



***Peer Analysis***  
As of Year End 2010

A Broader View.  
A Sharper Focus.<sup>SM</sup>



Conning Asset Management  
One Financial Plaza  
Hartford, CT 06103  
860-299-2000  
[www.conning.com](http://www.conning.com)

## Peer Group Definitions & Data Sources

- ◆ Three Peer Groups:
  - ❖ State Funds
    - 17 States\* with available financials as of Q2 2011.
    - Monopolistic state funds have been excluded per management's request
  - ❖ Competitors - 16 peers either selected by State Fund or who write workers compensation as >75% of earned premium AND write >75% of premiums in California.
  - ❖ Comparables – firms with assets and premiums comparable to State Fund, selected by management
  
- ◆ State Fund is larger than its state peer groups in assets, surplus and reserves. The advantages of its size are mitigated by restrictions on its scope of business, and its constrained investment portfolio.
  
- ◆ Source: Highline Data, Statutory Filings, Annual Statements

\* Brickstreet (WV) is no longer officially a state fund, but was the state government's mandatory insurer through July 2010.

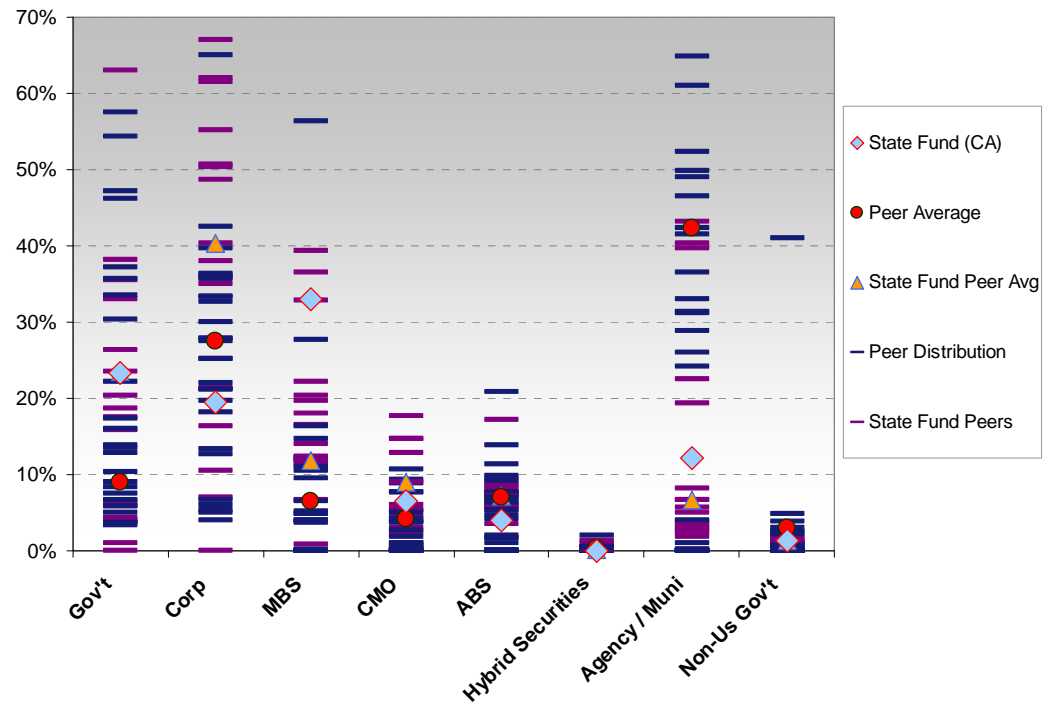


# Bond Portfolio Allocation

Bond Portfolio Allocation

Companies	Gov't	Corp	MBS	CMO	ABS	Hybrid Securities	Agency / Muni	Non-US Gov't
State Fund (CA)	23%	19%	33%	6%	4%	0%	12%	1%
State Funds	24%	40%	12%	9%	7%	0%	7%	1%
Competitors	41%	21%	3%	1%	2%	0%	27%	6%
Comparables	6%	26%	6%	4%	7%	0%	47%	3%
All Peers Combined Weighted Average	9%	28%	7%	4%	7%	0%	42%	3%

State Fund's "Agency/Muni" holdings are taxable municipal securities. (Schedule D groups non-guaranteed agency debentures, such as FNMA bonds, with municipals). Most state funds are not taxable. Maine and Minnesota are taxable mutuals, and owned significant amounts of tax- advantaged municipals.



# Bond Allocation Detail

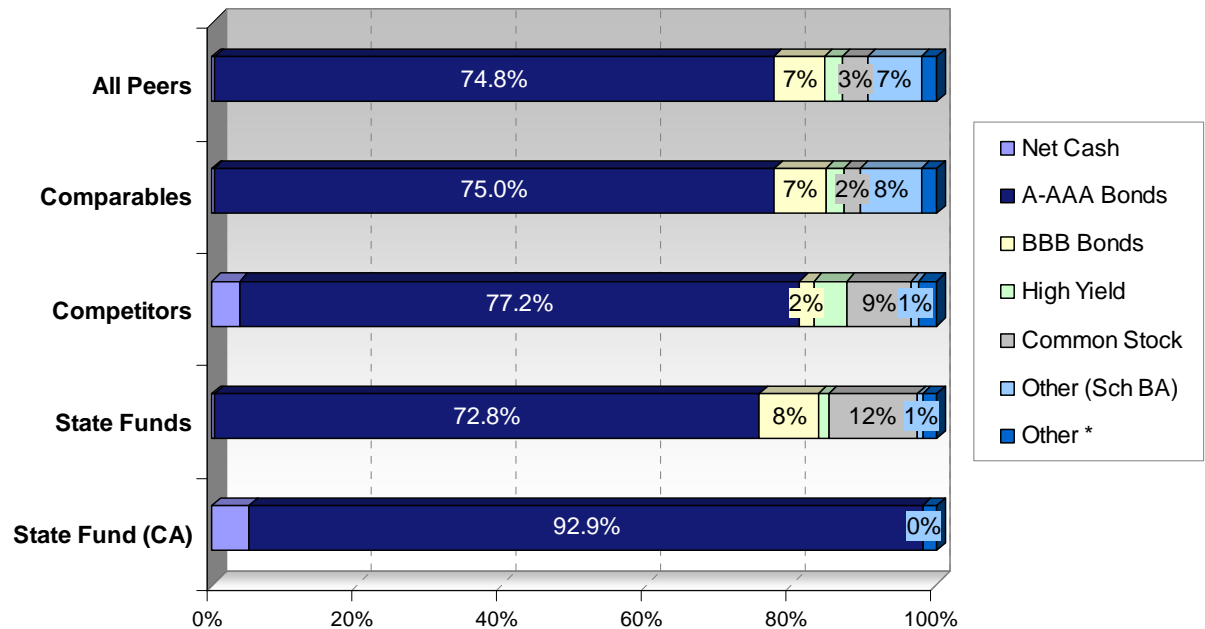
Companies	Bond Portfolio Allocation							
	Gov't	Corp	MBS	CMO	ABS	Hybrid Securities	Agency / Muni	Non-Us Gov't
<b>State Fund (CA)</b>	<b>23%</b>	<b>19%</b>	<b>33%</b>	<b>6%</b>	<b>4%</b>	<b>0%</b>	<b>12%</b>	<b>1%</b>
<b>State Funds</b>								
Beacon Mutual (RI)	29%	40%	10%	3%	2%	0%	17%	0%
CompSource Oklahoma	26%	49%	11%	3%	9%	0%	2%	0%
Hawaii Employers Mutual	1%	62%	22%	1%	6%	0%	8%	0%
Idaho State Insurance Fund	63%	21%	12%	0%	2%	0%	0%	2%
Kentucky Employers Mutual	16%	51%	14%	5%	9%	0%	4%	1%
Louisiana Workers Comp	38%	10%	39%	4%	0%	1%	7%	0%
Maine Employers Mutual	4%	25%	16%	5%	6%	0%	43%	0%
Missouri Employers Mutual	6%	67%	12%	4%	5%	0%	5%	0%
New Mexico Mutual Casualty	6%	28%	33%	6%	8%	0%	19%	0%
New York State Insurance Fund	36%	36%	1%	15%	8%	0%	2%	3%
Pinnacle Assurance (CO)	20%	55%	4%	18%	0%	0%	3%	0%
SAIF (OR)	4%	62%	20%	2%	8%	1%	3%	0%
SCF Arizona	4%	38%	37%	1%	17%	0%	3%	0%
State Fund Mutual Minnesota	7%	16%	18%	15%	4%	1%	40%	0%
Texas Mutual Insurance	17%	50%	7%	13%	6%	0%	6%	1%
Workers Comp Fund Utah	33%	7%	20%	0%	0%	0%	40%	0%
Brickstreet Mutual Ins Company (WV)	19%	35%	12%	1%	9%	0%	22%	2%
<b>State Funds Weighted Average</b>	<b>24%</b>	<b>40%</b>	<b>12%</b>	<b>9%</b>	<b>7%</b>	<b>0%</b>	<b>7%</b>	<b>1%</b>
<b>Competitors</b>								
California Insurance Company	93%	7%	0%	0%	0%	0%	0%	0%
Care West Insurance Company	6%	77%	5%	4%	8%	0%	0%	0%
Compwest Ins Co	17%	83%	0%	0%	0%	0%	0%	0%
Cypress Insurance Company	94%	6%	0%	0%	0%	0%	0%	0%
Employers Compensation Ins Co	14%	30%	5%	0%	2%	0%	49%	0%
Majestic	16%	33%	12%	0%	8%	0%	31%	0%
Natl Liab & Indemn	37%	22%	0%	0%	0%	0%	0%	41%
Oak River Insurance Company	58%	42%	0%	0%	0%	0%	0%	0%
Pacific Comp Ins Co	33%	33%	0%	0%	0%	0%	33%	0%
Preferred Employers Insurance Co	7%	13%	0%	0%	2%	0%	78%	0%
Republic Indmnty of California	46%	28%	0%	0%	0%	0%	26%	0%
Seabright	7%	20%	11%	3%	9%	0%	50%	0%
Springfield Insurance Co Inc	22%	33%	28%	9%	4%	0%	4%	0%
Zenith	54%	4%	0%	0%	0%	0%	42%	0%
Znat Insurance Co	30%	65%	0%	0%	5%	0%	0%	0%
<b>Competitors Weighted Average</b>	<b>41%</b>	<b>21%</b>	<b>3%</b>	<b>1%</b>	<b>2%</b>	<b>0%</b>	<b>27%</b>	<b>6%</b>
<b>Comparables</b>								
AIG	8%	18%	0%	0%	7%	0%	61%	5%
Endurance	47%	25%	11%	5%	10%	0%	1%	1%
FirstComp	36%	5%	4%	9%	0%	0%	46%	0%
The Hartford	5%	36%	5%	1%	14%	2%	36%	1%
Imperium (Delos)	79%	13%	0%	1%	6%	1%	0%	1%
Insurance Cos of the West	14%	5%	56%	0%	0%	0%	24%	1%
Liberty Mutual	4%	36%	15%	8%	5%	0%	29%	4%
Tower Group	10%	36%	9%	2%	11%	0%	31%	0%
Travelers	3%	21%	4%	4%	1%	0%	65%	2%
WR Berkeley	4%	21%	4%	11%	6%	0%	52%	1%
Zurich	13%	40%	16%	8%	21%	0%	0%	2%
<b>Comparables Weighted Average</b>	<b>6%</b>	<b>26%</b>	<b>6%</b>	<b>4%</b>	<b>7%</b>	<b>0%</b>	<b>47%</b>	<b>3%</b>
<b>All Peers Combined Weighted Average</b>	<b>9%</b>	<b>28%</b>	<b>7%</b>	<b>4%</b>	<b>7%</b>	<b>0%</b>	<b>42%</b>	<b>3%</b>

