NAIC National Association of Insurance Commissioners

& The Center for Insurance Policy and Research

2015 Property/Casualty & Title Insurance Industry Report

Financial Regulatory Services Division

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Property/Casualty Industry Overview

The property/casualty insurance industry continued to benefit from underwriting profits in 2015 with an overall net underwriting profit of $11.5 billion (**Table 1**). The favorable underwriting performance was largely influenced by minimal catastrophe losses, as 2015 marked the 10th consecutive year that a major hurricane has failed to make landfall in the U.S. Conversely, smaller-scale loss events, such as harsh winter storms and severe spring weather, resulted in a 21.4% decline in underwriting income compared to the previous year. In addition to the lower underwriting income, investment profits were down 2.1% year-over-year to $57.2 billion, mainly due to a 21.4% decrease in net realized capital gains. An industry investment yield of 3.17% was indicative of the long-term effect of a low interest rate environment. Overall, net profits remained flat at $56.8 billion and the industry remained well capitalized with $703.6 billion in policyholders' surplus. In addition, excess capital and intense competition in the property/casualty marketplace, due to prolonged soft market conditions, have attributed to an uptick in mergers and acquisitions.

Table 1 - Property/Casualty Insurance Industry Results

($ in Billions)	Chg.	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Writings											
Direct Premiums Written	3.4%	$588.6	$569.3	$544.8	$522.5	$500.6	$483.0	$481.2	$496.5	$508.7	$503.0
Net Premiums Written	3.1%	$522.4	$506.7	$486.5	$465.8	$446.6	$432.3	$428.3	$446.6	$455.6	$455.9
Net Writings Leverage	2.6-pts	74.2%	71.7%	70.9%	75.6%	77.2%	73.6%	79.2%	93.0%	83.2%	88.5%
Operations											
Net Premiums Earned	3.3%	$514.2	$497.9	$476.8	$457.9	$442.8	$430.6	$432.7	$450.5	$453.5	$447.7
Net Loss & LAE Incurred	3.8%	$356.5	$343.6	$320.5	$340.5	$352.0	$317.4	$313.4	$348.7	$308.6	$293.4
Other Underwriting Expenses	3.8%	$145.2	$139.9	$136.6	$130.8	$124.8	$122.7	$120.7	$122.7	$123.1	$119.8
Net Underwriting Gain/(Loss)	(21.4%)	$11.5	$14.7	$20.1	($13.8)	($35.5)	($8.8)	$0.9	($19.6)	$22.6	$34.5
Net Loss Ratio	0.3-pts	69.3%	69.0%	67.2%	74.4%	79.5%	73.7%	72.4%	77.4%	68.1%	65.5%
Expense Ratio	0.4-pts	28.0%	27.6%	28.0%	28.2%	28.3%	28.2%	27.6%	27.2%	26.8%	26.3%
Dividend Ratio	-	0.6%	0.7%	0.7%	0.6%	0.5%	0.7%	0.6%	0.6%	0.7%	0.9%
Combined Ratio	0.6-pts	97.9%	97.3%	95.9%	103.2%	108.3%	102.6%	100.6%	105.2%	95.6%	92.7%
Loss & LAE Reserves	1.0%	$617.9	$612.1	$608.6	$616.3	$613.3	$601.5	$596.9	$599.2	$576.2	$554.6
1yr Develop to PY PHS	0.2-pts	(1.2%)	(1.4%)	(2.7%)	(2.2%)	(2.2%)	(2.0%)	(3.9%)	(0.4%)	(1.6%)	(1.5%)
2yr Develop to 2nd PY PHS	1.7-pts	(2.0%)	(3.6%)	(4.1%)	(3.6%)	(4.1%)	(6.2%)	(3.7%)	(1.8%)	(1.6%)	1.2%
Net Investment Income Earned	1.1%	$46.9	$46.4	$46.6	$48.0	$49.0	$47.6	$47.7	$52.3	$55.6	$51.6
Net Realized Gain/(Loss)	(14.5%)	$10.3	$12.0	$18.8	$9.0	$7.8	$8.2	($8.2)	($20.7)	$9.1	$3.6
Investment Yield	(0.0)-pts	3.17%	3.17%	3.34%	3.61%	3.74%	3.72%	3.92%	4.23%	4.44%	4.40%
Net Cash from Operations	18.0%	$58.9	$49.9	$57.6	$38.7	$18.0	$34.9	$31.9	$38.9	$72.7	$86.1
Liquidity Ratio	0.8-pts	78.6%	77.8%	77.8%	81.6%	82.4%	80.5%	80.7%	85.8%	80.0%	85.7%
Net Income	0.7%	$56.8	$56.4	$69.7	$36.5	$18.3	$36.4	$30.2	$1.7	$63.3	$64.2
Return on Revenue	(0.2)-pts	9.9%	10.1%	12.9%	7.1%	3.7%	7.5%	6.4%	0.4%	12.2%	12.8%
Capital & Surplus											
Policyholders' Surplus	(0.4%)	$703.6	$706.7	$686.1	$615.8	$578.3	$587.7	$541.1	$480.1	$547.5	$515.0
Return on Surplus	(3.7)-pts	4.2%	7.9%	14.2%	6.7%	0.9%	8.7%	9.7%	(13.6%)	8.9%	14.2%

NM = Not Meaningful

Market Conditions

Lack of large-scale catastrophic events in the U.S. property/casualty insurance market resulted in a third consecutive year of underwriting profits and allowed the industry to sustain its strong capital position. Conversely, the low catastrophe losses also led to greater competition among the property/casualty marketplace, which recently triggered declines in premium rates, particularly commercial rates. According to The Council of Insurance Agents & Brokers recent Commercial P/C Market Index Survey, commercial rates were down across all commercial lines in all four quarters of 2015. In the personal lines market, however, premium rates were moderately higher, led by a 5.4% increase in motor vehicle insurance.

From a leverage viewpoint, **Fig. 1**, shows net capacity remained at unprecedented lows with a net underwriting leverage of 74.2% for 2015, but edged higher for the second consecutive year up by 2.6-percentage points since 2014. However, capital adequacy remains solid and well positioned from a leverage perspective.

Fig. 1 - Net Writings Leverage

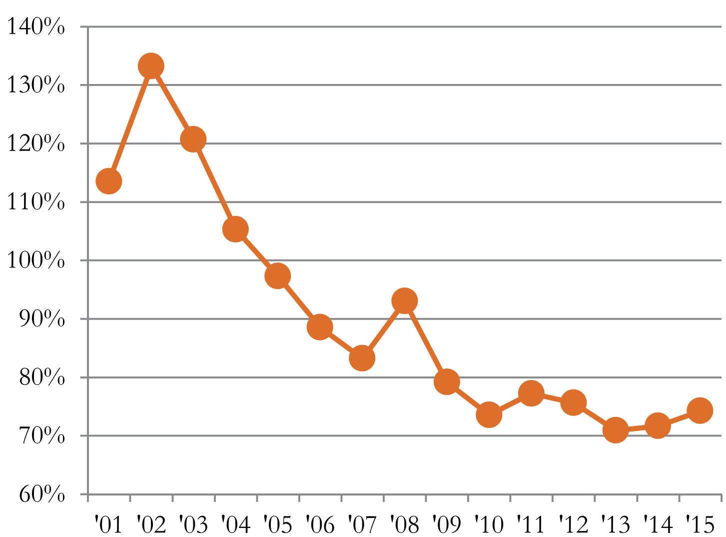
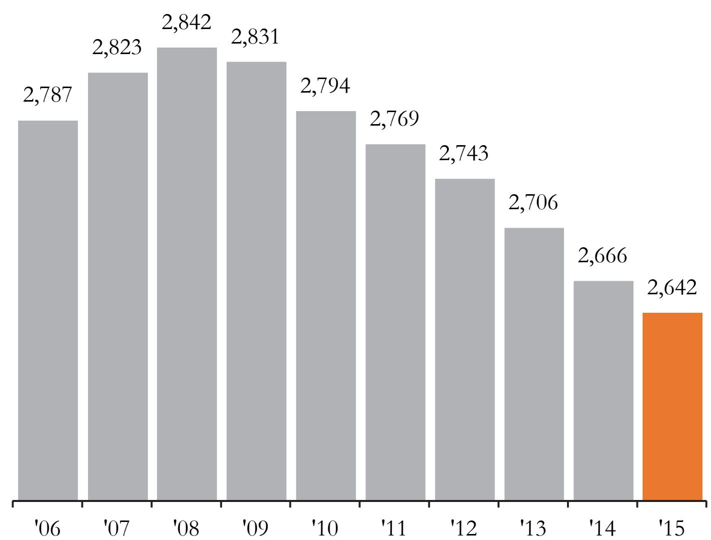


