b0_i + 2/\pi + b1_i * \ln Premium_i) * 1.645} \right] - 1 \right\} * Premium_i$$

However, the RBC amount was capped at 75 percent of premiums. Otherwise, for very small premium values, the RBC requirement could generate a fairly large percentage. For example, a company with $100 worth of premium might easily have combined losses and expenses of $1,000 or $10,000, producing a combined ratio of 10 or 100. The cap on the ratio limits the RBC to $75 on $100 worth of premium. There is no empirical basis for the cap, but 75 percent is generally the largest factor that can be applied to any class of risk in the RBC formula.

Table A.5 shows a set of hypothetical RBC factors over a range of different premium levels by line of business, based on the factors generated through the regression equation. The combined health insurance premium RBC for all eight lines is the square root of the sum of the squared RBC amounts for the eight individual lines:

$$\text{Health Premium RBC} = \sqrt{\sum_i RBC_i^2}$$

This is not exactly the same as calculating the portfolio standard deviation and then developing the RBC standards from that single factor, but this procedure is probably more understandable for

people familiar with the current RBC formula. The ratio of the hypothetical health premium RBC to the total health insurance premiums is the CAP95 ratio found in Figures 1 through 3 of the main body of this article. The CAP95 ratio is compared to the actual formula RBC-to-health insurance premiums ratio (RBC%) to compare results. As mentioned in the main body of the text, the results generated by the actual RBC formula and the alternative approximation shown here produce similar results.

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Figure A.1
Group Accident & Health

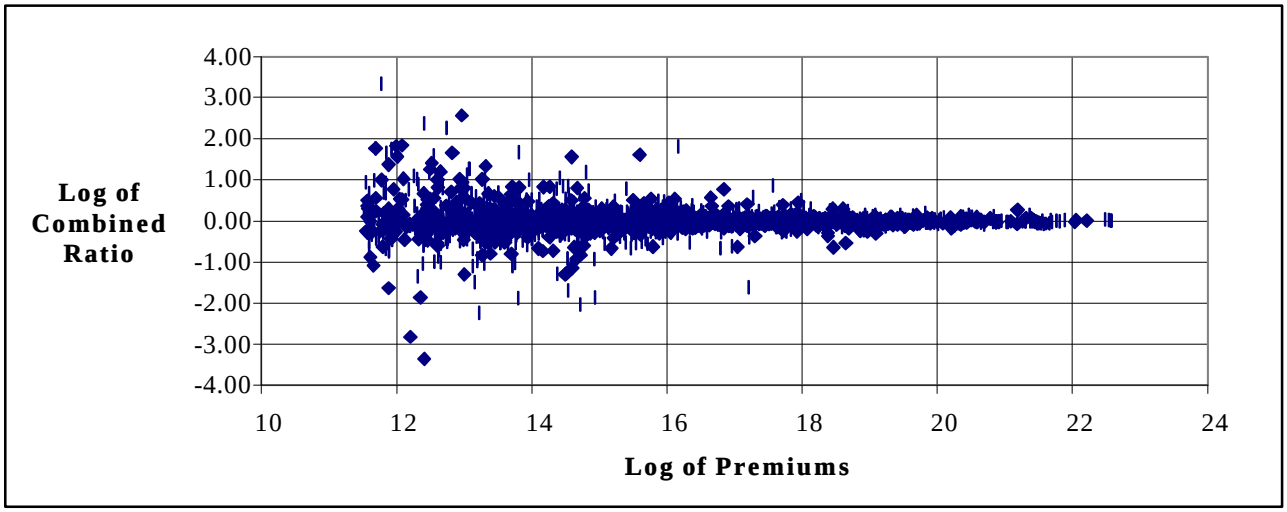

Figure A.2
Credit

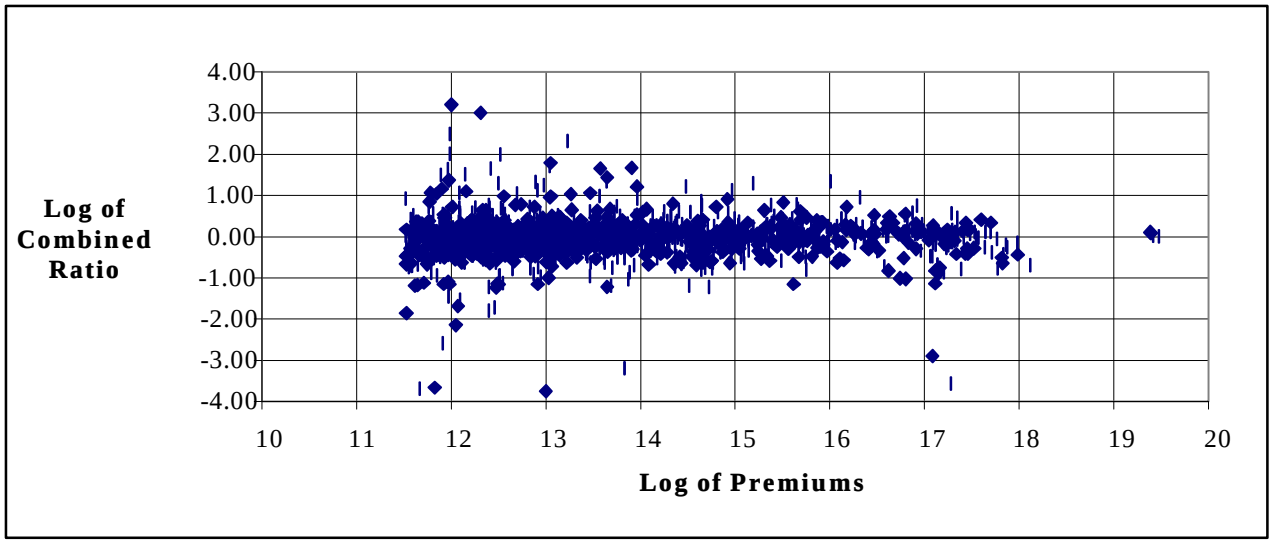

Figure A.3
Collectively Renewable

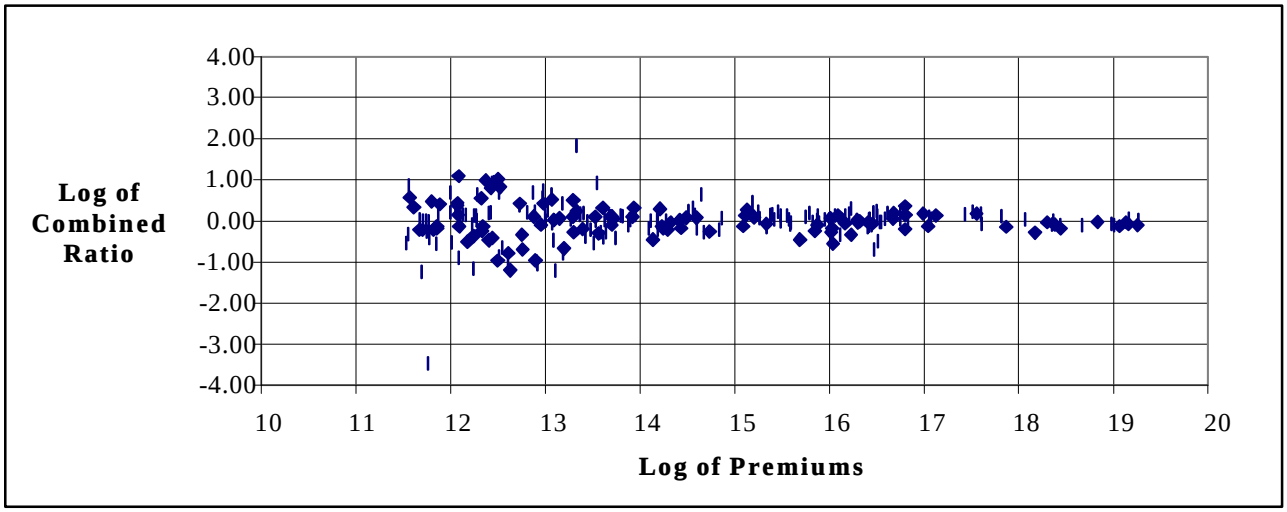

Figure A.4
Noncancelable

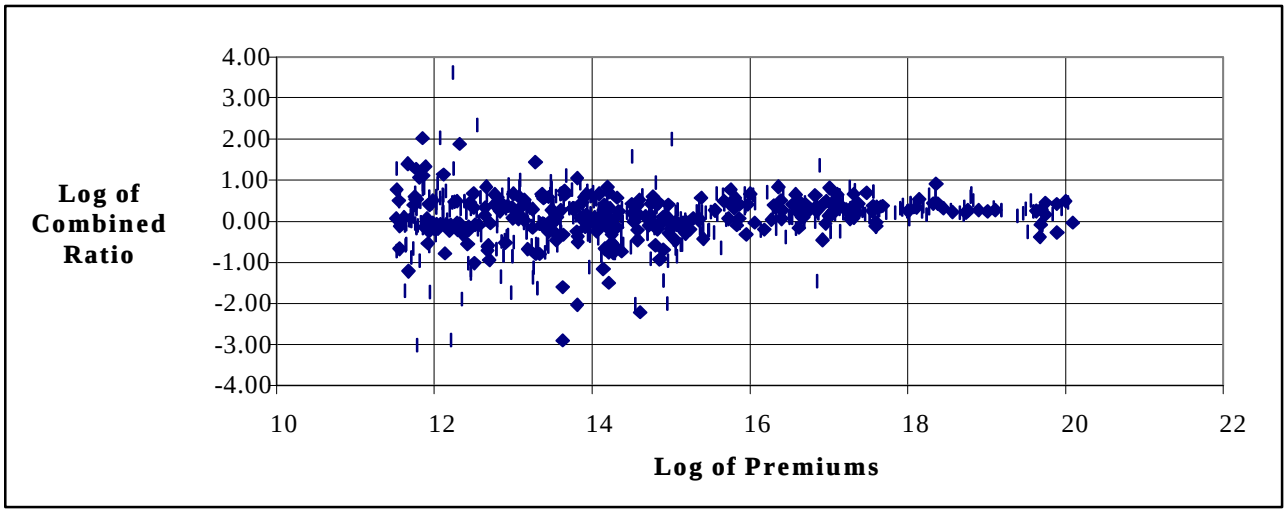

Figure A.5
Guaranteed Renewable

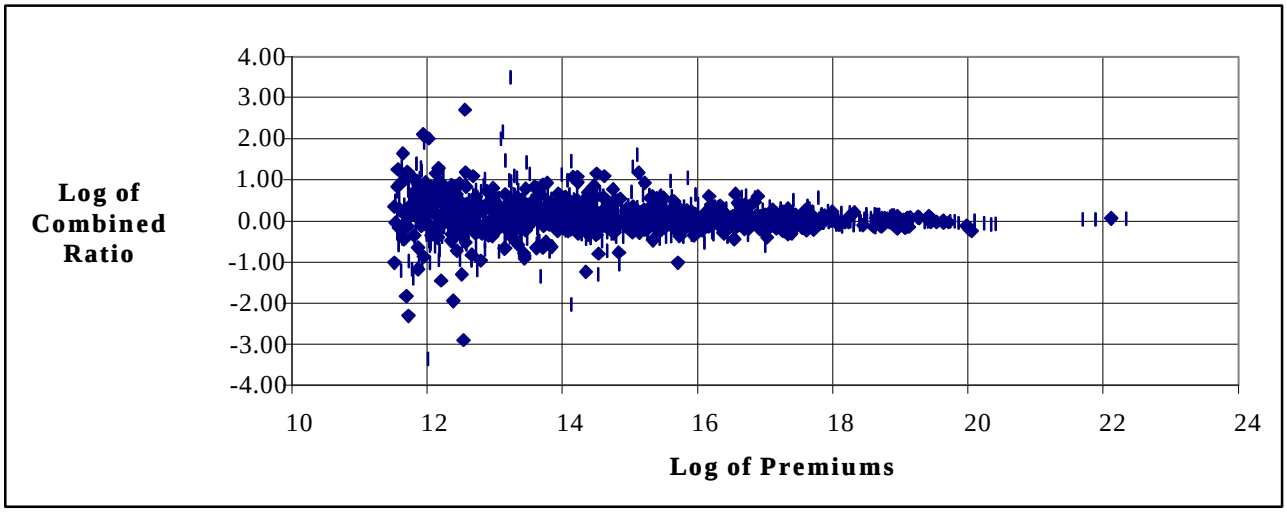

Figure A.6
Non-Renewable for Stated Reasons Only

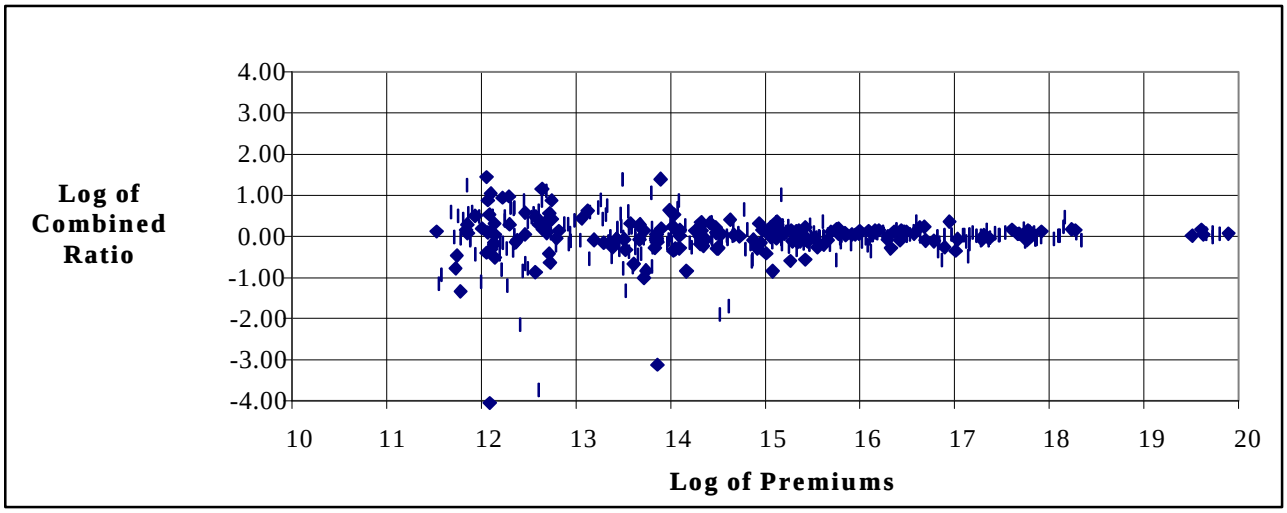

Figure A.7
Other Accident Only

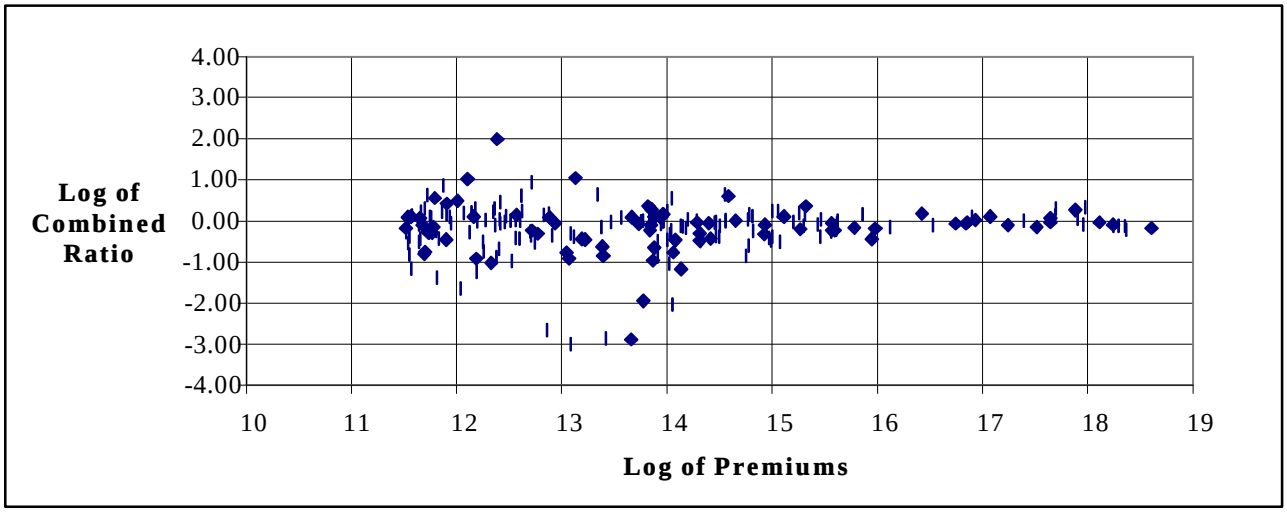

Figure A.8
All Other Accident & Health Business

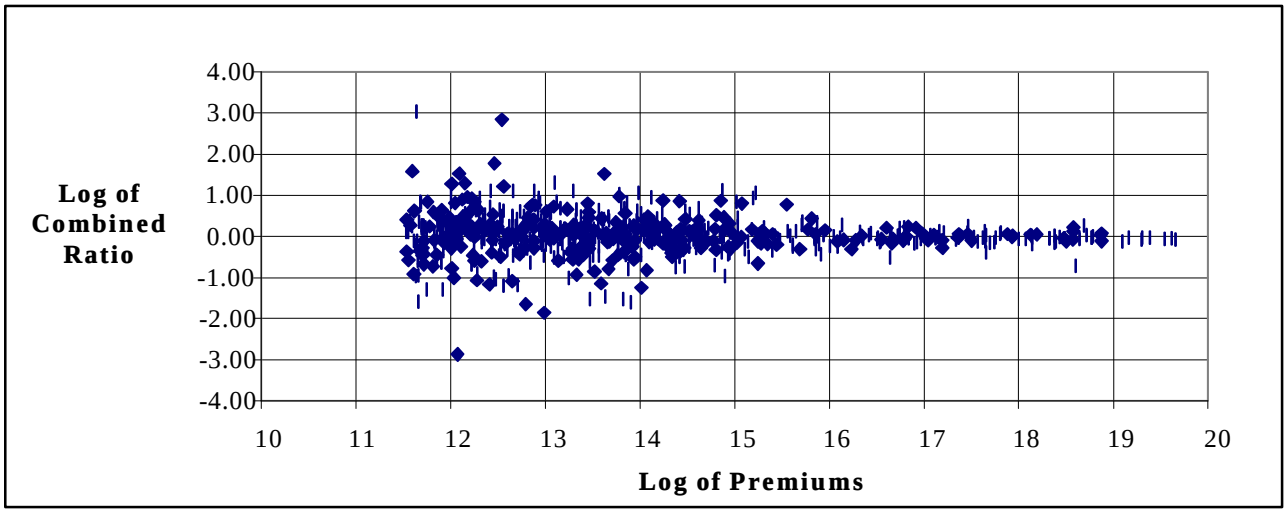

Table A.1
Regression Results for LNCR by Line of Business

		Regression Results				
Line of Business	# of Data Points	Intercept	Log of Premium	CY 91	CY 92	CY 93
Group A&H	2,068	0.1022	- 0.0070	0.0309	0.0120	0.0238
Credit	1,419	- 0.0482	0.0017	0.0364	0.0096	0.0020
Collectively Renewable	257	- 0.0284	0.0045	- 0.0827	- 0.1058	0.0153
Noncancellable	607	- 0.3839	0.0353 *	- 0.0392	- 0.0837	- 0.0388
Guaranteed Renewable	1,511	0.4406 *	- 0.0239 *	0.0394	- 0.0138	0.0106
Stated Reason Only	401	- 0.1346	0.0028	0.1975 *	0.0810	0.0915
Other Accident	216	- 0.5794	0.0279	0.0043	- 0.0405	0.0525
All Other	708	0.2811	- 0.0181	0.0290	0.0157	0.0036