# Asset Allocation

- State Fund's allocation is defined by its regulatory constraints. It cannot purchase equities, BBB-rated or high yield bonds, and has limitations on the types of A or better-rated bonds it can purchase.

Companies	Invested Asset Allocation						
	Net Cash	A-AAA Bonds	BBB Bonds	High Yield	Common Stock	Other (Sch BA)	Other *
State Fund (CA)	5.1%	92.9%	0.1%	0.0%	0.0%	0.0%	1.9%
State Funds	0.4%	72.8%	8.0%	1.4%	11.8%	0.6%	1.9%
Competitors	3.7%	77.2%	1.9%	4.5%	8.8%	1.1%	2.5%
Comparables	0.3%	75.0%	6.8%	2.5%	2.1%	8.2%	2.1%
All Peers	0.4%	74.8%	6.8%	2.4%	3.3%	7.2%	2.1%

\* Hybrid Securities, Preferred Stock, Collateral & Mortgage Loans, Occupied and Investment Real Estate



# Asset Allocation Detail

## P&C Peer Invested Asset Allocation

Companies	Net Cash	A-AAA Bonds	BBB Bonds	High Yield	Hybrid Securities	Pref'd Stock	Common Stock	Collateral & Mtg Loans	Occupied Real Est	Investment Real Est	Other Inv Assets
<b>State Fund (CA)</b>	<b>5%</b>	<b>93%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>2%</b>	<b>0%</b>	<b>0%</b>
<b>State Funds</b>											
Beacon Mutual (RI)	-1%	85%	5%	0%	0%	1%	7%	0%	3%	0%	0%
CompSource Oklahoma	2%	65%	8%	0%	0%	0%	14%	0%	1%	0%	2%
Hawaii Employers Mutual	0%	63%	17%	3%	0%	0%	16%	0%	1%	0%	1%
Idaho State Insurance Fund	3%	80%	5%	0%	0%	0%	14%	0%	0%	0%	0%
Kentucky Employers Mutual	2%	86%	8%	0%	0%	0%	4%	0%	0%	0%	0%
Louisiana Workers Comp	0%	85%	1%	0%	1%	2%	11%	0%	1%	0%	1%
Maine Employers Mutual	4%	81%	2%	0%	0%	0%	12%	0%	0%	0%	2%
Missouri Employers Mutual	3%	71%	12%	2%	0%	0%	8%	0%	5%	0%	0%
New Mexico Mutual Casualty	0%	91%	2%	0%	0%	0%	6%	0%	1%	0%	0%
New York State Insurance Fund	0%	82%	4%	0%	0%	0%	10%	0%	0%	0%	0%
Pinnacol Assurance (CO)	-1%	72%	12%	1%	0%	0%	15%	0%	1%	0%	0%
SAIF (OR)	1%	59%	18%	5%	0%	0%	11%	0%	0%	0%	0%
SCF Arizona	0%	65%	13%	0%	0%	0%	10%	8%	1%	1%	1%
State Fund Mutual Minnesota	4%	93%	2%	0%	1%	0%	0%	0%	0%	0%	0%
Texas Mutual Insurance	0%	51%	12%	4%	0%	0%	18%	0%	0%	0%	2%
Workers Comp Fund Utah	0%	73%	0%	0%	0%	0%	18%	2%	4%	1%	1%
Brickstreet Mutual Ins Company (WV)	2%	92%	0%	0%	0%	0%	4%	0%	1%	0%	0%
<b>State Funds Weighted Average</b>	<b>0%</b>	<b>73%</b>	<b>8%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>
<b>Competitors</b>											
California Insurance Company	4%	89%	0%	6%	0%	0%	0%	0%	0%	0%	0%
Care West Insurance Company	21%	77%	0%	0%	0%	0%	0%	0%	2%	0%	0%
Compwest Ins Co	1%	94%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Cypress Insurance Company	3%	68%	0%	4%	0%	0%	25%	0%	0%	0%	0%
Employers Compensation Ins Co	0%	96%	3%	0%	0%	0%	0%	0%	0%	0%	0%
Majestic	3%	96%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Natl Liab & Indemn	11%	50%	0%	12%	0%	5%	23%	0%	0%	0%	0%
Oak River Insurance Company	7%	48%	0%	28%	0%	0%	18%	0%	0%	0%	0%
Pacific Comp Ins Co	1%	95%	0%	0%	0%	0%	3%	0%	0%	0%	0%
Preferred Employers Insurance Co	-3%	99%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Republic Indmnty of California	0%	90%	7%	3%	0%	0%	0%	0%	0%	0%	0%
Seabright	0%	92%	7%	0%	0%	0%	0%	0%	0%	0%	0%
Springfield Insurance Co Inc	2%	70%	13%	2%	0%	0%	12%	0%	0%	0%	0%
Zenith	2%	80%	1%	1%	0%	3%	4%	2%	1%	1%	5%
Znat Insurance Co	20%	54%	26%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Competitors Weighted Average</b>	<b>4%</b>	<b>77%</b>	<b>2%</b>	<b>5%</b>	<b>0%</b>	<b>2%</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>
<b>Comparables</b>											
AIG	0%	84%	1%	0%	0%	0%	4%	0%	0%	0%	10%
Endurance	8%	91%	0%	1%	0%	0%	0%	0%	0%	0%	0%
FirstComp	0%	80%	0%	0%	0%	0%	19%	0%	0%	0%	0%
The Hartford	0%	57%	14%	1%	1%	1%	0%	1%	0%	0%	2%
Imperium (Delos)	3%	88%	4%	0%	0%	0%	5%	0%	0%	0%	0%
Insurance Cos of the West	14%	70%	0%	0%	0%	1%	13%	0%	0%	0%	3%
Liberty Mutual	1%	59%	11%	8%	0%	1%	2%	2%	1%	0%	15%
Tower Group	0%	74%	10%	9%	0%	2%	3%	0%	0%	0%	2%
Travelers	-1%	85%	7%	2%	0%	0%	0%	0%	0%	1%	4%
WR Berkeley	2%	73%	8%	3%	0%	1%	3%	2%	1%	0%	6%
Zurich	1%	77%	7%	1%	0%	0%	3%	0%	0%	0%	9%
<b>Comparables Weighted Average</b>	<b>0%</b>	<b>75%</b>	<b>7%</b>	<b>3%</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>8%</b>
<b>All Peers Combined Weighted Average</b>	<b>0%</b>	<b>75%</b>	<b>7%</b>	<b>2%</b>	<b>0%</b>	<b>1%</b>	<b>3%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>7%</b>

