

Internet Regulatory Issues

by NAIC Staff

The following discussion topics are detailed in The Marketing of Insurance Over the Internet White Paper that was developed by the NAIC Internet Marketing Issues Working Group. The white paper was adopted by the NAIC Plenary at the NAIC 1998 Spring National Meeting and is now available from the NAIC Publications Department.

With the development of the World Wide Web and the proliferation of the Internet, insurers have increasingly taken an interest in the Internet as a medium for the distribution of insurance. With the emergence of the Internet, regulatory areas of concern have also emerged.

One question regarding Internet insurance transactions is whether, and to what extent, such transactions should be regulated by the states pursuant to the McCarran-Ferguson Act or regulated by the federal government under the Commerce Clause as commercial electronic transactions. Insurance regulators believe that the business of insurance is regulated by the states regardless of the medium in which these transactions take place. In fact, many state insurance regulators view the Internet only as a new communications medium similar to the television, fax machines or electronic mail. Therefore, regulators do not believe it will be necessary to drastically alter the regulatory structure in response to the Internet. The following discussion addresses some regulatory issues currently being considered by regulators.

Licensing

By transmitting information over the Internet, it is a simple matter to enter into potential sales situations in any and every state (and internationally) regardless of whether the insurer or insurance producer is appropriately licensed where the consumer is located. Accordingly, does an Internet insurance transaction occur in the state in which the consumer is located or in the location from which the electronic message originated (which may not necessarily be where the insurer or the producer is physically located and licensed)? Most likely (based on a traditional "doing business" analysis), the transaction would be deemed to occur in the state where the consumer is located.

In addition, several activities occur in the course of an insurance transaction, e.g., advertising, solicitation, negotiation, underwriting and effectuation, policy maintenance and claims service. Certain aspects of these activities must be performed by a licensed agent, while other activities are administrative or clerical and may legitimately be performed by a unlicensed person.

The difficulties in interpreting and applying the producer licensing laws to Internet activity also create uncertainty for the industry as it tries to structure appropriate compensation arrangements. Traditionally, an insurer compensated its agent by the payment of a single percentage "commission" for a bundle of services relating to the agent's marketing, solicitation, negotiation, effectuation and servicing of insurance. This bundle of services provided by the agent included both those activities that require licensure and those clerical or administrative activities that do not require licensure. State laws regulating the payment, receipt and sharing of commissions usually apply only to compensation paid for licensable "insurance agent" activities. The Internet computer and communications technology more readily permit insurers and agents to "unbundle" licensable activities from the non-licensable administrative activities. Insurers, agents and service providers will need the freedom and flexibility to distinguish between the compensation of licensable and non-licensable activities to develop adequate compensation structures for their Internet-related business relationships.

From a licensing perspective, states may also seriously consider treating inbound e-mails requesting information about insurance in a similar vein as inbound telephone calls. Such treatment suggests that a follow-up outbound telephone call from an insurer responding to the consumer's electronic inquiry be treated as an extension of the original inbound "call." Thus, the outbound call would be regulated under the inbound licensing statutes in the state in which the outbound call center is based. This also suggests that states permit follow-up outbound telephone calls where the consumer in their state clearly initiated the communication (albeit electronically rather than via telephone) without invoking the need for an insurance producer calling from another state to be licensed in the state where the consumer is located. In essence, the consumer has elected, as a result of the inquiry across state lines, to be satisfied with the consumer protection regulations of the state to which he or she communicates via the Internet.

Advertising and Disclosure

As the insurance industry becomes more comfortable with the concept of "commerce on the Internet," more Internet transactions will go beyond simple advertising and producer referral programs. However, the laws and regulations that pertain to advertising (and life insurance illustrations) will always apply. For example, insurance advertising rules generally prohibit deceptive or misleading statements about an insurer's or a competitor's product. Yet, with Internet advertising it will be difficult to always know who made a derogatory statement about an insurer's products or services and whether and to what degree the statement caused damage to the targeted insurer.

Insurer information transmitted over the Internet constitutes an advertisement that is regulated by state insurance laws. For example, the NAIC model rules governing the advertising of life insurance define "advertisement" as

material designed to create public interest in life insurance or annuities or in an insurer, or an insurance producer; or to induce the public to purchase ... replace

or retain a policy including (a) descriptive literature of an insurer and published material, audio-visual material and descriptive literature of an insurer [and; (d)] prepared sales talks, presentations and material for use by insurance producers.

A life insurer's web site should constitute an advertisement under the NAIC model because the site is likely designed to "create public interest in the" insurer and "to induce the public to purchase" insurance.

Web site marketing efforts could also trigger life insurance illustration regulation requirements. Marketing insurance products on the Internet involves a "presentation or depiction" that could be subject to such regulation. Thus, an Internet presentation that includes "non-guaranteed elements of life insurance over a period of years" is not excluded from the definition of "illustrations" and must satisfy all relevant regulatory requirements.

Situs and Choice of Law

Determination of the transaction situs for an insurance sale can affect the insurance product sold. For example, common contract choice of law, premium taxation, guaranty fund applicability, insurance policy termination, continuation of coverage, cancellation and nonrenewal laws vary among the states.

Signature Authentication

Contracts of insurance that are "bound" over the Internet require a form of signature made with the intention of authenticating the document. Because electronic signatures are a relatively new concept and may be perceived to lack a certain element of trustworthiness, procedures have been devised and are now being tested to authenticate signatures. The two primary forms of electronic signature are digital signatures and stylus signatures.

In general, digital signatures provide at least two levels of security: integrity (i.e., validation that the signature was transmitted in an unaltered state); and authenticity (i.e., validation

that the signature is true and correct). These two levels of security are obtained in large measure by the use of unique "keys" entered into the computer file: one by the party generating the electronic document, the other by the signing party. Changes to the underlying electronic data will render the electronic signatures invalid. Thus, the integrity of an electronic document is protected by these safeguards.

Stylus signatures offer similar safeguards and work in the following manner: the signer moves the stylus (or pen) across a computer screen, which displays an image that traces the movement of the stylus. The signer sees his or her signature as it is being captured by the computer, just as a signer sees his/her signature on paper. Upon completion, the signature is encrypted and sent electronically to its destination. The process uses secret keys and is highly resistant to alteration or unauthorized access and use. Perhaps most important for insurers, the information set forth on the application is "locked" along with the stylus signature of the applicant (and probably producer). The fact that the application itself is more secure may reduce the possibility that information on that application can be altered.

Statute of Frauds

Whether an insurance policy must be in writing is not always clear and may depend upon interpretation and application by regulators of the various states' statute of frauds, which require that certain agreements be reduced to writing and signed by the party to be charged. Such agreements generally include the sale of goods in excess of \$500, the sale of real estate and contracts that cannot be performed within one year. Typically, contracts of life insurance and annuities fall within the statute of frauds. The National Conference of Commissioners on State Laws may change or delete many aspects of the statute of frauds pursuant to a revised Article 2B so that a "writing" will not be necessary for a binding contract (the only requirement would be a record of the transaction, including one that is stored in a recognized format).

Security

There are three primary Internet insurance transaction security concerns. They are: 1) the

privacy and confidentiality of personal information transmitted between an applicant and an insurer; 2) the alteration of information provided by the consumer/applicant by a third party such as the producer or another party with access to the file; and 3) the tampering by unauthorized individuals with insurers' web sites affect the accuracy of information consumers receive regarding insurance sales over the Internet.

Because of the rapidly advancing nature of Internet security safeguards, it may be too early to consider the regulation of Internet transactions with regard to security concerns in any substantive way. It is an emerging technology, and how it will develop cannot be totally predicted. Thus, it is important for regulators to weigh consumer protections while not impeding innovation as they consider what regulatory role needs to be played regarding security over the Internet.

Privacy

The first step in analyzing privacy concerns regarding personal information transmitted from an applicant to an insurer is to define the scope of the personal information that might be transmitted. Generally, the following information is requested from an applicant: 1) name; 2) address; 3) sex; 4) date of birth; 5) type of product to be purchased; and 6) payment information (i.e. credit card number or other payment source). Depending on the type of insurance being solicited, other information could include: 1) detailed health information; 2) detailed financial information; 3) type of automobile(s) applicant owns, applicant's automobile financing arrangements, and the applicant's driving record; 4) family information; and/or 5) specific information regarding property owned by the potential insured (i.e. home, boat, recreational vehicles, jewelry and other valuables).

The privacy concerns deal with how information is used once it has been received by the recipient, presumably an insurer or producer. These concerns are present with all types of insurance transactions; however, privacy concerns are heightened with Internet sales because of the aggregate dissemination of data that is facilitated by the efficient and interactive nature of the Internet.

Premium Collection by Credit Card

An insurer or producer marketing directly to consumers over the Internet must be willing to accept payment of the initial premium via credit card, and consumers must be willing to divulge their credit card information over the Internet. Legitimate concerns exist regarding access to credit card information on the Internet. Thus, establishing a secure "credit card environment" is vital to the success of insurance sales over the Internet.

Financial transaction safeguards should make consumers more secure when making credit card purchases over the Internet. However, it is also necessary to verify that the insurance laws of the various states do not prohibit making premium payments by credit card. States that permit insurance premium payments by credit card have varying requirements. The most common include: i) credit card usage may not increase the premium or incur a separate fee (conversely, policyholders paying by cash or check may not be offered a discount); ii) the credit card issuer may not cancel a policy if a cardholder fails to pay balances due that include insurance premiums; iii) premium refunds must be made directly to the cardholder; and iv) offers of an extension of credit for premium payments made through a particular credit card facility are prohibited.

Summary

New regulations may need to be considered, or existing regulations amended or rescinded, to ensure that the Internet's borderless nature is recognized and that the regulations are flexible enough to respond to operational changes that the Internet may produce. For example, if insurance producers are required to post their license number on business cards and printed advertisements, does that include advertisements posted electronically to the Internet that are not "printed?" Do current regulations cover that contingency?

At the same time, however, regulators must also be careful not to create a dual regulatory structure in which activities over the Internet are regulated less stringently than more traditional activities. While some problems are unique, it is important not to create a disparity between the

regulatory requirements facing Internet companies and producers and their "live" counterparts.

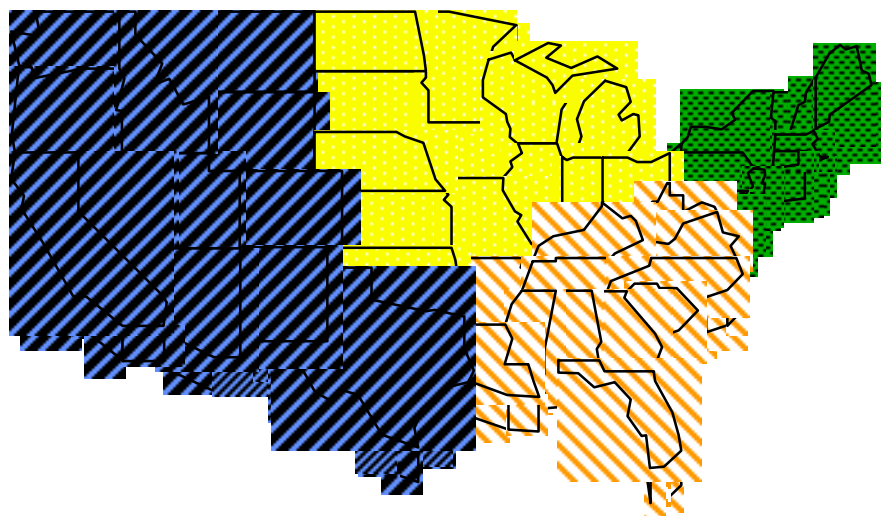
Private Passenger Auto No-Fault Direct Premiums Written Regional Data

by NAIC Staff

Data provided represents direct written private passenger auto no-fault premiums for data years 1984 through 1996. The premium amounts were taken from the Exhibit of Premiums and Losses, line 19.1 in the property/casualty annual financial statements as captured on the NAIC database. The premiums are shown by state, by zone and countrywide for comparative purposes.

Direct Premiums Written - Private Passenger Auto No-Fault Countrywide

	<u>Midwestern Zone</u>	<u>Northeastern Zone</u>	<u>Southeastern Zone</u>	<u>Western Zone</u>	<u>Countrywide</u>
1984	563,790,122	1,405,695,163	485,856,941	381,455,078	2,836,797,304
1985	693,528,042	1,630,174,592	569,383,379	472,423,413	3,365,509,426
1986	803,276,413	1,791,147,802	749,275,466	583,369,127	3,927,068,808
1987	976,303,515	1,995,954,634	915,857,869	402,961,477	4,291,077,495
1988	962,828,303	2,063,262,906	921,270,609	679,530,171	4,626,891,989
1989	1,081,388,457	2,187,968,416	1,051,330,008	760,174,103	5,080,860,984
1990	1,294,870,079	2,035,695,211	1,108,601,454	867,008,863	5,306,175,607
1991	1,563,154,144	2,129,683,759	1,159,797,556	1,039,261,096	5,891,896,555
1992	1,842,331,832	2,469,124,605	1,022,815,080	1,072,285,642	6,406,557,159
1993	1,973,883,691	2,771,477,713	1,101,005,604	1,134,936,950	6,981,303,958
1994	2,030,812,675	2,838,646,787	1,157,952,833	1,211,275,912	7,238,688,207
1995	1,994,452,137	2,980,120,565	1,254,087,492	1,266,763,661	7,495,423,855
1996	1,920,290,108	3,000,570,162	1,355,414,194	1,319,786,402	7,596,060,866



Causes for Data Inconsistencies

When reviewing the auto premium data by state, it can be seen that in some instances there are large increases or decreases in premiums written from one year to the next. These jumps and drops can occur because of several situations.

One explanation for data inconsistencies would be if insurers reported amounts on the wrong line for one or more years, in one or more states. Likewise, a company may change its reporting practices and include premiums written on a different line of the state page. Year-to-year errors are often difficult to detect. When the NAIC completes the annual data review on the financial data that is submitted to the NAIC, it is often hard to differentiate reporting errors from changes in reporting on the state page data. Also, to detect these types of errors, it is necessary to do year-to-year comparisons.

Other data inconsistencies are often caused by companies that stop reporting their annual financial data to the NAIC. Conversely, companies that have been in business for some time can begin reporting data to the NAIC on any given year.

Changes in state reporting guidelines or statutes can also cause changes in the premiums written within a state. For example, if a state enacts a compulsory liability law, it is expected that the liability auto insurance premiums written would increase in the years following the law enactment.

Below is a listing of the states that have no-fault benefit and add-on benefit laws. This information was taken from the 1997 American Insurance Association summary.

States that have No-Fault Benefit Laws, by Zone

Midwestern Zone	Northeastern Zone	Southeastern Zone	Western Zone
Kansas	Connecticut	Florida	Colorado
Michigan	Massachusetts	Kentucky	Hawaii
Minnesota	New Jersey	Puerto Rico	Utah
North Dakota	New York		
	Pennsylvania		

States that have Add-On Benefit Laws, by Zone

Midwestern Zone	Northeastern Zone	Southeastern Zone	Western Zone
South Dakota	Delaware	Arkansas	Oregon
Wisconsin	District of Columbia	South Carolina	Texas
	Maryland	Virginia	Washington
	New Hampshire		

**Direct Premiums Written - Private Passenger Auto No-Fault
Midwestern Zone**

	<u>Iowa</u>	<u>Illinois</u>	<u>Indiana</u>	<u>Kansas</u>	<u>Michigan</u>	<u>Minnesota</u>	<u>Missouri</u>
1984	985,176	12,224,427	9,468,081	26,917,635	382,544,562	114,191,511	205,072
1985	41,190	37,188,677	1,218,827	28,863,410	480,645,148	129,514,238	131,372
1986	28,604	9,739,494	9,194	33,896,793	591,459,496	153,934,503	23,026
1987	158,536	6,201,948	8,884,648	36,900,688	645,057,397	176,865,044	35,088
1988	701	2,909,257	21,203	42,896,329	697,052,329	187,913,979	4,061
1989	1,651	2,746,953	5,352	45,329,102	817,166,010	194,782,495	31,972
1990	6,213	18,317,436	170,848	47,506,578	993,171,283	218,315,269	9,639
1991	672	7,433,492	247,054	53,524,681	1,228,064,303	255,431,346	773
1992	3,009	1,675,249	179,921	60,187,622	1,463,865,266	289,158,857	13,372
1993	1,329,045	2,448,673	126,189	67,146,136	1,547,104,815	322,897,617	1,303
1994	3,120	2,084,249	215,762	73,353,422	1,561,820,775	357,209,820	1,362
1995	80	3,001,157	42,081	79,405,521	1,495,883,772	371,104,279	76,337
1996	-943	15,634,423	1,232	83,912,694	1,389,952,580	385,632,815	593

	<u>North Dakota</u>	<u>Nebraska</u>	<u>Ohio</u>	<u>Oklahoma</u>	<u>South Dakota</u>	<u>Wisconsin</u>	<u>Zone Total</u>
1984	9,522,206	462	6,655,007	732,951	77,377	265,655	563,790,122
1985	10,128,204	599	2,688,237	1,952,872	93,824	1,061,444	693,528,042
1986	12,391,590	2,249	698,285	39,731	197,120	856,328	803,276,413
1987	13,434,582	72,969	7,311,846	58,887,446	152,041	22,341,282	976,303,515
1988	13,817,655	317,279	743,869	11,726,697	245,854	5,179,090	962,828,303
1989	14,616,799	1,401,535	23,015	79,361	119,442	5,084,770	1,081,388,457
1990	15,446,023	3,193	18,794	25,002	226,259	1,653,542	1,294,870,079
1991	16,290,227	1,211	434	7,338	250,724	1,901,889	1,563,154,144
1992	17,231,469	7,379,016	188,936	38,000	309,465	2,101,650	1,842,331,832
1993	18,482,489	8,190,398	559,512	1,960	3,071,489	2,524,065	1,973,883,691
1994	19,907,170	8,532,998	5,896,457	434,908	381,430	971,202	2,030,812,675
1995	20,690,456	8,156,672	8,987,237	347,863	342,022	6,414,660	1,994,452,137
1996	21,597,077	8,484,999	12,954,573	46	269,924	1,850,095	1,920,290,108