* Significant at the .01 level

Table A.2
Regression Results for Log of Absoluted Value of LNCR by Line of Business

		Regression Results				
Line of Business	# of Data Points	Intercept	Log of Premium	CY 91	CY 92	CY 93
Group A&H	2,068	2.0793 *	- 0.2888 *	- 0.1459	- 0.0398	- 0.0907
Credit	1,419	- 0.7088	- 0.0688 *	- 0.1417	- 0.1174	- 0.2049
Collectively Renewable	257	1.8720 *	- 0.2502 *	- 0.2284	- 0.0550	- 0.0895
Noncancellable	607	1.4046 *	- 0.1920 *	- 0.1108	- 0.1502	- 0.0989
Guaranteed Renewable	1,511	2.2365 *	- 0.2863 *	- 0.1074	0.0212	0.0485
Stated Reason Only	401	3.0855 *	- 0.3229 *	- 0.4481 *	- 0.2502	- 0.3264
Other Accident	216	1.4768	- 0.2317 *	0.1774	0.3372	0.3046
All Other	708	2.2687 *	- 0.2894 *	- 0.0266	- 0.0262	- 0.0468

* Significant at the .01 level

		Reduced Form Regression Results				
Line of Business	# of Points	Intercept	Log of Premium	CY 91	CY 92	CY 93
Group A&H	2,068	2.0025	-0.2884	N/A	N/A	N/A
Credit	1,419	-0.8431	-0.0678	N/A	N/A	N/A
Collectively Renewable	257	1.7797	-0.2505	N/A	N/A	N/A
Noncancellable	607	1.3116	-0.1919	N/A	N/A	N/A
Guaranteed Renewable	1,511	2.2151	-0.2855	N/A	N/A	N/A
Stated Reason Only	401	2.8491	-0.3239	N/A	N/A	N/A
Other Accident	216	1.7164	-0.2342	N/A	N/A	N/A
All Other	708	2.2456	-0.2895	N/A	N/A	N/A

All are Significant at the .0001 level

Table A.3
Pearson Product-Moment Correlation Coefficients

	GPAH	CREDIT	COLLRNW	NONCAN	GTDRNW	STATED	OTHACC	ALLOTH
GPAH	1.00	-0.07	0.22	0.04	0.13	0.07	0.06	0.15
	0.00%	22.83%	0.22%	46.22%	0.01%	24.28%	48.23%	0.09%
	2,068	344	196	421	910	318	135	467
CREDIT	-0.07	1.00	-0.18	0.13	-0.02	-0.31	0.46	-0.18
	22.83%	0.00%	19.05%	15.85%	76.73%	0.91%	0.01%	3.53%
	344	1,419	53	127	226	72	78	142
COLLRNW	0.22	-0.18	1.00	0.07	0.18	-0.14	0.15	0.25
	0.22%	19.05%	0.00%	52.72%	0.81%	16.31%	23.36%	1.16%
	196	53	257	86	207	95	63	99
NONCAN	0.04	0.13	0.07	1.00	0.13	-0.02	0.52	0.16
	46.22%	15.85%	52.72%	0.00%	0.57%	82.09%	0.01%	2.95%
	421	127	86	607	465	203	98	193
GTDRNW	0.13	-0.02	0.18	0.13	1.00	-0.06	0.13	0.25
	0.01%	76.73%	0.81%	0.57%	0.00%	29.63%	11.80%	0.01%
	910	226	207	465	1,511	335	136	426
STATED	0.07	-0.31	-0.14	-0.02	-0.06	1.00	-0.12	0.01
	24.28%	0.91%	16.31%	82.09%	29.63%	0.00%	28.74%	91.13%
	318	72	95	203	335	401	86	162
OTHACC	0.06	0.46	0.15	0.52	0.13	-0.12	1.00	-0.10
	48.23%	0.01%	23.36%	0.01%	11.80%	28.74%	0.00%	35.56%
	135	78	63	98	136	86	216	94
ALLOTH	0.15	-0.18	0.25	0.16	0.25	0.01	-0.10	1.00
	0.09%	3.53%	1.16%	2.95%	0.01%	91.13%	35.56%	0.00%
	467	142	99	193	426	162	94	708

Key:

Correlation Coefficient
Probability Corr is Zero
Number of Observations

Table A.4
Nonparametric Correlation Coefficients Based on Concordance/Discordance

	GPAH	CREDIT	COLLRNW	NONCAN	GTDRNW	STATED	OTHACC	ALLOTH
GPAH	1.00	-0.01	0.01	0.07	0.09	0.09	0.07	0.05
	0.00%	83.72%	78.37%	4.27%	0.01%	1.96%	25.93%	9.37%
	2,068	344	196	421	910	318	135	467
CREDIT	-0.01	1.00	-0.01	0.11	-0.04	-0.11	0.33	-0.02
	83.72%	0.00%	89.02%	7.75%	33.43%	16.15%	0.01%	74.42%
	344	1,419	53	127	226	72	78	142
COLLRNW	0.01	-0.01	1.00	0.13	0.08	-0.06	0.19	-0.02
	78.37%	89.02%	0.00%	8.55%	7.65%	40.86%	2.95%	77.86%
	196	53	257	86	207	95	63	99
NONCAN	0.07	0.11	0.13	1.00	0.17	-0.05	0.27	0.17
	4.27%	7.75%	8.55%	0.00%	0.01%	26.30%	0.01%	0.04%
	421	127	86	607	465	203	98	193
GTDRNW	0.09	-0.04	0.08	0.17	1.00	0.01	0.02	0.09
	0.01%	33.43%	7.65%	0.01%	0.00%	83.87%	75.77%	0.50%
	910	226	207	465	1,511	335	136	426
STATED	0.09	-0.11	-0.06	-0.05	0.01	1.00	-0.01	-0.05
	1.96%	16.15%	40.86%	26.30%	83.87%	0.00%	87.26%	38.72%
	318	72	95	203	335	401	86	162
OTHACC	0.07	0.33	0.19	0.27	0.02	-0.01	1.00	0.00
	25.93%	0.01%	2.95%	0.01%	75.77%	87.26%	0.00%	95.57%
	135	78	63	98	136	86	216	94
ALLOTH	0.05	-0.02	-0.02	0.17	0.09	-0.05	0.00	1.00
	9.37%	74.42%	77.86%	0.04%	0.50%	38.72%	95.57%	0.00%
	467	142	99	193	426	162	94	708

Key:

Correlation Coefficient
Probability Corr is Zero
Number of Observations

Table A.5
Sample of CAP95 Factors by Premium Level by Schedule H Lines

Amount of Earned Prem	Group A&H	Credit	Coll Renew	Noncan	Guarty Renew	Stated Reason	Other Accident	All Other
100,000	1.300*	0.846*	1.801*	2.551*	1.899*	2.633*	2.213*	1.852*
250,000	0.895*	0.779*	1.268*	1.895*	1.269*	1.608*	1.565*	1.234*
500,000	0.688	0.733	0.990*	1.536*	0.959*	1.151*	1.227*	0.930*
1,000,000	0.535	0.690	0.783*	1.259*	0.736	0.844*	0.975*	0.713
10,000,000	0.247	0.566	0.384	0.688	0.331	0.337	0.487	0.318
25,000,000	0.185	0.525	0.295	0.552	0.246	0.241	0.378	0.236
50,000,000	0.149	0.495	0.242	0.469	0.198	0.188	0.313	0.189
75,000,000	0.131	0.479	0.217	0.427	0.174	0.163	0.281	0.167
100,000,000	0.120	0.468	0.200	0.400	0.160	0.148	0.261	0.152
250,000,000	0.091	0.435	0.156	0.326	0.121	0.108	0.205	0.115
500,000,000	0.074	0.411	0.130	0.281	0.098	0.085	0.172	0.093
1,000,000,000	0.060	0.389	0.108	0.242	0.080	0.068	0.145	0.076
2,500,000,000	0.046	0.362	0.085	0.199	0.061	0.050	0.115	0.057
5,000,000,000	0.037	0.343	0.071	0.172	0.050	0.040	0.097	0.047
10,000,000,000	0.031	0.325	0.059	0.149	0.041	0.031	0.082	0.038

* Formula will cap these amounts at .750

1995 RBC Results - Property/Casualty

Compiled by NAIC Staff

Property-casualty insurers began filing RBC with the NAIC beginning in 1994. As noted in previous *NAIC Research Quarterly* articles (e.g. "Risk-Based Capital Results for the Property-Casualty Industry," January 1996) and in staff reports to the P&C Risk-Based Capital Working Group, the data for the 1994 filings contained some errors. The PRBC formula was new and companies were uncertain of the appropriate entries and/or treatment of certain assets and liabilities. While the 1995 filings show some improvement in data quality, there continues to be reporting problems in certain areas of the formula. Those problem areas include:

Affiliated Life and P/C Companies. The RBC requirement for the parent is the subsidiaries' risk-based capital after covariance, adjusted for the parent's percent of ownership. However, many parents are reporting the subsidiary's Authorized Control Level RBC rather than RBC After Covariance. The ACL RBC is only 45 percent of the RBC After Covariance, so this can be a substantial understatement. Approximately one-quarter of the subsidiaries were misreported in 1995.

Reinsurance Ceded. There continues to be serious misreporting of the reinsurance balances that are subject to RBC and the offsetting reinsurance penalties. Only reinsurance recoverables from alien insurers (affiliated and unaffiliated), unaffiliated domestic companies and certain voluntary pools are assessed a credit risk charge of 10 percent. Some companies misreported the reinsurance recoverable amounts subject to RBC, but by far the most errors occurred when reporting the portion of the reinsurance penalty associated with each of these types of reinsurance. The reinsurance penalty is calculated in Schedule F Parts 5, 6 and 7 and then the aggregate penalty is reported on the Liabilities page of the balance sheet. Some companies appear to have taken the entire amount of the penalty from the Liabilities page and allocated it proportionally to the eight categories reported in RBC. Other companies reported the full amount of their recoverables as the reinsurance penalty, and as a result their R3 and R4 RBC components were grossly understated. Some companies omitted the penalty adjustment even though they were entitled to take it. Some companies appear to have done something else, but the source of the numbers that were input to RBC are not readily apparent. The appropriate procedure is for the company to go through Schedule F Parts 5, 6 and 7 and match the detail lines in those portions of Schedule F with the Schedule F Part 3 lines that make up the reinsurance recoverables totals for the appropriate category of reinsurance.

Excess Growth Premiums. Insurers are required to report group gross written premiums (direct plus assumed from non-affiliates) for their insurer group for the latest four years. The group premiums are adjusted for mergers and acquisitions activity and for operations as a servicing carrier for a joint underwriting association. Insurers that are not a member of a group are required to report these premiums for their own company. Errors abound in the reporting in this section. Direct premiums or net premiums are frequently entered, or no premiums at all are reported. Also, in most situations each company in a group should be reporting the same premiums, and that is not always the case.

Ten Years of Experience for Short-Tailed Lines. Companies are required to report a full 10 years of incurred and paid losses (Schedule P Part 2 and Schedule P Part 3, respectively) in the RBC report for the short-tailed lines. Additionally, companies must also report 10 years of loss ratio experience in an abbreviated version of Schedule P Part 1. The short-tailed lines are Parts I, J, K, L and S of Schedule P. While some companies simply ignore this data entry section, others partially fill in the data. Omission of the full level of detail required in the report causes an error in computing

the R4 and R5 components of RBC and can result in material misstatements of total RBC.

While these are the most commonly encountered problems, there are other errors that tend to crop up throughout the report. Sometimes errors occur as a result of the company revising its annual statement without updating the RBC filing. Other times the errors are caused by misinterpretation of the formula. Whatever the cause of the discrepancies, the result is the same. The NAIC's Quality Assurance staff identify and attempt to resolve these problems, whenever possible.

When a discrepancy is noted, a letter is sent to both the company and to the domiciliary state regulator. Where the error is apparent (e.g., reporting a subsidiary's ACL RBC instead of its RBC After Covariance), the insurer is asked to refile its RBC with the correct values. When the cause of the discrepancy is unknown or questionable (e.g., the annual statement says that there is $1 billion of cash but the RBC filing reports only $250 million), the company is asked to explain the discrepancy and to correct either the annual statement or the RBC filing or both.

The data clean-up process continues throughout the course of the year. There is an extensive system of cross-checks and other data quality evaluations that are run continuously. The alacrity with which companies respond to requests for clarifications or corrections also affects the quality assurance process, as some companies place less emphasis on timely response than others.

In any event, the data clean-up effort on the 1995 filings is still in full swing. The totals reported in the following tables are the self-reported numbers submitted by insurers and do contain some errors. While the errors of individual companies tend to wash out in the aggregate, researchers should keep these data quality issues in mind when studying these results.

Table 1 is the aggregate RBC by subcomponents for 1994 and 1995. Some companies that filed RBC in 1994 did not file in 1995, and some companies that filed in 1995 did not file in 1994. Therefore, there is a different number of insurers included in each year in Table 1. To make comparisons of dollar changes from year to year more meaningful, Table 2 contains the same details for the set of 2,247 companies that filed RBC in both data years. For these 2,247 companies, total RBC increased by 7 percent or nearly $11 billion from 1994 to 1995. The bulk of that increase was from affiliated insurers and from unaffiliated common stock. There were also modest increases in R4 and R5, consistent with growth in the industry. Total Adjusted Capital surged over 20 percent, the bulk of that increase being increases in capital and surplus.

The number of companies triggering one of the RBC Action Levels remained fairly constant from the prior year. There are five action levels in the RBC model law, representing increasing levels of regulatory intervention. In states that have implemented a version of the RBC model act, these five levels allow the state regulator increasing authority to act swiftly to stem the financial meltdown of an insurer. The five action levels are: 1) No Action; which means that a company "passed" the RBC test; 2) Company Action Level, where a company must file a plan with the state regulator describing how the company is going to either bring up surplus or decrease risk to the point where it will once again "pass" the RBC test; 3) Regulatory Action Level, where the state regulator can order an examination of the insurer and require a plan of corrective action; 4) Authorized Control Level, where the state regulator is empowered to place the insurer under regulatory control; and 5) Mandatory Control Level, where the state regulator is required to seize the insurer.

The number of companies in each of the action levels is shown below. Note that more than 97 percent of all insurers are at the "No Action" level. Additionally, about half of the companies that trigger one of the RBC Action Levels are actually companies that are already insolvent (that is, they have negative surplus) and would be considered insolvent with or without the RBC system.