# Fixed Income Quality

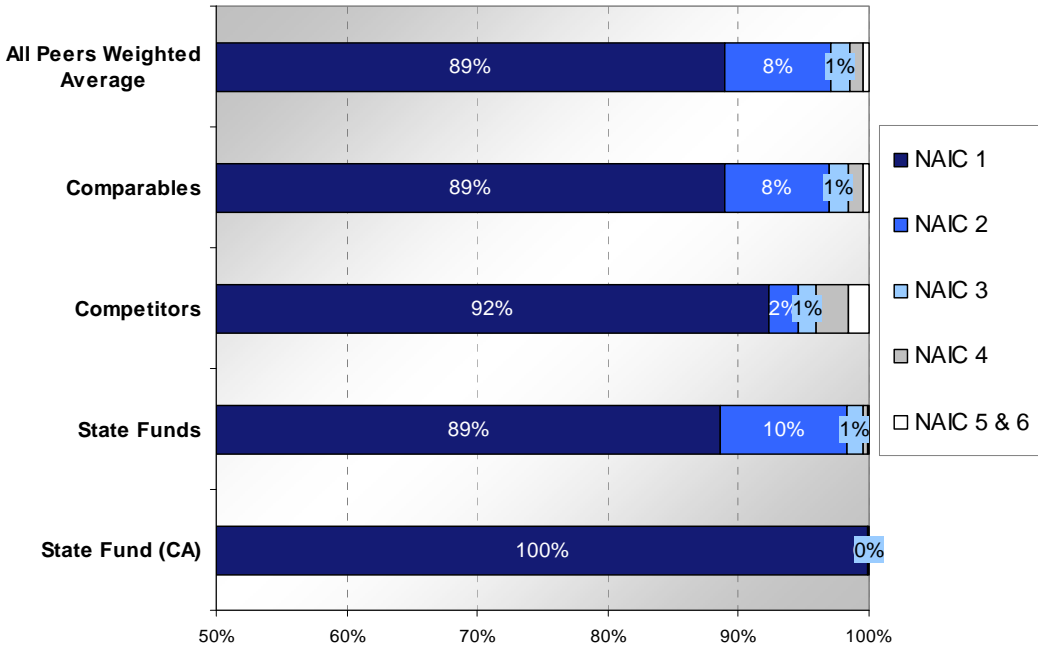
- State Fund (CA) lacks statutory authority to buy BBB or high yield bonds, resulting in a very high quality portfolio
- Peer portfolio quality was largely unchanged in 2010.

*Low number, high quality*

NAIC 1 = AAA-A  
 NAIC 2 = BBB  
 NAIC 3 = BB  
 NAIC 4 = B  
 NAIC 5 = C-CCC  
 NAIC 6 = D

Bond Rating Distribution

Companies	Bond Rating Distribution				
	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5 & 6
State Fund (CA)	100%	0%	0%	0%	0%
State Funds	89%	10%	1%	0%	0%
Competitors	92%	2%	1%	3%	2%
Comparables	89%	8%	1%	1%	0%
All Peers Weighted Average	89%	8%	1%	1%	0%





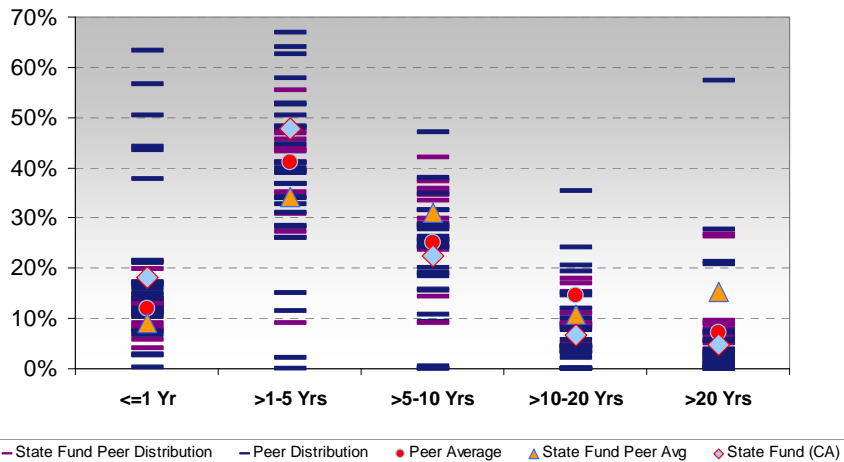
# Fixed Income Quality Distribution

Companies	Bond Rating Distribution						Avg.
	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	
<b>State Fund (CA)</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>1.0</b>
<b>State Funds</b>							
Beacon Mutual (RI)	95%	5%	0%	0%	0%	0%	1.1
CompSource Oklahoma	89%	11%	0%	0%	0%	0%	1.1
Hawaii Employers Mutual	76%	20%	4%	0%	0%	0%	1.3
Idaho State Insurance Fund	94%	6%	0%	0%	0%	0%	1.1
Kentucky Employers Mutual	91%	9%	0%	0%	0%	0%	1.1
Louisiana Workers Comp	99%	1%	0%	0%	0%	0%	1.0
Maine Employers Mutual	98%	2%	0%	0%	0%	0%	1.0
Missouri Employers Mutual	83%	14%	2%	0%	0%	0%	1.2
New Mexico Mutual Casualty	98%	2%	0%	0%	0%	0%	1.0
New York State Insurance Fund	95%	5%	0%	0%	0%	0%	1.1
Pinnacol Assurance (CO)	86%	14%	0%	0%	0%	0%	1.2
SAIF (OR)	73%	22%	4%	1%	0%	0%	1.4
SCF Arizona	83%	17%	0%	0%	0%	0%	1.2
State Fund Mutual Minnesota	98%	2%	0%	0%	0%	0%	1.0
Texas Mutual Insurance	76%	18%	5%	1%	0%	0%	1.3
Workers Comp Fund Utah	100%	0%	0%	0%	0%	0%	1.0
Brickstreet Mutual Ins Company (WV)	100%	0%	0%	0%	0%	0%	1.0
<b>State Funds Weighted Average</b>	<b>89%</b>	<b>10%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>1.1</b>
<b>Competitors</b>							
California Insurance Company	93%	0%	3%	4%	0%	0%	1.2
Care West Insurance Company	100%	0%	0%	0%	0%	0%	1.0
Compwest Ins Co	95%	5%	0%	0%	0%	0%	1.0
Cypress Insurance Company	94%	0%	4%	0%	2%	0%	1.2
Employers Compensation Ins Co	97%	3%	0%	0%	0%	0%	1.0
Majestic	99%	1%	0%	0%	0%	0%	1.0
Natl Liab & Indemn	80%	0%	0%	10%	10%	0%	1.7
Oak River Insurance Company	63%	0%	21%	15%	0%	0%	1.9
Pacific Comp Ins Co	100%	0%	0%	0%	0%	0%	1.0
Preferred Employers Insurance Co	95%	5%	0%	0%	0%	0%	1.0
Republic Indmnty of California	90%	7%	3%	0%	0%	0%	1.1
Seabright	93%	7%	0%	0%	0%	0%	1.1
Springfield Insurance Co Inc	83%	15%	2%	0%	0%	0%	1.2
Zenith	98%	1%	0%	2%	0%	0%	1.1
Znat Insurance Co	67%	33%	0%	0%	0%	0%	1.3
<b>Competitors Weighted Average</b>	<b>92%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>2%</b>	<b>0%</b>	<b>1.2</b>
<b>Comparables</b>							
AIG	98%	2%	0%	0%	0%	0%	1.0
Endurance	99%	0%	0%	0%	0%	0%	1.0
FirstComp	100%	0%	0%	0%	0%	0%	1.0
The Hartford	79%	19%	1%	0%	0%	0%	1.2
Imperium (Delos)	95%	4%	0%	1%	0%	0%	1.1
Insurance Cos of the West	100%	0%	0%	0%	0%	0%	1.0
Liberty Mutual	76%	14%	5%	5%	1%	0%	1.4
Tower Group	80%	11%	4%	5%	0%	0%	1.4
Travelers	90%	7%	1%	1%	0%	0%	1.1
WR Berkeley	87%	10%	1%	2%	0%	0%	1.2
Zurich	91%	8%	1%	0%	0%	0%	1.1
<b>Comparables Weighted Average</b>	<b>89%</b>	<b>8%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>1.2</b>
<b>All Peers Weighted Average</b>	<b>89%</b>	<b>8%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>1.2</b>