Fig. 2 - No. of Property/Casualty Filers



To a certain extent insurers are not only utilizing the excess capital to write more business, but to increase market share through mergers and acquisitions. As seen in **Fig. 2**, the number of U.S. property/casualty filers has steadily declined since 2008, with an overall net decrease of 200 filers during this seven-year span. Of this, 179 were due to mergers/acquisitions, while 97 insurers voluntarily exited the market, 93 remained active but in rehabilitation or liquidation, and 62 were active but have not filed or are exempt from filing with the NAIC, partially offset by 231 new filers.

Premium

Direct premiums written increased 3.4% to $588.6 billion in 2015 compared to $569.3 billion in 2014. Sequentially, direct writings have increased for 23 consecutive quarters over prior-year-quarters, although a slowdown occurred in 4Q-2015 noted by a 1.4% growth rate compared to the average 3.6% growth rate over the 23-quarter period.

From a year-over-year standpoint, all three markets (Personal Lines, Commercial Lines, and Combined Lines) experienced growth, led by a 4.2% increase in the Personal Lines market to $296.1 billion (50.3% of the total), followed by a 3.2% growth rate in the Commercial Lines market to $220.0 billion (37.4% of the total), and a 1.2% increase in the Combined Lines market to $72.5 billion (12.3% of the total).

On a geographic basis, direct writings increased in all states, and territories, except Alaska, Delaware, North Dakota, Vermont, American Samoa, Guam, Puerto Rico, and Northern Mariana Islands. Geographic-based direct premium written, market share, and pure direct loss ratio (PDLR) data is shown in **Table 2** on the following page.

Table 2 - Direct Writings & Profitability by State, Territories, Etc.

State	Chg in DPW	2015 DPW	2014 DPW	2015 Market Share	Chg in PDLR	2015 Loss Incurred	2015 Earned Prem	2015 PDLR	2014 Loss Incurred	2014 Earned Prem	2014 PDLR
Alabama	3.7%	$7,789	$7,508	1.32%	(1.68) pts	$4,087	$7,675	53.2%	$4,070	$7,411	54.9%
Alaska	(4.1%)	$1,667	$1,739	0.28%	4.34 pts	$719	$1,674	43.0%	$663	$1,718	38.6%
Arizona	2.7%	$9,362	$9,116	1.59%	(2.66) pts	$5,281	$9,155	57.7%	$5,379	$8,914	60.3%
Arkansas	2.5%	$4,739	$4,622	0.80%	6.02 pts	$2,910	$4,677	62.2%	$2,524	$4,492	56.2%
California	5.8%	$68,828	$65,082	11.69%	3.16 pts	$39,546	$67,422	58.7%	$35,479	$63,928	55.5%
Colorado	7.4%	$10,727	$9,990	1.82%	(12.88) pts	$6,386	$10,461	61.0%	$7,161	$9,687	73.9%
Connecticut	2.6%	$8,224	$8,015	1.40%	1.91 pts	$4,532	$8,116	55.8%	$4,254	$7,888	53.9%
Delaware	(2.1%)	$2,156	$2,201	0.37%	(7.07) pts	$1,185	$2,095	56.6%	$1,395	$2,191	63.7%
Dist. Columbia	2.4%	$1,729	$1,688	0.29%	13.00 pts	$878	$1,737	50.6%	$624	$1,661	37.6%
Florida	4.6%	$44,902	$42,914	7.63%	3.49 pts	$22,071	$44,143	50.0%	$19,728	$42,415	46.5%
Georgia	6.3%	$17,118	$16,098	2.91%	0.81 pts	$10,479	$16,742	62.6%	$9,665	$15,644	61.8%
Hawaii	1.7%	$2,339	$2,301	0.40%	2.05 pts	$1,015	$2,329	43.6%	$926	$2,231	41.5%
Idaho	7.2%	$2,460	$2,295	0.42%	2.76 pts	$1,414	$2,409	58.7%	$1,264	$2,259	55.9%
Illinois	5.2%	$24,235	$23,047	4.12%	(1.88) pts	$13,388	$23,725	56.4%	$13,306	$22,819	58.3%
Indiana	4.0%	$10,596	$10,194	1.80%	0.36 pts	$5,771	$10,403	55.5%	$5,524	$10,023	55.1%
Iowa	2.8%	$6,183	$6,012	1.05%	(34.61) pts	$3,153	$6,105	51.6%	$5,115	$5,931	86.3%
Kansas	2.2%	$6,195	$6,061	1.05%	(6.75) pts	$2,998	$6,072	49.4%	$3,325	$5,926	56.1%
Kentucky	3.6%	$6,901	$6,659	1.17%	7.12 pts	$4,320	$6,786	63.7%	$3,713	$6,568	56.5%
Louisiana	1.1%	$10,741	$10,629	1.82%	2.74 pts	$5,587	$10,657	52.4%	$5,204	$10,473	49.7%
Maine	5.3%	$2,136	$2,029	0.36%	(3.37) pts	$1,045	$2,087	50.0%	$1,073	$2,008	53.4%
Maryland	3.2%	$10,571	$10,246	1.80%	3.46 pts	$6,348	$10,390	61.1%	$5,785	$10,037	57.6%
Massachusetts	3.8%	$13,696	$13,189	2.33%	15.07 pts	$8,836	$13,442	65.7%	$6,530	$12,890	50.7%
Michigan	3.1%	$18,108	$17,571	3.08%	(12.14) pts	$11,169	$17,798	62.8%	$12,849	$17,158	74.9%
Minnesota	4.4%	$11,011	$10,545	1.87%	(7.18) pts	$5,728	$10,793	53.1%	$6,207	$10,301	60.3%
Mississippi	2.8%	$4,899	$4,767	0.83%	(5.65) pts	$2,521	$4,827	52.2%	$2,714	$4,690	57.9%
Missouri	3.8%	$10,625	$10,240	1.80%	4.28 pts	$6,368	$10,475	60.8%	$5,684	$10,056	56.5%
Montana	4.1%	$2,064	$1,984	0.35%	(12.14) pts	$1,219	$2,016	60.5%	$1,397	$1,924	72.6%
Nebraska	4.2%	$4,486	$4,305	0.76%	(41.46) pts	$2,322	$4,392	52.9%	$3,969	$4,208	94.3%
Nevada	4.7%	$4,486	$4,283	0.76%	8.35 pts	$2,818	$4,402	64.0%	$2,338	$4,199	55.7%
New Hampshire	2.7%	$2,285	$2,224	0.39%	3.03 pts	$1,157	$2,246	51.5%	$1,055	$2,177	48.5%
New Jersey	2.2%	$20,100	$19,672	3.41%	2.55 pts	$11,943	$19,855	60.2%	$11,118	$19,299	57.6%
New Mexico	3.6%	$3,087	$2,980	0.52%	7.73 pts	$1,897	$3,043	62.3%	$1,607	$2,943	54.6%
New York	3.5%	$43,257	$41,811	7.35%	2.45 pts	$24,939	$42,471	58.7%	$23,061	$40,987	56.3%
North Carolina	3.7%	$14,211	$13,710	2.41%	3.30 pts	$7,498	$13,934	53.8%	$6,785	$13,431	50.5%
North Dakota	(0.9%)	$2,489	$2,511	0.42%	(10.95) pts	$1,120	$2,508	44.7%	$1,373	$2,470	55.6%
Ohio	2.9%	$15,483	$15,048	2.63%	2.42 pts	$7,973	$15,245	52.3%	$7,373	$14,781	49.9%
Oklahoma	5.6%	$7,815	$7,400	1.33%	8.76 pts	$4,491	$7,757	57.9%	$3,559	$7,243	49.1%
Oregon	5.0%	$6,206	$5,910	1.05%	6.29 pts	$3,346	$6,085	55.0%	$2,827	$5,807	48.7%
Pennsylvania	3.2%	$22,992	$22,289	3.91%	(4.42) pts	$13,301	$22,768	58.4%	$13,782	$21,931	62.8%
Rhode Island	5.3%	$2,234	$2,121	0.38%	17.43 pts	$1,566	$2,211	70.8%	$1,117	$2,092	53.4%
South Carolina	5.8%	$8,326	$7,872	1.41%	3.51 pts	$5,066	$8,160	62.1%	$4,518	$7,713	58.6%
South Dakota	2.0%	$2,356	$2,308	0.40%	(8.68) pts	$1,195	$2,309	51.8%	$1,356	$2,244	60.4%
Tennessee	3.9%	$10,529	$10,139	1.79%	3.01 pts	$5,766	$10,352	55.7%	$5,230	$9,926	52.7%
Texas	3.5%	$49,120	$47,449	8.34%	6.23 pts	$29,008	$48,193	60.2%	$24,846	$46,049	54.0%
Utah	6.8%	$4,150	$3,885	0.71%	4.24 pts	$2,171	$4,034	53.8%	$1,872	$3,773	49.6%
Vermont	(0.1%)	$1,394	$1,396	0.24%	(3.51) pts	$629	$1,418	44.3%	$658	$1,375	47.9%
Virginia	3.0%	$12,492	$12,127	2.12%	1.46 pts	$6,573	$12,265	53.6%	$6,213	$11,918	52.1%
Washington	4.8%	$10,609	$10,122	1.80%	5.03 pts	$6,373	$10,376	61.4%	$5,612	$9,951	56.4%
West Virginia	1.3%	$2,911	$2,873	0.49%	2.36 pts	$1,423	$2,882	49.4%	$1,339	$2,849	47.0%
Wisconsin	4.7%	$9,941	$9,494	1.69%	(8.58) pts	$4,948	$9,747	50.8%	$5,528	$9,315	59.3%
Wyoming	2.9%	$1,115	$1,083	0.19%	(8.53) pts	$511	$1,102	46.4%	$581	$1,058	54.9%
American Samoa	(28.9%)	$0	$0	0.00%	(11.35) pts	$0	$1	2.0%	$0	$1	13.3%
Guam	(62.3%)	$114	$302	0.02%	90.15 pts	$157	$112	140.3%	$149	$297	50.1%
Puerto Rico	(66.0%)	$618	$1,816	0.10%	6.96 pts	$463	$626	74.0%	$1,239	$1,848	67.0%
U.S. Virgin Islands	39.3%	$115	$82	0.02%	14.37 pts	$43	$115	37.5%	$21	$89	23.1%
N. Mariana Islands	(60.8%)	$5	$13	0.00%	(18.13) pts	$2	$5	36.6%	$7	$13	54.7%
Canada	(48.2%)	$2,072	$4,003	0.35%	(9.87) pts	$977	$2,771	35.3%	$1,833	$4,062	45.1%
Agg. Other Alien	9.9%	$3,655	$3,327	0.62%	7.29 pts	$1,923	$3,606	53.3%	$1,714	$3,724	46.0%
Totals	**3.4%**	**$588,649**	**$569,296**	**-**	**0.86 pts**	**$330,553**	**$579,203**	**57.1%**	**$314,238**	**$559,013**	**56.2%**