**Direct Premiums Written - Private Passenger Auto No-Fault
Northeastern Zone**

	District of						
	<u>Connecticut</u>	<u>Columbia</u>	<u>Delaware</u>	<u>Massachusetts</u>	<u>Maryland</u>	<u>Maine</u>	<u>New Hampshire</u>
1984	58,112,629	14,988,486	14,035,741	46,806,499	103,482,968	95,004	99
1985	61,918,025	17,315,024	15,820,880	49,878,005	120,686,720	2,071	155
1986	73,922,378	14,042,117	20,033,633	54,584,349	148,665,761	14,375	218,257
1987	84,566,885	12,229,664	26,030,288	69,466,308	167,668,045	2,540,799	23,368
1988	86,663,952	11,036,235	27,565,327	85,468,274	151,429,269	3,361,822	1,521,255
1989	90,171,907	11,211,873	31,201,015	117,298,539	163,900,913	1,428	5,014
1990	98,537,323	10,266,995	38,125,482	144,550,725	163,909,489	-320	24
1991	103,554,758	9,575,382	43,282,125	131,568,217	163,044,167	661	87
1992	111,062,995	8,362,729	47,092,637	185,671,623	164,144,735	4,796,173	0
1993	109,403,946	7,411,657	48,560,626	212,693,137	164,185,272	1,051	0
1994	21,365,504	7,695,432	50,585,821	238,852,373	171,472,849	5,848,483	3,362,229
1995	16,686,031	7,724,953	55,466,217	248,335,444	166,090,094	1,593	3,538,751
1996	14,704,545	6,934,206	56,516,514	231,683,714	174,427,193	1,243	347
					U.S. Virgin		
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>	<u>Rhode Island</u>	<u>Islands</u>	<u>Vermont</u>	<u>Zone Total</u>
1984	236,580,241	473,461,433	458,017,846	113,752	0	465	1,405,695,163
1985	543,049,240	510,782,327	310,708,700	13,090	37	318	1,630,174,592
1986	550,589,612	580,735,696	348,329,818	1,586	0	10,220	1,791,147,802
1987	582,293,479	646,473,159	404,526,339	2,334	11,704	122,262	1,995,954,634
1988	580,935,831	664,857,297	449,263,558	921,290	184	238,612	2,063,262,906
1989	580,879,783	700,654,056	492,643,529	50	0	309	2,187,968,416
1990	319,383,980	775,322,016	485,593,661	288	0	5,548	2,035,695,211
1991	378,794,111	841,440,287	458,412,795	143	155	10,871	2,129,683,759
1992	514,395,380	972,863,172	460,221,257	487,032	0	26,872	2,469,124,605
1993	644,349,115	1,115,467,208	466,998,562	2,365,181	0	41,958	2,771,477,713
1994	657,188,409	1,223,397,465	458,863,392	749	0	14,081	2,838,646,787
1995	742,535,987	1,313,023,807	426,704,355	206	0	13,127	2,980,120,565
1996	811,109,749	1,295,738,411	409,423,661	695	18,000	11,884	3,000,570,162

**Direct Premiums Written - Private Passenger Auto No-Fault
Southeastern Zone**

	<u>Alabama</u>	<u>Arkansas</u>	<u>Florida</u>	<u>Georgia</u>	<u>Kentucky</u>	<u>Louisiana</u>	<u>Mississippi</u>
1984	55,386	6,175,222	267,096,978	123,490,363	45,922,163	5,294	1,440,176
1985	23,868	4,924,738	306,397,842	151,441,608	58,463,647	523,714	334,225
1986	10,791	6,563,643	385,780,097	197,802,042	74,135,724	3,181	11
1987	10,291	7,253,787	449,555,319	232,063,636	83,649,006	11,752,229	310,143
1988	28,710	8,681,268	501,676,694	256,570,149	91,492,973	6,764	82,650
1989	20,787	8,830,550	586,656,259	287,859,177	98,033,286	17,329,307	0
1990	2,025,664	9,736,969	641,032,317	303,536,797	111,686,880	11,463	522,868
1991	1,949	9,748,562	713,789,768	261,476,252	128,551,746	10,402	155
1992	28,353	9,504,148	804,345,234	-1,011,767	142,821,292	55,940	5,629
1993	1,604	9,782,427	860,804,574	694,290	148,891,069	5,213,451	6,300
1994	1,828	10,152,506	941,762,142	88,981	160,499,708	269,996	1,217,114
1995	6,981,208	15,237,438	1,012,645,076	181,042	168,392,460	81	0
1996	-2,450	15,749,015	1,106,205,803	4,986,621	176,614,603	684,322	809,746

	<u>North Carolina</u>	<u>Puerto Rico</u>	<u>South Carolina</u>	<u>Tennessee</u>	<u>Virginia</u>	<u>West Virginia</u>	<u>Zone Total</u>
1984	471,965	0	33,355,641	8,545	6,376,926	1,458,282	485,856,941
1985	413	3	39,618,394	33,061	7,621,798	68	569,383,379
1986	14,508,953	0	44,300,720	8,068,995	17,823,719	277,590	749,275,466
1987	339	-1,497,715	50,229,010	69,419,368	13,107,230	5,226	915,857,869
1988	468,432	0	47,272,075	98,046	14,875,337	17,511	921,270,609
1989	-132,783	184,527	37,108,193	3,245	15,437,275	185	1,051,330,008
1990	-148,182	0	21,759,939	23,380	18,351,761	61,598	1,108,601,454
1991	-47,582	220,472	20,459,731	3,570,826	22,015,595	-320	1,159,797,556
1992	21,583,544	0	20,905,511	14,547	24,546,202	16,447	1,022,815,080
1993	433,832	1,769,983	20,668,380	28,810,868	23,927,651	1,175	1,101,005,604
1994	54,519	0	19,573,998	1,695	24,330,715	-369	1,157,952,833
1995	241,924	4,746,978	19,345,935	142,481	24,990,782	1,182,087	1,254,087,492
1996	225,557	0	19,183,570	690	30,956,677	40	1,355,414,194

**Direct Premiums Written - Private Passenger Auto No-Fault
Western Zone**

	<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Colorado</u>	<u>Guam</u>	<u>Hawaii</u>	<u>Idaho</u>	<u>Montana</u>
1984	366	78,184	160,720	81,722,402	0	36,938,476	315,485	695,845
1985	1,623,601	5,836,573	8,412,230	112,154,520	0	47,465,730	380,648	399
1986	200	6,322,558	11,430,063	144,502,062	0	52,409,063	16,674,965	115
1987	278	214,533	-221,424,121	169,016,852	0	61,013,212	597,532	1,995
1988	6,262	527,017	4,637,880	190,511,844	40,331	63,077,765	625,706	4,698
1989	20,105	3,130,059	4,939,961	205,597,908	139,159	71,757,308	701,917	2,242
1990	9,466	67,860	1,348,108	230,848,398	1,078,630	89,752,471	839,685	3,079
1991	183	16,272	5,266,829	277,845,412	698,113	112,966,361	784,849	987
1992	215	227,343	3,770,452	328,365,859	276,409	136,498,886	1,030,347	303
1993	-5,982	14,613	317,230	363,071,686	329,071	136,878,537	1,019,098	-365
1994	241,813	18,043	13,329,536	389,213,492	0	138,659,893	1,094,347	1,329
1995	-3,879	743,172	15,709,199	422,871,695	0	142,468,600	1,088,048	3,803
1996	6	5,800,584	18,489,474	438,582,901	342,345	131,510,766	909,370	-597

	<u>New Mexico</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Texas</u>	<u>Utah</u>	<u>Washington</u>	<u>Wyoming</u>	<u>Zone Total</u>
1984	216	1,885,646	41,231,278	158,982,076	17,296,548	42,146,621	1,215	381,455,078
1985	7,536	198,178	45,972,387	180,545,987	20,270,712	49,527,120	27,792	472,423,413
1986	14,786	1,250,991	55,777,731	207,704,199	26,843,350	60,435,770	3,274	583,369,127
1987	35,374	-338,534	62,361,709	230,674,732	30,406,000	70,402,073	-158	402,961,477
1988	146,958	412,315	66,695,373	244,730,241	32,126,969	75,764,836	221,976	679,530,171
1989	53,638	702,955	74,604,722	281,406,105	34,695,721	82,419,026	3,277	760,174,103
1990	47,054	147,256	93,291,563	318,707,281	37,036,054	93,829,125	2,833	867,008,863
1991	1,523,476	1,549,749	104,430,275	381,532,107	49,277,650	103,367,671	1,162	1,039,261,096
1992	5,875,476	209,719	110,822,417	319,468,924	53,957,864	111,781,597	-169	1,072,285,642
1993	-939	261,936	120,349,070	327,241,339	63,948,330	121,515,390	-2,064	1,134,936,950
1994	112	322,727	120,220,620	341,269,196	66,637,486	140,265,961	1,357	1,211,275,912
1995	16,791	350,108	121,776,000	337,238,134	67,973,030	156,531,591	-2,631	1,266,763,661
1996	72	1,947,355	126,667,655	367,894,463	73,540,219	154,103,585	-1,796	1,319,786,402

Data Comparison: MIS and IDRR

by NAIC Staff

The NAIC collects complaints, examinations and regulatory actions information from state insurance departments through the Market Information Systems (MIS) and the Insurance Department Resources Report (IDRR). Here, the information obtained through these two sources is explained and then compared by use of graphs.

Market Information Systems

Complaints, examinations and regulatory actions information are compiled separately on three databases that make up the MIS. The NAIC Market Affairs staff in the Research Department maintains each of the separate databases. The Market Information System (MIS) databases are as follows: Regulatory Information Retrieval System (RIRS), Complaints Database System (CDS) and Examination Tracking System (ETS). The information contained in each of the databases is used by state insurance regulators to improve communications between state regulators and to increase the effectiveness of state insurance regulation.

The concept of uniform complaint reporting was initiated by the NAIC in 1973. However, the database system used today by states for reporting and sharing complaints information was not formally introduced until the end of 1990. Now, state insurance departments are able to send their closed consumer complaint information and summaries of their regulatory actions to the NAIC for inclusion in the CDS. The individual state complaints are aggregated with other states to allow for trending analysis. Currently 29 states are sending some or all of their consumer complaints records for inclusion in the CDS.

The MIS is also used by the states to facilitate calling examinations and to keep historical examination information. In 1988 the Exam Call

system was implemented to allow electronic notification of financial zone examinations to all NAIC jurisdictions. The next year, the system was expanded to include automatic call notification of market conduct and combined examinations. Then, in 1994, the system began capturing and storing the examination information in a database known today as ETS. The ETS database information is now on the client/server platform and is available to state regulators through the Common User Interface (CUI).

The RIRS is a NAIC database that contains a summary of regulatory or disciplinary actions. These actions include those that affect an agents license, fines levied against companies or agents, and cease and desist and consent orders against companies. The NAIC has compiled regulatory actions data for state regulators since 1960, but it was not until 1985 that the manual system was replaced by an automated computer version. Then in 1988, each state was given direct access to the database to obtain the information that was needed.

Insurance Department Resources Report

The NAIC publishes an annual report that contains state insurance department data on staffing, budget and funding, examination and oversight, insurance producers and consumer/market conduct information. The data found in the Insurance Department Resources Report (IDRR) is obtained through an extensive annual survey completed by each state insurance department. The IDRR has become a useful source of insurance department information for state regulators as well as industry personnel.

Data Comparison

The following graphs represent a comparison of the data found in the MIS databases and the information reported in the 1996 IDRR. The graphs depict the comparisons on a zone basis. In each case, there has been more data reported by the state insurance departments for inclusion in the IDRR than in the MIS.

The Market Affairs staff encourages increased state insurance department participation in the MIS and is available to answer any questions.

Figure 1
Consumer Complaints: 1996 Insurance Department Resources Report vs.
Complaints Database System

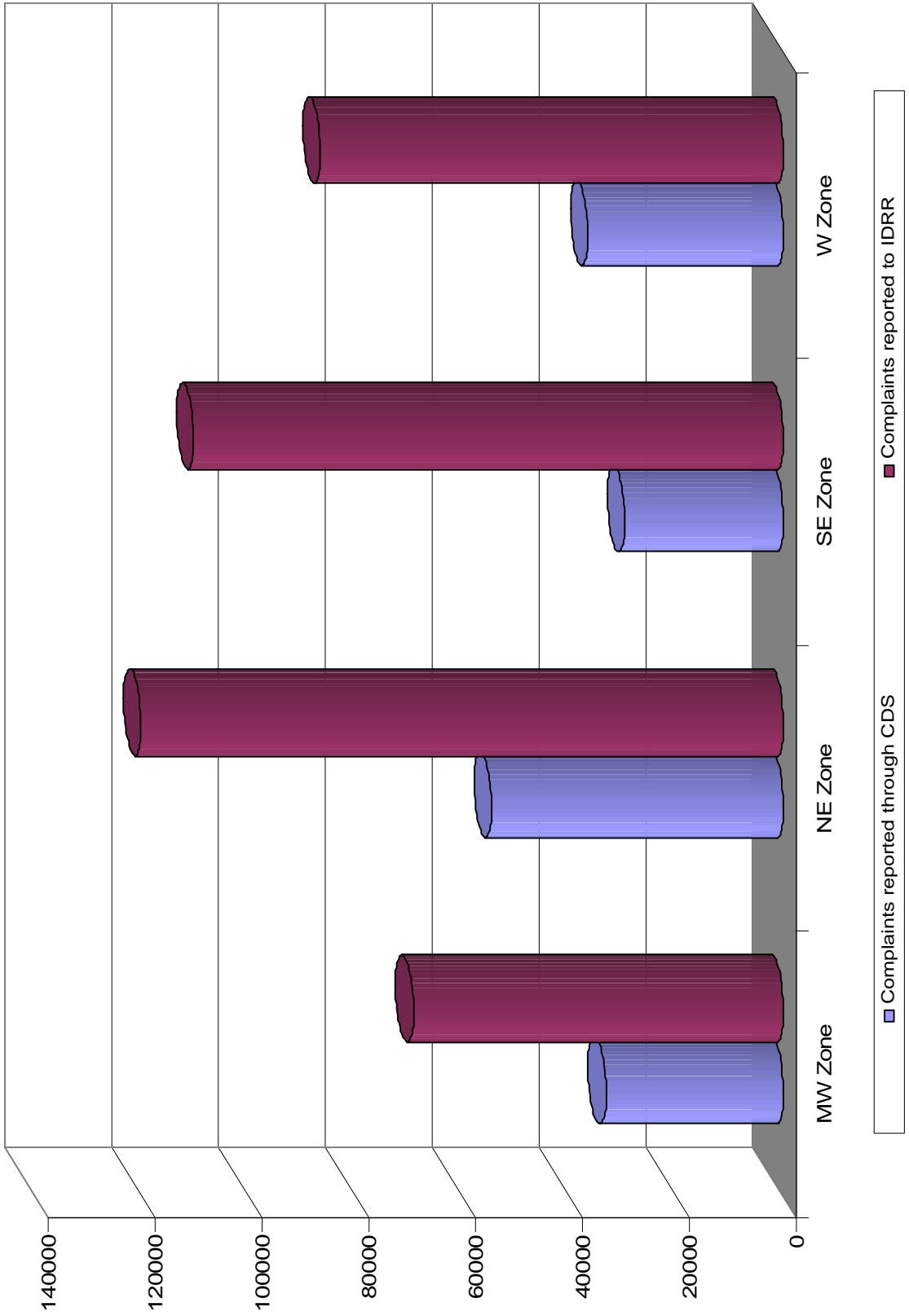


Figure 2
Examinations: 1996 Insurance Department Resources Report vs.
Examination Tracking System

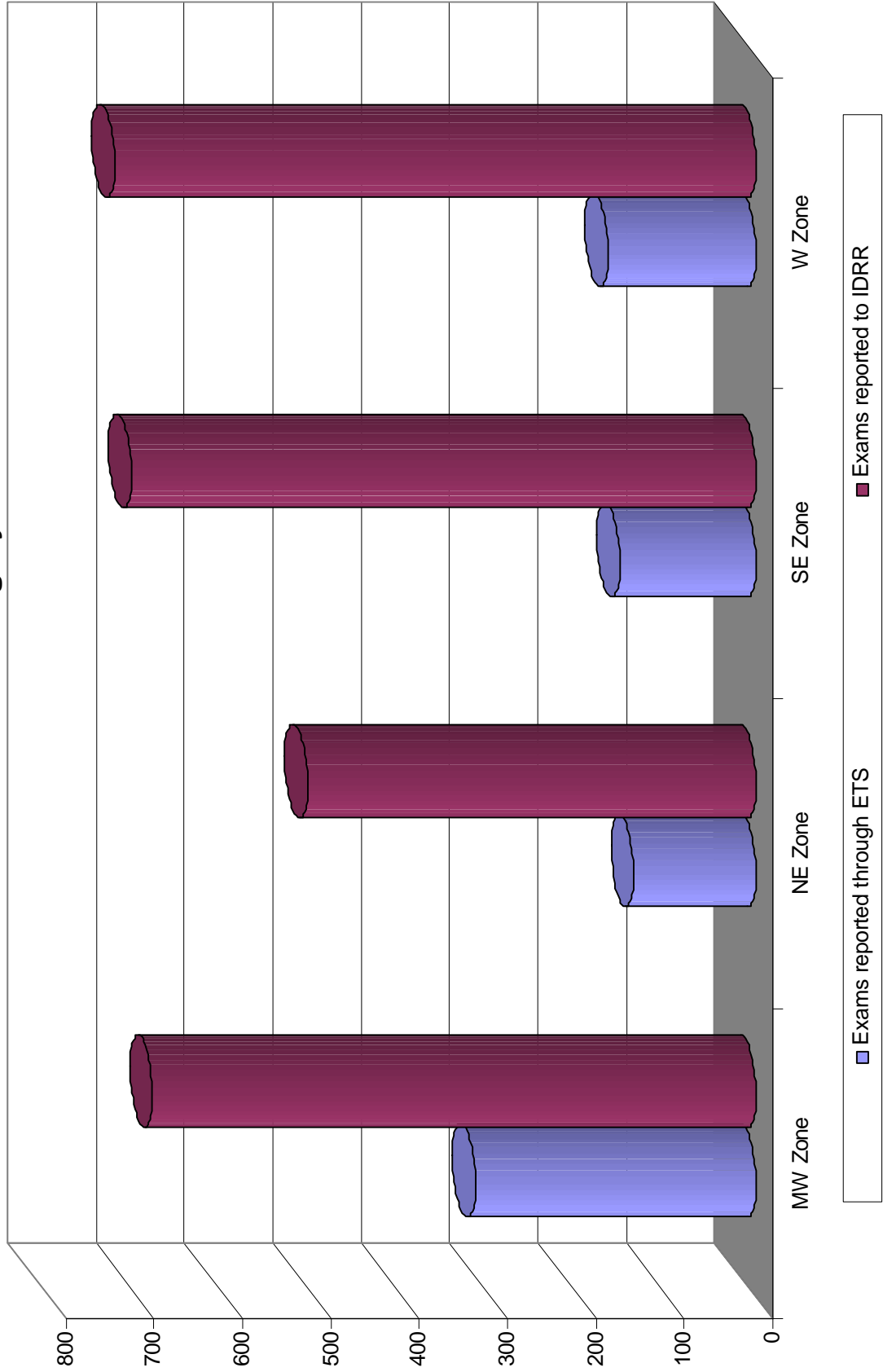


Figure 3
Regulatory Actions: 1996 Insurance Department Resources Report vs. Regulatory Information Retrieval System