RBC Action Level	1994	1995
No Action	2,348	2,278
Company Action Level	20	30
Regulatory Action Level	13	12
Authorized Control Level	5	5
Mandatory Control Level	27	19
Total	2,413	2,344

Table 1
Comparison of PRBC By Components

	Aggregate for 2,413 Companies 1994	Aggregate for 2,433 Companies 1995	Percent of Total RBC 1994	Percent of Total RBC 1995	Percent of Category 1994	Percent of Category 1995
R0 - Asset Risk - Affiliates						
Direct P&C Insurers	15,431,819,961	17,449,066,326	10.2%	11.0%	61.6%	63.5%
Indirect P&C Insurers	1,134,449,238	1,286,894,813	0.8%	0.8%	4.5%	4.7%
Direct Life Insurers	6,186,040,081	5,567,828,425	4.1%	3.5%	24.7%	20.2%
Indirect Life Insurers	815,882,719	1,283,915,240	0.5%	0.8%	3.3%	4.7%
Affiliated Alien Insurers	1,211,715,232	1,595,171,454	0.8%	1.0%	4.8%	5.8%
Non-controlled Assets	102,453,932	128,137,065	0.1%	0.1%	0.4%	0.5%
Guarantees for Affiliates	54,684,474	51,005,256	0.0%	0.0%	0.2%	0.2%
Contingent Liabilities	117,499,037	135,271,936	0.1%	0.1%	0.5%	0.5%
Total R0	25,054,544,674	27,497,290,515	16.6%	17.4%	100.0%	100.0%
R1 - Asset Risk - Fixed Income						
Government Agency Bonds	202,269,971	158,492,374	0.1%	0.1%	7.2%	5.6%
Unaffiliated Bonds	1,269,144,316	1,408,119,151	0.8%	0.9%	45.3%	49.6%
Bond Size Factor	575,135,479	689,160,630	0.4%	0.4%	20.5%	24.3%
Bonds - Affiliated Investment Subsidiaries	0	0	0.0%	0.0%	0.0%	0.0%
Bonds - Holding Company	10,317,727	3,499,579	0.0%	0.0%	0.4%	0.1%
Bonds - Parents	121,509,760	20,151,816	0.1%	0.0%	4.3%	0.7%
Bonds - Other Affiliates	146,947,714	123,963,843	0.1%	0.1%	5.2%	4.4%
Mortgage Loans	190,395,038	141,346,532	0.1%	0.1%	6.8%	5.0%
Collateral Loans	20,465,224	38,859,691	0.0%	0.0%	0.7%	1.4%
Cash	17,438,223	16,864,614	0.0%	0.0%	0.6%	0.6%
Short-Term Investments	23,837,628	6,688,888	0.0%	0.0%	0.9%	0.2%
Asset Concentration (Fixed)	224,651,888	229,287,693	0.1%	0.1%	8.0%	8.1%
Total R1	2,802,112,968	2,836,434,811	1.9%	1.8%	100.0%	100.0%
R2 - Asset Risk - Equity						
Common - Affiliated Investment Subsidiaries	154,651,415	38,562,493	0.1%	0.0%	0.7%	0.2%
Common - Holding Company	318,742,388	283,765,423	0.2%	0.2%	1.5%	1.1%
Common - Parents	41,831,931	89,154,071	0.0%	0.1%	0.2%	0.3%
Common - Other Affiliates	1,792,768,383	2,005,222,486	1.2%	1.3%	8.5%	7.8%
Preferred - Affiliated Investment Subsidiaries	0	0	0.0%	0.0%	0.0%	0.0%
Preferred - Holding Company	467,753	13,854,376	0.0%	0.0%	0.0%	0.1%
Preferred - Parents	60,657,833	59,077,736	0.0%	0.0%	0.3%	0.2%
Preferred - Other Affiliates	94,125,232	161,465,912	0.1%	0.1%	0.4%	0.6%
Unaffiliated Common	10,411,417,751	13,216,828,067	6.9%	8.3%	49.4%	51.5%
Unaffiliated Preferred	336,279,904	328,222,317	0.2%	0.2%	1.6%	1.3%
Real Estate	986,183,849	954,530,543	0.7%	0.6%	4.7%	3.7%
Schedule BA Assets	1,912,983,074	2,064,658,024	1.3%	1.3%	9.1%	8.1%
Aggregate Write-ins for Invested Assets	61,809,135	64,050,867	0.0%	0.0%	0.3%	0.2%
Asset Concentration - Equity	4,902,238,885	6,363,517,362	3.2%	4.0%	23.3%	24.8%
Total R2	21,074,157,533	25,642,909,677	14.0%	16.2%	100.0%	100.0%
R3 - Asset Risk - Credit						
Total R3	6,236,510,999	6,358,112,967	4.1%	4.0%	100.0%	100.0%

Table 1 (continued)
Comparison of PRBC By Components

	Aggregate for 2,413 Companies 1994	Aggregate for 2,433 Companies 1995	Percent of Total RBC 1994	Percent of Total RBC 1995	Percent of Category 1994	Percent of Category 1995
R4 - Underwriting Risk - Reserves						
Half of Credit RBC	6,236,510,999	6,358,112,967	4.1%	4.0%	10.0%	10.3%
LLAE Reserve RBC	54,248,575,032	53,462,092,518	35.9%	33.7%	87.0%	86.2%
Excess Growth - Reserves	1,775,704,753	2,100,392,221	1.2%	1.3%	2.8%	3.4%
A&H Claims Reserves	82,434,814	88,126,421	0.1%	0.1%	0.1%	0.1%
Total R4	62,343,225,598	62,008,724,127	41.3%	39.1%	100.0%	100.0%
R5 - Underwriting Risk - Written Premiums						
NWP RBC	32,261,985,565	32,724,095,771	21.4%	20.7%	96.3%	95.9%
Excess Growth - Premiums	830,963,151	946,272,755	0.6%	0.6%	2.5%	2.8%
A&H Earned Premium	407,094,395	451,000,509	0.3%	0.3%	1.2%	1.3%
Total R5	33,500,043,111	34,121,369,035	22.2%	21.5%	100.0%	100.0%
Total RBC	151,010,594,883	158,464,841,132	100.0%	100.0%		
RBC After Covariance	108,247,131,841	113,854,881,984	71.7%	71.8%		

	Aggregate for 2,413 Companies 1994	Aggregate for 2,433 Companies 1995	Percent of Total TAC 1994	Percent of Total TAC 1995
Total Adjusted Capital				
Capital and Surplus	233,334,861,964	278,008,865,541	98.6%	99.2%
Non-tabular discounts	-824,027,084	-1,824,824,400	- 0.3%	- 0.7%
Subsidiaries' Non-tabular discounts	-8,389,431	-32,924,162	0.0%	0.0%
AVR - Life Subs	3,002,365,844	3,147,119,397	1.3%	1.1%
Voluntary Invest Res - Life Subs	861,755,184	590,776,902	0.4%	0.2%
Dividend Liability - Life Subs	366,975,817	401,858,892	0.2%	0.1%
Total Adjusted Capital	236,733,542,289	280,290,872,170	100.0%	100.0%

Table 2
Comparison of PRBC By Components for Companies That Filed Both Years

	Aggregate for 2,247 Companies 1994	Aggregate for 2,247 Companies 1995	Change for 2,247 Companies 1994-1995	Percent Change 1994-1995
R0 - Asset Risk - Affiliates				
Direct P&C Insurers	15,149,030,579	17,439,085,521	2,290,054,942	15.1%
Indirect P&C Insurers	1,064,162,085	1,286,894,813	222,732,728	20.9%
Direct Life Insurers	6,169,341,833	5,567,828,425	-601,513,408	- 9.8%
Indirect Life Insurers	815,403,757	1,283,915,240	468,511,483	57.5%
Affiliated Alien Insurers	1,209,292,352	1,595,171,454	385,879,102	31.9%
Non-controlled Assets	102,199,536	128,088,550	25,889,014	25.3%
Guarantees for Affiliates	54,684,474	51,005,256	-3,679,218	- 6.7%
Contingent Liabilities	116,659,512	135,271,936	18,612,424	16.0%
Total R0	24,680,774,128	27,487,261,195	2,806,487,067	11.4%
R1 - Asset Risk - Fixed Income				
Government Agency Bonds	196,431,685	157,523,733	-38,907,952	- 19.8%
Unaffiliated Bonds	1,235,109,214	1,403,370,442	168,261,228	13.6%
Bond Size Factor	548,122,844	682,693,793	134,570,949	24.6%
Bonds - Affiliated Investment Subsidiaries	0	0	0	
Bonds - Holding Company	10,317,727	3,499,579	-6,818,148	- 66.1%
Bonds - Parents	121,509,760	20,151,816	-101,357,944	- 83.4%
Bonds - Other Affiliates	142,407,108	114,491,602	-27,915,506	- 19.6%
Mortgage Loans	188,718,704	140,950,724	-47,767,980	- 25.3%
Collateral Loans	19,855,428	38,751,659	18,896,231	95.2%
Cash	16,959,928	16,647,202	-312,726	- 1.8%
Short-Term Investments	21,360,351	6,448,766	-14,911,585	- 69.8%
Asset Concentration (Fixed)	218,198,419	228,659,112	10,460,693	4.8%
Total R1	2,718,991,168	2,813,188,428	94,197,260	3.5%
R2 - Asset Risk - Equity				
Common - Affiliated Investment Subsidiaries	84,673,035	38,562,493	-46,110,542	- 54.5%
Common - Holding Company	315,275,962	283,765,423	-31,510,539	- 10.0%
Common - Parents	41,637,891	88,863,984	47,226,093	113.4%
Common - Other Affiliates	1,741,432,953	2,005,222,486	263,789,533	15.1%
Preferred - Affiliated Investment Subsidiaries	0	0	0	
Preferred - Holding Company	467,753	13,854,376	13,386,623	2861.9%
Preferred - Parents	60,657,833	59,077,736	-1,580,097	- 2.6%
Preferred - Other Affiliates	91,392,682	161,465,912	70,073,230	76.7%
Unaffiliated Common	10,284,027,729	13,196,194,298	2,912,166,569	28.3%
Unaffiliated Preferred	331,429,543	327,346,810	-4,082,733	- 1.2%
Real Estate	973,372,654	952,243,942	-21,128,712	- 2.2%
Schedule BA Assets	1,897,254,654	2,063,122,785	165,868,131	8.7%
Aggregate Write-ins for Invested Assets	61,013,996	63,979,760	2,965,764	4.9%
Asset Concentration - Equity	4,873,737,008	6,358,457,087	1,484,720,079	30.5%
Total R2	20,756,373,693	25,612,157,092	4,855,783,399	23.4%
R3 - Asset Risk - Credit				
Total R3	5,972,678,092	6,346,130,527	373,452,435	6.3%

Table 2 (continued)
Comparison of PRBC By Components for Companies That Filed Both Years

	Aggregate for 2,247 Companies 1994	Aggregate for 2,247 Companies 1995	Change for 2,247 Companies 1994-1995	Percent Change 1994-1995
R4 - Underwriting Risk - Reserves				
Half of Credit RBC	5,972,678,092	6,346,130,527	373,452,435	6.3%
LLAE Reserve RBC	52,704,880,240	53,239,914,504	535,034,264	1.0%
Excess Growth - Reserves	1,694,183,350	2,098,590,944	404,407,594	23.9%
A&H Claims Reserves	78,762,795	88,126,421	9,363,626	11.9%
Total R4	60,450,504,477	61,772,762,396	1,322,257,919	2.2%
R5 - Underwriting Risk - Written Premiums				
NWP RBC	31,549,675,949	32,647,086,888	1,097,410,939	3.5%
Excess Growth - Premiums	809,796,129	944,528,928	134,732,799	16.6%
A&H Earned Premium	363,087,725	451,000,509	87,912,784	24.2%
Total R5	32,722,559,803	34,042,616,325	1,320,056,522	4.0%
Total RBC	147,301,881,361	158,074,115,963	10,772,234,602	7.3%
RBC After Covariance	105,616,531,235	113,543,777,786	7,927,246,551	7.5%

	Aggregate for 2,247 Companies 1994	Aggregate for 2,247 Companies 1995	Change for 2,247 Companies 1994-1995	Percent Change 1994-1995
Total Adjusted Capital				
Capital and Surplus	228,232,920,449	276,875,149,089	48,642,228,640	21.3%
Non-tabular discounts	-742,899,801	-1,823,726,800	-1,080,826,999	145.5%
Subsidiaries' Non-tabular discounts	-8,389,431	-32,924,162	-24,534,731	292.4%
AVR - Life Subs	2,999,878,820	3,147,119,397	147,240,577	4.9%
Voluntary Invest Res - Life Subs	858,308,384	590,776,902	-267,531,482	- 31.2%
Dividend Liability - Life Subs	366,170,277	401,858,892	35,688,615	9.7%
Total Adjusted Capital	231,705,988,693	279,158,253,318	47,452,264,625	20.5%

Life Insurers' Accident and Health Experience By State, 1991-1995

Compiled by NAIC Staff

Life/health insurers report direct premiums and losses on accident and health insurance policies in the Accident and Health Insurance Exhibit of the annual statement. Data is reported for each state or territory and is broken down into nine lines in that exhibit. Those nine lines are:

1. Group Policies
2. Federal Employees Health Benefits Program
3. Credit (Group and Individual)
4. Collectively Renewable
5. Noncancellable
6. Guaranteed Renewable
7. Nonrenewable For Stated Reasons Only
8. Other Accident Only
9. All Other

The aggregate direct premiums and the aggregate incurred loss ratio for each of these lines are reported in the accompanying nine tables for each of the NAIC jurisdictions, Canada (CN), other alien (OT), and countrywide (GT).

Note that the Federal Employees Health Benefits Program premiums were not reported in the Accident and Health Insurance Experience Exhibit prior to 1993, so those years are omitted from Table 2.

Health insurance is reported in a number of different places in the life/health annual statement blank. For example, aggregate accident and health premiums and losses are reported in Schedule H on a net, assumed and ceded basis. Direct premiums and losses also can be calculated from the net, assumed and ceded premiums and losses. However, the category breakdowns in Schedule H do not match the category breakdowns in the Accident and Health Insurance Exhibit.

Another source of detailed information on A&H business is the Accident and Health Policy Experience Exhibit, which is a supplementary filing to the annual statement. This supplement contains very detailed breakdowns of premiums, losses and expenses by a wide variety of coverages and renewal bases. While there is a wealth of information reported in this particular exhibit, the information is not currently captured in electronic form on the NAIC database, so accessing it can be cumbersome.

Currently, the NAIC is assessing the current A&H reporting in the life/health blank as well as others blanks to try to streamline the reporting formats and to make them consistent among organizational forms. That is, today a carrier that reports on an HMDI (Hospital, Medical, Dental, Indemnity) blank may have different reporting requirements than a life/health insurer reporting on the standard "blue" blank, even if the business that the two entities are reporting on is essentially identical. While it may be impractical to require identical reporting for all entities (if that could be done, the NAIC would not need separate blanks for life/health, property/casualty, etc.), the NAIC's Health Insurance Working Group of the Blanks (EX4) Task Force is striving to harmonize health reporting to the extent practical.

Table 1.a
Group Policies

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	420,803,005	420,583,371	408,983,454	415,375,093	441,528,807	2,107,273,730
AK	222,233,119	179,577,649	231,665,853	189,532,979	251,178,169	1,074,187,769
AZ	521,373,358	575,286,841	578,881,320	636,223,502	666,050,314	2,977,815,335
AR	561,347,890	593,356,869	585,599,610	565,696,235	638,627,599	2,944,628,203
CA	5,361,159,284	5,283,953,203	5,289,445,130	4,887,907,626	4,782,297,414	25,604,762,657
CO	563,041,812	607,019,034	677,985,415	735,780,129	828,366,413	3,412,192,803
CT	2,115,581,204	2,108,960,861	942,166,065	1,866,147,346	2,152,203,322	9,185,058,798
DE	115,803,485	129,220,011	154,640,170	159,811,785	170,088,208	729,563,659
DC	341,650,706	324,668,480	336,462,601	370,952,718	364,133,609	1,737,868,114
FL	3,340,526,218	3,399,467,426	3,128,024,632	3,359,052,266	3,569,746,512	16,796,817,054
GA	1,204,785,825	1,245,176,365	1,421,312,302	1,506,112,963	1,590,354,539	6,967,741,994
HI	73,860,002	83,022,488	82,200,574	83,328,891	86,821,041	409,232,996
ID	66,552,253	70,239,812	86,012,030	101,533,585	111,194,254	435,531,934
IL	3,650,707,332	3,771,242,578	3,807,053,715	4,478,781,027	3,920,597,683	19,628,382,335
IN	863,733,098	2,261,353,194	2,809,061,222	1,460,574,795	879,537,821	8,274,260,130
IA	1,225,730,530	1,320,623,102	1,091,430,175	1,111,736,872	1,185,486,794	5,935,007,473
KS	360,972,200	755,346,389	813,815,851	860,167,473	858,021,314	3,648,323,227
KY	563,764,520	529,082,269	378,296,927	404,088,192	421,836,228	2,297,068,136
LA	651,632,976	664,167,196	842,610,021	878,611,042	844,534,661	3,881,555,896
ME	181,275,712	165,523,057	183,533,662	203,553,928	231,570,259	965,456,618
MD	685,103,084	658,247,919	677,319,820	757,233,057	757,749,268	3,535,653,148
MA	1,015,313,958	964,562,627	1,030,927,951	1,069,843,611	1,098,078,078	5,178,726,225
MI	1,000,690,710	990,279,605	984,374,958	1,112,965,618	1,179,462,492	5,267,773,383
MN	506,955,186	538,080,984	552,060,809	558,575,677	538,662,399	2,694,335,055
MS	302,270,538	320,101,974	377,495,108	353,827,266	373,567,834	1,727,262,720
MO	956,984,202	953,662,377	974,070,143	1,025,092,158	1,246,905,263	5,156,714,143
MT	96,138,555	100,697,507	108,597,684	119,345,712	126,540,061	551,319,519
NE	484,152,892	502,463,325	528,317,925	524,394,287	546,103,348	2,585,431,777
NV	264,319,216	260,844,907	286,085,307	266,121,015	327,164,999	1,404,535,444
NH	168,746,795	172,839,137	198,662,624	204,481,824	215,015,600	959,745,980
NJ	2,055,428,621	2,325,951,082	2,438,759,258	2,472,997,119	2,459,844,147	11,752,980,227
NM	225,865,966	212,226,554	196,741,733	209,174,868	221,825,444	1,065,834,565
NY	4,584,697,700	4,612,227,166	4,815,070,772	4,686,237,107	4,771,305,183	23,469,537,928
NC	912,486,044	968,682,731	1,095,353,713	1,166,311,008	1,290,448,416	5,433,281,912
ND	47,161,101	52,706,138	53,364,148	52,131,027	56,933,653	262,296,067
OH	1,672,208,870	1,758,529,073	1,759,510,142	1,855,167,973	2,067,337,006	9,112,753,064
OK	452,316,002	498,460,581	525,138,317	566,103,823	632,384,689	2,674,403,412
OR	357,368,052	278,616,377	289,665,929	294,407,201	304,676,523	1,524,734,082
PA	1,213,952,293	1,155,608,272	1,278,745,502	1,381,986,532	1,482,873,923	6,513,166,522
RI	65,928,963	73,347,683	88,945,677	98,494,908	93,757,223	420,474,454
SC	428,240,978	447,662,564	485,968,848	493,863,984	523,740,042	2,379,476,416
SD	145,181,702	160,237,000	150,832,516	162,008,049	152,422,493	770,681,760
TN	799,935,497	838,848,931	903,545,561	982,802,568	1,067,220,112	4,592,352,669
TX	4,275,280,062	7,168,515,752	7,696,794,875	8,062,382,073	8,368,190,971	35,571,163,733
UT	276,361,549	292,727,095	330,240,434	339,895,378	358,411,177	1,597,635,633
VT	78,802,137	65,881,425	60,891,847	63,177,423	64,836,279	333,589,111
VA	1,510,390,025	1,523,764,819	1,573,597,034	1,644,310,524	1,763,691,432	8,015,753,834
WA	457,939,398	505,047,957	554,952,115	591,351,636	561,375,781	2,670,666,887
WV	230,753,265	250,605,586	273,973,970	271,921,460	280,739,989	1,307,994,270
WI	721,371,479	938,503,571	1,041,016,813	1,124,508,542	1,157,191,507	4,982,591,912
WY	55,973,722	69,803,827	77,873,603	80,561,200	83,561,266	367,773,618
AS	27,610	243,416	20,108	311	2,999	294,444
GU	15,206,369	2,831,245	2,008,122	2,838,345	3,760,827	26,644,908
PR	125,007,816	142,334,519	137,796,091	170,821,516	166,647,962	742,607,904
VI	37,865,710	33,194,963	44,059,751	43,692,314	35,823,654	194,636,392
CN	434,053,729	434,754,863	391,699,823	534,067,244	619,261,065	2,413,836,724
OT	62,107,743	66,981,797	138,197,983	96,618,590	112,131,556	476,037,669
GT	45,478,827,335	48,336,832,424	53,271,086,141	54,807,310,581	58,561,746,134	260,455,802,615