PREMIUM (CONT'D.)

Assumed premiums written increased 2.4% to $442.3 billion in 2015 compared to $431.8 billion in 2014, of which 89.1% was comprised of affiliated assumptions and 10.9% non-affiliated business. U.S. intercompany pooling agreements comprised 63.5% of all reinsured business, followed by 23.2% affiliated U.S. non-pooled business. Non-U.S. assumptions accounted for 3.7% of total assumptions.

Cessions totaled $508.5 billion in 2015 compared to $494.4 million for the prior year, to arrive at net premiums written of $522.4 billion (50.7% net retention).

Table 3 shows net premiums written by line of business and by market for the last two years.

Personal Lines

Net writings in the Personal Lines market increased 2.0% relative to the prior year to $272.3 billion driven primarily by rises of 3.3% and 3.2% in the private passenger auto liability and homeowners' lines of business. Partly offsetting the growth was a 1.1% decline in private passenger auto physical damage net writings.

Commercial Lines

Commercial market net premiums written reported steady top-line growth for the sixth consecutive year and recorded an overall growth rate of 2.6% in 2015 to $193.6 billion. The top three out of four commercial lines experienced year-over-year premium growth, led by a 3.1%, or $1.4 billion increase in workers' compensation to $47.8 billion, followed by a 3.9%, or $1.1 billion increase in other liability - occurrence to $29.0 billion, and a 6.6%, or $1.3 billion increase in commercial auto liability to $20.9 billion. The commercial multiple peril (non-liability) line reported a nominal 1.0%, or $0.2 billion decline to $21.4 billion.

It was also noted that the medical professional liability line experienced a decrease of 3.5% to $8.2 billion, and represented the ninth consecutive year that net premiums declined.

Combined Lines

Net premium volume in the Combined Lines market totaled $57.3 billion for 2015 compared to $55.6 billion in 2014. The increase mostly resulted from an 10.8% increase in the reinsurance non-proportional lines to $13.3 billion and 12.0% rise in mortgage guaranty net premiums to $4.7 billion.

Table 3 - Net Premiums Written

Market	% Chg.	$ Chg.	2015	2014
Personal Lines	2.0%	$5.4	$272.3	$266.9
Commercial Lines	2.6%	$4.9	$193.6	$188.7
Combined Lines	2.9%	$1.6	$57.3	$55.6
All Lines	3.1%	$15.8	$522.4	$506.7
Personal Lines				
Prvt Psgr Auto Liab	3.3%	$3.8	$116.1	$112.4
Homeowners MP	3.2%	$2.5	$79.8	$77.3
Prvt Psgr Auto Phy Dmg	(1.1%)	($0.8)	$76.4	$77.2
Commercial Lines				
Workers' Comp	3.1%	$1.4	$47.8	$46.4
Other Liab - Occur	3.9%	$1.1	$29.0	$27.9
Commercial MP (Non-Liab)	(1.0%)	($0.2)	$21.4	$21.6
Commercial Auto Liab	6.6%	$1.3	$20.9	$19.6
Other Liab - Claims-Made	1.7%	$0.3	$16.5	$16.2
Commercial MP (Liab)	6.6%	$0.8	$13.3	$12.4
Medical Prof Liab	(3.5%)	($0.3)	$8.2	$8.5
Commercial Auto Phy Dmg	10.2%	$0.6	$6.7	$6.1
Surety	2.7%	$0.1	$5.1	$5.0
Group A & H	6.1%	$0.3	$4.6	$4.3
Farmowners MP	3.8%	$0.1	$3.8	$3.6
Multiple Peril Crop	(12.1%)	($0.5)	$3.7	$4.2
Ocean Marine	(2.8%)	-	$2.8	$2.9
Products Liability	4.6%	-	$2.8	$2.7
Boiler and Machinery	0.0%	-	$1.7	$1.7
Fidelity	(0.4%)	-	$1.2	$1.2
Credit	(8.3%)	-	$1.1	$1.2
Excess Workers' Comp	1.1%	$0.0	$0.9	$0.9
Aircraft (all perils)	(7.6%)	($0.1)	$0.9	$1.0
Private Crop	-	$0.0	$0.6	$0.6
Financial Guaranty	(14.3%)	($0.1)	$0.4	$0.5
Burglary and Theft	1.8%	-	$0.2	$0.2
Combined Lines				
Reinsurance-Nonpro	10.8%	$1.3	$13.3	$12.0
Inland Marine	3.9%	$0.4	$11.4	$11.0
Fire	(2.3%)	($0.3)	$11.3	$11.6
Allied Lines	(3.7%)	($0.4)	$9.6	$10.0
Mortgage Guaranty	12.0%	$0.5	$4.7	$4.2
Other A & H	(4.8%)	($0.2)	$3.2	$3.3
Earthquake	0.3%	-	$1.6	$1.6
Aggregate Write-ins	0.5%	$0.0	$1.1	$1.1
Warranty	35.1%	$0.3	$1.0	$0.8
International	(34.5%)	-	$0.1	$0.1
Credit A & H	(31.6%)	-	$0.0	$0.1
Federal Flood	(64.8%)	-	$0.0	$0.0