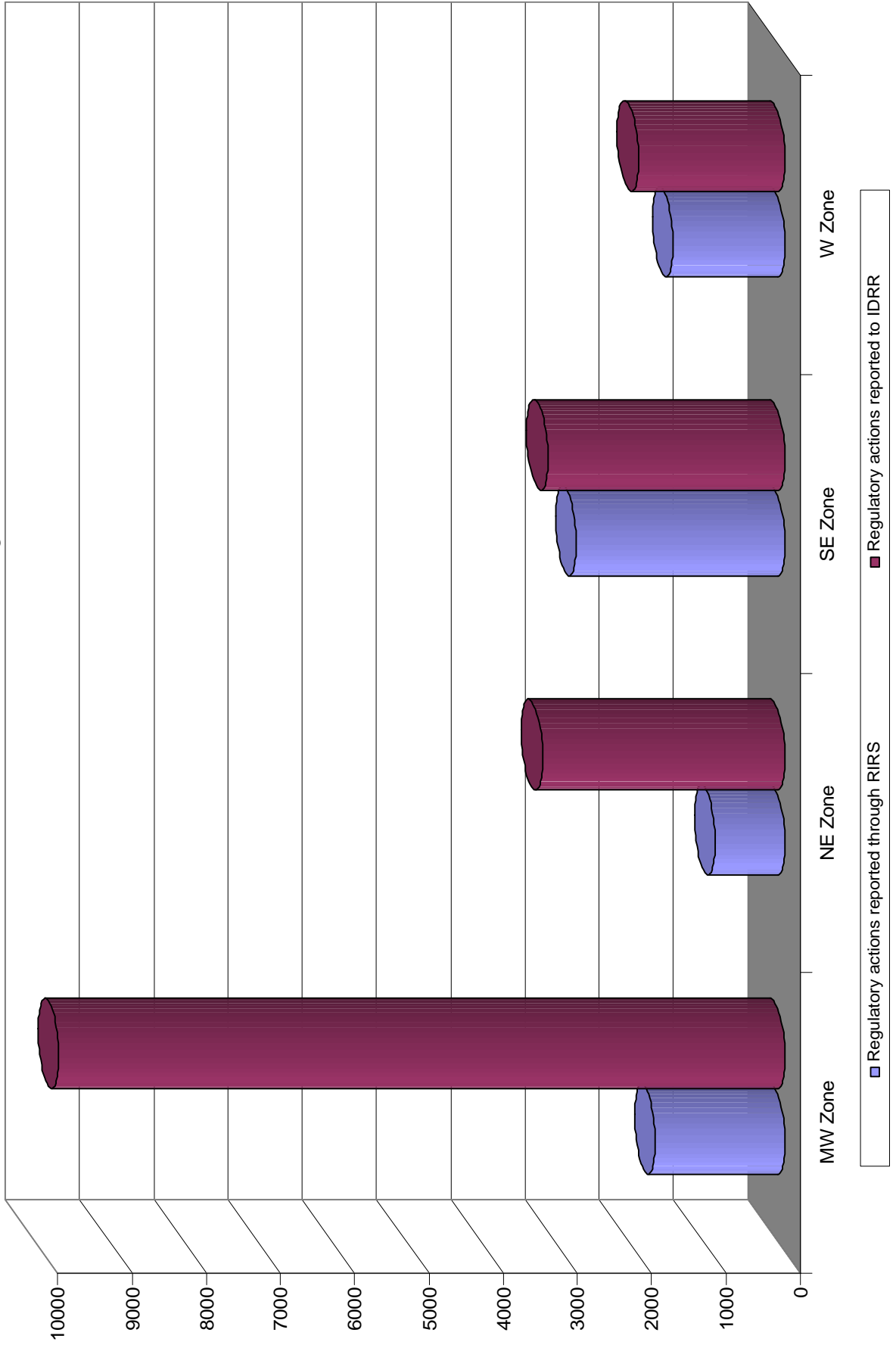


Figure 4
Percent of data reported in 1996 Insurance Department Resources Report that was also reported to the corresponding Market Information Systems, by Zone

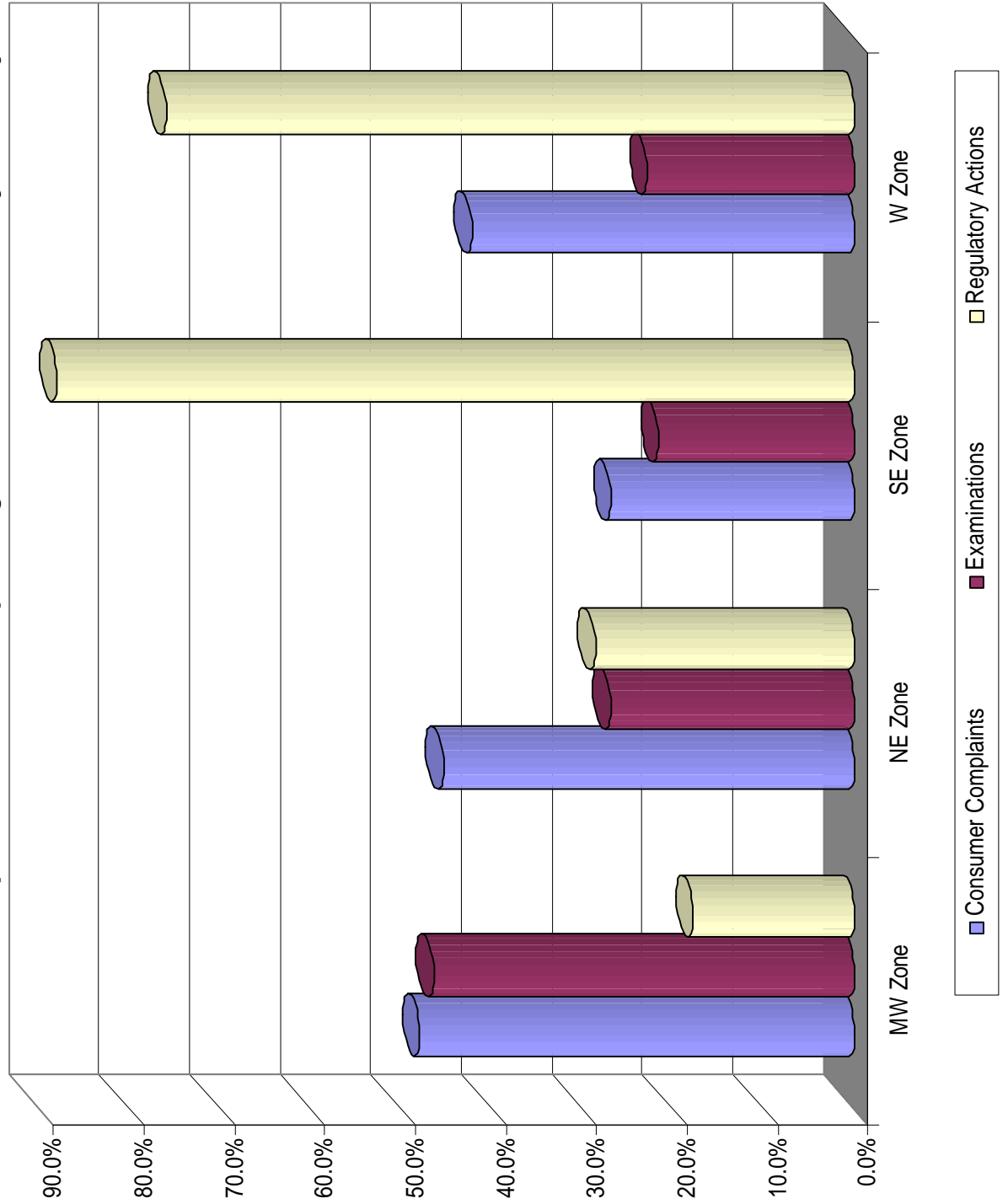
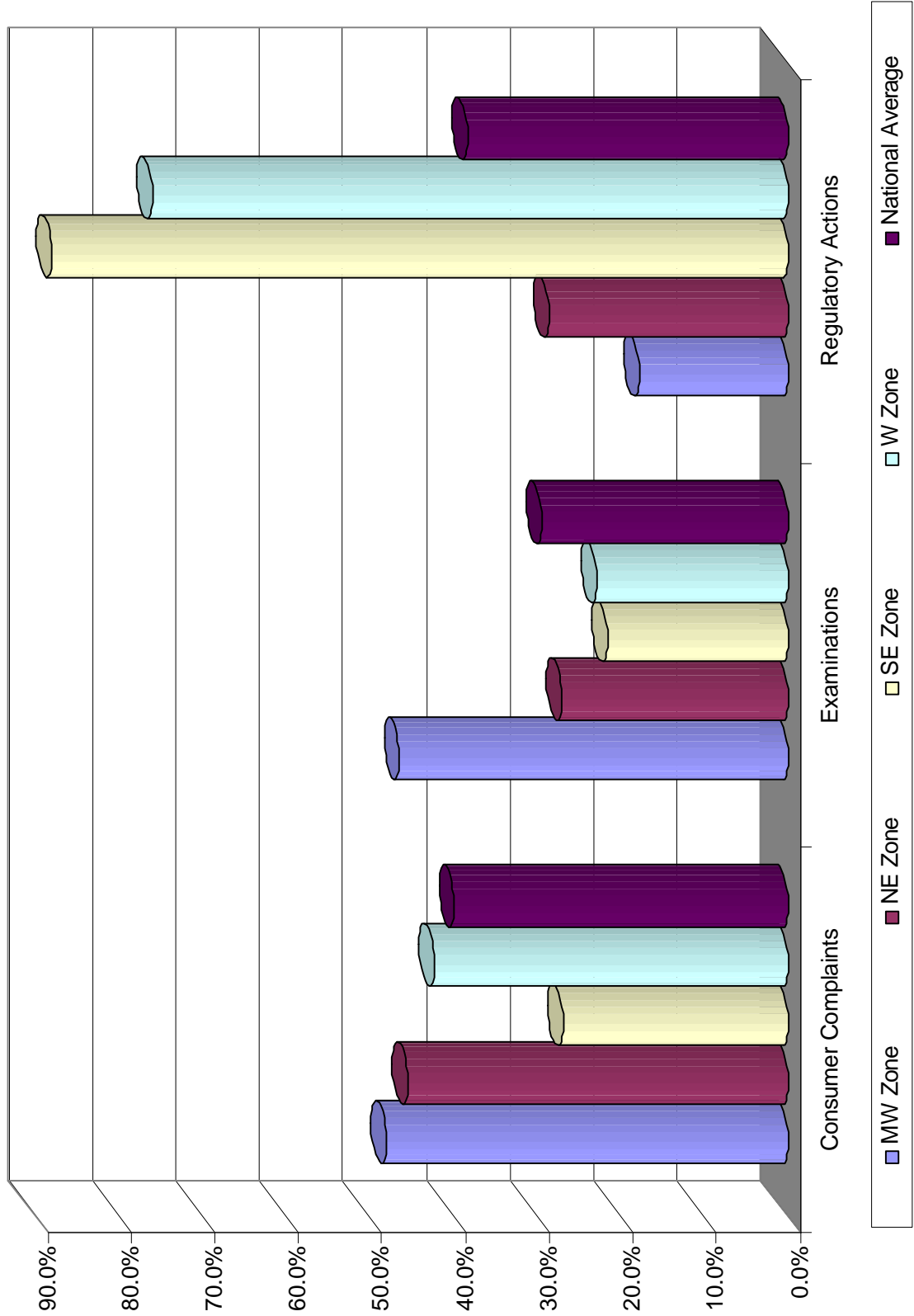


Figure 5
Percent of data reported in 1996 Insurance Department Resources Report that was also reported to the corresponding Market Information Systems, by Data Type



1997 P&C RBC Industry Results

by Mike Barth, NAIC Staff

As of April 21, 1998, more than 2,400 Property & Casualty Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1997. This article summarizes the industry results and discusses some of the trends noted in the 1997 filings.

The NAIC RBC formula generates the regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are five levels of action that a company can trigger under the formula. The base action level is the Authorized Control Level. If a company's actual capital dips below its Authorized Control Level Risk-Based Capital, the state insurance regulator has the authority to place the company under regulatory control. Therefore, the Authorized Control Level (ACL) is used as the base level, and the other regulatory intervention levels are defined relative to the ACL. The five action levels are:

- 1) No Action, which means that a company's total adjusted capital (TAC) is at least twice its ACL;
- 2) Company Action Level (CAL), which means that a company's TAC is less than twice its ACL RBC but is at least 1.5 times its ACL;
- 3) Regulatory Action Level (RAL), which means that the company's TAC is greater than its ACL but less than its CAL;
- 4) Authorized Control Level, which means that a company's TAC is at least .70 times its ACL but is less than its RAL; and
- 5) Mandatory Control Level (MCL), which means that the company's TAC is less than .70 times its Authorized Control Level RBC.

Most companies fall into the "No Action" level. This level does not necessarily mean that the company is in strong financial condition, though. It simply means that the company has not triggered one of the regulatory intervention levels. A company can be in weak condition and still pass the RBC test.

Distribution of Companies by Action Level

As can be seen in Table 1, the number of companies triggering one of the regulatory intervention levels is relatively small. Typically, 97 percent of all P&C insurers filing with the NAIC fall into the "No Action" level. That number has been fairly constant throughout the four years that the NAIC's Property & Casualty RBC system has been in place.

Table 2 shows the disposition of insurers filing in data years 1996 and/or 1997. There is an increase of 98 new filers in 1997, which is offset by a decrease of 132 companies that filed in 1996 but have not yet filed in 1997. Some of these companies will not file because they have merged or otherwise gone out of business, and some will not file because they are otherwise exempted by state regulators. Also, at least some of these 132 companies have filed a diskette that was damaged or contained material discrepancies that prevented its data from being uploaded to the NAIC database system.

Of the 2,321 companies that filed in both 1996 and in 1997, 69 companies triggered one of the action levels in 1996. About half of those companies that triggered an action level in 1996 were able to move to the "No Action" level in 1997, while the other half (37 of 69 companies) remain in one of the action levels.

Aggregate Industry Results

The RBC ratio is the ratio of a company's TAC to its ACL RBC. Table 3 shows the median RBC ratio by asset size for data years 1994 through 1997. As has been shown previously, the "average" RBC ratio is a function of size. Larger insurers tend to operate with lower capital margins (the ratio of capital to assets). The RBC ratios reflect this difference and once again re-emphasize the inappropriateness of comparing RBC ratios

between insurers. Although larger insurers tend to have lower RBC ratios, on average, the larger insurers also tend to have more stability in their operating results.

Another word of caution is in order with respect to time series analysis of RBC ratios. The ratios for 1994 and 1995 are not exactly comparable to the ratios for 1996 and 1997 because of phase-in aspects of the RBC formula. In 1994, the ACL RBC was set at .40 times the Risk-Based Capital After Covariance. In 1995, ACL RBC was .45 times Risk-Based Capital After Covariance. Beginning in 1996, the ACL RBC is equal to half of the Risk-Based Capital After Covariance. Since the Company Action Level RBC is equal to twice the ACL RBC, beginning in 1996 and thereafter the Risk-Based Capital After Covariance and the CAL RBC are equivalent.

In addition to the changes in the calculation of ACL RBC, there were phase-ins to the calculation of TAC. Companies were allowed to count 80 percent of reserve discounts as part of TAC in 1994, 60 percent in 1995, 40 percent in 1996, and 20 percent in 1997. In 1998, all reserve discounts will be phased out of the calculation of TAC. Relatively few companies employ reserve discounting, so there are fewer companies affected by this phase-in provision.

Table 4 shows the aggregate RBC by major covariance elements for 1994 through 1997. The most dramatic change in the aggregate results is

the increase in the R2 component, which is equity assets risk. The bulk of R2 risk is the risk charge for unaffiliated common stocks. Over this period, the value of the S&P 500 stock market index has basically doubled, as has the aggregate amount of RBC attributable to unaffiliated common stocks. The growth in the other components of RBC has been much lower. The fixed income assets component (R1) and the written premium component (R5) have both grown by about 16 percent. Interestingly, the R4 component, which is reserve risk, has been basically flat throughout this period. Favorable reserve development in recent years is a major factor in this trend.

Table 5 shows the relative risk factors by year for the two major underwriting risk components: reserve risk and premium risk. Although the total amount of RBC attributable to premiums and reserves would be expected to grow over time simply because of inflation, Table 5 shows that the effective rate has also increased over time for both of these risk components.

Overall, aggregate TAC is growing at a faster rate than RBC. TAC has grown by nearly 60 percent while aggregate RBC has increased by only 18 percent. Much of that growth in aggregate industry TAC is of course fueled by the increase in asset values, especially unaffiliated common stock. Since the RBC factor for unaffiliated common stock is 15 percent of statement value, large increases in the value of common stock holdings will inflate TAC at a much higher rate than RBC.

Table 1
Industry Results By Action Level, 1994-1997

	1994	1995	1996	1997
No Action	2,348	2,346	2,358	2,353
Company Action Level	20	33	40	33
Regulatory Action Level	13	15	19	12
Authorized Control Level	5	6	8	5
Mandatory Control Level	27	22	28	16
Total	2,413	2,422	2,453	2,419
Percent At 'No Action' Level	97.3%	96.9%	96.1%	97.3%

Table 2
1997 Disposition of 1995 RBC Filers By Action Level

		1997 ACTION					NOT ON DATA BASE
		NO ACTION	CAL	RAL	ACL	MCL	
1996 ACTION	NO ACTION	2,226	19	3	2	2	106
	CAL	25	6	2	0	0	7
	RAL	3	2	4	1	2	7
	ACL	2	2		1		3
	MCL	2	2	2	1	12	9
	NOT ON DATA BASE	95	2	1	0	0	N/A

Table 3
Median RBC Ratios By Asset Size
1994-1997

Asset Size	1997 Surplus to Asset Ratio	1994	1995	1996	1997
Less than \$10 Million	0.768	1881%	1792%	1679%	1943%
\$10 million to \$25 million	0.514	1108%	982%	970%	963%
\$25 million to \$100 million	0.410	624%	671%	712%	758%
\$100 million to \$250 million	0.355	604%	620%	601%	664%
\$250 million to \$500 million	0.341	561%	601%	605%	661%
\$500 million to \$1 billion	0.324	500%	533%	563%	587%
\$1 billion to \$10 billion	0.333	439%	455%	482%	551%
More than \$10 billion	0.313	350%	457%	481%	503%
All Companies	0.447	702%	731%	738%	788%