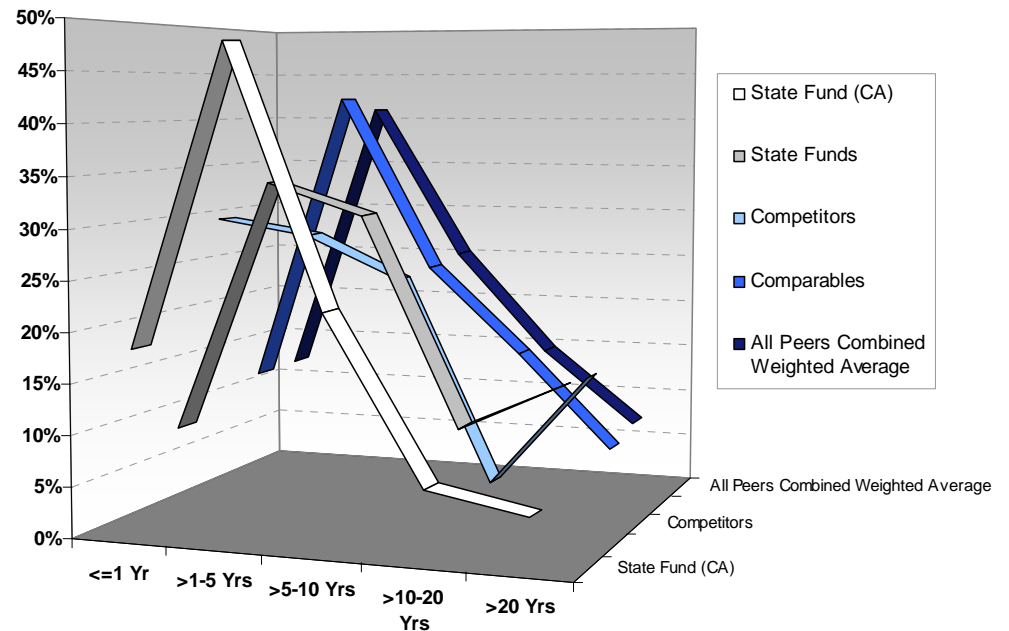


# Bond Maturity Distribution

- ◆ State Fund's effective duration:
  - ❖ 2008: 3.0
  - ❖ 2009: 3.8
  - ❖ 2010: 3.7
  - ❖ May 2011: 4.2
- ◆ Changes from 2009:
  - ❖ State Fund and the state funds group changed little in terms of the statutory reporting buckets.
  - ❖ The large comparables increased 8% in the 1-5 year bucket
  - ❖ The workers' comp-heavy competitors group shifted from a heavy allocation to 1-5 year to the longer part of the curve like the state fund group.
- ◆ Last year State Fund's distribution resembled the competitors group, at year-end 2010 its profile fit more with the comparables group.



Companies	Bond Maturity Distribution					Avg.
	<=1 Yr	>1-5 Yrs	>5-10 Yrs	>10-20 Yrs	>20 Yrs	
State Fund (CA)	18%	48%	23%	7%	5%	5.4
State Funds	9%	34%	31%	11%	15%	8.8
Competitors	30%	28%	24%	4%	15%	7.0
Comparables	12%	42%	24%	15%	6%	6.9
All Peers Combined Weighted Average	12%	41%	25%	15%	7%	7.1





# Bond Maturity Distribution Detail

## Bond Maturity Distribution

Companies	<=1 Yr	>1-5 Yrs	>5-10 Yrs	>10-20 Yrs	>20 Yrs	Avg.
<b>State Fund (CA)</b>	<b>18%</b>	<b>48%</b>	<b>23%</b>	<b>7%</b>	<b>5%</b>	<b>5.4</b>
<b>State Funds</b>						
Beacon Mutual (RI)	13%	31%	35%	18%	4%	7.3
CompSource Oklahoma	17%	43%	28%	9%	3%	5.6
Hawaii Employers Mutual	17%	44%	34%	3%	2%	5.0
Idaho State Insurance Fund	13%	47%	29%	4%	6%	5.9
Kentucky Employers Mutual	8%	41%	42%	5%	3%	6.0
Louisiana Workers Comp	21%	35%	26%	11%	7%	6.5
Maine Employers Mutual	8%	48%	36%	8%	0%	5.5
Missouri Employers Mutual	12%	47%	32%	4%	5%	5.7
New Mexico Mutual Casualty	14%	37%	24%	17%	9%	7.7
New York State Insurance Fund	4%	26%	28%	15%	26%	11.8
Pinnacol Assurance (CO)	14%	39%	35%	4%	8%	6.4
SAIF (OR)	6%	27%	32%	9%	27%	11.2
SCF Arizona	11%	39%	30%	11%	9%	7.5
State Fund Mutual Minnesota	20%	56%	14%	9%	2%	4.6
Texas Mutual Insurance	13%	44%	37%	4%	1%	5.2
Workers Comp Fund Utah	13%	39%	36%	12%	0%	5.7
Brickstreet Mutual Ins Company (WV)	12%	46%	37%	4%	0%	4.9
<b>State Funds Weighted Average</b>	<b>9%</b>	<b>34%</b>	<b>31%</b>	<b>11%</b>	<b>15%</b>	<b>8.8</b>
<b>Competitors</b>						
California Insurance Company	74%	26%	0%	0%	0%	1.2
Care West Insurance Company	38%	31%	28%	3%	0%	3.8
Compwest Ins Co	0%	28%	71%	0%	0%	6.2
Cypress Insurance Company	94%	2%	0%	0%	4%	1.5
Employers Compensation Ins Co	11%	39%	32%	15%	3%	6.6
Majestic	15%	50%	24%	10%	0%	4.9
Natl Liab & Indemn	57%	33%	11%	0%	0%	2.1
Oak River Insurance Company	63%	0%	15%	0%	21%	6.8
Pacific Comp Ins Co	22%	67%	9%	2%	0%	3.2
Preferred Employers Insurance Co	21%	48%	26%	5%	0%	4.2
Republic Indmnty of California	17%	64%	19%	0%	0%	3.4
Seabright	7%	40%	47%	6%	1%	5.8
Springfield Insurance Co Inc	15%	45%	35%	3%	2%	5.1
Zenith	3%	11%	29%	0%	57%	16.8
Znat Insurance Co	44%	53%	0%	0%	3%	2.6
<b>Competitors Weighted Average</b>	<b>30%</b>	<b>28%</b>	<b>24%</b>	<b>4%</b>	<b>15%</b>	<b>7.0</b>
<b>Comparables</b>						
AIG	14%	53%	20%	8%	5%	5.7
Endurance	17%	63%	16%	3%	1%	3.9
FirstComp	44%	34%	18%	4%	0%	3.2
The Hartford	7%	28%	24%	19%	21%	10.8
Imperium (Delos)	50%	48%	1%	0%	1%	2.0
Insurance Cos of the West	3%	15%	19%	35%	28%	14.1
Liberty Mutual	11%	37%	26%	20%	6%	7.6
Tower Group	10%	37%	38%	8%	7%	7.0
Travelers	11%	34%	29%	24%	2%	7.3
WR Berkeley	16%	41%	26%	12%	6%	6.4
Zurich	11%	58%	24%	5%	2%	4.8
<b>Comparables Weighted Average</b>	<b>12%</b>	<b>42%</b>	<b>24%</b>	<b>15%</b>	<b>6%</b>	<b>6.9</b>
<b>All Peers Combined Weighted Average</b>	<b>12%</b>	<b>41%</b>	<b>25%</b>	<b>15%</b>	<b>7%</b>	<b>7.1</b>

# Investment Yield

Companies	Est. Tax-Equivalent Investment Yield vs. Net Investment Yield				
	2010	2009	2008	2007	4 Yr Avg.
<b>State Fund (CA)</b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>4.5%</b>
Net Investment Yield	4.3%	4.5%	4.7%	4.3%	4.5%
<b>State Funds</b>	<b>4.1%</b>	<b>4.4%</b>	<b>5.7%</b>	<b>3.6%</b>	<b>4.5%</b>
Net Investment Yield	4.0%	4.3%	5.6%	3.5%	4.4%
<b>Competitors</b>	<b>3.9%</b>	<b>4.4%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>4.4%</b>
Net Investment Yield	3.2%	3.7%	4.0%	3.8%	3.7%
<b>Comparables</b>	<b>5.9%</b>	<b>5.7%</b>	<b>6.7%</b>	<b>6.3%</b>	<b>6.1%</b>
Net Investment Yield	4.1%	3.8%	4.6%	4.3%	4.2%
<b>Peer Groups Weighted Average</b>	<b>5.7%</b>	<b>5.5%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>6.0%</b>
Net Investment Yield	4.1%	3.9%	4.7%	4.3%	4.2%

- ◆ Book yields are estimates based on income earned and average invested assets, and so will not precisely match actual book yields.
- ◆ “Tax-equivalent Yield” grosses up the yield on municipal bonds which receive tax benefits, so they then are comparable with the yields on taxable bonds.
- ◆ Yield for the for-profit private companies see a significant boost when viewed on a tax-equivalent basis.

