



## INFORMATIONAL ONLY

### **Financial Update: Report on Statutory Financial Results** **Six Months Ended June 30, 2013** **Dan Sevilla, Chief Financial Officer**

The following summarizes our statutory financial results for the six months ended June 30, 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 continued our disciplined approach to underwriting. We wrote approximately 69,000 policies, which approximated budget and was 5% less than the six months ended June 30, 2012 (the same period in the prior year). Estimated annual premiums were 5% more than budget and 16% more than the same period in the prior year. The average premium per policy written was approximately \$8,200 or 6% more than budget and 23% more than the same period in the prior year.
  - Net premiums earned on policies in force of \$452 million were 6% more than budget and 6% less than the same period in the prior year.
  - Our loss and loss adjustment expenses (LAE) ratio of 97.5% was on budget and consistent with the same period in the prior year.
  - Our underwriting expense ratio of 33.2% was 5 points lower than budget and 8 points lower than the same period in the prior year.
  - Our combined ratio of 130.7% was 5 points lower than budget and 8 points lower than the same period in the prior year, and the related underwriting loss of \$140 million was 9% lower than budget and 19% less than the same period in the prior year.
  
- Investment and other non-underwriting results
  - Net investment income of \$345 million was 5% lower than budget, and 13% 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 \$16 million less than the same period in the prior year.
  - Other expenses mostly represent charge-offs of uncollectible premiums and were \$9 million less than budget and \$2 million less than the same period in the prior year.
  - \$10 million of 2011 policyholders' dividends reserves in excess of estimated payments were released.
  
- Net income and policyholders' surplus
  - Net income of \$224 million was \$27 million more than budget and \$21 million less than the same period in the prior year.
  - Policyholders' surplus grew by 3% to more than \$6.2 billion since December 31, 2012.

**STATE COMPENSATION INSURANCE FUND**  
**Report on Statutory Financial Results**  
**Six Months Ended June 30, 2013**

Financial Results (\$ millions)	2012 Actual	2013 Budget	2013 Actual	Variance to Budget	Variance to Prior Year
Net premiums earned	480	425	452	6%	-6%
Losses	360	318	339	6%	-6%
Loss adjustment expenses (LAE)	108	96	102	6%	-6%
Underwriting expenses	185	164	151	-8%	-18%
Underwriting results	(173)	(153)	(140)	9%	19%
Net investment income	395	363	345	-5%	-13%
Realized capital gain (loss)	28	-	12	12	-16
Other income (expense)	(6)	(13)	(4)	9	2
Income before dividends to policyholders	245	197	214	8%	-13%
Dividends to policyholders	-	-	(10)	-10	-10
Net income	245	197	224	27	-21
<b>Standard Industry Ratios</b>					
Loss ratio	75.0%	75.0%	75.0%	0%	0%
LAE ratio	22.5%	22.5%	22.5%	0%	0%
Loss and LAE ratio	97.5%	97.5%	97.5%	0%	0%
Underwriting expense ratio	41.0%	38.0%	33.2%	-5%	-8%
Combined ratio	138.5%	135.5%	130.7%	-5%	-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.