Sorted by CY NPW Descending

Table 4 - Combined Ratio

Market	Pt. Chg.	2015	2014	2013
Personal Lines	1.5 pts	100.9%	99.4%	98.4%
Commercial Lines	(0.7) pts	98.3%	99.0%	96.9%
Combined Lines	(0.1) pts	80.9%	80.9%	81.9%
All Lines	0.6 pts	97.9%	97.3%	95.9%
Personal Lines				
Prvt Psgr Auto Liab	4.3 pts	107.9%	103.6%	103.5%
Homeowners MP	(0.4) pts	92.1%	92.5%	90.3%
Prvt Psgr Auto Phy Dmg	(0.6) pts	99.5%	100.1%	98.7%
Commercial Lines				
Workers' Comp	(5.6) pts	95.8%	101.4%	98.8%
Other Liab - Occur	11.5 pts	103.3%	91.8%	96.4%
Commercial MP (Non-Liab)	(3.9) pts	91.9%	95.8%	94.4%
Commercial Auto Liab	7.6 pts	111.3%	103.7%	107.5%
Other Liab - Claims-Made*	34.1 pts	98.6%	64.5%	97.4%
Commercial MP (Liab)	(4.2) pts	99.3%	103.5%	103.0%
Medical Prof Liab	(3.6) pts	102.3%	105.9%	89.4%
Commercial Auto Phy Dmg	(0.9) pts	100.9%	101.8%	104.9%
Surety	5.6 pts	73.8%	68.2%	72.7%
Group A & H	3.5 pts	100.1%	96.6%	99.9%
Multiple Peril Crop	(5.1) pts	99.9%	104.9%	103.3%
Farmowners MP	(7.2) pts	89.9%	97.1%	94.0%
Ocean Marine	0.5 pts	94.7%	94.2%	98.1%
Products Liability	0.0 pts	130.7%	130.6%	155.2%
Boiler and Machinery	(6.0) pts	69.9%	75.9%	72.4%
Credit	2.7 pts	76.5%	73.8%	74.9%
Fidelity	(14.4) pts	77.2%	91.6%	92.9%
Aircraft (all perils)	30.2 pts	100.7%	70.5%	99.5%
Excess Workers' Comp	10.1 pts	112.0%	101.9%	69.3%
Private Crop	7.3 pts	146.2%	138.8%	NA
Financial Guaranty	7.9 pts	99.2%	91.3%	(3.4%)
Burglary and Theft	2.0 pts	61.3%	59.2%	42.2%
Combined Lines				
Reinsurance-Nonpro	8.5 pts	72.3%	63.8%	72.9%
Fire	(0.7) pts	85.1%	85.8%	78.5%
Inland Marine	0.5 pts	83.9%	83.4%	83.8%
Allied Lines	4.3 pts	88.1%	83.8%	85.3%
Mortgage Guaranty	(15.0) pts	57.1%	72.1%	98.0%
Other A & H	4.2 pts	132.0%	127.8%	132.5%
Earthquake	(5.4) pts	28.4%	33.8%	30.5%
Aggregate Write-ins	(39.3) pts	83.8%	123.1%	64.0%
Warranty	10.2 pts	107.9%	97.8%	104.2%
International	(114.8) pts	2.0%	116.8%	92.6%
Credit A & H	(2.9) pts	42.3%	45.2%	45.0%
Federal Flood	NM	NM	NM	NM

NA = Not Available NM = Not Material
*The 2014 data for this line was significantly affected by amended filings within a particular Group

Underwriting Operations

For the third consecutive year, the U.S. property/casualty insurance industry recorded profits from underwriting operations, with a current year net underwriting profit of $11.5 billion. This three-year span of improved profitable underwriting performance was attributed to an absence of large-scale catastrophic events, such as hurricanes or earthquakes. Conversely, current year underwriting performance was impacted by smaller scale losses derived from harsh winter storms and numerous outbreaks of severe spring storms (**Table 5**).

Table 5 - 2015 Largest U.S. Loss Events

Event	Fatalities	Overall Losses	Insured Losses
Winter Storms (Feb.)	40	$2.8	$2.1
Severe Storms (May)	32	$2.5	$1.4
Severe Storms (April)	3	$1.6	$1.2
Wildfires (Sept & Oct)	4	$1.4	$1.0

($ in 000) *Source: Property Claim Services

Overall, the underwriting profitability fell 21.4% from a net underwriting profit of $14.7 billion recorded in 2014. The deterioration was results of a 3.8% increase in net losses and LAE incurred to $356.5 billion and a 3.8% rise in other underwriting expenses to $145.2 billion that outpaced a 3.3% rise in net premiums earned to $514.2 billion. The combined ratio was 0.6-percentage points higher at 97.9% compared to the 97.3% reported in the year prior. **Table 4** provides the combined ratio by line of business for the last three years.

Regarding the underwriting performance by state, **page 3-Table 2**, it was noted that Rhode Island's PDLR rose 17.4-percentage points to 70.8% and Massachusetts's PDLR increased 15.1-percentage points to 65.7%. These results were reflective of the winter storms referenced above.

Personal Lines

The personal lines market combined ratio worsened 1.5-percentage points to 100.9%. The deterioration was primarily attributable to net loss ratio which worsened 1.6-percentage points to 74.7% as net losses and LAE incurred rose 6.8% to $199.6 billion while net premiums earned increased only 4.5% to $267.3 billion. The expense ratio improved a nominal 0.2-percentage points to 25.8%. The unfavorable underwriting results were entirely concentrated in the private passenger auto liability line of business which recorded an overall combined ratio of 107.9% —83.0% net loss ratio and 24.5% expense ratio.

Underwriting Operations (Cont'd.)

Commercial Lines

The overall combined ratio for the Commercial Lines market remained relatively flat at 98.3% for 2015 compared to 99.0% in 2014. The net loss ratio improved 1.5-percentage points to 67.3% while the expense ratio worsened 0.8-percentage points to 30.0%.

Combined ratios for the top commercial lines included workers' compensation—95.8%, other liability - occurrence—103.3%, commercial multiple peril (non-liability)—91.9%, and commercial auto liability—111.3%. It was also noted that the other liability –claims made combined ratio deteriorated 34.1-percentage points, most of which was related to the net loss ratio as a 98.4% rise in losses and LAE incurred outpaced a 2.5% rise in premiums earned. Other year-to-year changes to the combined ratio for the remaining commercial lines had nominal effects on the overall market.

Combined Lines

The combined ratio for the Combined Lines market was significantly influenced by the top four lines, reinsurance-non-proportional, fire, inland marine, and allied lines, which collectively comprised 80.5% of total net earned premiums within the Combined Lines market. Furthermore, these lines are typically impacted by catastrophic losses. Thus, low catastrophe losses have contributed to a favorable Combined Lines market combined ratios, with the current year combined ratio remaining flat at 80.9%.

