

STATE COMPENSATION INSURANCE FUND
Report on Statutory Financial Results
Three Months Ended March 31, 2011

Due to the nature of our business, our financial results are significantly impacted by economic conditions, including unemployment and market pricing. The following summarizes our statutory financial results for the three months ended March 31, 2011:

- Premiums
 - We wrote approximately 43,000 policies, which was 2% more than budget and 9% less than the prior period. Our average premium per policy was approximately \$7,400 or 10% less than budget and 15% less than prior period, due to continued loss of larger premium accounts.
 - Net premiums earned of \$234 million were 18% less than budget and 16% less than the prior period.
- Losses
 - Incurred losses of \$175 million were 18% less than budget and 16% less than the prior period.
 - Our incurred loss ratio of 75% was on budget and consistent with the prior period.
- Expenses
 - Loss adjustment expenses and underwriting expenses totaled \$219 million, and were 13% less than budget and 15% less than the prior period.
 - Based on loss adjustment expenses and underwriting expenses, our expense ratio of 93% was 4 points higher than budget and 1 point lower than prior period. The 4 points variance to budget was due to premium declining faster than expenses.
- Underwriting results
 - We had an underwriting loss of \$160 million, which was 11% lower than budget and 15% lower than the prior period.
 - Our combined ratio was 168%, or 4 points higher than budget and 1 point lower than the prior period.
- Net investment income of \$208 million was 11% more than budget, and 6% less than the prior period. Investment yields were higher than planned.
- Realized capital gains of \$3 million were \$3 million more than budget and prior period.
- Other expenses of \$3 million represented charge-offs of uncollectible premiums and were \$16 million less than budget and \$3 million less than prior period.
- Net income of \$48 million was \$59 million more than budget and \$21 million more than the prior period, driven by the combination of improved underwriting results and improved net investment income.

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Financial Results (\$ millions)	2010 Actual	2011 Budget	2011 Actual	Variance to Budget	Variance to Prior Year
Net premiums earned	277	284	234	-18%	-16%
Losses incurred	208	213	175	-18%	-16%
Loss adjustment expenses	134	143	123	-14%	-8%
Underwriting expenses	124	108	96	-11%	-23%
Underwriting loss	(189)	(180)	(160)	-11%	-15%
Net investment income	222	188	208	11%	-6%
Realized capital gain (loss)	-	-	3	3	3
Other income (expense)	(6)	(19)	(3)	-84%	-50%
Net income (loss)	27	(11)	48	59	21
Standard Industry Ratios					
Loss ratio	75.1%	75.0%	74.8%	-0.2%	-0.3%
Loss adjustment expense ratio	48.4%	50.4%	52.6%	2.2%	4.2%
Underwriting expense ratio	45.3%	38.0%	40.2%	2.1%	-5.1%
Total expense ratio	93.6%	88.4%	92.7%	4.4%	-0.9%
Combined ratio	168.7%	163.4%	167.5%	4.1%	-1.2%

Note

Numbers or ratios may not foot due to rounding.