Table 1.b
Group Policies

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	75%	74%	79%	71%	73%	74%
AK	66%	92%	69%	82%	72%	75%
AZ	86%	86%	82%	78%	83%	83%
AR	83%	81%	77%	79%	82%	80%
CA	78%	82%	77%	80%	81%	80%
CO	99%	23%	125%	76%	76%	80%
CT	83%	85%	78%	85%	86%	84%
DE	78%	73%	65%	74%	85%	75%
DC	59%	65%	65%	53%	57%	60%
FL	83%	82%	78%	80%	84%	81%
GA	79%	81%	71%	71%	74%	75%
HI	66%	84%	54%	68%	67%	68%
ID	71%	74%	71%	68%	75%	72%
IL	80%	77%	77%	79%	81%	79%
IN	159%	93%	74%	83%	102%	93%
IA	82%	85%	78%	82%	80%	81%
KS	75%	81%	78%	80%	82%	80%
KY	81%	78%	75%	78%	81%	79%
LA	79%	78%	75%	72%	77%	76%
ME	77%	69%	67%	68%	82%	73%
MD	74%	75%	71%	69%	75%	73%
MA	75%	77%	70%	74%	74%	74%
MI	72%	77%	76%	74%	75%	75%
MN	72%	84%	73%	72%	81%	77%
MS	80%	79%	69%	74%	86%	78%
MO	79%	80%	79%	77%	80%	79%
MT	69%	70%	74%	68%	68%	70%
NE	79%	78%	95%	75%	77%	81%
NV	79%	75%	70%	74%	74%	74%
NH	82%	79%	75%	80%	79%	79%
NJ	80%	79%	75%	78%	80%	79%
NM	72%	73%	71%	70%	75%	72%
NY	79%	78%	76%	82%	81%	79%
NC	80%	78%	76%	79%	83%	79%
ND	64%	74%	60%	82%	67%	70%
OH	75%	74%	72%	70%	75%	73%
OK	77%	75%	72%	78%	76%	76%
OR	74%	77%	74%	72%	81%	76%
PA	78%	81%	76%	79%	83%	80%
RI	83%	83%	78%	66%	78%	77%
SC	84%	89%	79%	78%	84%	83%
SD	81%	82%	79%	80%	85%	81%
TN	75%	77%	71%	70%	75%	74%
TX	123%	71%	85%	86%	90%	88%
UT	77%	86%	83%	77%	80%	81%
VT	76%	83%	80%	72%	78%	78%
VA	79%	75%	72%	71%	75%	74%
WA	77%	71%	68%	71%	83%	74%
WV	75%	71%	76%	72%	75%	74%
WI	83%	77%	80%	78%	84%	80%
WY	78%	71%	71%	71%	71%	72%
AS	15%	454%	18%	(a)	(a)	384%
GU	87%	36%	138%	34%	72%	78%
PR	69%	59%	94%	79%	95%	80%
VI	100%	89%	58%	60%	114%	82%
CN	95%	92%	99%	91%	99%	95%
OT	95%	73%	58%	137%	75%	85%
GT	79%	78%	77%	79%	82%	79%

(a) Premium volume too small for meaningful ratio

Table 2.a
Federal Employees Health Benefits Program

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	N/A	N/A	64,005,031	66,064,449	71,018,725	201,088,205
AK	N/A	N/A	2,935,936	3,202,397	3,730,603	9,868,936
AZ	N/A	N/A	26,554,524	28,079,714	30,055,739	84,689,977
AR	N/A	N/A	79,707,236	95,207,798	101,999,738	276,914,772
CA	N/A	N/A	66,132,684	70,368,358	74,529,663	211,030,705
CO	N/A	N/A	28,505,046	30,918,784	33,882,169	93,305,999
CT	N/A	N/A	15,423,740	16,390,875	19,372,269	51,186,884
DE	N/A	N/A	3,938,403	4,343,275	5,111,951	13,393,629
DC	N/A	N/A	38,712,435	34,989,368	88,972,883	162,674,686
FL	N/A	N/A	538,779,530	564,224,556	561,214,992	1,664,219,078
GA	N/A	N/A	85,115,664	91,690,791	98,504,301	275,310,756
HI	N/A	N/A	1,174,157	1,384,624	1,447,684	4,006,465
ID	N/A	N/A	12,467,943	13,501,948	14,465,181	40,435,072
IL	N/A	N/A	227,627,399	297,357,232	318,322,458	843,307,089
IN	N/A	N/A	42,499,944	45,258,143	47,947,324	135,705,411
IA	N/A	N/A	23,681,543	69,677,587	75,166,779	168,525,909
KS	N/A	N/A	71,630,297	77,407,012	81,320,433	230,357,742
KY	N/A	N/A	34,709,650	34,218,704	36,375,110	105,303,464
LA	N/A	N/A	29,523,225	30,592,090	32,795,751	92,911,066
ME	N/A	N/A	24,138,411	25,984,213	27,593,910	77,716,534
MD	N/A	N/A	81,765,319	84,366,140	103,819,253	269,950,712
MA	N/A	N/A	26,267,830	28,634,808	35,963,281	90,865,919
MI	N/A	N/A	36,935,166	38,011,004	48,107,584	123,053,754
MN	N/A	N/A	17,990,471	18,705,939	19,848,167	56,544,577
MS	N/A	N/A	34,811,928	36,066,218	38,562,479	109,440,625
MO	N/A	N/A	50,978,509	52,941,436	56,890,098	160,810,043
MT	N/A	N/A	13,799,160	14,892,193	15,872,879	44,564,232
NE	N/A	N/A	48,772,002	52,683,471	53,260,467	154,715,940
NV	N/A	N/A	6,506,599	7,139,892	7,593,543	21,240,034
NH	N/A	N/A	16,808,806	18,244,010	19,781,485	54,834,301
NJ	N/A	N/A	35,351,487	38,029,605	43,298,226	116,679,318
NM	N/A	N/A	12,669,465	13,378,568	14,279,887	40,327,920
NY	N/A	N/A	78,178,132	82,076,463	86,659,825	246,914,420
NC	N/A	N/A	84,902,015	89,700,625	96,422,579	271,025,219
ND	N/A	N/A	8,160,553	8,575,747	9,088,102	25,824,402
OH	N/A	N/A	71,020,976	75,358,960	83,501,195	229,881,131
OK	N/A	N/A	30,956,827	32,959,882	34,958,232	98,874,941
OR	N/A	N/A	20,679,439	22,425,815	23,946,057	67,051,311
PA	N/A	N/A	82,285,103	88,493,568	98,398,203	269,176,874
RI	N/A	N/A	5,500,770	5,852,987	6,206,817	17,560,574
SC	N/A	N/A	64,579,741	65,970,772	70,553,248	201,103,761
SD	N/A	N/A	16,753,375	30,857,166	33,638,251	81,248,792
TN	N/A	N/A	54,883,193	56,942,622	60,813,144	172,638,959
TX	N/A	N/A	443,034,748	464,994,086	521,511,111	1,429,539,945
UT	N/A	N/A	85,035,896	91,724,239	97,824,961	274,585,096
VT	N/A	N/A	7,045,859	7,602,945	8,012,737	22,661,541
VA	N/A	N/A	440,505,242	461,202,796	529,821,967	1,431,530,005
WA	N/A	N/A	23,105,195	25,316,352	28,001,343	76,422,890
WV	N/A	N/A	18,597,620	20,207,246	21,379,318	60,184,184
WI	N/A	N/A	22,409,680	25,819,431	26,132,473	74,361,584
WY	N/A	N/A	6,365,516	6,896,074	7,394,237	20,655,827
AS	N/A	N/A	0	0	0	0
GU	N/A	N/A	0	0	0	0
PR	N/A	N/A	557,854	2,960	0	560,814
VI	N/A	N/A	10,909	1,806	0	12,715
CN	N/A	N/A	-319,906	0	351,336	31,430
OT	N/A	N/A	0	0	8,123,971	8,123,971
GT	N/A	N/A	2,994,545,581	3,009,658,583	4,033,844,115	10,038,048,279

Table 2.b
Federal Employees Health Benefits Program

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1993-1995
AL	N/A	N/A	100%	98%	89%	96%
AK	N/A	N/A	86%	100%	87%	91%
AZ	N/A	N/A	95%	97%	92%	94%
AR	N/A	N/A	97%	97%	92%	95%
CA	N/A	N/A	82%	91%	88%	87%
CO	N/A	N/A	87%	93%	87%	89%
CT	N/A	N/A	73%	72%	87%	78%
DE	N/A	N/A	98%	381%	80%	183%
DC	N/A	N/A	86%	107%	153%	127%
FL	N/A	N/A	88%	96%	98%	94%
GA	N/A	N/A	113%	115%	89%	105%
HI	N/A	N/A	84%	101%	98%	95%
ID	N/A	N/A	85%	74%	85%	82%
IL	N/A	N/A	97%	81%	93%	90%
IN	N/A	N/A	94%	88%	91%	91%
IA	N/A	N/A	85%	33%	90%	66%
KS	N/A	N/A	96%	97%	92%	95%
KY	N/A	N/A	91%	94%	86%	90%
LA	N/A	N/A	115%	121%	97%	110%
ME	N/A	N/A	73%	64%	98%	79%
MD	N/A	N/A	83%	75%	82%	80%
MA	N/A	N/A	75%	64%	83%	75%
MI	N/A	N/A	91%	86%	83%	86%
MN	N/A	N/A	78%	73%	81%	77%
MS	N/A	N/A	114%	108%	86%	103%
MO	N/A	N/A	98%	102%	89%	96%
MT	N/A	N/A	100%	82%	88%	90%
NE	N/A	N/A	92%	95%	93%	93%
NV	N/A	N/A	140%	134%	87%	119%
NH	N/A	N/A	72%	88%	135%	100%
NJ	N/A	N/A	95%	95%	88%	92%
NM	N/A	N/A	88%	89%	87%	88%
NY	N/A	N/A	54%	45%	89%	63%
NC	N/A	N/A	99%	103%	88%	96%
ND	N/A	N/A	90%	92%	87%	89%
OH	N/A	N/A	88%	85%	87%	87%
OK	N/A	N/A	96%	92%	88%	92%
OR	N/A	N/A	82%	71%	87%	80%
PA	N/A	N/A	86%	79%	89%	85%
RI	N/A	N/A	76%	60%	89%	75%
SC	N/A	N/A	100%	101%	88%	96%
SD	N/A	N/A	100%	59%	88%	80%
TN	N/A	N/A	99%	106%	91%	99%
TX	N/A	N/A	98%	98%	93%	96%
UT	N/A	N/A	94%	92%	91%	92%
VT	N/A	N/A	70%	66%	89%	75%
VA	N/A	N/A	94%	94%	92%	93%
WA	N/A	N/A	80%	76%	84%	80%
WV	N/A	N/A	107%	93%	89%	96%
WI	N/A	N/A	94%	73%	80%	82%
WY	N/A	N/A	102%	84%	89%	91%
AS	N/A	N/A	(a)	(a)	(a)	(a)
GU	N/A	N/A	(a)	(a)	(a)	(a)
PR	N/A	N/A	27%	(a)	(a)	0%
VI	N/A	N/A	100%	(a)	(a)	0%
CN	N/A	N/A	(a)	(a)	85%	0%
OT	N/A	N/A	(a)	(a)	96%	0%
GT	N/A	N/A	93%	90%	93%	92%

(a) Premium volume too small for meaningful ratio

Table 3.a
Credit (Group and Individual)

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	33,118,588	32,580,743	31,237,410	37,256,560	36,653,348	170,846,649
AK	3,689,498	3,620,670	3,754,389	3,588,000	3,196,955	17,849,512
AZ	18,299,939	17,692,947	15,920,556	19,221,318	21,462,255	92,597,015
AR	9,729,916	9,986,729	10,916,418	11,952,160	12,195,957	54,781,180
CA	144,333,173	119,698,883	121,068,756	126,626,440	136,762,986	648,490,238
CO	23,077,034	22,495,814	22,156,750	23,237,647	24,500,701	115,467,946
CT	33,589,064	24,951,975	21,336,885	20,397,963	22,325,282	122,601,169
DE	10,772,000	9,590,452	8,471,361	7,868,733	8,009,097	44,711,643
DC	2,850,082	3,524,879	3,032,952	3,668,244	3,355,700	16,431,857
FL	92,935,379	78,702,109	72,164,511	83,704,894	89,498,197	417,005,090
GA	81,905,412	85,820,338	74,240,621	81,367,162	82,707,472	406,041,005
HI	11,619,371	11,538,550	11,095,990	11,238,596	10,556,993	56,049,500
ID	10,471,350	10,885,528	11,090,260	13,560,783	11,647,954	57,655,875
IL	102,741,277	96,936,932	99,168,795	105,406,216	105,258,351	509,511,571
IN	76,506,670	68,461,880	69,498,123	72,818,912	73,342,165	360,627,750
IA	27,695,299	26,357,154	26,703,331	24,390,659	27,582,946	132,729,389
KS	23,716,670	26,161,861	25,443,338	26,391,557	25,957,565	127,670,991
KY	48,078,096	35,752,857	40,216,241	48,958,816	48,557,141	221,563,151
LA	31,075,134	33,923,293	37,395,033	41,124,426	42,282,085	185,799,971
ME	17,180,341	14,893,191	15,306,740	13,552,647	14,023,513	74,956,432
MD	36,230,127	34,003,628	33,072,001	33,184,959	34,854,278	171,344,993
MA	33,395,654	26,603,579	24,351,403	24,973,952	28,081,328	137,405,916
MI	123,294,396	117,760,735	106,132,498	117,041,576	131,658,761	595,887,966
MN	39,328,305	39,955,275	35,462,877	44,915,379	38,966,474	198,628,310
MS	23,090,845	23,548,146	26,519,010	27,815,716	28,342,058	129,315,775
MO	36,131,396	36,352,068	34,923,232	38,581,777	44,122,289	190,110,762
MT	7,796,743	7,932,978	8,157,153	8,741,271	7,996,246	40,624,391
NE	12,801,188	12,970,936	12,113,963	15,668,263	15,240,407	68,794,757
NV	12,929,224	10,076,124	9,971,285	9,385,424	10,248,459	52,610,516
NH	10,629,587	9,251,764	8,956,351	8,513,637	9,106,601	46,457,940
NJ	54,397,095	50,916,522	44,713,460	42,896,523	42,000,697	234,924,297
NM	12,577,311	12,324,365	11,419,604	13,891,676	14,611,452	64,824,408
NY	85,631,011	81,178,295	88,202,591	80,455,581	91,183,150	426,650,628
NC	82,359,339	84,116,533	75,398,486	82,922,546	86,745,690	411,542,594
ND	3,508,500	3,762,900	4,114,299	4,844,254	4,504,552	20,734,505
OH	140,035,176	124,517,822	129,750,397	132,843,241	124,559,459	651,706,095
OK	17,585,027	17,404,299	20,105,227	19,869,405	19,409,381	94,373,339
OR	30,483,627	26,903,452	25,846,727	27,467,896	28,956,599	139,658,301
PA	139,140,305	121,370,496	130,592,052	124,319,568	128,271,986	643,694,407
RI	10,388,699	7,035,036	5,619,679	5,826,740	5,718,105	34,588,259
SC	41,041,117	39,750,763	34,836,418	43,294,136	46,017,502	204,939,936
SD	6,688,525	6,639,028	7,318,500	9,680,938	7,621,506	37,948,497
TN	54,180,374	47,752,427	51,909,615	61,763,424	64,582,886	280,188,726
TX	140,796,553	120,869,375	122,018,384	145,814,852	134,725,192	664,224,356
UT	13,281,553	12,520,759	11,059,366	12,477,359	12,969,305	62,308,342
VT	5,620,586	4,305,821	5,312,663	4,906,341	4,526,714	24,672,125
VA	66,843,002	64,630,476	52,129,074	60,456,395	55,533,080	299,592,027
WA	46,350,163	46,334,592	43,634,176	50,024,720	51,582,326	237,925,977
WV	24,944,595	24,720,573	23,361,086	24,086,513	23,771,598	120,884,365
WI	57,969,804	54,219,257	55,164,976	50,687,920	54,769,615	272,811,572
WY	4,071,926	4,078,093	4,047,706	8,411,958	4,438,540	25,048,223
AS	6,567	21,535	77,144	105,930	12,382	223,558
GU	1,360,302	605,141	629,870	487,659	596,441	3,679,413
PR	22,654,808	22,371,015	32,238,921	32,941,763	22,189,285	132,395,792
VI	2,093,850	1,365,745	1,765,744	1,394,093	1,605,126	8,224,558
CN	15,526,283	35,168,719	39,548,199	37,271,749	72,836,290	200,351,240
OT	109,190	-483,833	4,312,486	812,243	707,584	5,457,670
GT	2,004,298,623	1,552,268,722	1,870,988,373	2,138,803,595	2,216,137,014	9,782,496,327