Table 4
P&C RBC By Components, 1994-1997

	Aggregates for	Aggregates for	Aggregates for	Aggregates for	Percent of			
	2413 Companies	2422 Companies	2453 Companies	2419 Companies	1994	1995	1996	1997
	1994	1995	1996	1997				
R0 - Asset Risk - Affiliates								
Direct P&C Insurers	15,431,819,961	17,543,743,588	15,962,916,530	18,514,186,880	10.2%	11.0%	9.6%	10.3%
Indirect P&C Insurers	6,186,040,081	1,296,597,841	1,716,847,109	2,176,659,755	4.1%	0.8%	1.0%	1.2%
Direct Life Insurers	1,134,449,238	5,580,796,595	2,675,914,745	2,949,580,558	0.8%	3.5%	1.6%	1.6%
Indirect Life Insurers	815,882,719	1,284,952,996	1,752,163,110	1,661,919,175	0.5%	0.8%	1.1%	0.9%
Affiliated Alien Insurers	1,211,715,232	1,597,845,311	1,594,301,520	1,955,582,398	0.8%	1.0%	1.0%	1.1%
Non-controlled Assets	102,453,932	128,190,984	63,446,917	114,832,828	0.1%	0.1%	0.0%	0.1%
Guarantees for Affiliates	54,684,474	50,239,140	23,124,071	45,853,773	0.0%	0.0%	0.0%	0.0%
Contingent Liabilities	117,499,037	145,019,218	174,914,706	146,407,170	0.1%	0.1%	0.1%	0.1%
Total R0	25,054,544,674	27,627,385,673	23,963,628,708	27,565,022,537	16.6%	17.3%	14.4%	15.4%
R1 - Asset Risk - Fixed Income								
Government Agency Bonds	202,269,971	157,505,478	169,519,955	123,254,753	0.1%	0.1%	0.1%	0.1%
Unaffiliated Bonds	1,269,144,316	1,418,322,744	1,565,025,795	1,789,214,625	0.8%	0.9%	0.9%	1.0%
Bond Size Factor	575,135,479	698,320,924	715,183,616	810,879,204	0.4%	0.4%	0.4%	0.5%
Bonds - Affiliated Investment Subs.	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Bonds - Holding Company	10,317,727	3,499,579	-	-	0.0%	0.0%	0.0%	0.0%
Bonds - Parents	131,509,760	20,946,097	39,659,682	17,698,390	0.1%	0.0%	0.0%	0.0%
Bonds - Other Affiliates	146,947,714	126,260,093	200,310,474	146,674,205	0.1%	0.1%	0.1%	0.1%
Mortgage Loans	190,395,038	141,452,953	126,604,481	113,416,489	0.1%	0.1%	0.1%	0.1%
Collateral Loans	20,465,224	38,859,691	4,228,316	2,887,997	0.0%	0.0%	0.0%	0.0%
Cash	17,438,223	17,250,059	17,172,005	15,793,267	0.0%	0.0%	0.0%	0.0%
Short-Term Investments	23,837,628	6,918,917	7,273,666	6,999,079	0.0%	0.0%	0.0%	0.0%
Asset Concentration (Fixed)	224,651,888	231,042,452	238,586,737	242,148,562	0.1%	0.1%	0.1%	0.1%
Total R1	2,802,112,968	2,860,378,528	3,083,564,727	3,268,966,581	1.9%	1.8%	1.9%	1.8%
R2 - Asset Risk - Equity								
Common - Affiliated Investment Subs.	154,651,415	38,562,493	24,326,995	75,499,009	0.1%	0.0%	0.0%	0.0%
Common - Holding Company	318,742,388	284,414,981	611,210,704	463,892,389	0.2%	0.2%	0.4%	0.3%
Common - Parents	41,381,931	89,154,071	27,870,063	32,096,880	0.0%	0.1%	0.0%	0.0%
Common - Other Affiliates	1,792,768,383	2,029,809,496	2,135,587,014	2,060,459,387	1.2%	1.3%	1.3%	1.2%
Preferred - Affiliated Investment Subs.	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Preferred - Holding Company	467,753	4,981,329	655,402	696,030	0.0%	0.0%	0.0%	0.0%
Preferred - Parents	60,657,833	61,414,062	61,067,471	7,822,220	0.0%	0.0%	0.0%	0.0%
Preferred - Other Affiliates	94,125,232	166,465,761	139,994,618	131,197,480	0.1%	0.1%	0.1%	0.1%
Unaffiliated Common	10,441,417,751	13,232,548,281	15,430,299,079	20,032,073,853	6.9%	8.3%	9.3%	11.2%
Unaffiliated Preferred	336,279,904	332,060,401	400,519,586	413,888,435	0.2%	0.2%	0.2%	0.2%
Real Estate	986,183,849	959,150,995	990,627,184	974,945,502	0.7%	0.6%	0.6%	0.5%
Schedule BA Assets	1,912,983,074	2,066,321,377	2,623,842,515	2,943,647,425	1.3%	1.3%	1.6%	1.6%
Aggregate Write-ins for Invested Assets	61,809,135	65,393,495	122,081,337	180,635,560	0.0%	0.0%	0.1%	0.1%
Asset Concentration Equity	4,902,238,885	6,387,522,537	7,844,378,275	10,391,209,557	3.2%	4.0%	4.7%	5.8%
Total R2	21,072,682,721	25,717,799,096	30,412,460,241	37,708,063,727	14.0%	16.1%	18.3%	21.1%
R3 - Asset Risk - Credit								
Total R3	6,229,046,022	6,398,060,200	6,648,613,580	6,631,231,010	4.1%	4.0%	4.0%	3.7%
R4 - Underwriting Risk - Reserves								
Half of Credit RBC	6,229,046,022	6,398,060,203	6,648,613,579	6,631,231,010	4.1%	4.0%	4.0%	3.7%
LLAE Reserve RBC	56,178,194,955	53,660,554,704	55,832,620,310	56,529,708,723	37.2%	33.7%	33.6%	31.6%
Excess Growth - Reserves	1,775,704,753	2,138,004,956	1,882,574,394	1,547,607,685	1.2%	1.3%	1.1%	0.9%
A&H Claims Reserves	82,434,814	92,895,337	88,681,278	92,152,300	0.1%	0.1%	0.1%	0.1%
Total R4	62,343,225,598	62,289,515,408	64,452,489,561	64,800,699,718	41.3%	39.1%	38.7%	36.2%
R5 - Underwriting Risk - Written Premiums								
NWP RBC	32,261,985,565	32,972,960,221	36,474,146,290	37,801,692,275	21.4%	20.7%	21.9%	21.1%
Excess Growth - Premiums	830,963,151	966,038,772	934,644,685	789,632,917	0.6%	0.6%	0.6%	0.4%
A&H Earned Premium	407,094,395	470,391,478	402,510,157	379,513,040	0.3%	0.3%	0.2%	0.2%
Total R5	33,500,043,111	34,409,390,471	37,811,301,132	38,970,838,232	22.2%	21.6%	22.7%	21.8%
Total RBC	151,010,594,883	159,303,930,344	166,372,057,949	178,944,821,805	100.0%	100.0%	100.0%	100.0%
RBC After Covariance	108,247,131,841	114,413,981,897	117,895,742,866	127,669,725,490	71.7%	71.8%	70.9%	71.3%
Total Adjusted Capital	236,733,542,289	281,575,010,349	306,138,767,861	374,645,060,698	156.8%	176.8%	184.0%	209.4%

Table 5
Average Underwriting Risk Factors, 1994-1997

Year	Aggregate Reserve Base (000s)	Aggregate Reserve Base RBC (000s)	Average Effective Factor	Aggregate Premium Base (000s)	Aggregate Premium Base RBC (000s)	Average Effective Factor
1994	359,677,472	56,178,195	0.156	250,251,900	32,261,986	0.129
1995	366,514,206	53,660,555	0.146	257,462,700	32,972,960	0.128
1996	374,367,795	55,832,620	0.149	266,392,000	36,474,146	0.137
1997	364,493,520	56,529,709	0.155	271,226,600	37,801,692	0.139

Implicit Profits - Real or Imaginary?

by Diana Wright, NAIC Staff

Over the past year, regulators, industry representatives and actuarial association representatives have been discussing methods for assuring rate adequacy. The forums for the discussions were the NAIC National Meetings for the Accident and Health Working Group of the Life and Health Actuarial (Technical) Task Force. All parties acknowledged that current regulatory methods, which often include loss ratios, do not always achieve the desired goals. Concerns of regulators included: inadequate initial rates causing large rate increases at a later time, frequent rate increases, closed blocks of business, and excessive initial rates. Industry expressed concerns relative to problems getting rate increases when needed and complying with complicated and excessive rate regulation already in existence. Industry further requested flexible regulation that would not discourage innovative product development.

In the course of the discussions, issues associated with loss ratios were examined more closely. In particular, regulators expressed a concern that carriers might be receiving implicit profits in addition to explicit profits resulting from the calculation of rate increases based on fixed loss ratios. The purpose of this article is to present a model that may be used to explore the approximate magnitude of implicit profits, and to evaluate its sensitivity to underlying variables.

Overview

It should be emphasized that the model may be used to determine approximate magnitudes. Approximate means that the same implicit profit values are not applicable across industry or across products. The variables underlying the calculation of implicit profits (i.e., expense components, lapse rates and premium rate increases) vary significantly among carriers and across products within a particular carrier. An example of a conclusion that could be drawn from this model is that for policies having a 30 percent annual lapse rate, a 9 percent annual rate increase, and 40 percent total expenses, carriers may receive approximately 1.5 percent of premium in implicit profits. This is in addition to a 5 percent explicit profit margin. If the annual lapse rate is reduced to 20 percent, implicit profits increase to 4.7 percent of premium.

Criteria

The following three criteria were considered when the model was developed.

- 1) The model should be applicable to any product. Even though the prior year's discussion had focused on limited benefits plans, the desire was to make this a model that would be independent of policy type.
- 2) The model should be relatively simple. The focus of the model was not to generate mathematically precise figures, but rather to generate an indication of the magnitude and characteristics of implicit profits. There are so many variables that precise generally applicable numbers are not feasible. The purpose of the model is to encourage discussions on the existence and approximate magnitude of implicit profits. For example, in abiding by the criteria of simplicity, the time value of money was not reflected in the model.
- 3) The model should be able to accommodate any expense assumption. Even though this article only reports results for a specified set of expense allowances, the model permits any combination of expense assumptions.

Variables

There are basically four categories of input variables in the model.

- 1) Expense components
- 2) Premium rate increases
- 3) Lapse rates
- 4) Expense increase rates

Expense components are shown at the top of the calculation page and are further divided into:

- 1) Expenses based on percent of premium
- 2) Acquisition expenses
 - a) Total additional acquisition expense
 - b) Recovery rate
- 3) Expenses that are not directly related to premium volume

Expenses based on percent of premium include commissions, taxes and fees, profit, or any other expense directly related to premium volume. The commission percentage also affects the total additional acquisition expense.

The total additional acquisition expense is the amount that the total acquisition expenses exceed the renewal commissions. The total additional acquisition expenses include the excess amount of first year commissions over renewal commissions, policy issuance, establishing policyholders on the computer system, etc. The total additional acquisition expenses are not charged in one year, rather the expense is spread over a number of years. The acquisition expense recovery rate is the annual percentage determined to recoup the total additional acquisition expenses.

Premium rate increases, lapse rates and expense increase rates are shown in columns (2), (3) and (11), respectively, on the following implicit profit analysis. Usually these variables vary by policy duration and the model was constructed to permit variation by policy duration. The expense increase rates apply to expenses that are not directly related to premium volume, such as: claim processing, ongoing premium administration, etc. The expense increase rates reflect expense increases that are independent of premium increases, such as wage increases.

Assumptions

The following assumptions were made to simplify the analysis:

- **Assumes that rate increases are justified and does not attempt to address adequacy of premium to cover claims. The purpose of this model is not to substantiate rate adequacy, rather it is to evaluate the effect rate increases may have on expenses.**
- The total expense percentage is assumed to equal 40 percent of premium. The model is designed to be flexible enough for other expense levels; however, only the results for 40 percent are used in this article.
- The composition of the 40 percent expenses is assumed to be as follows:

Expenses based on a	
% of premium	23%
Acquisition expense	
recovery rate	8%
Other expenses	<u>9%</u>

Total: 40%

Expenses based on a percentage of premium include 16 percent for renewal commissions, 2 percent for taxes and fees, and 5 percent for profit. The commission percentage is also used to calculate the total additional acquisition expense.

The acquisition expense recovery rate of 8 percent is the rate at which the acquisition expenses are recouped. Acquisition expenses include the excess amount of first year commissions over renewal commissions, policy issuance, establishing policyholder computer system, etc. First year commissions are assumed to be 45 percent of the initial premium and other acquisition expenses are assumed to be 2 percent of the initial premium. Therefore, the amount attributable to acquisition expenses such that

they exceed renewal expenses is 31 percent (first year commissions + other acquisition expenses – renewal commissions = 45% + 2% - 16% = 31%). This means that for \$1 million of premium, a carrier would need to recoup \$310,000 to cover additional acquisition expenses.

If the acquisition expense recovery rate is determined so that acquisition expenses are recouped over the lifetime of the policy, the implicit profit amounts reported in this article may approximately be halved.

Other expenses do not include acquisition expenses and would be expenses that are not directly linked to premium, such as: claim processing, ongoing premium administration, etc.

Again, the model is designed to be flexible enough to permit other expense levels. For simplicity in reporting, only the values identified above are presented in this article. The NAIC Actuarial Task Force in conjunction with the American Academy of Actuaries Committee on State Health Issues surveyed individual accident and health administrative expenses in 1992. Consideration was given to this survey in selecting hypothetical expenses for the attached example.

- The values reported in this article reflect only one year of issue. In work papers, the model was extended to reflect five years of issue, and the implicit profit was reduced 0 percent - .5 percent depending upon the assumptions for the other variables (e.g., lapse rate, rate increase, etc.). However, for simplification purposes, only the values for one year of issue are reported in this article.
- The premium for the first duration year equals \$1 million.

- The total expense allowance (i.e., 40 percent) is assumed to be appropriate for the first duration year. The consequence of this assumption is that the implicit profits equal zero in the first duration year.
- The lifetime of the product is arbitrarily selected to be 20 years.
- Expense increase rate is 5 percent annually. The model is designed to be flexible enough for other expense increase levels; however, only the results for 5 percent are used in this article. Implicit profits are directly proportional to the difference between the premium rate increase and the expense increase rate – the larger the difference between the premium rate increase and the expense increase, the larger the implicit profits. Because the expense increase rate would primarily reflect wage increases, Consumer Price Index data for the past four years was reviewed. The largest increase was 3.8 percent.

Results

Two variables remain after the above assumptions are incorporated – lapse rate and premium rate increase. Table 1 shows the impact on implicit profit for various lapse rates and premium rate increases. Implicit profit amounts were calculated for lapse rates of 0 percent, 10 percent, and 20 percent to illustrate sensitivity even though they do not product realistic expected policy lifetimes.

Conclusion

The model demonstrates that implicit profits can be assumed to exist within certain broad ranges of assumptions and that an estimate of magnitude can be reached.

**Table 1
Implicit Profit**

Lapse Rate	Flat Annual Rate Increase			Variable Annual Rate Increase*
	9%	18%	27%	
0%	10.5%	14.7%	16.2%	14.2%
Annual 10%	8.5%	13.1%	15.4%	12.1%
Annual 20%	4.7%	9.6%	13.3%	7.8%
Annual 30%	1.4%	5.4%	8.9%	2.6%
Variable*	1.9%	6.5%	10.5%	4.0%

*Variable values:

Policy	Annual Duration	Annual Lapse Rate	Annual Rate Increase
1	0	0%	
2	.30	10%	
3	.30	10%	
4	.30	10%	
5	.30	10%	
6	.30	10%	
7	.30	10%	
8	.30	10%	
9	.25	10%	
10	.25	20%	
11	.25	20%	
12	.20	20%	
13	.20	20%	
14	.20	20%	
15	.20	30%	
16	.20	30%	
17	.20	30%	
18	.20	30%	
19	.20	30%	
20	.20	30%	

IMPLICIT PROFIT ANALYSIS

EXPENSE ASSUMPTIONS:
Expenses Based on Percent of Premium (excluding Acquisition):

Commissions	16.0% (A)
Taxes and fees	2.0% (B)
Profit	5.0% (C)

Total Expenses based on % of Premium	23.0% (D)

Total Expenses:

Expenses Based on % Premium
Acquisition Recovery Rate
Gen'l Maintenance, Claim Processing, etc.
Total Expenses

(1) Policy Duration	(2) Premium Increase Rate	(3) Lapse Rate	(4) Premium (4) _t =(4) _{t-1} *(2) _t *[1-(3) _{t]}	(5) Expense & Profit Allowance (5)=(4)*A	(6) Expenses Based on % Prem (incl Profit) (6)=(4)*B	(7) Potential Acquisition Expenses (7)=(4)*C	(8) Cumulative Potential Acquisition Expenses (8)=(8) _{t-1} +(7) _t	(9) Additional Acquisition Expense up to \$ 310,000
1	1.00	0.00	1,000,000	400,000	230,000	80,000	80,000	80,000
2	1.10	0.30	770,000	308,000	177,100	61,600	141,600	61,600
3	1.10	0.30	592,900	237,160	136,367	47,432	189,032	47,432
4	1.10	0.30	456,533	182,613	105,003	36,523	225,555	36,523
5	1.10	0.30	351,530	140,612	80,852	28,122	253,677	28,122
6	1.10	0.30	270,678	108,271	62,256	21,654	275,331	21,654
7	1.10	0.30	208,422	83,369	47,937	16,674	292,005	16,674
8	1.10	0.30	160,485	64,194	36,912	12,839	304,844	12,839
9	1.10	0.25	132,400	52,960	30,452	10,592	315,436	10,592
10	1.20	0.25	119,160	47,664	27,407	9,533	324,969	-
11	1.20	0.25	107,244	42,898	24,666	8,580	333,548	-
12	1.20	0.20	102,954	41,182	23,680	8,236	341,785	-
13	1.20	0.20	98,836	39,535	22,732	7,907	349,692	-
14	1.20	0.20	94,883	37,953	21,823	7,591	357,282	-
15	1.30	0.20	98,678	39,471	22,696	7,894	365,176	-
16	1.30	0.20	102,625	41,050	23,604	8,210	373,387	-
17	1.30	0.20	106,730	42,692	24,548	8,538	381,925	-
18	1.30	0.20	111,000	44,400	25,530	8,880	390,805	-
19	1.30	0.20	115,440	46,176	26,551	9,235	400,040	-
20	1.30	0.20	120,057	48,023	27,613	9,605	409,645	-
Total			5,120,558	2,048,223	1,177,728	409,645		315,436

<u>Column</u>	<u>Column Title</u>	<u>Formula</u>
(1)	Policy Duration	n/a
(2)	Premium Increase Rate	input variable
(3)	Lapse rate	input variable
(4)	Premium	(4) _t = \$1,000,000, thereafter (4) _t = (4) _{t-1} * (2) _t * [1 - (3) _{t]}
(5)	Expense and Profit Allowance (including Profit)	(5) = (4) * (G)
(6)	Expenses Based on % of Premium (including Profit)	(6) = (4) * (D)
(7)	Potential Acquisition Expenses	(7) = (4) * (E)
(8)	Cumulative Potential Acquisition Expenses	(8) = (8) _{t-1} + (7) _t
(9)	Additional Acquisition Expenses up to Total Additional Amount	(9) = (7) up to the total additional acquisition expense amount = (\$1,000,000 * K)
(10)	Remaining Expense Allowance	(10) = (5) - (6) - (9)
(11)	Expense Increase Rate	input variable
(12)	"Actual" Expenses	(12) _t = (9), thereafter (12) _t = (12) _{t-1} * [1 - (3) _{t]} * (11) _t
(13)	Implicit Profit	(13) = (10) - (12)
(14)	Cumulative Premium	(14) = (14) _{t-1} + (4) _t
(15)	Cumulative Implicit Profit	(15) = (15) _{t-1} + (13) _t
(16)	Ratio: Cum Implicit Profit to Cum Premium	(16) = (15) / (14)

Notation explanation: (4)_t means Column 4, policy duration t

	Acquisition Expenses:	
23% (D)	First year Commissions	45% (H)
8% (E)	Other Acquisition expenses	2% (I)
9% (F)		-----
-----	Total Acquisition expenses	47% (J) = (H) + (I)
40.0% (G)	Total Additional Acquisition Expenses	31% (K) = (J) - (A)

(10)			(13)		(15)	(16)
Remaining Expense Allowance <u>(10)=(5)-(6)-(9)</u>	(11) Expense Increase Rate	(12) "Actual" Expense**	Implicit Profit <u>(13)=(10)-(12)</u>	(14) Cumulative Premium	Cumulative Implicit Profit	Ratio: Cum Implicit to Cum Prem
90,000	1.00	90,000	-	1,000,000	-	0.0%
69,300	1.05	66,150	3,150	1,770,000	3,150	0.2%
53,361	1.05	48,620	4,741	2,362,900	7,891	0.3%
41,088	1.05	35,736	5,352	2,819,433	13,243	0.5%
31,638	1.05	26,266	5,372	3,170,963	18,615	0.6%
24,361	1.05	19,305	5,056	3,441,642	23,670	0.7%
18,758	1.05	14,189	4,569	3,650,064	28,239	0.8%
14,444	1.05	10,429	4,014	3,810,549	32,253	0.8%
11,916	1.05	8,213	3,703	3,942,950	35,956	0.9%
20,257	1.05	6,468	13,789	4,062,110	49,746	1.2%
18,232	1.05	5,093	13,138	4,169,354	62,884	1.5%
17,502	1.05	4,278	13,224	4,272,309	76,108	1.8%
16,802	1.05	3,594	13,208	4,371,145	89,316	2.0%
16,130	1.05	3,019	13,111	4,466,028	102,427	2.3%
16,775	1.05	2,536	14,239	4,564,706	116,667	2.6%
17,446	1.05	2,130	15,316	4,667,331	131,983	2.8%
18,144	1.05	1,789	16,355	4,774,062	148,338	3.1%
18,870	1.05	1,503	17,367	4,885,061	165,705	3.4%
19,625	1.05	1,263	18,362	5,000,501	184,067	3.7%
20,410	1.05	1,061	19,349	5,120,558	203,416	4.0%
555,059		351,643	203,416			

Aggregate Loss Ratios By Line By State, 1997

by NAIC Staff

The combined ratio, which provides a measure of a company's profits generated by its underwriting operations, consists of essentially two parts: 1) the underwriting expense ratio and 2) the loss ratio. The October 1997 issue of the *NAIC Research Quarterly* included an article entitled "Median Combined Ratio By Line By State, 1992-1996" which presents the median combined ratio for property & casualty insurers filing with the NAIC for those calendar years. The median combined ratios were generated for all lines of business using the year-end NAIC Annual Statement Insurance Expense Exhibit and the Exhibit of Premiums and Losses for each year. The tables in that report present a measure of the statutory accounting profits for the average property & casualty company, but not the industry as a whole. As a follow-up, this article provides aggregate loss and premium information from the 1997 year-end NAIC Annual Statement, which will be used in the calculation of the 1997 combined ratios. A future issue of the *NAIC Research Quarterly* will feature the complete calculation of the 1997 combined ratios.

