



INFORMATIONAL ONLY

Financial Update: Report on Statutory Financial Results **Three Months Ended March 31, 2013** **Dan Sevilla, Chief Financial Officer**

The following summarizes our statutory financial results for the three months ended March 31, 2013. Our results reflect improved underwriting results and modest growth in policyholders' surplus.

- Underwriting results
 - Due to the nature of our business, our underwriting results are significantly impacted by economic conditions, unemployment and market pricing.
 - We maintained our disciplined approach to underwriting and wrote approximately 35,000 policies, which was 5% less than budget and 10% less than the three months ended March 31, 2012 (the same period in the prior year). The average premium per policy written was approximately \$8,500 or 4% more than budget and 19% more than the same period in the prior year. Estimated annual premiums grew over the prior year for five consecutive months, amounting to 7% for the quarter.
 - Net premiums earned on policies in force of \$214 million were 1% more than budget and 9% less than the same period in the prior year.
 - Our loss and loss adjustment expenses (LAE) ratio of 97.5% was on budget and slightly lower compared to the same period in the prior year.
 - Our underwriting expense ratio of 34.1% was 4 points lower than budget and 7 points lower than the same period in the prior year.
 - Our combined ratio of 131.6% was 4 points lower than budget and 8 points lower than the same period in the prior year, and the related underwriting loss of \$69 million was 10% lower than budget and 21% less than the same period in the prior year.
- Investment and other non-underwriting results
 - Net investment income of \$172 million was 6% lower than budget, and 14% less than the same period in the prior year. Reinvestment yields were lower than planned and investing in equities started later than planned.
 - Realized capital gains of \$12 million were \$12 million more than budget and \$3 million higher than the same period in the prior year.
 - Other expenses mostly represent charge-offs of uncollectible premiums and were \$4 million less than budget and \$1 million more than the same period in the prior year.
- Net income and policyholders' surplus
 - Net income of \$113 million was \$12 million more than budget and \$9 million less than the same period in the prior year.
 - Policyholders' surplus grew by 2% to more than \$6.1 billion since December 31, 2012.

STATE COMPENSATION INSURANCE FUND
Report on Statutory Financial Results
Three Months Ended March 31, 2013

Financial Results (\$ millions)	2012 Actual	2013 Budget	2013 Actual	Variance to budget	Variance to prior year
Net premiums earned	235	212	214	1%	-9%
Losses	177	159	160	1%	-10%
Loss adjustment expenses (LAE)	53	48	48	1%	-10%
Underwriting expenses	92	82	74	-9%	-19%
Underwriting results	(87)	(76)	(69)	10%	21%
Net investment income	201	184	172	-6%	-14%
Realized capital gain (loss)	9	-	12	12	3
Other income (expense)	(1)	(6)	(2)	4	(1)
Income before dividends to policyholders	122	101	113	12	(9)
Dividends to policyholders	-	-	-	0%	0%
Net income	122	101	113	12	(9)
Standard Industry Ratios					
Loss ratio	75.3%	75.0%	75.0%	0%	0%
LAE ratio	22.6%	22.5%	22.5%	0%	0%
Loss and LAE ratio	97.9%	97.5%	97.5%	0%	0%
Underwriting expense ratio	41.3%	37.9%	34.1%	-4%	-7%
Combined ratio	139.2%	135.4%	131.6%	-4%	-8%

Numbers or ratios may not foot due to rounding.

Dash (-) represents a null value.

Zero (0) represents a calculated zero or number which rounds to zero.

Green represents better than plan or prior year.

Red represents worse than plan or prior year.