# Net Investment Yield Detail

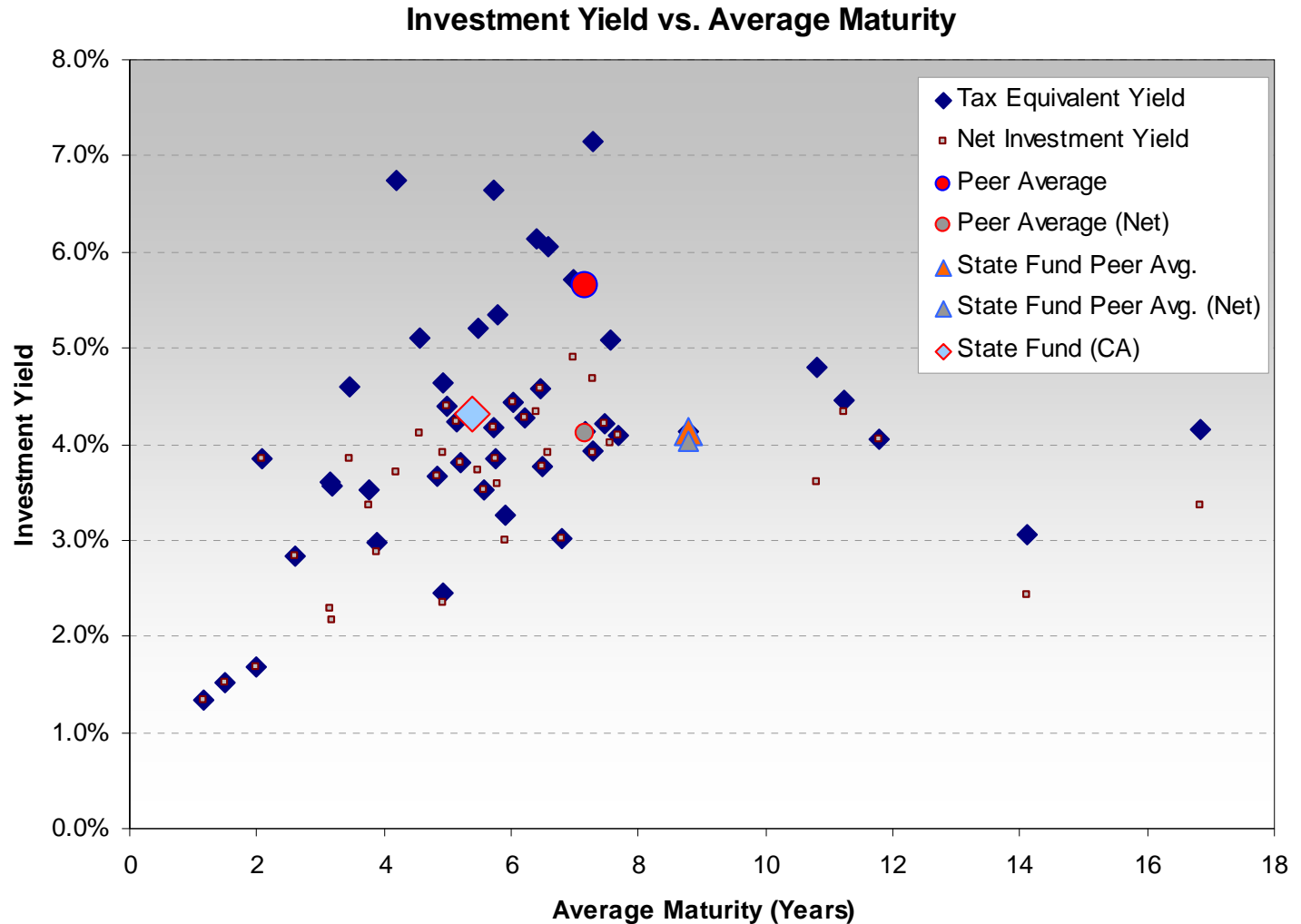
Companies	Est. Investment Yield				
	2010	2009	2008	2007	4 Yr Avg.
<b>State Fund (CA)</b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>4.5%</b>
<b>State Funds</b>					
Beacon Mutual (RI)	3.9%	4.1%	4.1%	4.4%	4.1%
CompSource Oklahoma	3.5%	4.1%	3.9%	3.8%	3.8%
Hawaii Employers Mutual	4.4%	4.6%	4.6%	3.6%	4.3%
Idaho State Insurance Fund	3.0%	3.5%	3.9%	3.3%	3.4%
Kentucky Employers Mutual	4.4%	4.5%	4.2%	3.3%	4.1%
Louisiana Workers Comp	3.8%	4.2%	4.5%	4.1%	4.1%
Maine Employers Mutual	3.7%	3.8%	4.0%	3.6%	3.8%
Missouri Employers Mutual	4.2%	4.3%	4.1%	3.0%	3.9%
New Mexico Mutual Casualty	4.1%	4.0%	4.0%	3.6%	3.9%
New York State Insurance Fund	4.0%	4.2%	9.0%	NM	5.7%
Pinnacol Assurance (CO)	4.6%	4.7%	4.8%	4.7%	4.7%
SAIF (OR)	4.3%	4.7%	5.0%	4.1%	4.5%
SCF Arizona	4.2%	4.3%	4.3%	0.0%	3.2%
State Fund Mutual Minnesota	4.1%	4.7%	4.1%	3.7%	4.1%
Texas Mutual Insurance	3.8%	4.7%	5.0%	3.8%	4.3%
Workers Comp Fund Utah	3.8%	4.1%	4.4%	4.0%	4.1%
Brickstreet Mutual Ins Company (WV)	3.9%	4.1%	4.4%	2.9%	3.8%
<b>State Funds Weighted Average</b>	<b>4.0%</b>	<b>4.3%</b>	<b>5.6%</b>	<b>3.5%</b>	<b>4.4%</b>
<b>Competitors</b>					
California Insurance Company	1.3%	1.9%	2.4%	1.6%	1.8%
Care West Insurance Company	3.4%	4.1%	4.5%	3.7%	3.9%
Compwest Ins Co	4.3%	3.8%	4.4%	2.8%	3.8%
Cypress Insurance Company	1.5%	1.6%	2.9%	3.4%	2.4%
Employers Compensation Ins Co	3.9%	4.2%	4.1%	4.1%	4.1%
Majestic	2.4%	2.7%	3.1%	2.5%	2.7%
Natl Liab & Indemn	3.9%	4.4%	4.1%	3.4%	3.9%
Oak River Insurance Company	3.0%	2.4%	2.6%	2.7%	2.7%
Pacific Comp Ins Co	2.3%	2.9%	3.7%	3.1%	3.0%
Preferred Employers Insurance Co	3.7%	4.1%	3.9%	4.0%	3.9%
Republic Indmnty of California	3.8%	4.4%	4.8%	4.9%	4.5%
Seabright	3.6%	3.9%	4.1%	3.0%	3.6%
Springfield Insurance Co Inc	4.2%	4.7%	4.5%	3.5%	4.2%
Zenith	3.4%	4.4%	4.6%	4.8%	4.3%
Znat Insurance Co	2.8%	3.9%	2.7%	3.8%	3.3%
<b>Competitors Weighted Average</b>	<b>3.2%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.7%</b>
<b>Comparables</b>					
AIG	4.2%	3.5%	4.3%	3.9%	4.0%
Endurance	2.9%	4.0%	4.3%	4.8%	4.0%
FirstComp	2.2%	3.3%	3.9%	3.0%	3.1%
The Hartford	3.6%	3.4%	4.1%	4.9%	4.0%
Imperium (Delos)	1.7%	2.4%	3.4%	3.3%	2.7%
Insurance Cos of the West	2.4%	3.6%	3.8%	3.4%	3.3%
Liberty Mutual	4.0%	3.9%	5.5%	4.3%	4.4%
Tower Group	4.9%	5.6%	4.8%	3.7%	4.8%
Travelers	4.7%	4.4%	5.0%	4.9%	4.8%
WR Berkeley	4.3%	5.1%	4.9%	3.7%	4.5%
Zurich	3.7%	3.5%	3.7%	4.1%	3.8%
<b>Comparables Weighted Average</b>	<b>4.1%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.3%</b>	<b>4.2%</b>
<b>All Peers Combined Weighted Average</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>4.2%</b>