Investment Operations

The U.S. property/casualty insurance industry investment income totaled $57.2 billion for the year, down 2.1% from $58.4 billion reported in the previous year. The decline came as net realized capital gains fell 14.5% to $10.3 billion, largely due to increased taxes on capital gains and market volatility, while net investment income remained flat at $46.9 billion. The industry investment yield (**Fig. 3**) remained at a 10-year low of 3.2%.

In December 2015, the U.S. Federal Reserve (Fed) made its first rate increase since it lowered the Federal Funds Rate in December 2008 in an effort to stave off the faltering U.S. economy resulting from the bursting of the housing bubble in mid-2007. The rate increased from 0.25% to 0.50%. In addition, the Fed hinted at the possibility of up to 4 additional increases over the next 2 years. These increases are expected to be incremental, but over time they should lead to better investment returns and trigger a upward trajectory in industry yields. It was also noted that while the Fed has ended its quantitative easing program (QE), a bond bond-buying program that allowed the Fed to purchase Treasury bonds and mortgage-based securities in an effort to lower long-term rates. It will hold onto the $4.5 trillion in QE assets for years to come and reinvest the proceeds, which will provide additional support to the economy.

As illustrated in **Fig. 4**, at $33.0 billion, the bulk of the industry's net investment income was derived from bonds (70.4%).

Fig. 3 - Investment Income

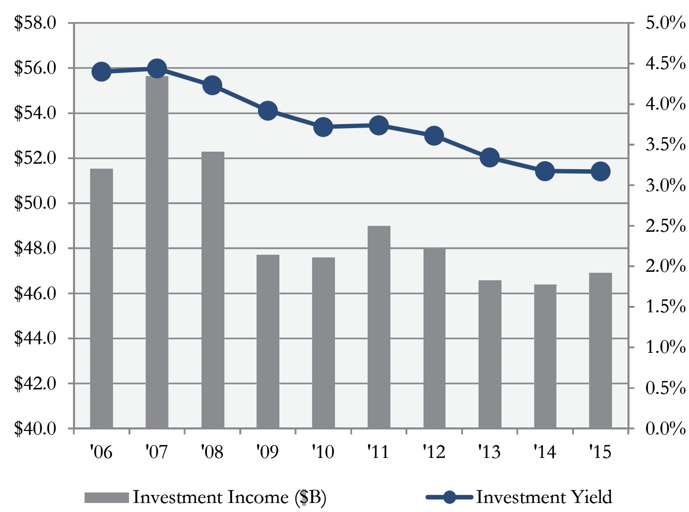


Fig. 4 - Net Investment Income Earned ($B)

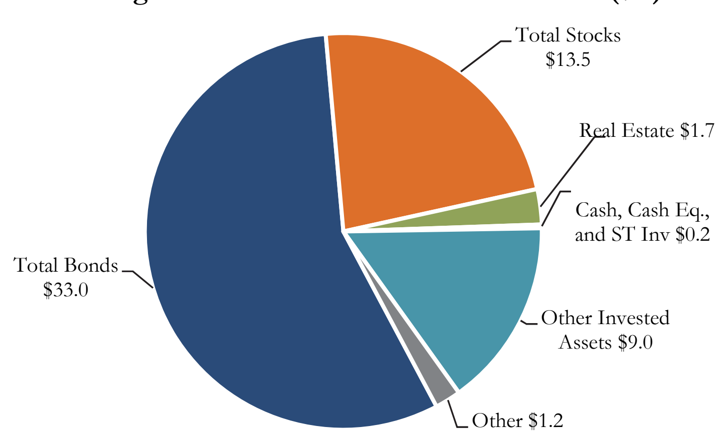


Table 6 - PreTax Profit

Market	% Chg.	$ Chg.	2015	2014
Personal Lines	NM	($3.5)	($2.2)	$1.3
Commercial Lines	(1.3%)	($0.0)	$3.0	$3.1
Combined Lines	62.9%	$3.5	$8.9	$5.5
All Lines	(0.7%)	($0.1)	$9.8	$9.8
Personal Lines				
Prvt Psgr Auto Liab	(157.9%)	($5.6)	($9.2)	($3.6)
Homeowners MP	37.1%	$1.8	$6.7	$4.9
Prvt Psgr Auto Phy Dmg	NM	$0.3	$0.3	($0.1)
Commercial Lines				
Workers' Comp	NM	$4.1	$1.6	($2.5)
Other Liab - Occur	57.5%	$1.7	($1.3)	($3.0)
Commercial MP (Non-Liab)	95.6%	-	$1.7	$0.9
Commercial Auto Liab	(197.0%)	($1.6)	($2.4)	($0.8)
Other Liab - Claims-Made*	(93.2%)	($5.2)	$0.4	$5.6
Commercial MP (Liab)	NM	-	$0.1	($0.5)
Medical Prof Liab	NM	($0.8)	($0.1)	$0.7
Commercial Auto Phy Dmg	46.1%	$0.1	($0.1)	($0.1)
Surety	(14.1%)	($0.2)	$1.3	$1.5
Group A & H	NM	($0.2)	($0.1)	$0.1
Multiple Peril Crop	NM	-	$0.1	($0.2)
Farmowners MP	258.5%	-	$0.4	$0.1
Ocean Marine	(15.5%)	($0.0)	$0.1	$0.2
Products Liability	3.9%	$0.0	($0.7)	($0.8)
Boiler and Machinery	19.1%	$0.1	$0.5	$0.4
Credit	(9.4%)	($0.0)	$0.3	$0.3
Fidelity	191.8%	-	$0.3	$0.1
Aircraft (all perils)	(93.1%)	($0.3)	$0.0	$0.4
Excess Workers' Comp	(233.2%)	($0.1)	($0.1)	($0.0)
Private Crop	(19.5%)	($0.0)	($0.3)	($0.2)
Financial Guaranty	26.7%	$0.3	$1.3	$1.0
Burglary and Theft	(0.2%)	-	$0.1	$0.1
Combined Lines				
Reinsurance-Nonpro	3,761.7%	$2.7	$2.8	$0.1
Fire	3.8%	$0.1	$1.8	$1.7
Inland Marine	1.3%	$0.0	$1.7	$1.7
Allied Lines	(12.0%)	($0.2)	$1.2	$1.4
Mortgage Guaranty	88.2%	$0.6	$1.2	$0.6
Other A & H	(15.3%)	($0.2)	($1.3)	($1.2)
Earthquake	11.6%	$0.1	$1.1	$1.0
Aggregate Write-ins	NM	$0.4	$0.3	($0.1)
Warranty	NM	($0.1)	($0.1)	$0.1
International	NM	-	$0.0	($0.0)
Credit A & H	7.3%	-	$0.0	$0.0
Federal Flood	(17.2%)	-	$0.1	$0.2

NM = Not Meaningful
* The 2014 data for this line was significantly affected by amended filings within a particular Group.

Investment Operations (Cont'd.)

The majority of bonds consisted of Industrial and Miscellaneous Obligations—42.6%, U.S. Special Revenue and Assessment Obligations—26.7%, and U.S. Governments—13.8%. Non-investment grade bonds accounted for 4.4% of total bonds. Furthermore, 52.5% of the industry's bond portfolio matures in five years or less, 33.1% matures in over 5 through 10 years and 14.4% matures in over 10 years.

Net Income

The industry recorded a net profit of $56.8 billion for 2015, up a nominal 0.7% over the year prior. Return on revenue—a measure of net income to net premiums earned, net investment income earned, and realized capital gains (losses)—was slightly lower at 9.9% for the year versus 10.2% for the prior year (**Fig. 5**).