The data in the following table is taken from the Exhibit of Premiums and Losses (page 15) of the NAIC's 1997 Property & Casualty Annual

Statement. The premium data is direct premiums earned from the Exhibit of Premiums and Losses. The loss portion of the ratio includes incurred losses and allocated loss adjustment expenses.

The calendar year-end 1997 data used in Table 1 was recently submitted by property & casualty insurers to be included in the NAIC financial database. Due to the recent receipt of the data used in this article, quality checks have not been completed as of the publication date. Therefore, the data is shown as received by the property & casualty insurers. There may also be data not yet added to the NAIC financial database because of errors that occurred with diskettes submitted by insurers. Work is being done at this time to correct any errors of this type.

The calculation of the loss ratio in Table 1 consists of the sum of losses divided by the sum of premiums earned. In most cases, if not all, the aggregate mean and median loss ratios will differ since the aggregate mean is sensitive to large values whereas the median is not. Calculation of the mean loss ratio in Table 1 provides information about aggregate losses in each state as a whole by line of insurance.

The data in the October 1997 article calculates the median value by line, by state over the five-year data period 1992-1996 for all companies that had earned premiums of at least \$10,000. The median combined ratio is the middle value of all ratios with half of the combined ratios higher and half of them lower. The median is a commonly used summary statistic when examining the central tendencies of data. The advantage of examining the median value over the mean is that it is not influenced by extremely large or small values. The median provides a more accurate measure of the average statutory underwriting results of individual companies doing business within a state.