Table 3.b
Credit (Group and Individual)

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	48%	46%	50%	45%	51%	48%
AK	30%	33%	32%	65%	30%	38%
AZ	50%	41%	57%	43%	43%	46%
AR	63%	60%	56%	49%	47%	54%
CA	62%	69%	69%	49%	51%	60%
CO	55%	47%	50%	43%	44%	48%
CT	42%	48%	42%	37%	40%	42%
DE	40%	42%	46%	50%	41%	43%
DC	46%	44%	48%	40%	40%	43%
FL	44%	44%	234%	42%	49%	78%
GA	51%	41%	45%	39%	42%	44%
HI	55%	53%	54%	61%	53%	55%
ID	56%	47%	53%	40%	49%	48%
IL	52%	49%	48%	42%	38%	46%
IN	53%	55%	52%	52%	48%	52%
IA	46%	46%	41%	40%	43%	43%
KS	52%	45%	48%	45%	43%	47%
KY	57%	59%	55%	49%	50%	54%
LA	54%	49%	44%	41%	44%	46%
ME	88%	80%	62%	79%	72%	76%
MD	60%	64%	57%	49%	49%	56%
MA	80%	60%	50%	41%	41%	56%
MI	61%	69%	71%	69%	60%	66%
MN	40%	34%	36%	28%	29%	33%
MS	44%	38%	40%	39%	37%	39%
MO	50%	53%	48%	41%	41%	46%
MT	64%	61%	47%	46%	42%	52%
NE	54%	46%	45%	38%	39%	44%
NV	39%	56%	40%	30%	31%	39%
NH	87%	69%	61%	52%	56%	66%
NJ	76%	50%	65%	73%	84%	69%
NM	69%	53%	55%	50%	39%	53%
NY	91%	85%	76%	82%	70%	80%
NC	50%	42%	57%	43%	47%	47%
ND	42%	45%	31%	27%	52%	39%
OH	70%	72%	61%	53%	54%	62%
OK	51%	51%	45%	47%	49%	48%
OR	42%	45%	44%	45%	39%	43%
PA	74%	73%	72%	67%	69%	71%
RI	82%	71%	56%	44%	46%	63%
SC	63%	55%	65%	56%	54%	58%
SD	43%	42%	35%	29%	28%	35%
TN	53%	51%	51%	46%	45%	49%
TX	56%	58%	56%	50%	61%	56%
UT	49%	45%	50%	45%	38%	45%
VT	61%	92%	60%	69%	68%	69%
VA	51%	47%	56%	50%	52%	51%
WA	53%	51%	52%	48%	48%	50%
WV	93%	93%	106%	82%	89%	93%
WI	55%	55%	50%	55%	50%	53%
WY	50%	49%	58%	27%	50%	43%
AS	(a)	6%	44%	- 12%	- 38%	8%
GU	1%	18%	17%	27%	20%	13%
PR	51%	49%	49%	58%	96%	59%
VI	16%	24%	20%	27%	36%	24%
CN	179%	44%	64%	49%	43%	59%
OT	-155%	(a)	- 1%	298%	-383%	7%
GT	61%	54%	65%	51%	52%	56%

(a) Premium volume too small for meaningful ratio

Table 4.a
Collectively Renewable

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	8,166,879	7,157,793	10,265,523	4,858,743	4,878,054	35,326,992
AK	414,097	379,149	553,343	235,523	223,302	1,805,414
AZ	7,279,594	5,878,887	7,466,492	4,207,168	3,653,077	28,485,218
AR	6,685,859	6,290,498	7,007,353	5,475,063	5,304,236	30,763,009
CA	49,109,882	35,769,034	53,293,209	20,830,454	15,013,334	174,015,913
CO	10,410,844	9,143,464	13,342,637	5,743,683	4,901,752	43,542,380
CT	18,209,748	15,358,290	23,190,474	8,748,497	6,672,448	72,179,457
DE	1,994,083	2,090,963	1,751,126	1,134,148	775,625	7,745,945
DC	780,896	1,037,051	1,930,550	1,594,476	1,650,080	6,993,053
FL	293,087,961	258,772,005	264,168,864	218,645,831	190,836,793	1,225,511,454
GA	16,784,781	18,419,082	27,106,879	13,123,690	12,035,058	87,469,490
HI	950,767	1,118,858	2,695,147	476,305	412,626	5,653,703
ID	2,077,396	2,238,246	3,224,803	1,502,546	1,357,186	10,400,177
IL	45,048,519	39,708,028	46,930,599	23,568,847	19,104,653	174,360,646
IN	21,164,104	21,065,601	28,315,858	18,944,311	16,413,418	105,903,292
IA	10,547,230	10,328,476	12,101,925	7,589,342	9,156,841	49,723,814
KS	7,093,285	6,819,776	9,488,492	5,336,375	5,503,840	34,241,768
KY	10,825,252	10,663,384	12,961,798	7,478,602	5,767,810	47,696,846
LA	17,385,100	18,477,239	20,659,542	11,429,998	9,188,233	77,140,112
ME	1,549,920	2,308,627	3,209,443	1,820,918	1,608,147	10,497,055
MD	9,308,843	9,044,311	14,072,294	6,833,867	5,961,239	45,220,554
MA	4,523,774	12,364,712	20,979,323	11,458,561	11,145,488	60,471,858
MI	20,720,703	17,603,730	23,117,816	7,734,710	7,650,413	76,827,372
MN	9,422,938	8,823,885	14,525,444	4,439,729	3,029,128	40,241,124
MS	8,522,694	7,465,667	7,072,603	3,624,525	3,252,927	29,938,416
MO	19,894,686	17,873,164	20,757,570	11,716,730	9,587,140	79,829,290
MT	5,879,086	5,053,560	4,924,324	3,150,881	2,772,552	21,780,403
NE	102,447,653	109,524,193	104,114,066	98,456,819	92,154,259	506,696,990
NV	2,417,503	2,618,105	2,670,790	1,670,594	1,214,782	10,591,774
NH	2,389,346	3,464,885	4,064,014	2,679,817	3,080,486	15,678,548
NJ	15,399,798	18,742,606	30,757,358	16,030,563	13,767,708	94,698,033
NM	3,365,044	3,353,171	3,648,050	1,916,983	1,565,124	13,848,372
NY	62,733,418	71,871,818	90,098,766	39,888,087	39,802,552	304,394,641
NC	21,211,028	19,432,625	21,221,635	15,745,521	14,691,190	92,301,999
ND	2,175,368	2,688,322	2,289,625	1,438,337	1,126,083	9,717,735
OH	31,324,041	26,922,367	30,107,022	14,579,595	13,098,077	116,031,102
OK	13,452,314	14,581,849	13,168,948	9,347,657	7,713,027	58,263,795
OR	5,639,565	6,871,298	8,904,031	5,153,171	4,119,282	30,687,347
PA	26,569,473	30,054,861	34,107,461	23,267,920	21,297,969	135,297,684
RI	652,932	813,232	2,061,476	324,621	295,997	4,148,258
SC	10,273,697	10,893,460	11,930,474	7,713,560	7,908,384	48,719,575
SD	3,261,798	3,582,155	2,862,559	2,906,641	3,382,688	15,995,841
TN	10,591,925	10,898,763	16,149,201	7,478,771	6,399,455	51,518,115
TX	71,021,384	68,731,565	74,220,441	50,889,372	45,939,916	310,802,678
UT	2,232,824	2,257,069	3,400,115	1,523,912	1,399,620	10,813,540
VT	1,998,789	2,410,045	2,242,064	1,221,483	922,924	8,795,305
VA	13,480,513	11,225,174	17,856,658	7,590,571	5,924,795	56,077,711
WA	8,196,195	7,564,678	11,005,215	4,838,631	3,333,489	34,938,208
WV	7,405,094	7,337,246	7,744,798	4,911,760	4,200,249	31,599,147
WI	21,511,683	20,362,264	30,293,501	14,874,522	13,308,919	100,350,889
WY	2,397,357	2,090,142	1,519,040	969,312	849,981	7,825,832
AS	0	344,880	0	1	106	344,987
GU	17,739	18,070	21,550	23,994	18,601	99,954
PR	800,774	888,920	699,932	641,239	568,998	3,599,863
VI	134,353	110,346	100,542	90,385	76,448	512,074
CN	26,668,254	26,800,341	28,180,627	28,260,385	28,790,241	138,699,848
OT	41,857	163,319	265,498	42,049	-230,249	282,474
GT	936,727,815	992,386,823	1,205,690,253	597,095,216	690,345,350	4,422,245,457

Table 4.b
Collectively Renewable

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	55%	53%	75%	62%	59%	62%
AK	124%	38%	214%	17%	38%	109%
AZ	73%	64%	109%	64%	81%	80%
AR	69%	67%	41%	71%	81%	65%
CA	72%	82%	95%	80%	99%	84%
CO	59%	64%	74%	75%	76%	69%
CT	77%	172%	47%	72%	80%	87%
DE	37%	49%	53%	65%	44%	49%
DC	58%	48%	8%	62%	39%	39%
FL	80%	76%	20%	75%	82%	65%
GA	55%	53%	62%	56%	60%	58%
HI	26%	18%	3%	88%	40%	20%
ID	54%	80%	9%	68%	93%	53%
IL	63%	70%	51%	72%	76%	64%
IN	65%	61%	47%	65%	69%	60%
IA	67%	74%	81%	44%	43%	64%
KS	59%	53%	76%	55%	63%	62%
KY	55%	56%	41%	55%	59%	52%
LA	67%	69%	86%	76%	62%	73%
ME	66%	43%	130%	45%	68%	77%
MD	58%	56%	56%	56%	63%	58%
MA	54%	73%	71%	69%	89%	73%
MI	69%	66%	56%	56%	66%	63%
MN	62%	61%	54%	64%	71%	60%
MS	61%	65%	75%	56%	69%	66%
MO	67%	70%	53%	55%	65%	62%
MT	74%	77%	33%	52%	65%	61%
NE	84%	78%	77%	78%	76%	79%
NV	94%	52%	154%	48%	55%	87%
NH	75%	61%	123%	64%	65%	81%
NJ	76%	84%	75%	90%	90%	82%
NM	61%	50%	112%	53%	65%	71%
NY	81%	86%	98%	90%	96%	90%
NC	68%	63%	65%	64%	63%	65%
ND	65%	74%	28%	59%	72%	59%
OH	63%	60%	53%	52%	64%	59%
OK	57%	56%	47%	57%	64%	55%
OR	68%	42%	62%	38%	52%	53%
PA	73%	70%	80%	60%	70%	72%
RI	57%	44%	160%	165%	122%	119%
SC	58%	61%	45%	66%	87%	61%
SD	67%	65%	68%	55%	58%	63%
TN	69%	58%	79%	62%	68%	69%
TX	58%	60%	71%	55%	55%	61%
UT	54%	49%	94%	84%	44%	69%
VT	65%	68%	62%	86%	110%	73%
VA	64%	58%	41%	63%	65%	56%
WA	48%	53%	65%	56%	66%	57%
WV	62%	58%	47%	59%	62%	57%
WI	62%	55%	50%	68%	63%	58%
WY	65%	64%	91%	56%	63%	68%
AS	(a)	19%	(a)	(a)	(a)	0%
GU	- 1%	- 22%	- 13%	- 9%	- 10%	- 11%
PR	35%	25%	27%	23%	18%	26%
VI	- 2%	- 8%	80%	- 58%	75%	15%
CN	61%	13%	55%	57%	67%	51%
OT	164%	19%	9%	204%	(a)	83%
GT	71%	72%	59%	72%	74%	69%

(a) Premium volume too small for meaningful ratio

Table 5.a
Non-Cancellable

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	45,850,814	49,040,939	54,721,061	52,803,354	54,706,756	257,122,924
AK	2,744,782	3,350,246	4,094,348	3,771,574	3,958,956	17,919,906
AZ	38,141,903	42,133,949	49,540,128	47,877,662	51,281,099	228,974,741
AR	16,710,626	18,699,472	24,103,436	20,794,630	21,246,462	101,554,626
CA	354,616,140	384,887,738	384,500,889	410,886,582	424,913,828	1,959,805,177
CO	43,519,704	48,880,193	54,154,719	55,828,377	60,586,310	262,969,303
CT	73,019,384	77,465,075	67,309,097	83,411,620	88,506,645	389,711,821
DE	7,614,956	8,138,511	8,885,023	8,832,045	9,572,832	43,043,367
DC	12,036,107	13,055,146	14,238,751	15,113,472	15,315,349	69,758,825
FL	181,233,243	197,874,091	203,928,999	216,603,000	228,279,704	1,027,919,037
GA	90,410,987	93,940,457	97,127,742	103,259,150	109,698,746	494,437,082
HI	14,215,172	15,702,721	17,149,337	17,485,061	18,238,251	82,790,542
ID	7,778,296	8,276,438	9,549,644	9,405,515	9,878,275	44,888,168
IL	127,786,518	136,181,908	142,656,892	148,574,942	159,254,275	714,454,535
IN	54,721,498	58,094,704	62,565,484	61,613,846	64,753,816	301,749,348
IA	32,504,413	34,107,219	40,014,827	35,464,368	36,702,541	178,793,368
KS	27,925,245	30,535,706	31,786,359	34,545,868	36,084,331	160,877,509
KY	34,353,840	112,711,980	42,838,284	40,430,752	42,987,689	273,322,545
LA	38,229,003	40,403,109	50,935,412	45,198,878	49,608,795	224,375,197
ME	15,720,429	17,399,514	17,786,456	18,755,341	20,291,737	89,953,477
MD	73,715,457	82,303,584	83,622,975	90,026,097	94,892,164	424,560,277
MA	97,519,708	110,204,656	108,971,436	119,438,510	122,339,162	558,473,472
MI	113,590,472	119,051,844	122,135,894	129,837,807	135,671,212	620,287,229
MN	62,377,260	68,664,626	72,306,238	78,613,568	89,508,009	371,469,701
MS	23,469,517	24,358,837	40,557,644	26,666,682	27,805,797	142,858,477
MO	49,559,708	53,240,630	59,587,337	58,084,474	60,207,566	280,679,715
MT	7,301,275	7,717,410	9,156,220	8,556,371	8,851,029	41,582,305
NE	18,848,282	19,680,117	32,303,270	21,561,832	22,800,456	115,193,957
NV	9,566,625	10,908,894	13,894,152	12,166,070	13,412,843	59,948,584
NH	16,642,565	17,954,244	17,822,251	19,179,272	20,183,173	91,781,505
NJ	146,120,268	159,101,923	162,534,561	178,066,080	193,868,755	839,691,587
NM	9,750,158	10,722,487	12,380,837	10,970,747	11,441,050	55,265,279
NY	316,401,658	337,647,197	350,063,450	370,841,978	387,398,340	1,762,352,623
NC	68,204,595	83,498,327	97,477,793	92,662,236	99,439,609	441,282,560
ND	8,472,803	8,837,633	8,673,542	9,327,672	9,174,487	44,486,137
OH	113,021,926	120,251,674	130,035,717	129,527,371	137,999,183	630,835,871
OK	22,281,050	23,784,573	38,350,613	25,818,058	26,651,732	136,886,026
OR	32,848,347	36,820,898	37,276,680	41,271,159	42,673,084	190,890,168
PA	161,563,563	177,832,333	171,815,003	191,729,962	199,403,702	902,344,563
RI	14,909,209	16,291,334	15,058,377	17,010,744	17,865,727	81,135,391
SC	34,922,792	37,582,193	44,312,387	40,847,605	42,826,507	200,491,484
SD	9,576,174	10,101,541	12,091,767	10,904,598	10,963,113	53,637,193
TN	69,396,974	76,891,889	89,971,671	85,014,794	87,980,890	409,256,218
TX	152,564,936	159,779,476	192,972,545	171,959,475	185,764,591	863,041,023
UT	9,940,358	11,448,056	11,973,886	12,844,049	13,811,860	60,018,209
VT	9,246,611	10,182,182	10,664,836	10,689,571	11,637,422	52,420,622
VA	83,289,868	89,765,691	91,976,772	98,079,982	102,381,273	465,493,586
WA	49,931,000	55,759,248	59,053,663	61,790,785	64,674,221	291,208,917
WV	17,385,490	18,693,657	20,993,014	20,357,869	20,238,670	97,668,700
WI	53,321,264	59,650,784	74,120,401	64,321,081	67,351,068	318,764,598
WY	3,135,945	3,358,055	5,068,293	3,660,702	3,714,590	18,937,585
AS	941	-14	10	522	783	2,242
GU	286,082	308,959	323,791	295,277	289,716	1,503,825
PR	18,145,507	22,876,126	23,368,722	20,603,665	26,120,975	111,114,995
VI	516,956	430,319	437,844	431,816	409,268	2,226,203
CN	124,735,657	139,934,347	149,780,824	220,917,912	174,134,506	809,503,246
OT	8,245,481	1,978,125	437,903,951	535,297,581	651,762,748	1,635,187,886
GT	3,224,404,733	3,269,220,847	3,920,341,290	4,309,678,877	4,680,802,804	19,404,448,551