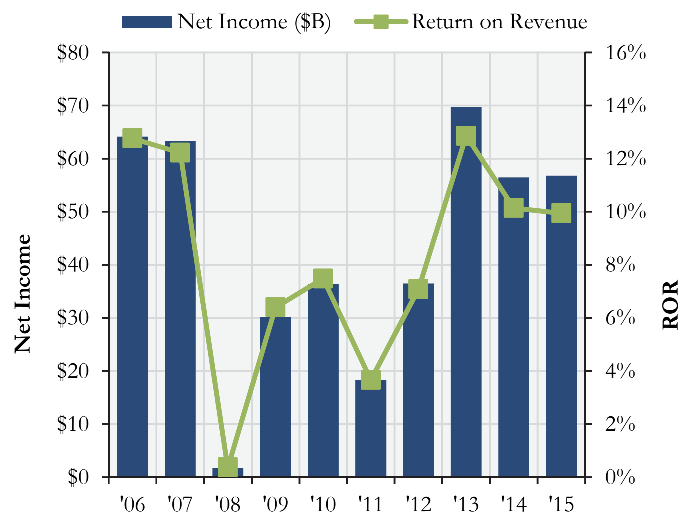


Fig. 5 - Profitability

Table 6, provides pre-tax operating profits or losses (excluding all investment gains) by market and by line of business. As seen, pre-tax profits remained flat in 2015 at $9.8 billion. The results were due to improvements within the workers' compensation, reinsurance-nonproportional, homeowners multiple peril, and other liability - occurrence liability lines that were offset by deteriorations in the private passenger auto and other liability—claims made lines of business.

Capital & Surplus

From a long-term historical standpoint, policyholders' surplus growth illustrated how impactful the low catastrophic loss events have been to the property/casualty insurance industry. Since the record breaking hurricane season in 2005, industry policyholders' surplus has increased a staggering 56% to $703.6 billion (**Fig. 6**).

For the current year, policyholders' surplus (adjusted to remove affiliated surplus) decreased a nominal 0.4%, however, remained near the all time high of $707.5 billion. The decline was primarily caused by an uptick in dividends to stockholders, unrealized capital losses, and an increased in non-admitted assets, offset by the net profit and paid-in surplus. Return on surplus—a measure of net income and unrealized capital gains (losses), to average policyholders' surplus—was 4.2% for the year, down 3.7-percentage points from 7.9% recorded in the prior year.

Unassigned funds of $501.0 billion comprised the greater part of surplus at 58.0% of the total, followed by gross paid-in and contributed surplus of $265.3 billion, aggregate write-ins for special surplus funds totaled $71.4 billion, and surplus notes of $15.8 billion (**Fig. 7**).

Cash & Liquidity

Net cash provided by operating activities totaled $58.9 billion in 2015 compared to $49.9 billion in 2014 (**Fig. 8**). The 18.0% increase was primarily due to a 3.2%, or $16.1 billion increase in net premiums earned, a 20.9%, or $8.9 million rise in net investment income, and a $6.0 billion increase in miscellaneous income, which offset the majority of a 4.5%, or $12.4 billion increase in benefit and loss related payments, a 2.8 %, or $5.4 billion rise in commissions and expenses paid and a 32.5%, or $4.1 billion increase in federal and foreign income taxes paid.

Liquidity was nearly flat at 78.6% as adjusted liabilities rose 0.6% to $1.0 trillion and liquid assets fell 0.4% to $1.3 trillion.

Reserves

Loss and LAE reserves increased by 1.0% during the year to $617.9 billion at December 31, 2015, whereby $507.4 billion were unpaid losses and $110.6 billion unpaid LAE.

A long trend of favorable reserve development continued, with a one-year redundancy of $8.6 billion and two-year redundancy of $13.6 billion. **Table 7** displays the loss reserve development by line of business.