**Table 1
1997 Loss Ratio Data**

	<u>Fire</u>			<u>Allied Lines</u>			<u>Multiple Peril Crop</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	105,422	52,725	50.0%	41,374	29,685	71.7%	19,705	50,820	257.9%
Alaska	17,307	7,597	43.9%	6,120	1,475	24.1%	-1	-25	2920.6%
Arizona	43,945	20,454	46.5%	24,385	14,253	58.5%	7,192	7,167	99.7%
Arkansas	80,637	54,034	67.0%	41,740	42,616	102.1%	20,002	16,604	83.0%
California	680,671	251,185	36.9%	292,927	244,336	83.4%	88,279	37,522	42.5%
Colorado	35,811	85,607	239.1%	46,276	47,373	102.4%	24,639	19,937	80.9%
Connecticut	61,415	27,851	45.3%	31,234	13,765	44.1%	632	482	76.3%
Delaware	12,374	6,840	55.3%	8,131	3,435	42.2%	612	846	138.3%
Dist. Of Columbia	12,741	5,471	42.9%	5,813	3,215	55.3%	0	0	n/a
Florida	289,078	76,751	26.6%	251,635	67,439	26.8%	34,418	22,042	64.0%
Georgia	151,458	67,279	44.4%	68,481	46,574	68.0%	47,957	42,308	88.2%
Hawaii	41,130	5,153	12.5%	23,967	3,468	14.5%	803	673	83.8%
Idaho	15,603	4,399	28.2%	17,443	20,636	118.3%	9,613	7,517	78.2%
Illinois	169,245	59,604	35.2%	138,345	56,804	41.1%	82,923	22,608	27.3%
Indiana	82,021	45,887	55.9%	44,379	20,968	47.2%	37,919	28,261	74.5%
Iowa	38,975	21,764	55.8%	101,481	43,158	42.5%	124,955	29,651	23.7%
Kansas	38,274	5,809	15.2%	78,930	30,482	38.6%	82,930	32,697	39.4%
Kentucky	55,596	31,132	56.0%	28,543	35,455	124.2%	9,871	5,544	56.2%
Louisiana	100,278	-38,798	-38.7%	71,098	80,614	113.4%	18,481	13,589	73.5%
Maine	16,308	6,862	42.1%	11,278	5,143	45.6%	1,861	1,334	71.7%
Maryland	61,278	23,489	38.3%	27,135	15,836	58.4%	2,262	4,081	180.4%
Massachusetts	103,002	163,009	158.3%	56,133	20,517	36.6%	1,121	293	26.1%
Michigan	127,476	103,972	81.6%	58,498	59,641	102.0%	14,121	20,054	142.0%
Minnesota	53,504	25,167	47.0%	104,855	111,277	106.1%	131,587	83,045	63.1%
Mississippi	80,321	36,543	45.5%	49,733	24,989	50.2%	16,084	11,989	74.5%
Missouri	90,521	39,988	44.2%	64,326	31,447	48.9%	33,833	12,665	37.4%
Montana	14,212	4,168	29.3%	24,028	13,453	56.0%	33,491	20,985	62.7%
Nebraska	22,872	12,290	53.7%	92,054	70,349	76.4%	86,291	46,328	53.7%
Nevada	24,007	11,101	46.2%	13,328	16,228	121.8%	148	16	10.6%
New Hampshire	14,302	15,795	110.4%	7,582	6,900	91.0%	101	0	-0.5%
New Jersey	149,815	78,438	52.4%	90,439	35,455	39.2%	309	171	55.3%
New Mexico	16,430	9,451	57.5%	14,746	9,623	65.3%	3,035	1,360	44.8%
New York	326,517	163,470	50.1%	138,752	53,128	38.3%	1,455	1,426	98.0%
North Carolina	124,455	68,619	55.1%	116,826	76,249	65.3%	43,067	48,474	112.6%
North Dakota	8,990	30,753	342.1%	53,006	53,388	100.7%	128,199	153,552	119.8%
Ohio	157,868	150,217	95.2%	75,449	39,739	52.7%	16,806	12,494	74.3%
Oklahoma	55,114	25,074	45.5%	46,763	24,853	53.1%	24,782	27,147	109.5%
Oregon	46,600	20,181	43.3%	25,535	12,810	50.2%	3,648	1,686	46.2%
Pennsylvania	199,800	166,047	83.1%	79,548	58,170	73.1%	3,854	5,731	148.7%
Rhode Island	18,098	5,353	29.6%	11,711	4,732	40.4%	16	14	88.2%
South Carolina	95,110	40,205	42.3%	44,147	16,925	38.3%	11,522	7,907	68.6%
South Dakota	11,241	7,878	70.1%	27,819	23,910	85.9%	78,172	80,931	103.5%
Tennessee	116,549	47,051	40.4%	49,170	29,409	59.8%	6,377	5,995	94.0%
Texas	541,729	272,072	50.2%	437,525	174,177	39.8%	186,673	159,828	85.6%
Utah	19,573	3,954	20.2%	11,197	6,108	54.6%	270	-72	-26.7%
Vermont	11,349	10,495	92.5%	4,406	1,729	39.2%	55	172	314.3%
Virginia	79,197	33,211	41.9%	39,847	19,609	49.2%	11,753	11,471	97.6%
Washington	80,440	51,920	64.5%	54,475	114,125	209.5%	18,504	14,345	77.5%
West Virginia	28,898	10,268	35.5%	9,809	4,891	49.9%	641	619	96.6%
Wisconsin	59,685	28,895	48.4%	39,311	21,044	53.5%	25,278	19,774	78.2%
Wyoming	5,988	514	8.6%	5,468	2,313	42.3%	2,286	1,308	57.2%
Countrywide	4,793,232	2,457,193	51.3%	3,207,202	1,963,919	61.2%	1,498,534	1,093,365	73.0%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Federal Flood</u>			<u>Farmowners Multiple Peril</u>			<u>Homeowners Multiple Peril</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	7,621	10,827	142.1%	34,956	25,653	73.4%	492,269	327,785	66.6%
Alaska	564	27	4.7%	223	324	145.5%	61,154	35,884	58.7%
Arizona	5,604	236	4.2%	7,822	3,747	47.9%	425,027	269,486	63.4%
Arkansas	2,934	1,816	61.9%	10,358	7,925	76.5%	239,789	201,094	83.9%
California	71,874	40,633	56.5%	102,846	77,869	75.7%	3,142,868	1,651,595	52.6%
Colorado	3,723	346	9.3%	28,731	16,424	57.2%	505,812	355,686	70.3%
Connecticut	8,155	175	2.1%	2,015	767	38.1%	460,458	234,642	51.0%
Delaware	3,531	-22	-0.6%	2,449	894	36.5%	66,629	36,104	54.2%
Dist. Of Columbia	36	124	348.6%	0	0	n/a	57,711	26,704	46.3%
Florida	356,750	20,657	5.8%	10,194	5,289	51.9%	1,829,827	670,480	36.6%
Georgia	14,978	1,011	6.8%	44,941	31,678	70.5%	733,948	431,804	58.8%
Hawaii	10,183	631	6.2%	107	263	246.2%	126,798	32,769	25.8%
Idaho	2,656	2,234	84.1%	23,026	16,071	69.8%	82,265	61,858	75.2%
Illinois	10,690	6,163	57.7%	73,682	45,795	62.2%	1,121,382	786,133	70.1%
Indiana	5,911	7,681	129.9%	71,824	45,153	62.9%	570,045	463,841	81.4%
Iowa	2,769	3,315	119.7%	46,564	33,107	71.1%	217,251	158,595	73.0%
Kansas	2,075	730	35.2%	62,727	32,407	51.7%	329,308	181,250	55.0%
Kentucky	4,468	61,939	1386.4%	64,328	48,040	74.7%	289,477	255,532	88.3%
Louisiana	84,993	23,613	27.8%	4,933	4,285	86.9%	531,008	261,619	49.3%
Maine	1,350	320	23.7%	1,008	1,038	102.9%	110,029	62,935	57.2%
Maryland	8,144	650	8.0%	12,080	6,050	50.1%	471,086	281,743	59.8%
Massachusetts	8,146	676	8.3%	1,343	751	55.9%	765,566	365,816	47.8%
Michigan	6,100	909	14.9%	60,473	39,692	65.6%	1,049,486	878,690	83.7%
Minnesota	2,779	46,141	1660.4%	35,842	46,645	130.1%	473,968	426,498	90.0%
Mississippi	11,191	10,654	95.2%	4,867	3,749	77.0%	269,040	152,048	56.5%
Missouri	6,042	2,172	35.9%	60,023	35,795	59.6%	542,323	286,176	52.8%
Montana	1,622	2,244	138.3%	24,499	12,896	52.6%	84,903	83,403	98.2%
Nebraska	2,751	1,182	43.0%	60,717	38,702	63.7%	161,662	126,806	78.4%
Nevada	3,282	16,192	493.3%	3,933	1,116	28.4%	166,800	95,057	57.0%
New Hampshire	990	245	24.7%	338	109	32.2%	127,880	65,638	51.3%
New Jersey	49,071	7,476	15.2%	1,863	893	47.9%	941,862	483,475	51.3%
New Mexico	2,579	28	1.1%	11,002	8,470	77.0%	157,458	95,265	60.5%
New York	25,872	3,156	12.2%	18,298	12,241	66.9%	2,067,413	1,012,773	49.0%
North Carolina	18,670	27,440	147.0%	28,216	17,177	60.9%	691,229	398,360	57.6%
North Dakota	2,198	80,307	3654.2%	27,329	36,629	134.0%	46,630	118,259	253.6%
Ohio	7,989	18,181	227.6%	51,552	35,498	68.9%	923,778	624,320	67.6%
Oklahoma	2,716	957	35.2%	51,827	27,334	52.7%	405,188	207,395	51.2%
Oregon	5,494	8,053	146.6%	26,167	11,527	44.1%	273,470	149,171	54.5%
Pennsylvania	15,754	3,907	24.8%	47,161	26,739	56.7%	1,228,351	727,138	59.2%
Rhode Island	3,318	16	0.5%	40	3	6.3%	123,326	56,058	45.5%
South Carolina	28,827	1,217	4.2%	3,270	1,588	48.6%	415,194	189,745	45.7%
South Dakota	927	6,726	725.8%	23,318	27,648	118.6%	49,627	48,595	97.9%
Tennessee	11,700	2,045	17.5%	56,951	37,605	66.0%	508,595	372,131	73.2%
Texas	72,239	33,385	46.2%	55,846	27,170	48.7%	2,486,706	1,224,626	49.2%
Utah	517	11	2.1%	5,003	2,409	48.2%	163,578	98,793	60.4%
Vermont	629	44	7.0%	7,195	4,461	62.0%	73,639	38,098	51.7%
Virginia	15,597	1,711	11.0%	21,331	14,391	67.5%	515,269	385,065	74.7%
Washington	6,243	6,981	111.8%	30,194	28,650	94.9%	482,089	393,589	81.6%
West Virginia	4,573	7,543	164.9%	5,716	3,320	58.1%	147,193	94,363	64.1%
Wisconsin	2,381	5,219	219.2%	63,274	48,543	76.7%	375,596	285,454	76.0%
Wyoming	686	204	29.8%	11,454	7,093	61.9%	54,001	30,527	56.5%
Countrywide	929,892	478,127	51.4%	1,403,854	961,618	68.5%	27,635,961	16,300,871	59.0%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Commercial Multiple Peril</u> <u>(non-liability)</u>			<u>Commercial Multiple Peril</u> <u>(liability)</u>			<u>Mortgage Guaranty</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	154,686	84,541	54.7%	124,257	102,560	82.5%	28,836	8,697	30.2%
Alaska	35,494	15,248	43.0%	31,927	17,462	54.7%	5,506	844	15.3%
Arizona	139,940	87,102	62.2%	145,557	77,618	53.3%	64,490	13,243	20.5%
Arkansas	99,738	80,657	80.9%	50,550	26,121	51.7%	10,007	3,527	35.2%
California	1,512,927	785,702	51.9%	1,402,541	1,324,724	94.5%	480,934	457,472	95.1%
Colorado	174,241	154,257	88.5%	141,446	80,421	56.9%	58,571	15,279	26.1%
Connecticut	182,478	109,601	60.1%	177,193	120,052	67.8%	44,357	22,305	50.3%
Delaware	33,850	24,551	72.5%	23,087	15,725	68.1%	13,200	4,622	35.0%
Dist. Of Columbia	43,316	22,534	52.0%	29,318	19,711	67.2%	12,736	12,818	100.7%
Florida	661,461	249,854	37.8%	572,105	390,154	68.2%	172,761	89,748	51.9%
Georgia	253,402	151,972	60.0%	181,517	117,724	64.9%	107,013	31,213	29.2%
Hawaii	63,147	18,701	29.6%	53,441	21,451	40.1%	13,450	11,042	82.1%
Idaho	42,549	34,792	81.8%	46,681	30,224	64.7%	10,133	4,672	46.1%
Illinois	521,451	257,193	49.3%	389,931	300,371	77.0%	135,303	57,576	42.6%
Indiana	245,026	178,182	72.7%	179,694	120,495	67.1%	51,690	19,108	37.0%
Iowa	101,411	76,006	74.9%	65,631	29,789	45.4%	19,871	4,700	23.7%
Kansas	112,924	57,859	51.2%	63,125	41,722	66.1%	25,153	7,282	29.0%
Kentucky	139,790	102,123	73.1%	92,377	57,589	62.3%	18,265	4,097	22.4%
Louisiana	144,492	69,512	48.1%	120,277	123,530	102.7%	23,081	7,344	31.8%
Maine	59,316	28,925	48.8%	45,624	25,714	56.4%	8,164	3,448	42.2%
Maryland	181,494	103,340	56.9%	140,833	76,662	54.4%	89,107	43,993	49.4%
Massachusetts	314,045	163,428	52.0%	278,988	165,506	59.3%	88,599	32,030	36.2%
Michigan	339,923	341,566	100.5%	344,680	246,876	71.6%	85,659	26,457	30.9%
Minnesota	176,375	160,049	90.7%	140,880	83,427	59.2%	57,066	16,469	28.9%
Mississippi	91,719	71,673	78.1%	59,705	41,023	68.7%	10,233	4,090	40.0%
Missouri	228,099	141,730	62.1%	152,046	104,529	68.7%	44,638	11,939	26.7%
Montana	36,527	33,849	92.7%	30,834	18,944	61.4%	2,898	1,351	46.6%
Nebraska	83,740	58,226	69.5%	37,044	21,242	57.3%	9,459	2,103	22.2%
Nevada	70,731	59,499	84.1%	74,076	72,448	97.8%	31,638	18,146	57.4%
New Hampshire	61,712	29,807	48.3%	59,736	65,740	110.1%	14,767	6,310	42.7%
New Jersey	450,079	225,100	50.0%	392,154	378,253	96.5%	108,331	53,582	49.5%
New Mexico	59,870	54,188	90.5%	50,009	32,687	65.4%	14,784	5,480	37.1%
New York	981,783	539,525	55.0%	970,144	932,236	96.1%	153,310	92,891	60.6%
North Carolina	252,953	160,752	63.6%	156,631	100,444	64.1%	76,791	17,307	22.5%
North Dakota	25,385	76,609	301.8%	15,076	6,524	43.3%	2,607	738	28.3%
Ohio	403,629	272,637	67.5%	290,970	195,088	67.0%	96,754	31,563	32.6%
Oklahoma	136,890	66,404	48.5%	72,814	46,206	63.5%	19,578	6,063	31.0%
Oregon	132,485	82,567	62.3%	139,218	73,418	52.7%	35,889	10,293	28.7%
Pennsylvania	526,085	308,614	58.7%	426,396	308,889	72.4%	99,505	42,504	42.7%
Rhode Island	48,710	29,041	59.6%	38,682	19,720	51.0%	12,788	7,407	57.9%
South Carolina	138,235	81,668	59.1%	79,702	51,376	64.5%	29,694	10,742	36.2%
South Dakota	29,231	18,462	63.2%	17,090	6,952	40.7%	3,063	836	27.3%
Tennessee	178,773	122,167	68.3%	124,434	72,429	58.2%	37,734	8,176	21.7%
Texas	516,299	327,818	63.5%	448,061	300,699	67.1%	185,230	79,523	42.9%
Utah	63,184	32,256	51.1%	66,296	32,373	48.8%	21,515	8,478	39.4%
Vermont	34,711	25,950	74.8%	24,339	20,187	82.9%	4,432	1,077	24.3%
Virginia	216,818	142,300	65.6%	148,892	83,989	56.4%	117,714	64,851	55.1%
Washington	213,219	265,779	124.7%	214,014	171,074	79.9%	78,842	28,003	35.5%
West Virginia	52,086	33,149	63.6%	43,130	35,288	81.8%	5,752	2,580	44.9%
Wisconsin	188,357	126,089	66.9%	149,454	93,694	62.7%	47,838	13,713	28.7%
Wyoming	24,874	13,212	53.1%	16,502	8,265	50.1%	2,790	1,362	48.8%
Countrywide	10,979,656	6,756,767	61.5%	9,139,106	6,909,344	75.6%	2,892,525	1,429,092	49.4%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Ocean Marine</u>			<u>Inland Marine</u>			<u>Financial Guaranty</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	18,873	9,323	49.4%	114,346	65,708	57.5%	5,190	-43	-0.8%
Alaska	13,234	6,966	52.6%	20,280	8,094	39.9%	6,236	28	0.5%
Arizona	6,399	2,750	43.0%	77,103	38,859	50.4%	9,262	1,474	15.9%
Arkansas	4,918	3,221	65.5%	73,760	48,295	65.5%	1,888	1,145	60.6%
California	184,934	107,353	58.0%	1,039,961	417,356	40.1%	74,739	-13,398	-17.9%
Colorado	3,691	2,965	80.3%	88,950	54,191	60.9%	9,291	-130	-1.4%
Connecticut	30,215	19,262	63.7%	105,655	50,352	47.7%	7,346	4,091	55.7%
Delaware	2,385	1,494	62.6%	38,276	10,371	27.1%	29,894	-32	-0.1%
Dist. Of Columbia	1,926	2,201	114.3%	22,036	8,307	37.7%	3,337	-5	-0.2%
Florida	138,209	73,503	53.2%	382,241	160,179	41.9%	38,638	20,089	52.0%
Georgia	24,102	9,510	39.5%	218,928	88,457	40.4%	8,649	2,395	27.7%
Hawaii	7,546	10,294	136.4%	22,874	2,680	11.7%	2,137	-3	-0.1%
Idaho	1,139	425	37.3%	24,845	22,510	90.6%	751	-16	-2.1%
Illinois	53,142	35,149	66.1%	303,446	131,948	43.5%	29,389	4,264	14.5%
Indiana	10,385	3,679	35.4%	110,510	52,169	47.2%	5,459	-43	-0.8%
Iowa	3,566	1,307	36.7%	80,085	46,593	58.2%	3,376	-24	-0.7%
Kansas	2,058	749	36.4%	60,633	40,137	66.2%	3,930	-161	-4.1%
Kentucky	10,477	7,573	72.3%	94,508	88,496	93.6%	4,095	8	0.2%
Louisiana	118,665	104,290	87.9%	137,678	65,341	47.5%	9,703	11	0.1%
Maine	14,867	10,206	68.6%	24,408	-15,385	-63.0%	999	0	0.0%
Maryland	31,710	14,102	44.5%	103,592	40,884	39.5%	6,511	-67	-1.0%
Massachusetts	54,576	39,725	72.8%	132,042	48,981	37.1%	16,624	-749	-4.5%
Michigan	29,397	16,013	54.5%	195,297	104,271	53.4%	13,118	79	0.6%
Minnesota	14,204	15,914	112.0%	118,412	74,497	62.9%	11,973	10	0.1%
Mississippi	10,379	5,404	52.1%	89,174	39,822	44.7%	2,881	1,014	35.2%
Missouri	40,022	33,197	82.9%	133,220	87,128	65.4%	7,112	-489	-6.9%
Montana	632	252	39.8%	19,237	10,576	55.0%	630	-2	-0.3%
Nebraska	1,464	-647	-44.2%	44,688	23,409	52.4%	3,592	-39	-1.1%
Nevada	1,991	537	27.0%	39,781	65,635	165.0%	2,284	81	3.5%
New Hampshire	10,933	6,300	57.6%	23,595	8,143	34.5%	504	-246	-48.9%
New Jersey	59,057	41,535	70.3%	224,213	92,224	41.1%	22,088	1,660	7.5%
New Mexico	556	124	22.3%	30,288	12,576	41.5%	1,927	-2,199	-114.2%
New York	466,010	343,355	73.7%	492,447	207,373	42.1%	238,679	13,463	5.6%
North Carolina	18,933	9,213	48.7%	169,919	69,710	41.0%	7,073	9	0.1%
North Dakota	163	64	39.1%	24,251	33,280	137.2%	1,309	1	0.1%
Ohio	26,491	14,646	55.3%	219,069	105,328	48.1%	17,927	762	4.3%
Oklahoma	3,856	1,245	32.3%	73,628	51,838	70.4%	4,045	-737	-18.2%
Oregon	21,288	10,286	48.3%	71,236	35,813	50.3%	1,820	-459	-25.2%
Pennsylvania	37,696	23,147	61.4%	219,987	102,001	46.4%	38,253	32,159	84.1%
Rhode Island	12,419	7,907	63.7%	27,219	5,839	21.5%	4,729	2,802	59.3%
South Carolina	11,048	5,932	53.7%	107,398	41,595	38.7%	6,373	478	7.5%
South Dakota	517	223	43.2%	16,333	12,171	74.5%	528	-153	-28.9%
Tennessee	29,564	18,861	63.8%	129,659	59,669	46.0%	4,705	409	8.7%
Texas	150,809	103,528	68.6%	481,071	251,374	52.3%	32,585	-3,472	-10.7%
Utah	2,624	1,111	42.3%	37,571	26,217	69.8%	2,464	-37	-1.5%
Vermont	2,075	1,332	64.2%	11,327	5,150	45.5%	1,684	-92	-5.4%
Virginia	27,746	10,695	38.5%	127,329	40,366	31.7%	5,977	-7,996	-133.8%
Washington	91,859	85,345	92.9%	129,691	70,594	54.4%	8,123	-3	0.0%
West Virginia	2,350	1,495	63.6%	31,790	11,335	35.7%	3,051	-13	-0.4%
Wisconsin	9,124	5,794	63.5%	99,037	50,154	50.6%	6,147	-1	0.0%
Wyoming	131	74	57.0%	10,825	4,611	42.6%	311	-101	-32.5%
Countrywide	1,820,354	1,228,928	67.5%	6,673,851	3,177,223	47.6%	729,335	55,720	7.6%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Medical Malpractice</u>			<u>Earthquake</u>			<u>Group Accident & Health</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	92,630	50,574	54.6%	3,083	60	2.0%	35,929	30,184	84.0%
Alaska	13,151	7,845	59.7%	6,433	-140	-2.2%	3,677	3,576	97.2%
Arizona	117,372	103,861	88.5%	1,587	-68	-4.3%	26,763	25,920	96.9%
Arkansas	31,175	61,455	197.1%	9,261	168	1.8%	22,108	17,545	79.4%
California	516,887	361,247	69.9%	769,585	400,849	52.1%	282,387	195,999	69.4%
Colorado	78,584	39,470	50.2%	2,375	141	5.9%	28,303	21,740	76.8%
Connecticut	124,907	105,172	84.2%	1,855	171	9.2%	30,705	17,551	57.2%
Delaware	17,660	8,292	47.0%	269	69	25.9%	7,978	5,033	63.1%
Dist. Of Columbia	32,985	10,642	32.3%	217	63	29.1%	91,427	34,976	38.3%
Florida	365,773	424,670	116.1%	5,347	1,481	27.7%	212,858	157,729	74.1%
Georgia	175,464	161,419	92.0%	4,475	272	6.1%	76,031	58,759	77.3%
Hawaii	18,651	5,933	31.8%	1,762	101	5.7%	11,727	7,980	68.0%
Idaho	17,293	13,875	80.2%	1,011	4	0.4%	7,776	5,773	74.2%
Illinois	348,668	286,603	82.2%	23,663	97,468	411.9%	238,364	163,767	68.7%
Indiana	36,671	43,407	118.4%	17,666	123	0.7%	542,499	449,028	82.8%
Iowa	41,841	51,209	122.4%	1,647	45	2.7%	56,049	43,920	78.4%
Kansas	38,876	31,429	80.8%	2,319	46	2.0%	48,367	36,790	76.1%
Kentucky	43,223	55,040	127.3%	16,351	-3	0.0%	40,744	36,699	90.1%
Louisiana	64,205	40,275	62.7%	999	44	4.4%	55,966	45,988	82.2%
Maine	23,689	-3,680	-15.5%	410	23	5.5%	30,243	26,497	87.6%
Maryland	111,789	122,448	109.5%	2,026	90	4.5%	54,061	39,599	73.2%
Massachusetts	173,723	185,430	106.7%	4,732	429	9.1%	32,681	21,922	67.1%
Michigan	98,140	55,263	56.3%	1,931	311	16.1%	86,664	62,735	72.4%
Minnesota	50,747	458	0.9%	970	174	17.9%	211,166	180,484	85.5%
Mississippi	26,335	49,589	188.3%	7,758	93	1.2%	25,817	21,040	81.5%
Missouri	112,334	85,464	76.1%	35,893	587	1.6%	141,300	65,461	46.3%
Montana	9,129	8,857	97.0%	763	15	2.0%	11,379	8,033	70.6%
Nebraska	19,503	11,888	61.0%	1,108	35	3.2%	28,539	21,124	74.0%
Nevada	29,388	43,969	149.6%	4,271	55	1.3%	11,366	7,974	70.1%
New Hampshire	17,438	13,799	79.1%	789	40	5.0%	6,531	3,812	58.4%
New Jersey	286,146	215,004	75.1%	3,126	193	6.2%	77,440	44,317	57.2%
New Mexico	20,610	26,148	126.9%	677	39	5.8%	11,032	10,293	93.3%
New York	759,851	52,113	6.9%	9,442	605	6.4%	348,290	229,702	66.0%
North Carolina	114,687	127,427	111.1%	1,914	236	12.3%	67,756	46,305	68.3%
North Dakota	12,490	3,538	28.3%	101	15	14.7%	4,422	3,203	72.4%
Ohio	169,510	159,799	94.3%	15,275	327	2.1%	2,529,757	2,163,942	85.5%
Oklahoma	69,829	38,620	55.3%	1,333	138	10.3%	49,379	42,903	86.9%
Oregon	38,148	26,043	68.3%	25,177	368	1.5%	159,959	147,090	92.0%
Pennsylvania	211,092	220,352	104.4%	4,893	236	4.8%	95,719	61,166	63.9%
Rhode Island	21,732	25,045	115.2%	629	52	8.2%	22,780	29,838	131.0%
South Carolina	10,472	5,609	53.6%	10,344	376	3.6%	237,769	194,218	81.7%
South Dakota	9,801	12,023	122.7%	170	16	9.3%	25,482	21,612	84.8%
Tennessee	152,553	172,822	113.3%	21,225	387	1.8%	79,965	79,237	99.1%
Texas	317,811	328,118	103.2%	6,620	77	1.2%	216,823	168,856	77.9%
Utah	26,944	31,859	118.2%	10,507	213	2.0%	14,673	9,296	63.4%
Vermont	7,077	2,874	40.6%	269	122	45.3%	4,266	2,694	63.1%
Virginia	103,587	103,084	99.5%	2,424	209	8.6%	73,744	54,260	73.6%
Washington	89,014	85,928	96.5%	54,232	2,421	4.5%	33,310	17,246	51.8%
West Virginia	43,074	54,979	127.6%	608	31	5.1%	21,401	16,052	75.0%
Wisconsin	63,869	-1,584	-2.5%	1,315	61	4.7%	141,341	116,189	82.2%
Wyoming	4,729	4,519	95.5%	812	17	2.1%	4,517	3,639	80.6%
Countrywide	5,381,256	4,130,225	76.8%	1,101,649	508,886	46.2%	6,679,231	5,279,692	79.0%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Credit Accident</u>			<u>Collectively Renewable</u>		
	<u>& Health</u>			<u>A & H</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	3,456	1,259	36.4%	8	-6	-72.7%
Alaska	1,316	53	4.1%	-17	0	0.0%
Arizona	7,554	1,533	20.3%	164	2	1.4%
Arkansas	3,314	585	17.6%	193	-97	-50.4%
California	49,483	11,013	22.3%	748	1,525	203.8%
Colorado	4,702	1,341	28.5%	0	7	87825.0%
Connecticut	3,409	541	15.9%	43	269	628.2%
Delaware	1,507	386	25.6%	8	6	77.1%
Dist. Of Columbia	1,817	237	13.1%	10	-2	-18.8%
Florida	27,519	4,161	15.1%	226	-351	-155.0%
Georgia	24,852	5,105	20.5%	130	81	61.8%
Hawaii	2,584	519	20.1%	0	0	-121.8%
Idaho	1,755	557	31.8%	-12	0	3.8%
Illinois	19,542	3,682	18.8%	1,213	648	53.5%
Indiana	8,088	1,111	13.7%	1,163	211	18.1%
Iowa	3,104	894	28.8%	185	142	77.1%
Kansas	2,757	327	11.9%	95	24	25.2%
Kentucky	5,094	1,185	23.3%	-9	23	-263.6%
Louisiana	7,482	1,452	19.4%	6	33	524.9%
Maine	156	56	36.0%	35	-5	-15.2%
Maryland	13,257	1,997	15.1%	71	17	23.3%
Massachusetts	676	185	27.4%	80	10	11.9%
Michigan	15,533	3,301	21.3%	2	-10	-501.9%
Minnesota	9,717	2,871	29.5%	239	174	73.0%
Mississippi	2,658	549	20.7%	1	-10	-751.5%
Missouri	6,699	1,841	27.5%	28	-24	-86.6%
Montana	1,552	424	27.3%	8	3	32.1%
Nebraska	2,531	550	21.7%	114	42	36.5%
Nevada	3,376	611	18.1%	2	0	-23.7%
New Hampshire	1,419	296	20.9%	14	2	13.7%
New Jersey	15,004	1,813	12.1%	1,270	642	50.5%
New Mexico	2,884	699	24.2%	18	-4	-20.9%
New York	5,865	3,170	54.1%	1,000	461	46.1%
North Carolina	5,227	941	18.0%	5	-3	-70.7%
North Dakota	968	136	14.1%	0	0	0.0%
Ohio	20,996	4,362	20.8%	315	4	1.2%
Oklahoma	5,200	797	15.3%	73	37	51.6%
Oregon	4,541	916	20.2%	1	7	956.3%
Pennsylvania	6,192	2,475	40.0%	84	31	36.6%
Rhode Island	1,256	110	8.8%	9	-17	-199.3%
South Carolina	7,038	892	12.7%	161	166	103.1%
South Dakota	1,392	170	12.2%	0	-8	3108.2%
Tennessee	9,729	1,213	12.5%	348	193	55.6%
Texas	12,621	1,961	15.5%	5,754	2,527	43.9%
Utah	2,637	489	18.5%	14	-1	-5.3%
Vermont	125	102	81.8%	17	-3	-15.2%
Virginia	11,132	1,197	10.8%	25	-12	-46.5%