# Tax-Equivalent Yield Detail

Companies	Est. Tax-Equivalent Investment Yield				
	2010	2009	2008	2007	4 Yr Avg.
<b>State Fund (CA)</b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>4.5%</b>
<b>State Funds</b>					
Beacon Mutual (RI)	3.9%	4.1%	5.0%	4.9%	4.5%
CompSource Oklahoma	3.5%	4.1%	3.9%	3.8%	3.8%
Hawaii Employers Mutual	4.4%	4.6%	4.6%	3.6%	4.3%
Idaho State Insurance Fund	3.3%	4.2%	4.2%	3.6%	3.8%
Kentucky Employers Mutual	4.4%	4.5%	4.2%	3.3%	4.1%
Louisiana Workers Comp	3.8%	4.2%	4.5%	4.1%	4.1%
Maine Employers Mutual	5.2%	5.5%	6.0%	5.5%	5.5%
Missouri Employers Mutual	4.2%	4.3%	4.1%	3.0%	3.9%
New Mexico Mutual Casualty	4.1%	4.0%	4.0%	3.6%	3.9%
New York State Insurance Fund	4.1%	4.2%	9.0%	0.0%	4.3%
Pinnacle Assurance (CO)	4.6%	4.7%	4.8%	4.7%	4.7%
SAIF (OR)	4.5%	4.8%	5.0%	4.1%	4.6%
SCF Arizona	4.2%	4.3%	4.3%	0.0%	3.2%
State Fund Mutual Minnesota	5.1%	6.2%	6.1%	5.6%	5.7%
Texas Mutual Insurance	3.8%	4.7%	5.0%	3.8%	4.3%
Workers Comp Fund Utah	3.8%	4.1%	4.4%	4.0%	4.1%
Brickstreet Mutual Ins Company (WV)	4.6%	4.7%	4.4%	2.9%	4.2%
<b>Peer Group I Weighted Average</b>	<b>4.1%</b>	<b>4.4%</b>	<b>5.7%</b>	<b>3.6%</b>	<b>4.5%</b>
<b>Competitors</b>					
California Insurance Company	1.3%	1.9%	2.8%	1.9%	2.0%
Care West Insurance Company	3.5%	4.3%	4.7%	3.8%	4.1%
Compwest Ins Co	4.3%	3.8%	4.6%	4.6%	4.3%
Cypress Insurance Company	1.5%	1.6%	2.9%	3.4%	2.4%
Employers Compensation Ins Co	6.1%	6.5%	6.3%	6.3%	6.3%
Majestic	2.5%	3.5%	4.4%	4.2%	3.6%
Natl Liab & Indemn	3.9%	4.4%	4.1%	3.4%	3.9%
Oak River Insurance Company	3.0%	2.4%	2.6%	2.7%	2.7%
Pacific Comp Ins Co	3.6%	4.6%	5.4%	4.4%	4.5%
Preferred Employers Insurance Co	6.7%	7.0%	6.8%	6.9%	6.8%
Republic Indmnty of California	4.6%	5.0%	4.9%	4.9%	4.8%
Seabright	5.3%	5.9%	6.1%	4.9%	5.6%
Springfield Insurance Co Inc	4.2%	4.7%	4.5%	3.7%	4.3%
Zenith	4.2%	4.7%	5.0%	5.0%	4.7%
Znat Insurance Co	2.8%	3.9%	2.7%	3.8%	3.3%
<b>Peer Group II Weighted Average</b>	<b>3.9%</b>	<b>4.4%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>4.4%</b>
<b>Comparables</b>					
AIG	6.7%	6.0%	7.3%	6.9%	6.7%
Endurance	3.0%	4.4%	4.6%	4.9%	4.2%
FirstComp	3.6%	5.1%	5.7%	4.6%	4.7%
The Hartford	4.8%	4.5%	5.3%	6.1%	5.2%
Imperium (Delos)	1.7%	2.5%	3.4%	3.3%	2.7%
Insurance Cos of the West	3.1%	4.7%	5.0%	4.1%	4.2%
Liberty Mutual	5.1%	5.2%	6.9%	5.3%	5.6%
Tower Group	5.7%	6.9%	5.8%	4.4%	5.7%
Travelers	7.1%	6.9%	7.5%	7.3%	7.2%
WR Berkeley	6.1%	7.4%	7.1%	5.4%	6.5%
Zurich	3.7%	3.5%	3.7%	4.1%	3.8%
<b>Peer Group III Weighted Average</b>	<b>5.9%</b>	<b>5.7%</b>	<b>6.7%</b>	<b>6.3%</b>	<b>6.1%</b>
<b>Peer Groups Weighted Average</b>	<b>5.7%</b>	<b>5.5%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>6.0%</b>

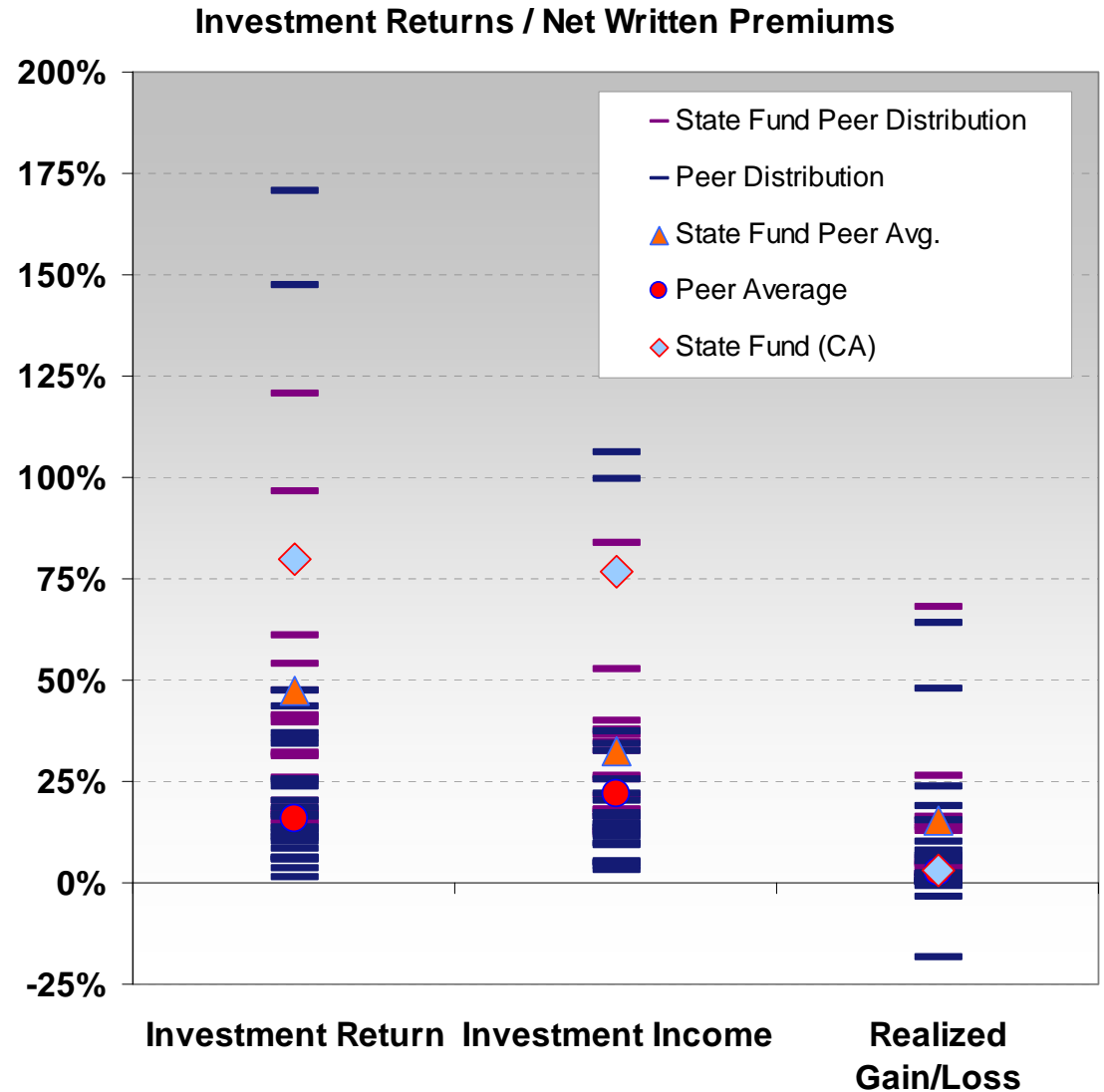
# Investment Yield vs. Maturity

- ◆ A plot of tax-equivalent investment yield against average portfolio maturity shows a slight relationship between income and maturity.
- ◆ The same relationship holds for net investment yield (plotted in gray).