Fig. 6 - Policyholders' Surplus

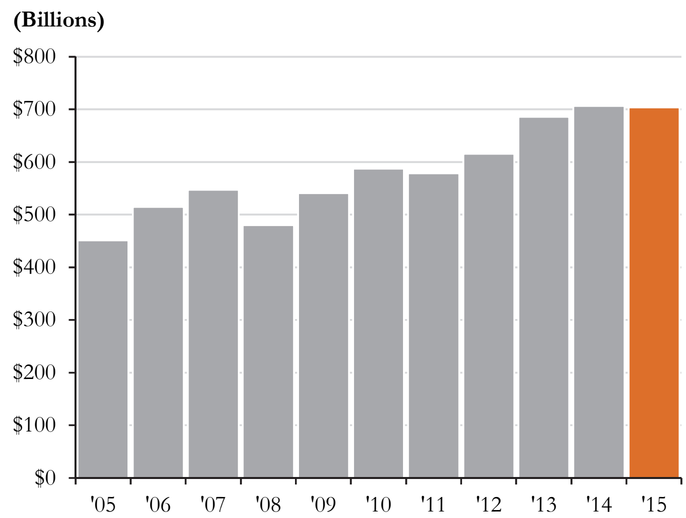


Fig. 7 - Industry Surplus

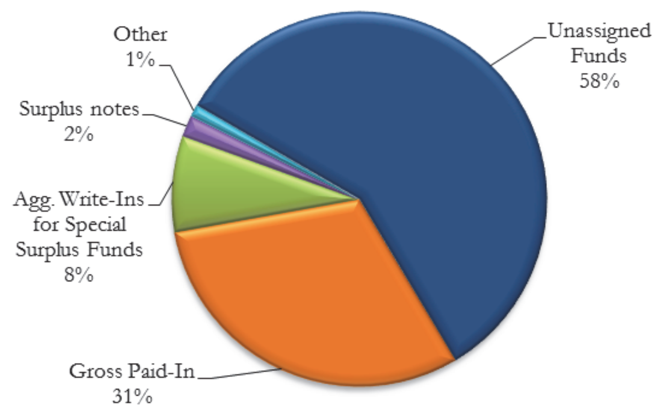


Fig. 8 - Cash & Liquidity

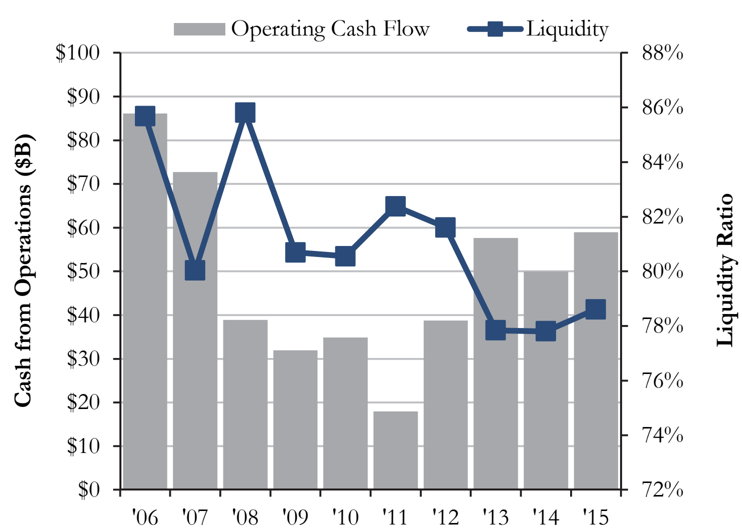


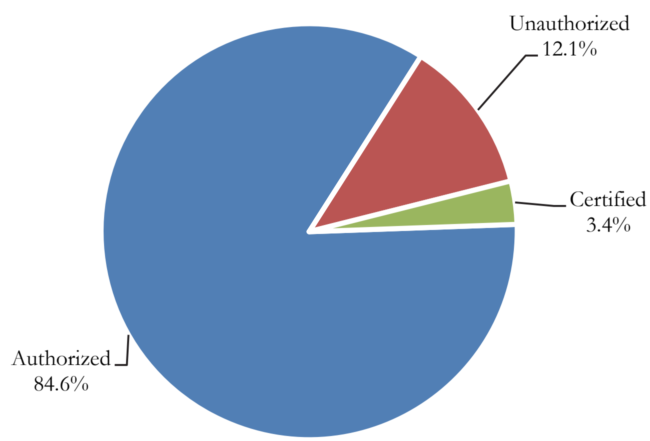
Table 7 - Loss Reserve Development

Loss Reserve Development (SM)	1-Yr	2-Yr	Loss & LAE Reserves (SM) % Chg	$ Chg	2015	2014
Homeowners/Farmowners	($563)	($1,375)	5.9%	$1,304	$23,418	$22,113
Private Passenger Auto Liability/Medical	$514	($367)	4.7%	$4,775	$106,724	$101,949
Commercial Auto/Truck Liability/Medical	$1,652	$1,801	9.2%	$2,442	$28,912	$26,471
Workers' Compensation	($3,663)	($3,696)	1.8%	$2,980	$167,312	$164,332
Commercial Multiple Peril	($683)	($652)	(0.8%)	($304)	$36,871	$37,175
Medical Professional Liability - Occurrence	($611)	($1,256)	(1.8%)	($202)	$10,809	$11,011
Medical Professional Liability - Claims-Made	($767)	($724)	(2.7%)	($483)	$17,331	$17,815
Sp Liability (Ocean Mar, Aircraft, Boil&Mach)	($257)	($750)	(5.2%)	($313)	$5,690	$6,003
Other Liability - Occurrence	$1,220	$1,313	2.1%	$1,938	$93,257	$91,319
Other Liability - Claims-Made	$6	($858)	(0.9%)	($353)	$40,210	$40,562
Sp Property (Fire, Allied, Inland Mar, EQ, B&T)	($1,028)	($1,277)	(4.2%)	($675)	$15,313	$15,988
Auto Physical Damage	($1,937)	($2,042)	8.8%	$503	$6,243	$5,740
Fidelity /Surety	($558)	($1,059)	(1.4%)	($62)	$4,401	$4,463
Other (including Credit, A&H)	($222)	($608)	3.1%	$205	$6,811	$6,606
International	($95)	($80)	(38.8%)	($99)	$156	$256
Reinsurance (Nonpro-Property)	($1,263)	($1,910)	(2.3%)	($179)	$7,789	$7,968
Reinsurance (Nonpro-Liability)	($243)	($1,520)	(4.8%)	($1,562)	$30,956	$32,518
Reinsurance (Nonpro-Financial)	($36)	($85)	(7.4%)	($33)	$411	$444
Product Liability - Occurrence	$680	$1,096	(3.1%)	($485)	$14,919	$15,403
Product Liability - Claims-Made	($76)	($94)	(9.4%)	($136)	$1,300	$1,435
Financial Guaranty/Mortgage Guaranty	($636)	$558	(16.1%)	($2,640)	$13,722	$16,363
Warranty	($11)	($44)	(27.3%)	($43)	$115	$159

Reinsurance

Total amounts recoverable from reinsurers increased 2.7% to $904.7 billion from $881.1 billion in 2014. Authorized balances totaled $783 billion, a 2.6% increase relative to the prior year-end, of which 72.5% were affiliated balances that mainly stemmed from intercompany pooling agreements. Unauthorized recoverables totaled $102.4 billion (11.3% of total recoverables), down 4.3% compared to the $107.0 billion in 2014, while certified balances jumped 74.0% to $19.4 billion (2.1% of total recoverables) compared to $11.1 billion (1.3% of total recoverables) last year. Leverage related to net recoverable balances was 3.2-percentage points higher at 121.1% of policyholders' surplus compared to 117.3% for the prior year. Total amounts recoverable on paid losses and LAE was $28.5 billion (4.0% of policyholders' surplus), whereby 79.8% were authorized balances, 16.4% unauthorized, and 3.8% certified.

Fig. 9 - Ceded Premiums



Professional Reinsurance Market

The Professional Reinsurance Market includes reinsurers that collectively comprised the top 75% of the industry's non-affiliated assumptions. In 2015, 32 reinsurers represented this market. Assumed premiums written in 2015 totaled $129 billion (29.2% of total industry assumptions), of which $36.4 billion were non-affiliated assumed premiums (75.3% of total industry non-affiliated assumptions). As seen in **Table 8** on the next page, the profitable U.S. property/casualty

Professional Reinsurance Market (Cont'd.)

Table 8 - Professional Reinsurance Market Summary

($ in Billions)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
No. of Reinsurers	32	32	29	31	29	30	28	30	31	30
Non-Aff APW	$36.4	$35.9	$34.5	$35.9	$35.0	$30.9	$33.2	$33.8	$31.2	$36.4
Market Share	75.3%	75.2%	75.0%	75.3%	75.1%	75.3%	75.8%	75.1%	75.4%	75.1%
Assm Prem. Earned	$124.0	$125.7	$97.5	$84.4	$77.7	$78.2	$77.5	$90.5	$94.4	$102.3
Assm. Losses Incrd.	$68.2	$72.9	$52.0	$55.4	$56.2	$46.2	$47.0	$56.9	$54.0	$58.8
Assm. Loss Ratio	55.0%	58.0%	53.4%	65.7%	72.4%	59.1%	60.7%	62.9%	57.2%	57.4%
Net U/W Gain (Loss)	$3.7	$4.1	$4.6	($3.4)	($5.5)	($1.1)	$0.3	($1.6)	$5.9	$4.8
Net Inv. Gain (Loss)	$15.2	$22.7	$25.8	$14.4	$14.4	$17.1	$8.9	$10.1	$15.6	$16.0
Net Income	$16.0	$21.1	$26.6	$9.6	$8.2	$14.1	$7.3	$5.0	$15.0	$17.3
Return on Revenue	17.7%	20.1%	30.8%	13.9%	12.7%	21.5%	13.5%	7.1%	19.2%	21.5%
Return on Surplus	5.1%	9.4%	19.7%	11.3%	4.9%	12.8%	18.2%	(10.1%)	15.2%	22.9%
Investment Yield	3.4%	5.1%	4.4%	4.3%	4.2%	4.8%	4.6%	4.2%	4.4%	5.7%
Net Loss Ratio	66.3%	68.6%	60.7%	77.6%	82.8%	74.8%	70.7%	76.3%	64.5%	66.7%
Expense Ratio	27.7%	25.1%	29.8%	28.3%	27.5%	27.5%	27.4%	26.7%	26.0%	25.7%
Dividend Ratio	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Combined Ratio	94.1%	93.8%	90.6%	105.9%	110.4%	102.4%	98.1%	103.1%	90.6%	92.5%
Cash from Ops.	$16.0	$22.4	$20.2	$14.4	$8.7	$15.6	$10.1	$9.8	$15.7	$20.0
Liquidity Ratio	99.0%	97.7%	96.3%	100.4%	101.2%	99.7%	100.8%	105.4%	100.4%	96.2%
1-yr Reserve Dvlpmt	($2.2)	$3.6	$3.0	($0.0)	($0.9)	($0.1)	$0.1	($1.5)	($0.9)	$1.1
2-yr Reserve Dvlpmt	$15.4	($2.0)	($3.5)	($0.9)	($0.7)	$0.3	($1.0)	($1.7)	$1.9	$3.6

insurance industry as a whole carried over into the Professional Reinsurance Market, with a net profit of $16.0 billion, marginally lower than the $21.1 billion net profit generated in the year prior. Return on revenue was down 2.4-percentage points year-over-year, but still impressive at 17.7%. The profit for the current year was mainly derived from a net investment gain of $15.2 billion, but was also attributed to a net underwriting gain of $3.7 billion. Investment yield was 3.4% or 20-basis points higher than the industry average, and the combined ratio was 94.1%, represented by a 66.3% net loss ratio, 27.7% expense ratio, and 0.1% policyholders dividend ratio. The one-year loss reserve development was redundant by $2.2 billion; however, the two-year development was deficient by $15.4 billion. Return on surplus fell for the second consecutive year to 5.1% for 2015, down from 9.4% in 2014 and 19.7% in 2013. Net cash provided by operating activities totaled $16 billion and liquidity was 99%.

Cybersecurity and Identity Theft Insurance Coverage

Cybersecurity has become more significant over recent years as critical consumer financial information is stored in electronic format and in light of recent high profile data breaches. Most standard commercial lines policies do not include cyber risks, therefore, insurers have began offering special cyber liability coverage. The cyber liability market is relatively new and is expected to grow dramatically over time as businesses become more aware that current business policies do not adequately cover cyber risks. In an effort to address the growing cyber security market, the Cybersecurity and Identify Theft Coverage Supplement, was added to insurers financial statement filings in 2015 to gather financial performance information about insurers writing cyber-liability coverage. **Table 9** on the next page provides a summary of the industry's cyber security coverage for 2015.