Washington	9,965	1,917	19.2%	17	34	199.2%
West Virginia	3,244	934	28.8%	59	78	133.7%
Wisconsin	9,162	1,584	17.3%	344	89	25.9%
Wyoming	999	242	24.3%	185	-52	-28.0%
Countrywide	373,088	74,745	20.0%	14,447	6,880	47.6%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Non-cancellable</u>			<u>Guaranteed renewable</u>		
	Premium	<u>A & H</u> Losses	Ratio	Premium	<u>A & H</u> Losses	Ratio
Alabama	0	0	17.4%	3,657	2,535	69.3%
Alaska	0	0	n/a	242	66	27.2%
Arizona	14	0	-0.3%	5,752	4,332	75.3%
Arkansas	0	0	12.8%	2,056	929	45.2%
California	10	-1	-7.1%	22,993	19,174	83.4%
Colorado	37	20	54.4%	3,326	2,074	62.3%
Connecticut	0	0	0.0%	4,699	5,088	108.3%
Delaware	0	0	0.0%	-134	262	-195.8%
Dist. Of Columbia	0	0	6.4%	113	67	59.4%
Florida	4	0	-0.4%	39,786	27,445	69.0%
Georgia	35	0	-0.2%	6,913	4,465	64.6%
Hawaii	524	-2	-0.3%	585	485	82.9%
Idaho	43	5	12.2%	1,503	812	54.0%
Illinois	129	-15	-11.6%	23,241	21,069	90.7%
Indiana	7	0	0.4%	8,166	7,573	92.7%
Iowa	4	0	0.3%	8,831	7,014	79.4%
Kansas	0	0	9.8%	6,160	5,186	84.2%
Kentucky	12	0	-0.2%	3,787	2,466	65.1%
Louisiana	12	5	41.9%	5,097	4,836	94.9%
Maine	0	0	7.7%	1,362	427	31.4%
Maryland	0	0	4.2%	4,350	2,868	65.9%
Massachusetts	2	5	287.7%	6,386	5,160	80.8%
Michigan	1	0	40.9%	15,088	11,471	76.0%
Minnesota	2	0	1.0%	13,417	10,795	80.5%
Mississippi	3	0	2.8%	3,394	3,061	90.2%
Missouri	2	0	-7.7%	16,497	12,776	77.4%
Montana	0	0	-5.9%	3,302	1,666	50.5%
Nebraska	2	0	-0.6%	7,851	5,563	70.9%
Nevada	13	0	-0.2%	1,462	1,766	120.9%
New Hampshire	0	0	0.0%	695	388	55.9%
New Jersey	4	-1	-24.4%	4,838	4,394	90.8%
New Mexico	0	0	0.0%	951	530	55.7%
New York	47	-11	-23.4%	11,730	7,056	60.2%
North Carolina	61	-10	-16.7%	3,561	1,405	39.5%
North Dakota	2	5	241.3%	2,318	2,482	107.1%
Ohio	145	65	45.1%	15,652	13,340	85.2%
Oklahoma	57	0	0.0%	3,000	2,376	79.2%
Oregon	129	0	0.2%	6,222	3,960	63.7%
Pennsylvania	1	3	283.5%	23,569	12,464	52.9%
Rhode Island	1	0	0.0%	136	261	192.2%
South Carolina	8	1	7.7%	55,784	45,274	81.2%
South Dakota	7	0	0.0%	4,252	3,232	76.0%
Tennessee	2	-4	-189.5%	6,882	3,963	57.6%
Texas	12	10	86.4%	16,646	16,964	101.9%
Utah	12	11	91.9%	946	580	61.3%
Vermont	0	0	0.0%	308	158	51.5%
Virginia	1	0	5.0%	5,396	3,416	63.3%
Washington	84	0	0.1%	9,896	9,448	95.5%
West Virginia	16	5	32.4%	1,733	1,381	79.7%
Wisconsin	50	12	23.3%	25,299	20,474	80.9%
Wyoming	4	0	-0.3%	936	555	59.3%
Countrywide	1,498	104	7.0%	420,634	325,535	77.4%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Non-renewable A & H</u>			<u>Other Accident Only</u>			<u>All Other A & H</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	4,240	5,111	120.5%	1,124	742	66.1%	10,651	2,594	24.4%
Alaska	578	723	125.1%	160	33	20.9%	1,463	395	27.0%
Arizona	5,741	4,747	82.7%	630	71	11.3%	11,790	437	3.7%
Arkansas	4,798	5,367	111.9%	416	-1,880	-451.9%	10,288	1,309	12.7%
California	10,084	10,448	103.6%	7,006	1,339	19.1%	90,038	16,815	18.7%
Colorado	15,326	10,876	71.0%	1,547	500	32.3%	8,554	1,398	16.3%
Connecticut	489	388	79.2%	531	133	25.0%	3,573	505	14.1%
Delaware	413	361	87.2%	81	2	2.5%	2,454	326	13.3%
Dist. Of Columbia	187	125	67.0%	115	124	108.2%	2,388	294	12.3%
Florida	14,018	21,937	156.5%	4,439	1,415	31.9%	52,594	3,805	7.2%
Georgia	7,406	11,328	153.0%	3,472	4,421	127.3%	45,786	18,295	40.0%
Hawaii	134	33	24.9%	874	21	2.3%	3,996	-812	-20.3%
Idaho	464	625	134.5%	157	110	70.3%	2,239	203	9.1%
Illinois	52,536	45,418	86.5%	6,288	2,928	46.6%	45,828	6,083	13.3%
Indiana	13,628	13,266	97.3%	4,295	1,905	44.4%	229,418	154,873	67.5%
Iowa	11,023	8,806	79.9%	549	-89	-16.3%	6,580	821	12.5%
Kansas	15,114	14,470	95.7%	618	296	47.8%	12,485	38,190	305.9%
Kentucky	1,066	682	64.0%	577	1,568	271.7%	11,185	4,197	37.5%
Louisiana	8,198	9,711	118.5%	367	825	225.0%	23,317	5,010	21.5%
Maine	493	48	9.6%	140	-44	-31.5%	4,965	3,220	64.8%
Maryland	1,969	1,946	98.9%	427	14	3.3%	14,369	961	6.7%
Massachusetts	224	85	37.8%	948	-23	-2.4%	9,977	850	8.5%
Michigan	5,826	5,444	93.4%	1,071	162	15.1%	26,763	2,292	8.6%
Minnesota	24,349	17,809	73.1%	651	133	20.5%	2,743	592	21.6%
Mississippi	6,944	8,531	122.9%	436	276	63.3%	10,350	552	5.3%
Missouri	33,192	24,579	74.1%	1,095	440	40.2%	16,419	2,778	16.9%
Montana	1,907	2,045	107.2%	118	9	7.4%	3,082	16	0.5%
Nebraska	13,933	11,853	85.1%	469	373	79.5%	6,411	414	6.5%
Nevada	1,536	1,974	128.5%	849	116	13.6%	6,366	967	15.2%
New Hampshire	69	14	20.9%	156	-214	-137.6%	1,723	182	10.5%
New Jersey	2,013	27	1.4%	3,989	1,441	36.1%	21,460	2,104	9.8%
New Mexico	1,497	1,655	110.5%	332	103	31.0%	5,526	108	2.0%
New York	8,343	3,068	36.8%	4,080	3,638	89.2%	24,325	9,900	40.7%
North Carolina	5,848	6,807	116.4%	2,535	851	33.6%	16,744	3,010	18.0%
North Dakota	7,277	5,410	74.3%	172	2	1.0%	1,415	96	6.8%
Ohio	17,061	10,771	63.1%	18,623	16,229	87.1%	370,743	266,027	71.8%
Oklahoma	4,360	5,497	126.1%	334	34	10.1%	15,140	4,798	31.7%
Oregon	3,776	1,842	48.8%	445	54	12.2%	8,253	1,118	13.5%
Pennsylvania	5,989	5,431	90.7%	1,761	67	3.8%	21,910	5,672	25.9%
Rhode Island	1	0	24.4%	106	208	195.4%	1,836	148	8.1%
South Carolina	9,808	8,585	87.5%	908	721	79.4%	48,577	24,217	49.9%
South Dakota	10,034	6,973	69.5%	274	37	13.7%	1,284	100	7.8%
Tennessee	7,423	9,298	125.3%	748	423	56.5%	19,181	1,529	8.0%
Texas	19,526	29,680	152.0%	1,388	381	27.5%	72,800	24,317	33.4%
Utah	708	1,019	144.0%	579	479	82.6%	5,674	423	7.5%
Vermont	25	39	157.1%	119	29	24.6%	1,022	74	7.2%
Virginia	5,010	5,269	105.2%	695	2,651	381.6%	21,407	2,494	11.7%
Washington	1,969	1,084	55.1%	1,056	241	22.9%	12,791	1,391	10.9%
West Virginia	4,005	2,755	68.8%	130	4	3.0%	5,985	1,076	18.0%
Wisconsin	34,418	25,859	75.1%	596	45	7.6%	11,455	1,536	13.4%
Wyoming	1,746	1,214	69.6%	149	83	55.7%	1,478	114	7.7%
Countrywide	406,726	371,033	91.2%	78,625	43,428	55.2%	1,366,802	617,814	45.2%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	Federal Employees Health Benefits Program Premium			Workers' Compensation			Other Liability		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	0	0	n/a	258,640	208,396	80.6%	268,475	255,373	95.1%
Alaska	0	0	n/a	136,974	94,383	68.9%	56,449	23,985	42.5%
Arizona	0	46	-13406.7%	559,687	380,892	68.1%	292,920	274,783	93.8%
Arkansas	0	0	n/a	206,711	85,960	41.6%	134,216	89,325	66.6%
California	0	0	n/a	4,770,637	4,379,748	91.8%	2,742,916	2,505,460	91.3%
Colorado	0	0	0.0%	327,046	230,087	70.4%	326,078	-216,474	-66.4%
Connecticut	1,125	411	36.5%	457,438	227,838	49.8%	577,541	420,539	72.8%
Delaware	0	0	n/a	109,827	63,603	57.9%	123,924	93,236	75.2%
Dist. Of Columbia	0	0	n/a	89,787	60,000	66.8%	143,872	106,113	73.8%
Florida	0	0	0.0%	2,003,063	1,199,410	59.9%	1,095,159	887,246	81.0%
Georgia	2	0	0.0%	689,124	318,724	46.3%	502,397	366,448	72.9%
Hawaii	0	0	n/a	188,252	79,799	42.4%	125,216	71,534	57.1%
Idaho	22	19	85.5%	102,006	54,454	53.4%	68,313	44,813	65.6%
Illinois	0	0	n/a	1,537,800	934,738	60.8%	1,632,064	1,063,127	65.1%
Indiana	127,743	123,633	96.8%	479,002	303,507	63.4%	321,357	298,602	92.9%
Iowa	0	0	n/a	294,736	200,498	68.0%	220,393	111,946	50.8%
Kansas	0	0	n/a	258,562	144,928	56.1%	139,927	93,465	66.8%
Kentucky	0	0	n/a	338,176	207,405	61.3%	186,769	153,469	82.2%
Louisiana	0	0	n/a	484,824	303,432	62.6%	333,043	360,055	108.1%
Maine	0	0	n/a	155,930	76,546	49.1%	61,760	38,017	61.6%
Maryland	0	0	0.0%	393,720	252,055	64.0%	362,048	285,792	78.9%
Massachusetts	0	0	n/a	835,887	424,978	50.8%	653,750	258,082	39.5%
Michigan	0	0	n/a	978,960	588,490	60.1%	635,029	270,275	42.6%
Minnesota	0	0	n/a	502,413	312,828	62.3%	421,722	274,203	65.0%
Mississippi	0	0	n/a	209,279	142,234	68.0%	126,133	83,737	66.4%
Missouri	0	0	n/a	529,936	356,969	67.4%	403,748	301,575	74.7%
Montana	0	0	n/a	74,398	42,955	57.7%	49,865	9,305	18.7%
Nebraska	0	0	n/a	178,315	133,199	74.7%	121,943	38,567	31.6%
Nevada	0	0	n/a	4,026	3,868	96.1%	117,615	81,580	69.4%
New Hampshire	0	0	n/a	157,999	80,752	51.1%	115,942	62,739	54.1%
New Jersey	0	0	0.0%	1,083,494	726,888	67.1%	942,185	986,186	104.7%
New Mexico	0	0	n/a	150,191	58,402	38.9%	82,182	22,856	27.8%
New York	0	0	0.0%	2,707,949	2,167,401	80.0%	2,273,379	2,644,865	116.3%
North Carolina	1	0	0.0%	608,925	429,573	70.5%	379,728	158,450	41.7%
North Dakota	0	0	n/a	1,995	-41	-2.1%	36,572	14,923	40.8%
Ohio	167,368	154,492	92.3%	28,798	24,052	83.5%	732,577	521,224	71.1%
Oklahoma	0	0	n/a	325,843	258,735	79.4%	179,549	159,127	88.6%
Oregon	0	0	n/a	577,900	382,361	66.2%	186,925	116,458	62.3%
Pennsylvania	1	0	0.0%	1,618,825	914,892	56.5%	990,362	1,164,423	117.6%
Rhode Island	0	0	n/a	114,975	65,259	56.8%	85,437	84,813	99.3%
South Carolina	175,719	169,122	96.2%	308,615	154,603	50.1%	169,727	63,810	37.6%
South Dakota	0	0	n/a	93,796	38,355	40.9%	46,918	15,408	32.8%
Tennessee	0	0	n/a	604,679	296,983	49.1%	296,843	161,086	54.3%
Texas	0	0	n/a	1,639,028	1,303,727	79.5%	1,358,391	938,301	69.1%
Utah	3	18	645.1%	217,650	126,332	58.0%	96,540	66,329	68.7%
Vermont	0	0	n/a	89,321	71,611	80.2%	60,622	56,094	92.5%
Virginia	0	0	n/a	590,790	363,014	61.4%	383,811	209,146	54.5%
Washington	39	46	116.9%	30,255	4,181	13.8%	353,402	221,170	62.6%
West Virginia	0	0	n/a	1,761	2,159	122.6%	88,600	53,819	60.7%
Wisconsin	0	0	n/a	1,030,158	576,926	56.0%	311,335	198,396	63.7%
Wyoming	0	0	n/a	-656	1,466	-223.5%	29,125	8,223	28.2%
Countrywide	472,023	447,787	94.9%	29,137,451	19,859,555	68.2%	21,444,795	16,572,024	77.3%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Products Liability</u>			<u>Private Passenger Auto No-Fault</u>			<u>Other Private Passenger Auto Liability Auto Liability</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	27,633	34,674	125.5%	8,650	5,950	68.8%	766,965	509,167	66.4%
Alaska	2,959	-477	-16.1%	0	0	0.0%	145,591	87,202	59.9%
Arizona	20,429	15,360	75.2%	8	34	401.4%	1,312,219	810,053	61.7%
Arkansas	14,268	4,749	33.3%	15,744	9,239	58.7%	544,382	387,032	71.1%
California	237,831	464,490	195.3%	6	9	149.5%	8,541,378	4,538,190	53.1%
Colorado	28,695	3,493	12.2%	445,803	337,575	75.7%	774,050	421,131	54.4%
Connecticut	26,760	30,807	115.1%	13,502	11,414	84.5%	1,217,964	760,964	62.5%
Delaware	5,714	33,715	590.0%	56,462	50,044	88.6%	207,947	167,037	80.3%
Dist. Of Columbia	3,425	-7,867	-229.7%	6,707	3,626	54.1%	100,419	64,461	64.2%
Florida	75,154	35,725	47.5%	1,152,641	922,925	80.1%	3,778,813	2,250,131	59.5%
Georgia	49,458	79,772	161.3%	4,986	3,555	71.3%	1,677,379	1,200,912	71.6%
Hawaii	10,374	8,860	85.4%	132,509	66,524	50.2%	281,236	106,397	37.8%
Idaho	5,456	4,461	81.8%	875	1,194	136.5%	215,479	134,237	62.3%
Illinois	120,392	85,692	71.2%	18,097	10,015	55.3%	2,484,634	1,564,400	63.0%
Indiana	35,366	35,592	100.6%	-33	27	-80.4%	1,322,115	881,825	66.7%
Iowa	25,783	13,655	53.0%	-8	0	0.4%	508,979	332,117	65.3%
Kansas	26,868	9,953	37.0%	85,474	65,034	76.1%	437,803	279,025	63.7%
Kentucky	18,902	30,801	162.9%	172,732	146,640	84.9%	793,678	610,998	77.0%
Louisiana	26,041	33,903	130.2%	6,989	6,589	94.3%	1,337,402	925,424	69.2%
Maine	3,516	-12	-0.4%	1	0	-0.6%	227,826	149,689	65.7%
Maryland	21,204	-140,547	-662.8%	190,580	149,144	78.3%	1,259,293	817,405	64.9%
Massachusetts	56,546	59,182	104.7%	211,435	143,797	68.0%	1,849,540	1,213,474	65.6%
Michigan	131,013	62,573	47.8%	1,070,330	980,242	91.6%	944,846	520,496	55.1%
Minnesota	46,097	14,059	30.5%	389,245	294,491	75.7%	934,007	535,427	57.3%
Mississippi	13,081	14,170	108.3%	217	348	160.2%	454,030	304,370	67.0%
Missouri	38,094	-22,398	-58.8%	-1	18	-1556.6%	1,190,478	752,274	63.2%
Montana	2,912	-7,138	-245.1%	-1	-6	797.8%	171,804	131,215	76.4%
Nebraska	14,144	180	1.3%	8,675	6,715	77.4%	327,158	224,427	68.6%
Nevada	11,683	16,571	141.8%	4,920	3,642	74.0%	612,830	447,410	73.0%
New Hampshire	6,744	-2,487	-36.9%	0	0	0.0%	276,192	180,230	65.3%
New Jersey	89,839	65,357	72.7%	812,301	984,470	121.2%	2,506,234	2,099,867	83.8%
New Mexico	4,749	-1,301	-27.4%	0	58	-18065.1%	437,224	263,561	60.3%
New York	149,950	344,143	229.5%	1,297,338	1,182,672	91.2%	4,095,286	2,546,644	62.2%
North Carolina	41,447	8,084	19.5%	173	6	3.3%	1,834,255	1,286,726	70.1%
North Dakota	3,912	73	1.9%	22,272	17,964	80.7%	90,314	57,316	63.5%
Ohio	87,300	88,612	101.5%	2	15	656.0%	2,457,965	1,707,242	69.5%
Oklahoma	21,534	5,727	26.6%	258	167	64.7%	746,870	515,340	69.0%
Oregon	15,949	8,103	50.8%	130,402	95,695	73.4%	739,263	494,404	66.9%
Pennsylvania	90,625	330,119	364.3%	400,899	370,912	92.5%	2,910,396	1,986,098	68.2%
Rhode Island	6,165	16,282	264.1%	1	0	9.6%	347,981	238,712	68.6%
South Carolina	19,360	19,204	99.2%	18,913	17,873	94.5%	819,653	721,261	88.0%
South Dakota	5,541	4,754	85.8%	219	182	82.9%	146,019	81,681	55.9%
Tennessee	32,695	10,664	32.6%	2,398	1,635	68.2%	1,055,085	720,831	68.3%
Texas	131,501	161,771	123.0%	341,782	236,866	69.3%	5,109,482	2,820,392	55.2%
Utah	11,758	12,514	106.4%	71,141	42,794	60.2%	392,799	231,819	59.0%
Vermont	2,608	3,432	131.6%	13	22	161.9%	115,603	89,377	77.3%
Virginia	30,697	2,692	8.8%	25,455	18,100	71.1%	1,618,855	1,036,973	64.1%
Washington	29,041	32,857	113.1%	137,979	117,025	84.8%	1,259,600	816,058	64.8%
West Virginia	8,143	16,698	205.1%	2	18	945.2%	485,249	342,448	70.6%
Wisconsin	43,417	21,342	49.2%	445	367	82.5%	985,681	613,558	62.2%
Wyoming	2,965	1,497	50.5%	-2	220	-9752.5%	92,154	65,471	71.0%
Countrywide	1,935,734	2,064,136	106.6%	7,258,538	6,305,844	86.9%	62,942,406	40,042,897	63.6%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Commercial Auto No-Fault</u>			<u>Other Commercial Auto Liability</u>			<u>Private Passenger Auto Physical Damage</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	30	-14	-45.9%	219,430	219,857	100.2%	682,186	459,525	67.4%
Alaska	226	87	38.5%	32,836	42,893	130.6%	90,207	47,762	52.9%
Arizona	16	28	172.6%	196,195	152,091	77.5%	773,474	517,017	66.8%
Arkansas	995	264	26.5%	133,933	112,895	84.3%	397,014	276,499	69.6%
California	39	69	179.6%	1,267,299	789,288	62.3%	4,725,746	2,995,022	63.4%
Colorado	14,824	13,478	90.9%	154,343	111,531	72.3%	724,218	506,560	69.9%
Connecticut	883	238	27.0%	230,745	157,801	68.4%	616,220	341,669	55.4%
Delaware	4,211	4,464	106.0%	53,628	40,910	76.3%	117,997	73,783	62.5%
Dist. Of Columbia	390	284	72.8%	25,115	13,469	53.6%	78,916	46,234	58.6%
Florida	27,397	23,031	84.1%	789,204	646,912	82.0%	2,227,104	1,445,100	64.9%
Georgia	806	85	10.5%	390,260	326,121	83.6%	1,493,331	845,282	56.6%
Hawaii	6,437	5,764	89.5%	63,257	24,211	38.3%	133,989	68,303	51.0%
Idaho	162	164	101.4%	56,566	36,213	64.0%	143,866	93,443	65.0%
Illinois	102	88	86.2%	538,033	443,683	82.5%	1,950,292	1,229,754	63.1%
Indiana	16	4	26.7%	282,211	222,922	79.0%	862,601	574,825	66.6%
Iowa	20	6	28.3%	140,587	108,186	77.0%	389,155	280,630	72.1%
Kansas	4,071	1,656	40.7%	106,803	88,931	83.3%	456,162	301,823	66.2%
Kentucky	9,787	7,809	79.8%	171,974	127,507	74.1%	519,755	356,552	68.6%
Louisiana	-67	-5	6.9%	271,962	266,008	97.8%	684,080	479,525	70.1%
Maine	1	0	0.8%	62,983	37,218	59.1%	149,066	109,795	73.7%
Maryland	7,040	4,817	68.4%	246,417	189,275	76.8%	886,382	553,780	62.5%
Massachusetts	11,402	12,883	113.0%	427,350	247,738	58.0%	874,369	712,279	81.5%
Michigan	79,517	51,955	65.3%	264,787	201,228	76.0%	2,322,766	1,733,682	74.6%
Minnesota	12,841	11,649	90.7%	216,725	142,522	65.8%	707,258	560,844	79.3%
Mississippi	52	-16	-31.4%	144,689	118,977	82.2%	405,560	270,404	66.7%
Missouri	19	-52	-277.1%	237,127	193,155	81.5%	870,828	563,369	64.7%
Montana	1	0	-43.1%	52,021	38,379	73.8%	131,442	89,801	68.3%
Nebraska	9	13	138.2%	82,311	54,816	66.6%	276,120	175,462	63.5%
Nevada	816	504	61.7%	82,297	84,585	102.8%	273,161	183,497	67.2%
New Hampshire	0	0	-59.6%	63,965	36,814	57.6%	191,366	111,747	58.4%
New Jersey	19,634	49,802	253.6%	679,751	563,642	82.9%	1,740,762	721,406	41.4%
New Mexico	5	-2	-29.6%	68,300	43,990	64.4%	261,422	160,817	61.5%
New York	61,787	66,863	108.2%	941,242	747,363	79.4%	2,610,103	1,410,245	54.0%
North Carolina	6	-16	-272.2%	372,755	297,918	79.9%	1,131,474	749,812	66.3%
North Dakota	1,468	211	14.4%	30,716	14,485	47.2%	103,167	103,969	100.8%
Ohio	95	239	251.4%	472,041	342,573	72.6%	1,569,830	1,037,301	66.1%
Oklahoma	0	-4	-1007.4%	153,871	132,346	86.0%	505,842	287,174	56.8%
Oregon	4,124	2,552	61.9%	143,445	95,343	66.5%	503,755	329,097	65.3%
Pennsylvania	28,991	18,272	63.0%	600,430	485,519	80.9%	1,893,937	1,206,118	63.7%
Rhode Island	-1	21	-1559.1%	56,487	31,444	55.7%	146,154	75,054	51.4%
South Carolina	1,464	113	7.7%	179,276	139,294	77.7%	568,232	409,189	72.0%
South Dakota	3	-1	-41.6%	36,868	26,923	73.0%	107,993	82,863	76.7%
Tennessee	28	247	892.1%	271,104	193,046	71.2%	854,128	583,629	68.3%
Texas	21,321	10,990	51.5%	918,847	721,271	78.5%	2,609,016	1,877,048	71.9%
Utah	2,728	889	32.6%	77,701	60,723	78.1%	285,344	194,933	68.3%
Vermont	0	-1	-379.8%	29,621	17,946	60.6%	91,541	62,376	68.1%
Virginia	138	89	64.6%	284,513	173,668	61.0%	935,352	637,795	68.2%
Washington	4,651	2,413	51.9%	221,191	175,385	79.3%	711,657	504,829	70.9%
West Virginia	25	2	7.2%	91,316	57,387	62.8%	280,723	170,115	60.6%
Wisconsin	7	18	242.2%	239,038	191,586	80.1%	712,594	481,886	67.6%
Wyoming	0	0	-260.8%	24,227	17,363	71.7%	88,163	53,092	60.2%
Countrywide	328,517	291,949	88.9%	12,897,794	9,805,351	76.0%	41,865,822	27,142,718	64.8%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Commercial Auto</u>			<u>Aircraft</u>			<u>Fidelity</u>		
	<u>Premium</u>	<u>Losses</u>	<u>Ratio</u>	<u>Premium</u>	<u>Losses</u>	<u>Ratio</u>	<u>Premium</u>	<u>Losses</u>	<u>Ratio</u>
Alabama	87,217	59,857	68.6%	11,992	15,516	129.4%	11,541	504	4.4%
Alaska	10,668	5,725	53.7%	29,976	32,267	107.6%	1,899	1,122	59.1%
Arizona	65,548	48,004	73.2%	21,644	27,454	126.8%	6,425	3,118	48.5%
Arkansas	55,787	37,929	68.0%	11,383	7,625	67.0%	4,983	2,360	47.4%
California	458,048	272,464	59.5%	96,698	73,717	76.2%	89,822	70,597	78.6%
Colorado	90,924	69,137	76.0%	21,302	9,752	45.8%	10,926	5,893	53.9%
Connecticut	59,353	39,876	67.2%	26,869	24,006	89.3%	19,537	1,944	10.0%
Delaware	16,045	10,292	64.1%	4,179	46	1.1%	3,049	1,450	47.6%
Dist. Of Columbia	4,164	4,397	105.6%	17,871	-362	-2.0%	14,383	11,369	79.0%
Florida	224,766	144,943	64.5%	66,764	61,278	91.8%	32,272	30,116	93.3%
Georgia	138,898	90,896	65.4%	41,099	26,918	65.5%	19,749	15,379	77.9%
Hawaii	18,473	9,898	53.6%	11,171	6,187	55.4%	4,758	2,638	55.4%
Idaho	32,767	22,907	69.9%	7,030	5,825	82.9%	2,212	622	28.1%
Illinois	242,442	170,178	70.2%	54,222	23,534	43.4%	49,689	20,612	41.5%
Indiana	137,240	95,749	69.8%	15,140	10,655	70.4%	14,877	18,411	123.8%
Iowa	76,858	54,479	70.9%	8,070	3,095	38.3%	8,719	1,930	22.1%
Kansas	72,001	50,046	69.5%	12,070	1,910	15.8%	8,049	1,901	23.6%
Kentucky	67,424	52,865	78.4%	8,001	15,828	197.8%	8,108	12,004	148.0%
Louisiana	70,513	42,830	60.7%	21,311	19,585	91.9%	9,990	3,773	37.8%
Maine	22,649	16,294	71.9%	2,738	2,404	87.8%	3,490	1,717	49.2%
Maryland	72,148	53,541	74.2%	11,418	4,340	38.0%	15,782	17,045	108.0%
Massachusetts	112,474	83,511	74.2%	11,581	6,353	54.9%	27,077	11,882	43.9%
Michigan	217,981	171,910	78.9%	25,251	10,972	43.5%	28,637	24,598	85.9%
Minnesota	106,954	85,240	79.7%	41,497	20,886	50.3%	17,202	13,191	76.7%
Mississippi	53,141	37,962	71.4%	8,056	6,232	77.4%	6,017	7,649	127.1%
Missouri	115,952	82,210	70.9%	34,389	24,312	70.7%	17,072	2,930	17.2%
Montana	32,171	23,584	73.3%	4,789	4,016	83.9%	1,903	1,014	53.3%
Nebraska	50,579	33,556	66.3%	6,575	4,051	61.6%	6,191	2,779	44.9%
Nevada	26,552	23,652	89.1%	16,368	8,283	50.6%	3,653	152	4.2%
New Hampshire	20,665	14,067	68.1%	6,636	1,989	30.0%	2,924	380	13.0%
New Jersey	160,041	106,209	66.4%	28,479	15,788	55.4%	31,149	-1,886	-6.1%
New Mexico	35,022	20,818	59.4%	7,586	4,807	63.4%	3,299	670	20.3%
New York	267,772	148,563	55.5%	42,873	3,397	7.9%	105,744	57,595	54.5%
North Carolina	122,785	89,292	72.7%	17,317	12,320	71.1%	15,823	21,211	134.1%
North Dakota	22,319	24,963	111.8%	3,506	1,625	46.4%	2,072	2,570	124.0%
Ohio	180,944	124,483	68.8%	40,592	50,006	123.2%	31,826	13,435	42.2%
Oklahoma	73,418	40,063	54.6%	11,774	4,916	41.8%	7,931	1,566	19.7%
Oregon	54,644	39,103	71.6%	16,372	18,514	113.1%	6,889	6,331	91.9%
Pennsylvania	229,407	151,979	66.2%	29,539	13,720	46.4%	39,962	14,110	35.3%
Rhode Island	14,175	7,058	49.8%	4,998	4,333	86.7%	3,480	2,991	86.0%
South Carolina	70,476	53,637	76.1%	7,784	2,511	32.3%	6,628	4,393	66.3%
South Dakota	24,179	18,578	76.8%	3,014	1,553	51.5%	2,257	778	34.5%
Tennessee	107,733	79,807	74.1%	16,798	32,444	193.1%	14,171	21,446	151.3%
Texas	328,240	222,387	67.8%	95,996	36,525	38.0%	46,320	32,357	69.9%
Utah	45,723	30,913	67.6%	13,137	19,564	148.9%	5,225	387	7.4%
Vermont	11,261	9,100	80.8%	1,191	621	52.1%	1,631	594	36.4%
Virginia	95,688	70,517	73.7%	44,626	17,659	39.6%	19,147	8,090	42.3%
Washington	77,554	55,829	72.0%	43,248	44,969	104.0%	13,980	6,197	44.3%
West Virginia	32,592	20,871	64.0%	2,528	7,252	286.9%	3,636	2,701	74.3%
Wisconsin	112,217	85,670	76.3%	16,466	4,390	26.7%	14,551	5,183	35.6%
Wyoming	22,419	9,044	40.3%	2,080	2,005	96.4%	1,249	205	16.4%
Countrywide	4,849,014	3,316,882	68.4%	1,105,999	757,592	68.5%	827,904	490,006	59.2%