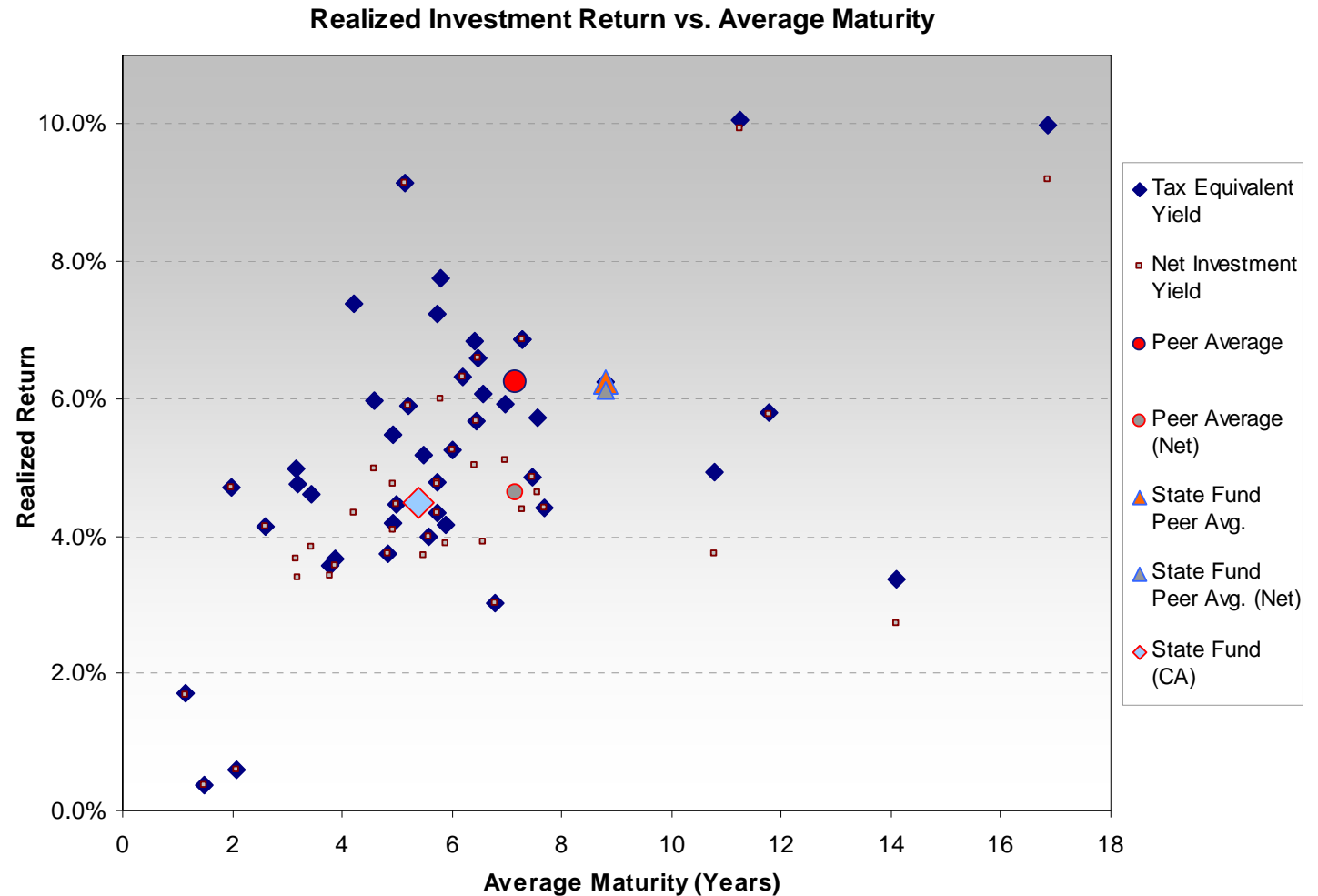
# Investment Returns to Premiums

- State Fund's lower premiums-to-asset ratio and high investment income placed them near the top of the 43 peers.
- Investment Return =**  
Income earned + Realized Gain/Loss



# Realized Investment Return vs. Maturity

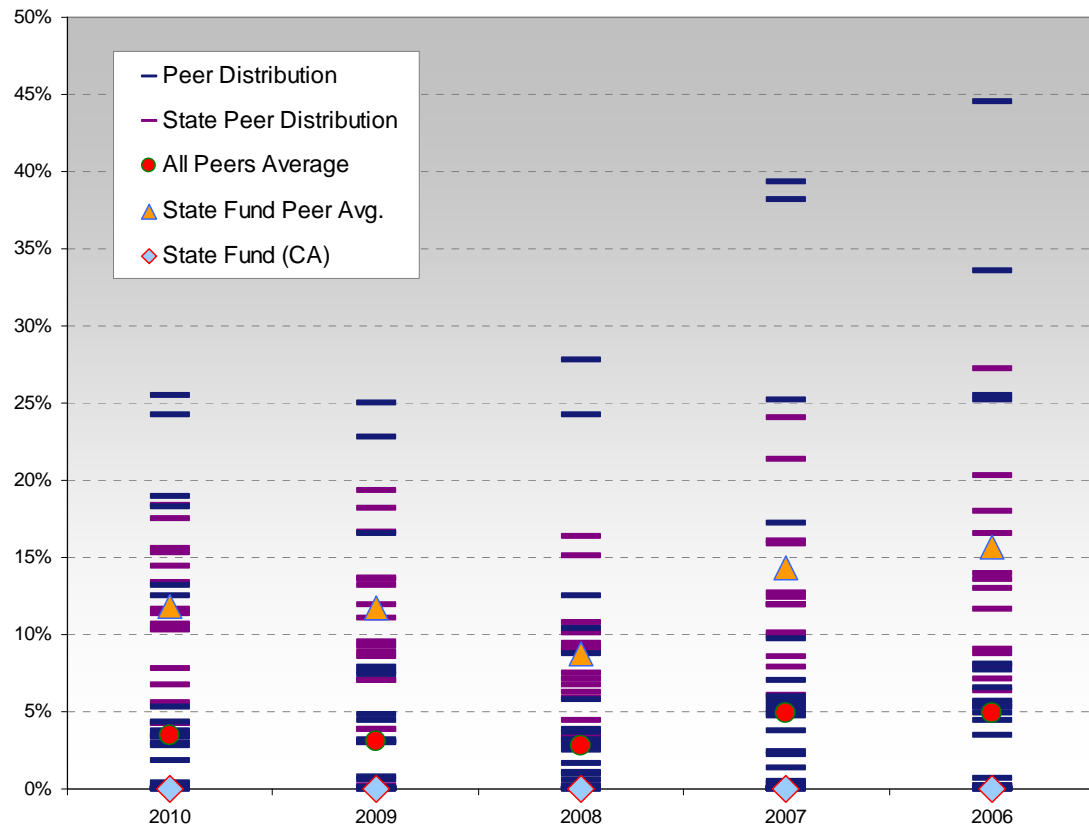
- Realized investment return measures income plus realized gains, and was plotted on a tax-equivalent (blue) and net basis (gray).
- The peer groups' relationship between returns and maturity holds for this measure as well.





# Common Stock Allocation

- Minnesota holds no equities in its regulatory filings, but participates in the state reinsurance fund which is primarily invested in equities.