Cybersecurity and Identity Theft (Cont'd.)

Table 9 - Cybersecurity and Identity Theft Insurance Coverage
2015 Annual Data
642 Companies Filed Supplement

Stand-Alone Cybersecurity Insurance Policies

No. of Claims Rptd.		Direct Premiums		Direct Losses		Adj. & Other Exp.		Direct DCC		Policies in Force	
First Party	Third Party	Written	Earned	Paid	Incurred	Paid	Incurred	Paid	Incurred	CM	Occur
871	271	$480,738,481	$371,514,043	$72,431,544	$190,808,756	$3,235,178	$6,314,701	$9,202,256	$47,844,344	52,669	11,630

51.4% Pure Direct Loss Ratio

Stand-Alone Identity Theft Policies

Number of Claims Reported	Direct Premiums		Direct Losses		Adj. & Other Exp.		Direct DCC		No. of Policies in Force
	Written	Earned	Paid	Incurred	Paid	Incurred	Paid	Incurred	
10,416	$21,184,199	$20,905,155	$1,981,711	$15,395,652	$349,347	$459,082	$3,379	$1,510,770	496,883

73.6% Pure Direct Loss Ratio

Cybersecurity Insurance that is Part of a Package Policy

No. of Claims Rptd.		Direct Losses		Adj. & Other Exp.		Direct DCC		Policies in Force	
First Party	Third Party	Paid	Case Reserve	Paid	Case Reserve	Paid	Case Reserve	CM	Occur
1,706	546	$67,827,484	$64,083,882	$4,339,832	$2,011,676	$6,043,127	$2,644,898	518,620	881,835

Identify Theft Insurance that is Part of a Package Policy

Number of Claims Reported	Direct Losses		Adj. & Other Exp.		Direct DCC		Number of Policies in Force
	Paid	Case Reserve	Paid	Case Reserve	Paid	Case Reserve	
1,532	$2,348,176	$3,615,158	$1,868,048	$4,323	$132,000	$17,634	16,551,946

2016—Looking Ahead

Economy & Interest Rates: The 2016 economic outlook is for modest growth. While interest rates are projected to rise, they will remain below historical levels and will continue to pressure underwriting performance.

Merger and Acquisition Activity: Merger and acquisition activity is expected to continue in 2016 given the improving microenvironment in the U.S., the prospect of rising interest rates, and changes in the reinsurance markets.

Soft-Market to Continue: According to Fitch Ratings, U.S. commercial insurance market segments will continue to soften and will likely remain soft for the near-future as several large competitors merge. Additionally, property rates are projected to decline due to lack of large loss events and competitive forces largely due to improved underwriting are expected to drive prices lower in more casualty and liability lines of business.

Catastrophes: The 2016 Atlantic basin hurricane season is anticipated to have average activity according to The Tropical Meteorology Project at Colorado State University. A total of twelve named storms, six hurricanes and two major hurricanes are expected to develop this season, this is close to the 30-year average of twelve named storms, six hurricanes and three major hurricanes. The probability of a major U.S. hurricane landfall is estimated at 90%. In addition, as noted previously, recent years have seen a trend in higher small-scale loss events, such as winter-storms and severe spring weather. This trend continued into 2016 as January saw the fourth most powerful snowstorm to hit the Northeast in the last 66 years (per National Oceanic and Atmospheric Administration), February saw the greatest amount of tornadoes since 2008, and three Texas hailstorms during March and April have caused an estimated $1.0 billion in insured automobile losses alone.

Title Industry Overview

Premium

During 2015, due to improved job market conditions, low interest rates and a return to more normalized lending standards, the U.S. housing market recovery continued. Subsequently, the title industry reported a 16.1% increase in direct premiums written from the year prior to $13.0 billion. Little reinsurance is utilized in the industry resulting in gross and net writings that totaled $13.0 billion and a retention of 99.5%. The gross and net writings leverage ratios were similar at 299.0% and 297.5%, respectively.

Profitability

For the fourth consecutive year, the industry recorded a net operating gain. The 2015 gain totaled $831.1 million, a 4.0% improvement from the prior year. The improvement was largely attributable to a $1.5 billion increase in total operating income to $13.7 billion while total operating expenses increased $1.4 billion to $12.8 million. Losses and LAE incurred decreased 9.4% and premiums earned increased 12.3% to $12.8 million. Operating expenses incurred, however, increased 14.1% to $12.2 billion. The effects on the combined ratio was a 3.1-point improvement to 99.1% compared to the prior year's ratio of 101.2% and was represented by a 5.3% loss ratio and a 93.9% expense ratio.

A net investment gain of $335.7 million was reported for 2015, up 28.3% from the previous year, and was comprised almost entirely of net investment income earned. Ultimately, the industry reported a 1.9% improvement in profitability with a net income of $871.5 million. Investment yield was flat at 3.7%.

Capital & Surplus

Industry aggregated policyholders' surplus increased by 2.5% to $4.4 billion. The improvement was primarily driven by net income of $871.5 million, partly offset $499.7 million in dividends paid to stockholders, $157.7 million unrealized capital losses, and a $104.5 million increase in non-admitted assets. Return on surplus - a measure of net income and unrealized capital gains (losses) to average policyholders' surplus fell 2.7-percentage points, but was still impressive at 16.6% on the year.

Cash & Liquidity

Net cash provided by operating activities totaled $1.0 billion, a 48.8% increase over the prior year. The improvement was due to a 15.4% increase in cash inflows to $14.2 billion that resulted from a 16.1% increase in premiums collected as a result of increased premium volume. Cash outflows increased 13.4% to $13.2 billion due to a 12.9% increase in commissions and expenses. Net cash used by investing activities totaled $266 million and net cash used by financing activities totaled $547 million. An overall increase in cash, cash equivalents and short-term investments of $225 million was reported.

The industry's liquidity ratio worsened 6.4-points to 79.7% 2.8-points to 73.3%, attributable to a 6.7% decrease in liquid assets and a 1.4% increase in adjusted liabilities.

Table 10 - Title Industry Results

($ Millions)	Chg.	2015	2014	2013	2012	2011
Insurance Operations						
Net Premiums Written	16.2%	$12,964	$11,156	$12,569	$11,246	$9,249
Title Premiums Earned	12.3%	$12,787	$11,389	$12,490	$11,233	$9,364
Loss & LAE Incurred	(9.4)%	$672	$742	$825	$851	$1,102
Operating Exp Incurred	14.1%	$12,163	$10,659	$11,919	$10,881	$9,300
Net Operating Gain/(Loss)	4.0%	$831	$799	$686	$498	$(22)
Loss Ratio	(1.3)-pts	5.3%	6.5%	6.6%	7.6%	11.8%
Expense Ratio	(1.8)-pts	93.9%	95.7%	94.9%	96.7%	100.9%
Combined Ratio	(3.1)-pts	99.1%	102.2%	101.5%	104.3%	112.7%
Net Cash from Ops	32.8%	$1,039	$698	$706	$844	$167
Liquidity Ratio	6.4-pts	79.7%	73.3%	76.1%	81.7%	96.3%
Investment Operations						
Net Inv. Income Earned	0.0%	$261	$261	$274	$321	$346
Investment Yield	(0.1)-pts	3.7%	3.7%	3.9%	4.7%	5.4%
Realized Gain/(Loss)	1,104.5%	$9	$1	$26	$36	$34
Capital and Surplus						
Net Income	1.9%	$871	$855	$769	$719	$309
Net Unrealized Gain/(Loss)	(242.8)%	$(158)	$(46)	$119	$176	$(101)
Policyholders' Surplus	2.5%	$4,357	$4,251	$4,122	$3,842	$2,975
Return on Surplus	(2.7)-pts	16.6%	19.3%	22.3%	26.2%	7.0%