Premium and Loss amounts are in thousands of dollars

**Table 1
1997 Loss Ratio Data**

	<u>Surety</u>			<u>Burglary and Theft</u>			<u>Boiler and Machinery</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	33,200	3,316	10.0%	1,545	303	19.6%	13,111	9,672	73.8%
Alaska	13,154	1,297	9.9%	192	3	1.6%	3,340	1,597	47.8%
Arizona	44,925	8,177	18.2%	1,106	325	29.4%	7,005	1,694	24.2%
Arkansas	18,569	1,444	7.8%	1,260	656	52.1%	6,906	4,225	61.2%
California	326,437	65,164	20.0%	17,753	3,154	17.8%	67,743	23,382	34.5%
Colorado	46,785	8,371	17.9%	1,833	-1,356	-74.0%	9,985	1,525	15.3%
Connecticut	33,902	39,562	116.7%	2,568	-1,043	-40.6%	12,913	6,040	46.8%
Delaware	7,645	2,167	28.3%	472	-1	-0.1%	2,839	-486	-17.1%
Dist. Of Columbia	22,978	-12,476	-54.3%	836	-2	-0.2%	3,144	1,038	33.0%
Florida	171,202	76,107	44.5%	6,183	1,239	20.0%	27,095	15,878	58.6%
Georgia	67,624	19,491	28.8%	4,001	336	8.4%	16,424	1,004	6.1%
Hawaii	17,600	8,225	46.7%	297	52	17.3%	3,041	1,677	55.2%
Idaho	11,591	2,882	24.9%	371	90	24.4%	3,531	1,227	34.7%
Illinois	100,105	49,916	49.9%	6,617	1,614	24.4%	38,007	6,419	16.9%
Indiana	40,026	3,864	9.7%	1,766	369	20.9%	18,939	5,962	31.5%
Iowa	19,366	1,398	7.2%	1,093	306	28.0%	8,966	3,047	34.0%
Kansas	23,370	5,215	22.3%	943	200	21.2%	7,921	2,114	26.7%
Kentucky	32,218	7,244	22.5%	933	211	22.6%	10,986	7,797	71.0%
Louisiana	42,260	6,772	16.0%	1,391	502	36.1%	14,623	6,437	44.0%
Maine	7,415	-194	-2.6%	286	38	13.3%	5,460	1,439	26.4%
Maryland	53,743	3,988	7.4%	2,331	208	8.9%	12,537	3,794	30.3%
Massachusetts	65,225	11,752	18.0%	2,964	185	6.2%	19,984	7,700	38.5%
Michigan	50,047	11,333	22.6%	3,552	579	16.3%	28,840	13,158	45.6%
Minnesota	38,914	421	1.1%	2,846	-213	-7.5%	15,528	6,553	42.2%
Mississippi	25,694	13,694	53.3%	1,000	444	44.4%	6,818	700	10.3%
Missouri	44,197	7,903	17.9%	3,079	584	19.0%	14,018	3,032	21.6%
Montana	9,602	1,138	11.8%	235	33	14.0%	2,334	1,931	82.8%
Nebraska	15,004	4,967	33.1%	777	131	16.8%	6,340	1,727	27.2%
Nevada	31,344	18,078	57.7%	1,069	226	21.1%	5,358	7,713	143.9%
New Hampshire	8,254	5,630	68.2%	375	99	26.5%	3,450	804	23.3%
New Jersey	87,202	43,146	49.5%	6,740	607	9.0%	31,697	5,352	16.9%
New Mexico	16,019	2,002	12.5%	441	116	26.3%	3,454	-25,226	-730.4%
New York	189,354	115,176	60.8%	13,544	2,515	18.6%	64,807	19,067	29.4%
North Carolina	56,268	18,666	33.2%	2,237	894	39.9%	19,800	12,869	65.0%
North Dakota	6,000	479	8.0%	272	17	6.1%	2,579	394	15.3%
Ohio	90,461	51,984	57.5%	6,923	1,278	18.5%	35,185	7,231	20.6%
Oklahoma	26,155	2,621	10.0%	1,157	274	23.7%	7,353	3,446	46.9%
Oregon	37,251	8,999	24.2%	1,024	132	12.9%	9,772	2,588	26.5%
Pennsylvania	102,453	22,667	22.1%	5,139	736	14.3%	43,764	9,976	22.8%
Rhode Island	8,341	1,205	14.4%	507	51	10.1%	3,112	1,530	49.2%
South Carolina	29,926	3,351	11.2%	1,403	220	15.7%	9,367	895	9.6%
South Dakota	22,136	12,345	55.8%	343	119	34.7%	1,679	817	48.6%
Tennessee	45,052	-3,334	-7.4%	1,939	193	10.0%	12,808	2,362	18.4%
Texas	203,583	46,461	22.8%	7,426	765	10.3%	47,091	35,116	74.6%
Utah	20,578	3,289	16.0%	537	46	8.6%	3,630	1,566	43.1%
Vermont	3,349	15	0.5%	139	40	28.7%	1,708	1,849	108.2%
Virginia	64,209	11,575	18.0%	2,580	4,566	177.0%	16,985	8,607	50.7%
Washington	66,514	28,704	43.2%	1,957	243	12.4%	15,028	9,498	63.2%
West Virginia	16,163	6,527	40.4%	433	67	15.5%	4,588	-150	-3.3%
Wisconsin	26,608	5,424	20.4%	2,023	673	33.3%	19,799	6,981	35.3%
Wyoming	7,425	6,069	81.7%	127	9	7.2%	1,978	368	18.6%
Countrywide	2,547,445	764,217	30.0%	126,565	22,834	18.0%	753,369	253,937	33.7%

Premium and Loss amounts are in thousands of dollars

Table 1
1997 Loss Ratio Data

	<u>Credit</u>			<u>Aggregate Write-Ins</u>			<u>Totals</u>		
	Premium	Losses	Ratio	Premium	Losses	Ratio	Premium	Losses	Ratio
Alabama	6,457	2,014	31.2%	27,703	17,535	63.3%	3,727,088	2,662,978	71.4%
Alaska	1,056	-151	-14.3%	4,977	3,058	61.4%	755,552	447,229	59.2%
Arizona	3,456	549	15.9%	52,764	42,040	79.7%	4,491,913	2,958,890	65.9%
Arkansas	1,470	525	35.7%	26,229	13,828	52.7%	2,293,782	1,606,990	70.1%
California	53,626	22,014	41.1%	173,241	134,559	77.7%	34,393,940	22,738,081	66.1%
Colorado	4,042	1,120	27.7%	27,117	15,171	55.9%	4,271,906	2,426,915	56.8%
Connecticut	8,183	2,960	36.2%	10,818	7,558	69.9%	4,597,685	2,805,747	61.0%
Delaware	5,591	3,555	63.6%	286,715	3,873	1.4%	1,270,897	667,255	52.5%
Dist. Of Columbia	954	223	23.3%	1,548	464	30.0%	832,738	438,575	52.7%
Florida	25,782	8,912	34.6%	191,988	126,233	65.8%	17,354,470	10,363,665	59.7%
Georgia	14,351	5,732	39.9%	82,008	31,141	38.0%	7,391,838	4,617,867	62.5%
Hawaii	2,306	1,069	46.4%	5,548	5,517	99.4%	1,410,882	588,034	41.7%
Idaho	849	383	45.1%	10,613	7,038	66.3%	970,642	637,259	65.7%
Illinois	19,255	11,543	59.9%	237,857	195,449	82.2%	12,818,013	8,202,019	64.0%
Indiana	7,285	4,922	67.6%	38,226	23,387	61.2%	5,980,342	4,261,135	71.3%
Iowa	1,574	579	36.8%	12,951	7,967	61.5%	2,652,989	1,680,559	63.3%
Kansas	3,472	1,988	57.3%	19,964	5,455	27.3%	2,652,320	1,611,365	60.8%
Kentucky	6,102	3,777	61.9%	26,016	14,426	55.4%	3,305,389	2,554,717	77.3%
Louisiana	5,909	2,777	47.0%	47,197	18,162	38.5%	4,887,804	3,298,902	67.5%
Maine	1,123	321	28.6%	6,544	3,933	60.1%	1,067,493	594,280	55.7%
Maryland	8,910	2,120	23.8%	37,365	26,387	70.6%	4,918,469	3,003,851	61.1%
Massachusetts	15,162	9,754	64.3%	16,739	13,877	82.9%	7,241,097	4,431,462	61.2%
Michigan	7,021	1,819	25.9%	417,694	311,359	74.5%	9,781,518	6,933,861	70.9%
Minnesota	3,889	1,274	32.8%	46,900	28,168	60.1%	5,139,483	3,604,170	70.1%
Mississippi	5,259	2,002	38.1%	20,545	12,800	62.3%	2,258,595	1,502,385	66.5%
Missouri	5,892	2,675	45.4%	34,549	16,971	49.1%	5,305,042	3,265,704	61.6%
Montana	444	81	18.3%	6,566	3,011	45.9%	845,240	562,506	66.5%
Nebraska	891	406	45.5%	17,828	12,790	71.7%	1,799,656	1,145,580	63.7%
Nevada	1,402	464	33.1%	24,534	16,789	68.4%	1,708,257	1,310,499	76.7%
New Hampshire	2,822	1,571	55.7%	11,222	5,960	53.1%	1,219,829	723,354	59.3%
New Jersey	23,042	5,104	22.1%	73,623	43,413	59.0%	11,220,744	8,083,544	72.0%
New Mexico	1,397	568	40.7%	13,307	9,205	69.2%	1,490,809	827,966	55.5%
New York	41,590	20,196	48.6%	57,024	37,281	65.4%	21,973,393	15,198,727	69.2%
North Carolina	21,446	8,671	40.4%	46,274	19,673	42.5%	6,593,813	4,294,872	65.1%
North Dakota	459	280	61.0%	7,493	8,134	108.6%	699,427	852,350	121.9%
Ohio	10,155	5,158	50.8%	70,895	49,900	70.4%	11,429,316	8,314,567	72.7%
Oklahoma	8,739	3,548	40.6%	29,960	21,380	71.4%	3,146,159	2,015,406	64.1%
Oregon	4,719	-253	-5.4%	25,331	13,264	52.4%	3,487,266	2,209,438	63.4%
Pennsylvania	16,033	5,622	35.1%	65,341	37,062	56.7%	12,359,706	8,845,169	71.6%
Rhode Island	2,761	784	28.4%	11,157	2,067	18.5%	1,155,274	726,144	62.9%
South Carolina	6,037	1,461	24.2%	33,772	12,687	37.6%	3,777,740	2,503,063	66.3%
South Dakota	314	13	4.2%	8,567	5,453	63.7%	810,409	568,152	70.1%
Tennessee	10,968	3,986	36.3%	64,778	50,016	77.2%	4,943,474	3,200,051	64.7%
Texas	22,289	13,354	59.9%	168,747	93,916	55.7%	19,313,833	12,074,863	62.5%
Utah	1,977	717	36.3%	11,939	10,350	86.7%	1,714,897	1,059,155	61.8%
Vermont	349	179	51.2%	2,800	1,514	54.1%	600,826	429,461	71.5%
Virginia	7,673	1,603	20.9%	45,604	22,343	49.0%	5,717,015	3,558,670	62.2%
Washington	5,223	1,762	33.7%	41,888	33,612	80.2%	4,633,233	3,404,889	73.5%
West Virginia	709	455	64.2%	6,160	2,907	47.2%	1,437,874	965,407	67.1%
Wisconsin	3,783	1,429	37.8%	29,911	18,833	63.0%	4,901,363	3,075,298	62.7%
Wyoming	154	116	75.4%	3,421	1,981	57.9%	425,701	246,842	58.0%
Countrywide	414,349	171,728	41.4%	2,741,958	1,619,898	59.1%	279,177,140	184,099,867	65.9%

Premium and Loss amounts are in thousands of dollars