Table 5.b
Non-Cancellable

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	55%	72%	68%	76%	92%	73%
AK	58%	10%	20%	82%	37%	41%
AZ	98%	91%	94%	133%	148%	115%
AR	56%	62%	50%	84%	103%	71%
CA	94%	111%	112%	147%	158%	126%
CO	70%	58%	77%	94%	99%	81%
CT	46%	44%	47%	49%	64%	51%
DE	12%	28%	44%	50%	51%	38%
DC	56%	65%	53%	75%	75%	65%
FL	103%	109%	127%	146%	164%	131%
GA	45%	67%	64%	69%	97%	69%
HI	58%	64%	28%	63%	112%	66%
ID	50%	79%	80%	58%	65%	67%
IL	48%	50%	58%	59%	69%	57%
IN	43%	38%	39%	47%	66%	47%
IA	54%	57%	53%	56%	60%	56%
KS	37%	84%	50%	54%	68%	59%
KY	59%	70%	58%	62%	78%	67%
LA	74%	89%	75%	104%	105%	90%
ME	30%	66%	52%	60%	73%	57%
MD	41%	47%	57%	67%	70%	57%
MA	62%	67%	58%	67%	71%	65%
MI	58%	63%	66%	63%	76%	66%
MN	43%	39%	44%	50%	57%	47%
MS	70%	57%	55%	57%	76%	62%
MO	44%	51%	51%	55%	56%	52%
MT	83%	67%	78%	95%	99%	85%
NE	36%	43%	38%	53%	66%	47%
NV	73%	101%	93%	157%	152%	117%
NH	55%	46%	44%	64%	62%	54%
NJ	53%	62%	60%	82%	83%	69%
NM	70%	96%	70%	118%	124%	96%
NY	63%	69%	74%	82%	93%	77%
NC	43%	46%	43%	46%	59%	48%
ND	43%	53%	49%	64%	34%	49%
OH	39%	51%	50%	57%	66%	53%
OK	56%	60%	62%	71%	90%	68%
OR	54%	64%	64%	81%	93%	73%
PA	52%	64%	59%	71%	73%	64%
RI	98%	115%	85%	109%	95%	101%
SC	41%	61%	61%	49%	79%	59%
SD	57%	40%	52%	57%	54%	52%
TN	56%	62%	51%	63%	80%	63%
TX	51%	72%	61%	94%	94%	75%
UT	44%	67%	73%	76%	89%	71%
VT	33%	49%	73%	78%	47%	56%
VA	47%	55%	47%	62%	56%	54%
WA	53%	57%	60%	87%	87%	70%
WV	56%	54%	52%	64%	63%	58%
WI	55%	39%	47%	51%	54%	49%
WY	56%	47%	62%	59%	75%	60%
AS	(a)	(a)	(a)	(a)	(a)	(a)
GU	54%	174%	-116%	137%	4%	49%
PR	70%	65%	57%	58%	62%	62%
VI	11%	60%	25%	39%	169%	58%
CN	70%	74%	64%	59%	75%	68%
OT	- 11%	131%	37%	25%	30%	30%
GT	61%	72%	66%	76%	83%	72%

(a) Premium volume too small for meaningful ratio

Table 6.a
Guaranteed Renewable

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	195,339,001	194,277,241	195,234,303	211,086,451	210,857,326	1,006,794,322
AK	3,084,044	3,157,019	2,712,607	3,734,430	4,250,325	16,938,425
AZ	104,966,886	109,877,145	107,254,434	121,754,736	125,359,321	569,212,522
AR	98,110,182	113,376,922	120,425,765	239,431,161	255,275,563	826,619,593
CA	385,711,652	416,845,067	386,763,941	410,125,201	412,980,830	2,012,426,691
CO	76,433,468	82,942,739	81,759,730	96,159,353	101,096,574	438,391,864
CT	183,106,705	202,367,083	56,981,277	211,313,892	228,718,410	882,487,367
DE	5,927,340	6,688,445	7,490,854	9,266,849	10,619,567	39,993,055
DC	5,077,978	5,348,358	4,438,431	6,236,696	6,418,791	27,520,254
FL	611,652,718	700,245,484	765,170,713	858,771,167	894,126,114	3,829,966,196
GA	271,922,142	286,208,809	286,184,146	318,609,725	323,278,882	1,486,203,704
HI	15,891,688	17,292,080	16,125,778	21,468,495	23,708,779	94,486,820
ID	36,316,380	38,050,581	36,052,036	40,378,800	39,702,495	190,500,292
IL	318,120,292	375,653,625	387,914,524	457,953,364	493,023,991	2,032,665,796
IN	202,769,054	222,475,485	225,372,289	256,468,562	268,212,183	1,175,297,573
IA	293,789,288	334,448,901	329,794,472	361,248,097	372,643,244	1,691,924,002
KS	93,106,747	102,689,072	220,935,099	249,107,466	258,153,819	923,992,203
KY	226,130,616	157,035,879	158,151,630	176,938,360	184,613,789	902,870,274
LA	181,934,478	191,760,846	246,762,240	270,938,965	274,316,191	1,165,712,720
ME	19,174,638	21,046,579	20,675,727	24,895,634	27,996,133	113,788,711
MD	49,412,394	55,901,748	56,709,236	70,163,585	76,272,496	308,459,459
MA	27,773,003	34,783,892	39,483,605	53,490,880	68,479,073	224,010,453
MI	130,455,318	143,988,955	149,161,310	171,280,222	187,406,870	782,292,675
MN	106,745,745	112,296,818	125,730,503	153,085,974	148,704,218	646,563,258
MS	170,583,751	183,449,788	173,538,947	196,014,331	201,259,329	924,846,146
MO	215,827,968	235,942,508	238,041,716	267,250,678	320,214,416	1,277,277,286
MT	42,025,367	47,755,220	46,795,454	53,531,461	54,925,382	245,032,884
NE	104,068,204	117,946,368	118,333,820	142,659,916	151,652,045	634,660,353
NV	25,919,012	29,873,697	29,282,350	35,936,191	38,640,212	159,651,462
NH	16,927,965	19,877,594	21,187,966	24,019,261	25,510,563	107,523,349
NJ	54,848,535	57,971,226	51,939,749	64,804,389	76,904,669	306,468,568
NM	34,090,094	36,517,369	34,819,872	39,324,867	40,313,801	185,066,003
NY	156,874,038	172,939,641	170,382,704	210,021,361	220,797,929	931,015,673
NC	326,460,490	345,723,782	337,309,069	368,650,434	373,951,871	1,752,095,646
ND	43,416,500	46,792,051	49,616,441	53,387,369	55,405,293	248,617,654
OH	215,475,135	244,332,288	254,003,951	293,771,476	332,323,199	1,339,906,049
OK	136,647,607	151,245,781	140,901,468	161,181,589	164,181,551	754,157,996
OR	88,258,855	94,470,593	94,353,156	97,834,514	95,641,850	470,558,968
PA	182,248,919	207,039,867	230,852,931	265,466,690	295,049,518	1,180,657,925
RI	5,855,774	6,535,041	6,971,542	8,918,357	10,509,913	38,790,627
SC	153,493,751	165,171,388	166,555,788	184,114,572	191,730,641	861,066,140
SD	63,297,481	68,490,666	72,963,567	83,756,147	84,770,582	373,278,443
TN	216,488,022	234,523,429	229,579,007	266,583,619	275,591,983	1,222,766,060
TX	704,082,487	732,590,913	695,777,248	748,874,240	740,221,124	3,621,546,012
UT	35,429,541	35,290,039	33,211,715	35,698,052	37,508,109	177,137,456
VT	9,813,448	10,567,069	10,637,186	11,828,960	12,796,175	55,642,838
VA	313,644,221	343,823,332	364,147,144	380,793,664	395,688,449	1,798,096,810
WA	88,759,926	98,301,014	98,644,871	113,685,994	117,851,360	517,243,165
WV	46,721,018	50,925,285	50,024,263	56,107,834	59,751,423	263,529,823
WI	141,389,300	161,627,864	151,602,400	191,003,524	203,137,845	848,760,933
WY	14,650,690	16,436,889	15,631,148	18,809,708	20,028,492	85,556,927
AS	58,822	25,563	25,812	52,244	95,512	257,953
GU	2,175,296	3,530,314	4,385,355	4,828,253	4,773,632	19,692,850
PR	20,395,911	23,557,277	30,655,204	35,200,745	36,174,783	145,983,920
VI	1,254,023	1,260,645	1,683,794	1,722,291	2,054,295	7,975,048
CN	35,105,029	37,046,840	33,751,890	42,421,293	36,764,400	185,089,452
OT	2,075,464,397	2,724,302,769	3,348,775,450	4,279,187,213	5,069,958,484	17,497,688,313
GT	8,745,838,263	10,297,508,994	10,943,208,969	12,751,447,174	14,623,612,340	57,361,615,740

Table 6.b
Guaranteed Renewable

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	56%	63%	53%	65%	63%	60%
AK	45%	42%	45%	47%	37%	43%
AZ	63%	55%	51%	51%	56%	55%
AR	60%	55%	55%	69%	70%	64%
CA	64%	60%	60%	55%	57%	59%
CO	54%	51%	48%	50%	51%	51%
CT	87%	79%	47%	76%	78%	78%
DE	50%	52%	48%	63%	52%	54%
DC	47%	64%	24%	27%	40%	40%
FL	62%	61%	60%	62%	67%	63%
GA	54%	54%	51%	52%	52%	52%
HI	29%	33%	31%	30%	30%	31%
ID	56%	52%	49%	51%	55%	53%
IL	64%	57%	57%	58%	63%	60%
IN	54%	53%	55%	55%	58%	55%
IA	74%	73%	68%	68%	72%	71%
KS	53%	50%	70%	69%	72%	66%
KY	69%	55%	53%	54%	58%	59%
LA	64%	61%	66%	68%	70%	66%
ME	48%	48%	47%	44%	46%	46%
MD	46%	45%	46%	46%	46%	46%
MA	61%	54%	52%	57%	58%	56%
MI	59%	54%	54%	53%	57%	55%
MN	63%	59%	54%	56%	60%	58%
MS	54%	52%	53%	56%	58%	55%
MO	54%	54%	54%	60%	66%	58%
MT	57%	53%	51%	54%	55%	54%
NE	50%	50%	48%	52%	55%	51%
NV	53%	49%	48%	59%	51%	52%
NH	54%	51%	51%	51%	50%	51%
NJ	73%	73%	69%	77%	66%	71%
NM	51%	46%	47%	47%	50%	48%
NY	42%	68%	67%	63%	60%	60%
NC	54%	52%	51%	52%	53%	52%
ND	64%	64%	65%	69%	67%	66%
OH	52%	48%	46%	52%	52%	50%
OK	57%	57%	52%	56%	56%	55%
OR	54%	46%	47%	46%	47%	48%
PA	55%	60%	58%	60%	62%	59%
RI	93%	67%	56%	74%	48%	65%
SC	53%	53%	50%	53%	52%	52%
SD	67%	66%	62%	64%	68%	65%
TN	57%	57%	51%	54%	57%	55%
TX	58%	57%	54%	54%	56%	56%
UT	49%	47%	41%	44%	45%	45%
VT	45%	58%	51%	43%	44%	48%
VA	64%	62%	60%	61%	63%	62%
WA	52%	46%	50%	47%	45%	48%
WV	63%	62%	57%	57%	58%	59%
WI	59%	57%	53%	56%	59%	57%
WY	52%	53%	52%	52%	55%	53%
AS	10%	209%	93%	36%	52%	59%
GU	22%	20%	30%	25%	38%	28%
PR	42%	31%	35%	29%	29%	32%
VI	35%	35%	29%	33%	24%	31%
CN	45%	32%	30%	29%	37%	34%
OT	34%	32%	36%	37%	42%	37%
GT	52%	50%	50%	50%	54%	51%

(a) Premium volume too small for meaningful ratio

Table 7.a
Non-Renewable For Stated Reasons Only

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	17,663,863	19,723,517	20,325,512	16,548,214	14,437,528	88,698,634
AK	1,249,439	1,496,072	1,395,128	1,116,928	972,629	6,230,196
AZ	32,942,019	35,186,084	30,881,431	22,965,149	16,924,426	138,899,109
AR	20,656,772	22,490,317	23,959,465	23,196,916	23,352,276	113,655,746
CA	56,452,485	53,195,522	43,190,395	38,536,877	33,966,816	225,342,095
CO	32,114,120	35,514,716	39,254,059	38,979,017	36,760,008	182,621,920
CT	12,438,113	17,296,531	21,457,127	23,690,535	22,659,324	97,541,630
DE	3,505,966	4,338,295	4,580,918	4,595,085	3,755,387	20,775,651
DC	1,463,609	1,767,681	2,133,815	1,988,853	1,870,732	9,224,690
FL	111,070,865	124,919,482	130,816,606	110,611,528	79,042,696	556,461,177
GA	45,977,143	46,033,385	48,752,980	50,550,969	46,652,185	237,966,662
HI	761,110	798,259	785,318	798,727	743,799	3,887,213
ID	1,915,800	2,274,114	2,182,975	1,610,504	1,279,123	9,262,516
IL	112,260,251	123,262,045	125,438,525	123,354,988	111,380,297	595,696,106
IN	33,435,657	38,298,037	40,191,993	39,239,545	34,253,320	185,418,552
IA	20,433,512	22,003,661	22,768,682	22,514,201	20,270,619	107,990,675
KS	17,210,995	21,277,110	83,401,880	84,026,757	103,112,402	309,029,144
KY	91,159,749	24,647,305	24,039,245	21,891,371	17,762,881	179,500,551
LA	35,647,458	33,088,814	34,767,223	36,444,253	35,263,471	175,211,219
ME	4,549,223	5,430,247	6,597,046	7,647,329	8,005,032	32,228,877
MD	11,612,020	13,628,777	14,049,266	12,415,171	9,049,966	60,755,200
MA	12,673,688	18,223,852	22,515,919	26,289,159	26,816,677	106,519,295
MI	19,400,414	21,133,277	20,309,514	22,075,661	22,936,059	105,854,925
MN	43,962,279	54,005,230	46,034,879	32,094,054	37,166,669	213,263,111
MS	17,094,303	17,796,333	16,922,890	15,262,859	15,776,076	82,852,461
MO	40,485,667	40,456,277	47,103,772	53,751,677	57,035,246	238,832,639
MT	6,108,248	7,210,649	7,961,357	8,075,543	8,069,744	37,425,541
NE	24,231,488	27,441,677	29,170,082	30,128,911	30,137,474	141,109,632
NV	10,917,496	13,511,036	14,706,071	14,554,429	13,250,218	66,939,250
NH	5,271,642	7,355,292	9,852,078	10,272,566	9,317,968	42,069,546
NJ	32,563,672	40,653,976	50,051,341	91,122,987	81,881,099	296,273,075
NM	9,462,790	9,473,110	9,564,849	9,010,368	7,983,563	45,494,680
NY	73,347,290	108,470,445	133,260,131	129,629,922	117,596,312	562,304,100
NC	42,386,735	61,289,608	71,989,384	74,220,357	69,865,793	319,751,877
ND	8,221,569	9,628,130	10,210,912	10,191,841	9,339,787	47,592,239
OH	37,506,115	40,585,267	42,645,725	37,965,126	74,842,769	233,545,002
OK	27,004,704	26,952,746	28,231,735	26,374,556	24,607,916	133,171,657
OR	7,613,172	12,415,675	15,719,287	14,780,609	14,166,010	64,694,753
PA	37,385,103	44,683,964	49,127,014	53,103,235	54,493,213	238,792,529
RI	1,077,483	1,467,833	1,660,841	1,666,652	1,720,290	7,593,099
SC	48,085,298	50,072,875	55,529,975	54,246,404	47,699,189	255,633,741
SD	13,264,375	15,814,068	18,347,127	19,541,662	18,371,993	85,339,225
TN	27,865,983	30,644,064	33,606,840	30,682,992	29,984,599	152,784,478
TX	118,882,162	122,463,709	141,474,623	142,731,230	137,708,552	663,260,276
UT	3,195,007	3,953,853	3,978,282	3,277,338	4,549,781	18,954,261
VT	3,953,027	4,402,668	6,009,151	7,532,696	8,943,484	30,841,026
VA	22,970,629	26,284,815	27,333,660	25,793,648	22,221,432	124,604,184
WA	13,793,628	17,656,930	19,997,557	18,238,406	14,178,204	83,864,725
WV	10,823,375	12,403,974	13,186,920	13,476,862	12,868,066	62,759,197
WI	39,165,924	43,259,745	43,518,660	41,899,973	37,277,412	205,121,714
WY	5,873,179	6,681,985	7,355,769	7,697,555	7,216,561	34,825,049
AS	3	14	0	51	9,278	9,346
GU	134,644	96,526	96,013	81,799	75,256	484,238
PR	971,993	1,066,231	1,090,032	1,143,047	1,061,040	5,332,343
VI	532,164	569,408	576,573	582,641	583,816	2,844,602
CN	1,329,542	1,131,944	1,014,834	904,232	961,060	5,341,612
OT	599,199	894,695	806,566	2,362,762	2,528,768	7,191,990
GT	1,345,632,672	1,533,943,794	1,697,633,011	1,301,827,740	1,623,787,028	7,502,824,245

Table 7.b
Non-Renewable For Stated Reasons Only

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	59%	76%	71%	72%	81%	72%
AK	35%	46%	71%	51%	34%	48%
AZ	78%	77%	78%	76%	81%	78%
AR	87%	65%	58%	65%	75%	70%
CA	93%	98%	84%	75%	85%	88%
CO	69%	70%	64%	56%	63%	64%
CT	67%	57%	62%	70%	79%	67%
DE	71%	57%	53%	65%	80%	64%
DC	49%	48%	58%	55%	69%	56%
FL	81%	82%	79%	82%	73%	80%
GA	79%	83%	56%	67%	66%	70%
HI	56%	30%	33%	39%	103%	51%
ID	68%	81%	54%	54%	47%	62%
IL	70%	71%	66%	59%	67%	67%
IN	71%	70%	68%	61%	60%	66%
IA	64%	63%	64%	64%	63%	64%
KS	72%	53%	85%	89%	79%	81%
KY	78%	68%	73%	70%	75%	75%
LA	75%	71%	68%	69%	66%	70%
ME	58%	60%	64%	56%	89%	67%
MD	83%	59%	62%	74%	59%	67%
MA	73%	50%	61%	66%	57%	61%
MI	58%	62%	54%	63%	63%	60%
MN	63%	61%	70%	75%	63%	66%
MS	72%	73%	60%	71%	82%	71%
MO	74%	74%	69%	68%	78%	73%
MT	71%	61%	60%	51%	78%	64%
NE	68%	60%	67%	58%	59%	62%
NV	35%	43%	49%	64%	57%	50%
NH	58%	65%	61%	57%	55%	59%
NJ	88%	81%	71%	81%	111%	88%
NM	68%	68%	57%	54%	54%	60%
NY	67%	67%	68%	79%	71%	71%
NC	52%	45%	60%	71%	63%	59%
ND	62%	58%	68%	79%	77%	69%
OH	71%	65%	62%	64%	26%	53%
OK	71%	73%	64%	54%	69%	66%
OR	47%	55%	45%	68%	63%	56%
PA	70%	63%	69%	66%	51%	63%
RI	56%	74%	65%	42%	47%	56%
SC	63%	65%	67%	74%	78%	70%
SD	72%	66%	65%	63%	66%	66%
TN	65%	74%	55%	61%	67%	64%
TX	69%	72%	60%	73%	65%	68%
UT	55%	79%	93%	68%	30%	64%
VT	73%	80%	71%	48%	46%	59%
VA	64%	66%	64%	67%	57%	64%
WA	61%	56%	51%	62%	64%	58%
WV	69%	68%	66%	63%	65%	66%
WI	58%	63%	63%	69%	66%	64%
WY	61%	57%	62%	68%	56%	61%
AS	(a)	(a)	(a)	(a)	(a)	(a)
GU	18%	4%	8%	2%	- 7%	6%
PR	45%	40%	46%	63%	63%	52%
VI	36%	86%	27%	23%	58%	46%
CN	17%	96%	310%	-110%	1765%	383%
OT	55%	70%	29%	12%	47%	37%
GT	71%	69%	67%	69%	71%	69%

(a) Premium volume too small for meaningful ratio

Table 8.a
Other Accident Only

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	2,504,421	2,761,109	3,249,657	3,086,459	3,000,086	14,601,732
AK	348,309	280,143	275,137	269,895	252,473	1,425,957
AZ	2,185,984	2,151,312	3,759,219	2,196,279	1,746,687	12,039,481
AR	1,281,409	1,264,482	1,973,152	1,574,186	1,280,096	7,373,325
CA	14,305,447	13,198,646	13,245,721	15,718,618	16,305,273	72,773,705
CO	2,850,674	2,958,984	4,053,425	3,130,360	3,119,456	16,112,899
CT	1,170,937	1,269,343	1,966,895	1,648,949	1,809,124	7,865,248
DE	309,950	284,480	396,127	390,672	425,746	1,806,975
DC	601,441	539,109	578,098	487,621	566,084	2,772,353
FL	9,062,566	8,314,153	10,958,678	9,521,726	8,503,755	46,360,878
GA	3,611,053	3,363,714	3,974,287	3,165,260	2,983,987	17,098,301
HI	940,228	965,142	1,008,397	1,134,030	1,102,495	5,150,292
ID	838,130	886,260	1,160,435	914,985	922,256	4,722,066
IL	8,120,705	8,350,896	9,408,374	8,704,988	8,094,207	42,679,170
IN	3,923,469	3,889,581	4,924,299	6,137,031	4,846,096	23,720,476
IA	1,304,250	1,363,951	2,121,706	1,637,983	1,468,170	7,896,060
KS	1,572,926	1,388,344	1,996,501	1,862,506	1,850,243	8,670,520
KY	1,336,579	93,360,108	2,188,776	1,724,865	1,611,410	100,221,738
LA	3,224,031	3,637,614	8,770,990	2,966,802	2,845,047	21,444,484
ME	496,543	400,344	411,135	382,702	354,388	2,045,112
MD	1,775,636	5,359,410	6,500,629	6,477,642	6,108,034	26,221,351
MA	2,651,194	2,208,810	1,957,903	1,929,876	1,812,869	10,560,652
MI	6,220,347	6,518,416	6,528,692	12,477,609	6,412,734	38,157,798
MN	1,641,263	1,663,148	1,957,122	1,696,664	1,547,965	8,506,162
MS	1,762,353	1,618,867	4,286,483	1,811,382	1,518,011	10,997,096
MO	5,889,819	6,010,892	6,480,794	5,492,510	3,605,976	27,479,991
MT	1,197,837	1,138,956	1,341,382	1,198,461	1,155,376	6,032,012
NE	3,302,891	2,706,775	3,999,933	3,056,554	1,428,957	14,495,110
NV	626,127	575,084	833,889	705,773	820,980	3,561,853
NH	638,047	604,783	553,101	567,701	485,480	2,849,112
NJ	3,357,499	2,611,510	2,721,027	2,438,360	2,304,528	13,432,924
NM	747,521	680,059	871,190	1,033,205	1,038,823	4,370,798
NY	10,226,349	10,082,227	12,937,365	11,280,791	11,663,696	56,190,428
NC	2,713,698	2,792,138	3,393,674	2,704,228	2,553,068	14,156,806
ND	536,329	523,124	661,431	605,938	457,351	2,784,173
OH	6,000,217	6,008,574	7,735,028	8,155,585	8,412,111	36,311,515
OK	2,186,720	2,161,614	4,686,595	2,992,431	2,844,871	14,872,231
OR	1,763,655	1,897,225	2,084,203	2,209,528	2,125,417	10,080,028
PA	9,574,547	8,962,372	10,763,412	12,366,587	9,305,264	50,972,182
RI	246,564	222,502	260,427	249,218	256,631	1,235,342
SC	2,853,186	3,606,525	4,458,907	4,395,535	3,272,758	18,586,911
SD	888,495	796,351	1,097,107	665,099	594,465	4,041,517
TN	2,851,679	2,725,877	5,494,845	2,913,680	2,319,833	16,305,914
TX	25,566,503	30,174,817	41,790,143	31,897,956	26,985,738	156,415,157
UT	6,316,508	3,854,639	6,180,486	1,205,952	1,028,594	18,586,179
VT	334,258	341,715	337,229	285,207	271,601	1,570,010
VA	2,790,533	2,400,822	2,591,031	2,499,965	2,327,335	12,609,686
WA	2,834,344	2,881,477	3,405,150	3,860,849	3,163,301	16,145,121
WV	1,914,083	1,623,696	1,791,759	1,618,555	1,587,992	8,536,085
WI	1,851,817	2,068,614	3,646,374	2,656,602	2,545,501	12,768,908
WY	305,508	305,410	417,744	375,771	417,581	1,822,014
AS	40	45	46	0	37	168
GU	5,607	80	103	459	583	6,832
PR	125,329	119,024	284,119	687,473	466,753	1,682,698
VI	37,200	10,234	39,040	26,759	18,573	131,806
CN	18,339,750	18,222,716	28,038,518	21,499,649	32,443,832	118,544,465
OT	42,874	651,130	59,361,362	71,223,751	77,420,932	208,700,049
GT	187,573,169	164,700,669	314,730,980	203,914,277	283,701,104	1,154,620,199

Table 8.b
Other Accident Only

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	53%	48%	47%	52%	48%	50%
AK	30%	176%	- 31%	51%	203%	82%
AZ	51%	61%	66%	62%	49%	59%
AR	99%	46%	55%	57%	113%	72%
CA	68%	56%	63%	44%	37%	53%
CO	84%	43%	59%	40%	40%	53%
CT	50%	20%	20%	23%	26%	26%
DE	28%	32%	77%	45%	- 8%	35%
DC	127%	96%	73%	76%	87%	92%
FL	80%	61%	53%	51%	38%	56%
GA	59%	60%	48%	47%	89%	60%
HI	16%	28%	23%	38%	11%	23%
ID	82%	56%	87%	51%	54%	67%
IL	59%	44%	62%	57%	44%	53%
IN	52%	44%	55%	53%	57%	53%
IA	57%	71%	42%	33%	57%	50%
KS	33%	39%	70%	42%	37%	45%
KY	73%	81%	52%	45%	67%	80%
LA	68%	43%	66%	55%	53%	59%
ME	67%	76%	17%	21%	78%	52%
MD	47%	51%	53%	9%	71%	45%
MA	86%	50%	40%	55%	87%	65%
MI	61%	53%	35%	21%	36%	38%
MN	61%	57%	38%	40%	54%	49%
MS	70%	71%	68%	92%	56%	71%
MO	53%	68%	45%	32%	37%	48%
MT	86%	57%	38%	55%	38%	54%
NE	80%	46%	28%	11%	81%	45%
NV	40%	72%	76%	65%	30%	56%
NH	92%	98%	26%	38%	32%	59%
NJ	58%	43%	26%	45%	32%	42%
NM	95%	53%	62%	19%	39%	51%
NY	26%	50%	44%	41%	23%	37%
NC	46%	65%	78%	45%	48%	58%
ND	80%	61%	49%	46%	59%	58%
OH	49%	56%	39%	29%	29%	39%
OK	44%	72%	51%	43%	47%	51%
OR	55%	59%	72%	38%	33%	51%
PA	51%	57%	40%	56%	35%	48%
RI	90%	55%	94%	15%	74%	66%
SC	45%	38%	20%	44%	16%	32%
SD	106%	66%	50%	53%	33%	63%
TN	45%	64%	55%	38%	67%	54%
TX	54%	51%	59%	43%	62%	54%
UT	69%	173%	55%	30%	123%	86%
VT	58%	67%	108%	15%	25%	57%
VA	44%	46%	41%	64%	47%	48%
WA	39%	76%	20%	42%	51%	45%
WV	54%	57%	91%	78%	59%	68%
WI	60%	44%	46%	53%	46%	49%
WY	40%	27%	63%	79%	93%	63%
AS	(a)	(a)	(a)	(a)	(a)	(a)
GU	(a)	(a)	(a)	(a)	(a)	(a)
PR	2%	641%	35%	106%	32%	104%
VI	1%	263%	0%	2%	3%	22%
CN	37%	42%	46%	52%	42%	44%
OT	5%	37%	0%	80%	151%	84%
GT	56%	56%	42%	54%	75%	57%

(a) Premium volume too small for meaningful ratio

Table 9.a
All Other Individual Health Insurance Policies

	Aggregate Direct Earned Premiums					
	1991	1992	1993	1994	1995	1991-1995
AL	26,619,104	27,589,515	31,185,311	29,501,191	25,091,763	139,986,884
AK	2,631,213	2,175,349	1,733,796	1,480,184	1,228,898	9,249,440
AZ	21,870,858	25,124,921	24,714,979	33,353,106	42,348,546	147,412,410
AR	111,480,967	117,912,046	112,098,131	24,390,617	20,692,298	386,574,059
CA	64,489,734	50,627,284	48,318,749	76,759,562	25,715,720	265,911,049
CO	32,819,462	33,606,178	33,877,074	36,919,901	38,186,874	175,409,489
CT	29,010,891	36,540,114	42,016,404	41,946,439	41,292,066	190,805,914
DE	2,108,288	1,736,685	1,687,623	1,517,746	1,218,907	8,269,249
DC	2,032,173	1,448,714	1,415,785	1,233,364	1,152,429	7,282,465
FL	227,368,915	232,263,152	236,371,573	228,417,445	215,437,943	1,139,859,028
GA	46,706,815	50,735,237	48,597,162	37,579,046	31,979,917	215,598,177
HI	1,127,513	831,873	809,060	631,077	731,173	4,130,696
ID	1,764,626	1,681,021	1,919,193	1,165,393	1,459,332	7,989,565
IL	248,666,897	286,070,816	296,885,091	320,552,203	332,923,815	1,485,098,822
IN	62,191,679	59,548,225	49,626,001	47,071,186	51,283,679	269,720,770
IA	14,488,044	13,844,447	12,645,134	11,198,979	9,362,939	61,539,543
KS	15,176,036	255,148,970	12,623,512	9,125,067	7,653,930	299,727,515
KY	15,333,389	14,385,899	11,460,160	10,383,659	8,973,207	60,536,314
LA	40,155,430	48,103,252	93,017,622	74,294,656	100,683,526	356,254,486
ME	7,246,723	7,972,921	8,111,031	5,932,881	4,484,286	33,747,842
MD	15,661,091	11,568,672	9,855,253	8,537,435	7,038,735	52,661,186
MA	16,608,683	8,657,403	8,339,569	9,040,061	8,491,373	51,137,089
MI	77,096,192	63,279,987	53,656,874	47,703,650	50,794,809	292,531,512
MN	12,813,882	15,225,027	11,797,147	9,930,317	8,926,654	58,693,027
MS	18,795,766	21,834,076	17,079,396	17,167,095	13,659,363	88,535,696
MO	29,214,819	25,697,461	20,672,189	21,162,388	17,803,408	114,550,265
MT	4,480,696	3,907,735	5,081,325	2,810,239	2,341,464	18,621,459
NE	13,118,011	12,223,635	9,559,154	10,308,351	9,040,668	54,249,819
NV	6,244,582	10,255,703	11,159,819	10,646,379	9,560,018	47,866,501
NH	9,058,003	10,564,403	9,977,477	9,065,582	7,868,925	46,534,390
NJ	20,131,371	12,651,089	11,520,565	8,473,052	6,680,074	59,456,151
NM	4,388,925	5,526,519	5,466,221	5,506,177	5,516,205	26,404,047
NY	53,644,639	24,932,778	22,607,902	17,345,178	13,833,808	132,364,305
NC	26,674,832	22,204,808	19,266,537	19,604,157	17,916,449	105,666,783
ND	2,937,327	3,970,596	4,335,567	4,283,041	3,816,659	19,343,190
OH	70,966,628	72,562,730	69,485,920	71,369,582	73,754,411	358,139,271
OK	33,527,835	34,645,516	26,084,301	23,894,625	18,598,865	136,751,142
OR	5,324,028	21,060,318	23,676,951	23,214,852	23,890,195	97,166,344
PA	38,115,959	30,790,425	29,697,541	26,505,185	23,062,231	148,171,341
RI	1,386,312	1,402,273	1,177,603	1,186,738	1,145,580	6,298,506
SC	18,841,554	23,652,337	22,395,684	22,663,313	23,080,592	110,633,480
SD	5,759,452	7,171,296	7,801,474	8,571,135	8,824,985	38,128,342
TN	41,642,633	36,499,082	28,709,845	27,220,781	23,950,458	158,022,799
TX	151,881,643	154,079,961	137,760,669	126,670,511	102,105,259	672,498,043
UT	2,404,551	5,497,788	7,733,606	11,506,877	13,712,227	40,855,049
VT	6,630,422	6,797,436	1,597,688	568,424	287,651	15,881,621
VA	108,612,062	158,426,808	187,767,529	156,841,865	144,305,747	755,954,011
WA	10,218,804	8,968,043	9,557,014	7,337,908	6,051,501	42,133,270
WV	5,747,383	5,856,984	4,296,724	3,656,208	3,318,796	22,876,095
WI	21,765,502	20,700,727	16,891,387	15,351,019	13,111,640	87,820,275
WY	2,687,316	2,333,932	2,074,941	1,692,866	1,436,278	10,225,333
AS	0	0	81	2	902	985
GU	7,194	4,009	23,067	10,622	19,939	64,831
PR	7,149,474	7,725,794	3,971,344	7,420,681	3,112,932	29,380,225
VI	720,512	411,348	826,246	1,013,078	133,117	3,104,301
CN	1,768,436	1,952,151	1,126,409	44,900,189	1,023,334	50,770,519
OT	1,449,919	2,572,003	3,581,657	460,709	6,357,016	14,421,304
GT	1,691,305,822	1,597,472,539	1,859,747,906	1,624,180,476	1,617,146,496	8,389,853,239

Table 9.b
All Other Individual Health Insurance Policies

	Weighted Average Direct Loss Ratio					
	1991	1992	1993	1994	1995	1991-1995
AL	63%	59%	58%	66%	73%	63%
AK	76%	69%	240%	18%	48%	92%
AZ	77%	71%	69%	63%	71%	70%
AR	85%	78%	75%	70%	73%	78%
CA	91%	71%	73%	57%	59%	71%
CO	73%	72%	70%	68%	67%	70%
CT	54%	56%	63%	66%	69%	62%
DE	59%	54%	65%	52%	66%	59%
DC	85%	49%	44%	43%	47%	57%
FL	73%	74%	71%	66%	67%	70%
GA	53%	60%	68%	53%	58%	59%
HI	32%	33%	41%	56%	45%	40%
ID	82%	76%	44%	46%	62%	63%
IL	82%	78%	76%	72%	72%	76%
IN	71%	76%	73%	69%	70%	72%
IA	70%	63%	65%	51%	75%	65%
KS	70%	83%	69%	60%	45%	80%
KY	76%	73%	76%	80%	84%	77%
LA	65%	65%	62%	101%	90%	79%
ME	60%	60%	51%	78%	77%	63%
MD	54%	56%	51%	53%	51%	53%
MA	87%	43%	54%	50%	61%	63%
MI	79%	80%	66%	72%	66%	73%
MN	58%	56%	81%	63%	70%	65%
MS	58%	52%	58%	62%	47%	56%
MO	65%	66%	64%	72%	63%	66%
MT	99%	64%	37%	64%	60%	65%
NE	77%	63%	71%	56%	81%	69%
NV	69%	54%	57%	65%	61%	61%
NH	51%	55%	53%	61%	65%	57%
NJ	69%	98%	81%	96%	88%	83%
NM	89%	79%	52%	51%	68%	67%
NY	63%	113%	92%	103%	127%	89%
NC	53%	60%	61%	57%	54%	57%
ND	58%	61%	69%	55%	67%	62%
OH	66%	64%	63%	69%	69%	66%
OK	70%	55%	58%	56%	48%	59%
OR	83%	76%	64%	77%	64%	71%
PA	69%	63%	55%	63%	63%	63%
RI	62%	27%	85%	53%	60%	57%
SC	53%	57%	59%	70%	66%	61%
SD	61%	70%	68%	78%	74%	71%
TN	69%	69%	70%	68%	61%	68%
TX	72%	70%	66%	69%	67%	69%
UT	68%	71%	59%	70%	74%	69%
VT	68%	90%	151%	110%	369%	93%
VA	82%	74%	71%	70%	65%	72%
WA	64%	44%	36%	45%	41%	47%
WV	66%	62%	65%	60%	86%	67%
WI	85%	73%	89%	72%	59%	77%
WY	75%	74%	101%	71%	58%	77%
AS	(a)	(a)	(a)	(a)	(a)	(a)
GU	(a)	(a)	1%	3%	69%	28%
PR	26%	22%	24%	24%	29%	24%
VI	20%	34%	23%	27%	37%	26%
CN	89%	47%	25%	52%	29%	52%
OT	20%	5%	7%	193%	79%	46%
GT	72%	71%	69%	70%	70%	70%

(a) Premium volume too small for meaningful ratio

1995 RBC Results - Life/Health

Compiled by NAIC Staff

In 1993, life/health insurers began filing RBC reports with the NAIC. Companies submit a detailed filing to the NAIC, to their state of domicile, and to any other state that requests a copy of the filing. The RBC results filed by companies frequently contain errors, so the RBC results in the Five Year History do not always match the results reported in the RBC filing itself, and there are often corrections to the RBC results of individual companies through the course of the year. These quality problems have been discussed in depth in prior issues of the *NAIC Research Quaterly* (e.g., "The Challenges of Verifying Life Risk-Based Capital Results" in the January 1996 issue). Those quality problems continue even after three years of life RBC filings. Particular problem areas in the 1995 filings include:

Mortgage Experience Adjustment. Companies frequently fail to report the quarterly mortgage experience numbers for the prior two years, as required by the formula. Sometimes this omission results in an understatement of RBC, but frequently it results in an overstatement because the company's experience is better than the weighted industry average.

Unaffiliated Common and Preferred Stock. Sometimes companies report more dollars in non-government money market mutual funds (a subset of total unaffiliated common stock) than are reported in the Schedule D Summary for total unaffiliated common stock.

Affiliated Common and Preferred Stock. Parents frequently input the Authorized Control Level RBC for directly and indirectly owned life and p-c affiliates rather than the Company Action Level RBC, as required by the instructions. This error has been prevalent in prior years as well, and some companies continue to make this error even though they have been sent corrective notices in prior years. Approximately one-quarter of the direct life and direct p-c affiliates are reported incorrectly.

Schedule BA Assets. This year, a number of companies misreported their preferred stock in the AVR-Equity Component. The AVR-EC includes a detailed section for Schedule BA assets, including those Schedule BA assets that have the underlying characteristics of preferred stock. A number of companies reported their non-Schedule BA preferred stock under the Schedule BA portion of the AVR-EC. The result is a large overstatement of RBC (and AVR). Other AVR reporting discrepancies also contributed to errors in the RBC filings.

Health Premiums. Although the instructions explicitly require that all premiums reported in Schedule H be fully allocated among the various health insurance categories in the RBC formula, there are still companies that only report a portion of that total in their RBC report. Companies either skip this section and enter nothing or enter premiums that do not match the total in Schedule H. These types of reporting errors for the C-2 section were also prevalent in both 1993 and 1994.

The numbers included in the RBC report are all self-reported by the companies and, therefore, subject to error. When the NAIC Quality Assurance staff detects a discrepancy in a company's filing, a letter goes out to both the domiciliary state regulator and to the insurer requesting a clarification or correction. The alacrity and accuracy with which companies reply to those requests for corrections by the NAIC staff can be strongly influenced by the degree of interest displayed by the Chief Financial Examiner in a particular state.

The year-by-year distribution of companies by action levels is shown in Table 1. These five action levels range from "No Action" for companies that have sufficient capital to pass the RBC minimum standards to Mandatory Control Level, which means that the company does not have enough capital to operate.

Aggregate industry numbers are reported in Tables 2 through 4. These totals are based on the self-reported totals and have not been adjusted.

Table 1
Distribution of Life/Health Companies By RBC Action Level

RBC Action Level	1993		1994		1995	
No Action	1,532	98.3%	1,515	98.2%	1,453	98.5%
Company Action Level	9	0.6%	16	1.0%	7	0.5%
Regulatory Action Level	8	0.5%	2	0.1%	5	0.3%
Authorized Control Level	1	0.1%	3	0.2%	3	0.2%
Mandatory Control Level	9	0.6%	7	0.5%	7	0.5%
Total, All Reporting	1,559	100.0%	1,543	100.0%	1,475	100.0%

put in an ad for RBC publications or reprints or a reminder that 1996 materials are available in July

Table 2
Aggregate Results, 1993-1995

Covariance Elements	1993 RBC for 1,559 Life Companies	1994 RBC for 1,543 Life Companies	1995 RBC for 1,475 Life Companies	% of Total 1993 RBC	% of Total 1994 RBC	% of Total 1995 RBC
Bonds After Size Factor	10,228,144,962	10,340,515,606	10,246,066,377	12.6%	12.2%	11.6%
Mortgages	7,172,306,724	6,979,951,189	6,710,005,863	8.8%	8.3%	7.6%
Preferred/Common Stock	24,320,793,061	25,190,683,486	27,345,617,128	29.8%	29.8%	31.1%
Separate Accts w/Guarantees	644,384,726	431,511,615	513,676,159	0.8%	0.5%	0.6%
Surplus in Non-Guaranteed Separate Accounts	261,278,755	285,448,881	372,325,467	0.3%	0.3%	0.4%
Real Estate	5,009,004,330	4,966,504,421	4,708,195,599	6.1%	5.9%	5.3%
Schedule BA Assets	4,463,097,747	4,851,795,090	4,668,040,887	5.5%	5.7%	5.3%
Asset Concentration Factor	2,020,494,934	1,890,699,456	1,785,388,724	2.5%	2.2%	2.0%
Miscellaneous Assets	139,965,662	157,682,642	198,636,875	0.2%	0.2%	0.2%
Reinsurance	286,410,866	217,075,948	278,109,920	0.4%	0.3%	0.3%
Off-Balance Sheet Items	371,563,173	349,384,134	456,280,720	0.5%	0.4%	0.5%
Total C-1 Risk	54,915,846,237	55,661,252,465	57,282,343,719	67.4%	65.9%	65.1%
Individual & Industrial Life Insurance	4,272,499,447	4,712,011,054	4,930,561,378	5.2%	5.6%	5.6%
Group & Credit Life Insurance	2,715,729,377	2,931,600,246	3,007,066,479	3.3%	3.5%	3.4%
Individual Health Insurance	3,401,331,196	3,691,504,629	3,806,874,609	4.2%	4.4%	4.3%
Group & Credit Health Insurance	7,214,124,288	7,523,929,204	7,951,220,651	8.9%	8.9%	9.0%
Premium Stabilization Credit	-2,940,943,766	-3,027,570,347	-2,462,259,084	- 3.6%	- 3.6%	- 2.8%
Total C-2 Risk	14,662,740,674	15,831,474,775	17,233,464,033	18.0%	18.7%	19.6%
Interest Rate Risk - Low	3,319,254,288	3,652,240,658	3,669,953,131	4.1%	4.3%	4.2%
Interest Rate Risk - Medium	2,154,248,214	2,170,264,110	2,317,212,312	2.6%	2.6%	2.6%
Interest Rate Risk - High	3,632,416,313	4,156,865,345	4,374,308,764	4.5%	4.9%	5.0%
Total C-3 Risk	9,105,919,713	9,979,370,063	10,361,474,207	11.2%	11.8%	11.8%
Total C-4 Risk	2,795,692,433	3,003,654,854	3,177,386,690	3.4%	3.6%	3.6%
Total RBC	81,480,199,057	84,475,752,157	88,054,668,649	100.0%	100.0%	100.0%
RBC After Covariance	72,177,603,242	74,625,046,668	77,519,035,889	88.6%	88.3%	88.0%

Total Adjusted Capital Elements	1993 TAC for 1,559 Life Companies	1994 TAC for 1,543 Life Companies	1995 TAC for 1,475 Life Companies	% of Total 1993 TAC	% of Total 1994 TAC	% of Total 1995 TAC
Capital and Surplus	131,296,375,540	142,103,987,578	156,785,108,616	78.1%	79.4%	78.7%
AVR	25,329,509,323	25,195,066,060	30,168,998,450	15.1%	14.1%	15.1%
Voluntary Investment Reserves	1,950,986,061	1,331,452,005	1,000,509,258	1.2%	0.7%	0.5%
Dividend Liability	6,330,731,148	6,517,794,478	6,781,975,771	3.8%	3.6%	3.4%
Life Subsidiaries' AVR	3,024,626,382	3,444,091,339	4,344,198,497	1.8%	1.9%	2.2%
Life Subsidiaries' Voluntary Investment Reserves	168,473,081	187,275,605	93,033,834	0.1%	0.1%	0.0%
Life Subsidiaries' Dividend Liability	65,250,167	87,091,340	144,374,508	0.0%	0.0%	0.1%
P-C Subsidiaries' Non-Tabular Discount	Not Used	1,355,153	29,200		0.0%	0.0%
Total Adjusted Capital (TAC)	168,165,951,702	178,868,113,558	199,318,228,134	100.0%	100.0%	100.0%

Table 3
Aggregate Dollar Change in RBC For Companies Filing RBC In Each Year

Covariance Elements	1993 RBC for 1,345 Life Companies	1994 RBC for 1,345 Life Companies	1994 RBC for 1,345 Life Companies	Dollar Change, 1993 to 1994	Dollar Change, 1994 to 1995
Bonds After Size Factor	9,962,128,685	10,030,909,516	10,114,297,584	68,780,831	83,388,068
Mortgages	7,140,009,113	6,875,735,091	6,609,777,337	-264,274,022	-265,957,754
Preferred/Common Stock	23,942,712,410	23,789,022,819	26,338,914,439	-153,689,591	2,549,891,620
Separate Accts w/Guarantees	644,093,524	431,511,615	513,676,159	-212,581,909	82,164,544
Surplus in Non-Guaranteed Separate Accounts	260,876,345	283,944,191	370,989,665	23,067,846	87,045,474
Real Estate	4,976,481,372	4,854,543,781	4,660,736,814	-121,937,591	-193,806,967
Schedule BA Assets	4,431,965,185	4,825,767,973	4,663,300,446	393,802,788	-162,467,527
Asset Concentration Factor	1,968,058,519	1,817,920,840	1,767,355,549	-150,137,679	-50,565,291
Miscellaneous Assets	129,525,200	154,321,614	192,773,347	24,796,414	38,451,733
Reinsurance	273,780,850	210,857,505	269,198,826	-62,923,345	58,341,321
Off-Balance Sheet Items	366,117,024	342,649,197	451,216,815	-23,467,827	108,567,618
Total C-1 Risk	54,094,149,534	53,617,184,139	55,952,236,981	-476,965,395	2,335,052,842
Individual & Industrial Life Insurance	4,147,917,316	4,461,194,019	4,759,526,899	313,276,703	298,332,880
Group & Credit Life Insurance	2,684,312,275	2,833,519,580	2,916,134,658	149,207,305	82,615,078
Individual Health Insurance	3,335,902,147	3,619,921,659	3,778,895,191	284,019,512	158,973,532
Group & Credit Health Insurance	7,114,315,907	7,252,922,633	7,673,647,517	138,606,726	420,724,884
Premium Stabilization Credit	-2,931,581,520	-3,009,259,909	-2,422,731,681	-77,678,389	586,528,228
Total C-2 Risk	14,350,866,221	15,158,297,979	16,705,472,584	807,431,758	1,547,174,605
Interest Rate Risk - Low	3,254,827,623	3,552,810,524	3,606,621,975	297,982,901	53,811,451
Interest Rate Risk - Medium	2,082,977,078	2,119,862,583	2,313,207,087	36,885,505	193,344,504
Interest Rate Risk - High	3,558,584,814	4,079,083,232	4,350,628,313	520,498,418	271,545,081
Total C-3 Risk	8,896,390,414	9,751,756,293	10,270,457,375	855,365,879	518,701,082
Total C-4 Risk	2,719,631,982	2,901,567,243	3,127,918,599	181,935,261	226,351,356
Total RBC	80,061,038,151	81,428,805,654	86,056,085,539	1,367,767,503	4,627,279,885
RBC After Covariance	70,927,564,310	71,925,360,246	75,770,978,161	997,795,936	3,845,617,915

Total Adjusted Capital Elements	1993 TAC for 1,345 Life Companies	1994 TAC for 1,345 Life Companies	1994 TAC for 1,345 Life Companies	Dollar Change, 1993 to 1994	Dollar Change, 1994 to 1995
Capital and Surplus	127,991,714,669	137,686,707,180	154,520,658,364	9,694,992,511	16,833,951,184
AVR	24,964,810,570	24,900,607,836	29,818,424,612	-64,202,734	4,917,816,776
Voluntary Investment Reserves	1,942,321,867	1,295,629,810	976,759,258	-646,692,057	-318,870,552
Dividend Liability	6,306,900,133	6,385,985,354	6,641,844,888	79,085,221	255,859,534
Life Subsidiaries' AVR	2,990,352,757	3,266,932,515	4,143,485,799	276,579,758	876,553,284
Life Subsidiaries' Voluntary Investment Reserves	168,063,335	187,249,576	93,008,105	19,186,241	-94,241,471
Life Subsidiaries' Dividend Liability	61,025,184	60,841,694	118,224,934	-183,490	57,383,240
P-C Subsidiaries' Non-Tabular Discount	Not Used	567,185	29,200	567,185	-537,985
Total Adjusted Capital (TAC)	164,425,188,515	173,784,521,150	196,312,435,160	9,359,332,635	22,527,914,010

Table 4
Percentage Change in RBC For Companies Filing RBC In Each Year

Covariance Elements	1993 RBC for 1,345 Life Companies	1994 RBC for 1,345 Life Companies	1994 RBC for 1,345 Life Companies	Pct Change, 1993 to 1994	Pct Change, 1994 to 1995
Bonds After Size Factor	9,962,128,685	10,030,909,516	10,114,297,584	0.7%	0.8%
Mortgages	7,140,009,113	6,875,735,091	6,609,777,337	- 3.7%	- 3.9%
Preferred/Common Stock	23,942,712,410	23,789,022,819	26,338,914,439	- 0.6%	10.7%
Separate Accts w/Guarantees	644,093,524	431,511,615	513,676,159	-33.0%	19.0%
Surplus in Non-Guaranteed Separate Accounts	260,876,345	283,944,191	370,989,665	8.8%	30.7%
Real Estate	4,976,481,372	4,854,543,781	4,660,736,814	- 2.5%	- 4.0%
Schedule BA Assets	4,431,965,185	4,825,767,973	4,663,300,446	8.9%	- 3.4%
Asset Concentration Factor	1,968,058,519	1,817,920,840	1,767,355,549	- 7.6%	- 2.8%
Miscellaneous Assets	129,525,200	154,321,614	192,773,347	19.1%	24.9%
Reinsurance	273,780,850	210,857,505	269,198,826	-23.0%	27.7%
Off-Balance Sheet Items	366,117,024	342,649,197	451,216,815	- 6.4%	31.7%
Total C-1 Risk	54,094,149,534	53,617,184,139	55,952,236,981	- 0.9%	4.4%
Individual & Industrial Life Insurance	4,147,917,316	4,461,194,019	4,759,526,899	7.6%	6.7%
Group & Credit Life Insurance	2,684,312,275	2,833,519,580	2,916,134,658	5.6%	2.9%
Individual Health Insurance	3,335,902,147	3,619,921,659	3,778,895,191	8.5%	4.4%
Group & Credit Health Insurance	7,114,315,907	7,252,922,633	7,673,647,517	1.9%	5.8%
Premium Stabilization Credit	-2,931,581,520	-3,009,259,909	-2,422,731,681	2.6%	-19.5%
Total C-2 Risk	14,350,866,221	15,158,297,979	16,705,472,584	5.6%	10.2%
Interest Rate Risk - Low	3,254,827,623	3,552,810,524	3,606,621,975	9.2%	1.5%
Interest Rate Risk - Medium	2,082,977,078	2,119,862,583	2,313,207,087	1.8%	9.1%
Interest Rate Risk - High	3,558,584,814	4,079,083,232	4,350,628,313	14.6%	6.7%
Total C-3 Risk	8,896,390,414	9,751,756,293	10,270,457,375	9.6%	5.3%
Total C-4 Risk	2,719,631,982	2,901,567,243	3,127,918,599	6.7%	7.8%
Total RBC	80,061,038,151	81,428,805,654	86,056,085,539	1.7%	5.7%
RBC After Covariance	70,927,564,310	71,925,360,246	75,770,978,161	1.4%	5.3%

Total Adjusted Capital Elements	1993 TAC for 1,345 Life Companies	1994 TAC for 1,345 Life Companies	1994 TAC for 1,345 Life Companies	Pct Change, 1993 to 1994	Pct Change, 1994 to 1995
Capital and Surplus	127,991,714,669	137,686,707,180	154,520,658,364	7.6%	12.2%
AVR	24,964,810,570	24,900,607,836	29,818,424,612	- 0.3%	19.7%
Voluntary Investment Reserves	1,942,321,867	1,295,629,810	976,759,258	-33.3%	-24.6%
Dividend Liability	6,306,900,133	6,385,985,354	6,641,844,888	1.3%	4.0%
Life Subsidiaries' AVR	2,990,352,757	3,266,932,515	4,143,485,799	9.2%	26.8%
Life Subsidiaries' Voluntary Investment Reserves	168,063,335	187,249,576	93,008,105	11.4%	-50.3%
Life Subsidiaries' Dividend Liability	61,025,184	60,841,694	118,224,934	- 0.3%	94.3%
P-C Subsidiaries' Non-Tabular Discount	Not Used	567,185	29,200	n/a	-94.9%
Total Adjusted Capital (TAC)	164,425,188,515	173,784,521,150	196,312,435,160	5.7%	13.0%