# Common Stock Allocation Detail

Companies	Common Stock Allocation					
	2010	2009	2008	2007	2006	5 Yr Avg.
<b>State Fund (CA)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>State Funds</b>						
Beacon Mutual (RI)	7%	9%	6%	10%	9%	8%
CompSource Oklahoma	14%	13%	10%	16%	18%	14%
Hawaii Employers Mutual	16%	14%	9%	12%	14%	13%
Idaho State Insurance Fund	13%	12%	9%	12%	14%	12%
Kentucky Employers Mutual	4%	4%	3%	6%	6%	5%
Louisiana Workers Comp	11%	11%	9%	10%	9%	10%
Maine Employers Mutual	12%	9%	8%	12%	13%	11%
Missouri Employers Mutual	8%	7%	6%	8%	7%	7%
New Mexico Mutual Casualty	6%	7%	7%	9%	8%	7%
New York State Insurance Fund	10%	10%	7%	NM	NM	9%
Pinnacol Assurance (CO)	15%	14%	9%	13%	12%	13%
SAIF (OR)	11%	17%	11%	16%	17%	14%
SCF Arizona	10%	9%	7%	12%	NM	10%
State Fund Mutual Minnesota	0%	0%	0%	0%	0%	0%
Texas Mutual Insurance	18%	19%	16%	24%	27%	21%
Workers Comp Fund Utah	18%	18%	15%	21%	20%	18%
Brickstreet Mutual Ins Company (WV)	4%	4%	4%	0%	0%	2%
<b>State Funds Weighted Average</b>	<b>12%</b>	<b>12%</b>	<b>9%</b>	<b>14%</b>	<b>16%</b>	<b>12%</b>
<b>Competitors</b>						
California Insurance Company	0%	0%	0%	0%	0%	0%
Care West Insurance Company	0%	0%	0%	0%	0%	0%
Compwest Ins Co	0%	0%	0%	0%	0%	0%
Cypress Insurance Company	25%	25%	28%	38%	34%	30%
Employers Compensation Ins Co	0%	0%	0%	0%	0%	0%
Majestic	0%	0%	0%	7%	7%	3%
Nat'l Liab & Indemn	24%	23%	24%	25%	25%	24%
Oak River Insurance Company	18%	16%	12%	17%	25%	18%
Pacific Comp Ins Co	3%	5%	3%	6%	0%	3%
Preferred Employers Insurance Co	0%	0%	0%	0%	0%	0%
Republic Indmnty of California	0%	0%	0%	0%	0%	0%
Seabright	0%	0%	2%	2%	0%	1%
Springfield Insurance Co Inc	12%	0%	0%	0%	0%	2%
Zenith	4%	3%	3%	4%	4%	3%
Znat Insurance Co	0%	0%	0%	0%	0%	0%
<b>Competitors Weighted Average</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>
<b>Comparables</b>						
AIG	4%	3%	3%	6%	5%	4%
Endurance	0%	0%	0%	0%	0%	0%
FirstComp	19%	8%	4%	5%	6%	8%
The Hartford	0%	0%	1%	1%	1%	0%
Imperium (Delos)	5%	4%	9%	10%	8%	7%
Insurance Cos of the West	13%	7%	10%	39%	45%	23%
Liberty Mutual	2%	1%	1%	5%	5%	3%
Tower Group	3%	0%	1%	1%	8%	3%
Travelers	0%	1%	0%	0%	0%	0%
WR Berkeley	3%	8%	6%	2%	6%	5%
Zurich	3%	3%	4%	5%	3%	4%
<b>Comparables Weighted Average</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>
<b>All Peers Combined Weighted Average</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>



# Appendix

## Notes on Select Peers

Several companies have unusual ratios:

- ❖ Compwest Insurance was bought by Accident Fund (the privatized Michigan state fund) in late 2007, and entered into a 90% inter-company quota share reinsurance arrangement with its new parent effective January 1, 2008. This resulted in a sharp reduction and greater volatility in net premiums with little change in the size of the portfolio, distorting the income and operating ratios.
- ❖ Pacific Compensation Insurance, formerly Employers Direct, did not write new business during the last half of 2009 and first half of 2010. The depressed premium and adverse reserve development causes underwriting ratios that deviate significantly from their historical trend.
- ❖ California Insurance Company posted a 54% combined ratio driven by favorable reserve development.
- ❖ Preferred Employers Insurance is part of the WR Berkeley group. It reported unusually low combined and operating ratios. Preferred writes just \$5 million of net premiums, so small dollar changes can have a significant impact on those ratios. Preferred has experienced favorable reserve development over time.
- ❖ In 2006, National Liability & Indemnity wrote approximately 70% workers' compensation on a net basis, in 2008 it fell to 11% of NWP and in 2010 was 13%.

## Non-Core Fixed Income Assets

	Market Valued Assets as a % of Surplus						Insurance Leverage
	Pref'd	Common	High Yield	RI. Est.	Other (Sch BA)	Total	
State Fund (CA)	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	3.0
State Funds	0.4%	42.0%	4.9%	0.6%	2.3%	50.2%	2.8
Competitors	3.6%	20.5%	10.4%	0.6%	2.6%	37.6%	1.6
Comparables	1.6%	6.1%	7.4%	0.7%	23.7%	39.5%	2.7
All Peers Combined	1.5%	9.9%	7.2%	0.6%	21.2%	40.4%	2.6

- ◆ The state fund group holds common equity as the bulk of its alternative allocation; the large comparables hold some equity, but a larger amount of schedule BA assets (hedge funds, partnerships, private equity, etc.).

# Non-Core Fixed Income Assets

## Market Valued Assets as a % of Surplus

	Prefd	Common	High Yield	RI. Est.	Other (Sch BA)	Total	Insurance Leverage
<b>State Fund (CA)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>3.0</b>
<b>State Funds</b>							
Beacon Mutual (RI)	1%	16%	0%	1%	0%	18%	1.8
CompSource Oklahoma	0%	81%	0%	0%	10%	91%	5.2
Hawaii Employers Mutual	0%	24%	5%	0%	1%	29%	0.7
Idaho State Insurance Fund	0%	40%	0%	0%	0%	40%	2.4
Kentucky Employers Mutual	0%	18%	0%	0%	0%	18%	3.6
Louisiana Workers Comp	4%	20%	0%	0%	2%	27%	0.9
Maine Employers Mutual	0%	23%	0%	0%	4%	28%	1.6
Missouri Employers Mutual	0%	17%	4%	0%	0%	21%	1.7
New Mexico Mutual Casualty	0%	14%	1%	0%	0%	15%	2.5
New York State Insurance Fund	0%	45%	2%	0%	2%	49%	3.7
Pinnacol Assurance (CO)	0%	54%	2%	0%	0%	56%	2.2
SAIF (OR)	0%	49%	20%	0%	1%	71%	3.5
SCF Arizona	0%	53%	2%	7%	3%	66%	4.3
State Fund Mutual Minnesota	0%	1%	0%	0%	0%	1%	4.2
Texas Mutual Insurance	0%	51%	12%	0%	5%	68%	1.8
Workers Comp Fund Utah	1%	42%	1%	2%	3%	48%	1.7
Brickstreet Mutual Ins Company (WV)	0%	13%	0%	0%	0%	13%	2.6
<b>State Funds Weighted Average</b>	<b>0%</b>	<b>42%</b>	<b>5%</b>	<b>1%</b>	<b>2%</b>	<b>50%</b>	<b>2.8</b>
<b>Competitors</b>							
California Insurance Company	0%	0%	15%	0%	0%	15%	1.4
Care West Insurance Company	0%	0%	0%	0%	0%	0%	11.4
Compwest Ins Co	0%	0%	0%	0%	0%	0%	0.4
Cypress Insurance Company	0%	83%	14%	0%	0%	96%	3.0
Employers Compensation Ins Co	0%	0%	0%	0%	0%	0%	1.5
Majestic	0%	0%	0%	0%	0%	0%	3.5
Natl Liab & Indemn	9%	43%	23%	0%	0%	76%	0.9
Oak River Insurance Company	0%	37%	56%	0%	0%	93%	1.5
Pacific Comp Ins Co	0%	7%	0%	0%	0%	7%	1.3
Preferred Employers Insurance Co	0%	0%	0%	0%	0%	0%	0.5
Republic Indmnty of California	0%	0%	4%	0%	0%	4%	0.8
Seabright	0%	0%	0%	0%	0%	0%	2.1
Springfield Insurance Co Inc	0%	28%	4%	0%	0%	32%	1.9
Zenith	7%	8%	3%	2%	11%	31%	1.9
Znat Insurance Co	0%	0%	0%	0%	0%	0%	1.1
<b>Competitors Weighted Average</b>	<b>4%</b>	<b>20%</b>	<b>10%</b>	<b>1%</b>	<b>3%</b>	<b>38%</b>	<b>1.6</b>
<b>Comparables</b>							
AIG	1%	11%	1%	0%	29%	42%	2.6
Endurance	0%	0%	1%	0%	0%	1%	2.1
FirstComp	0%	64%	0%	0%	0%	64%	4.3
The Hartford	2%	0%	3%	0%	5%	11%	1.8
Imperium (Delos)	0%	10%	1%	0%	0%	11%	2.5
Insurance Cos of the West	1%	27%	0%	0%	6%	35%	2.2
Liberty Mutual	3%	6%	25%	0%	46%	80%	3.4
Tower Group	6%	8%	24%	0%	6%	43%	2.5
Travelers	1%	1%	7%	3%	13%	25%	2.9
WR Berkeley	4%	8%	8%	0%	19%	39%	2.7
Zurich	0%	11%	4%	0%	30%	44%	2.5
<b>Comparables Weighted Average</b>	<b>2%</b>	<b>6%</b>	<b>7%</b>	<b>1%</b>	<b>24%</b>	<b>39%</b>	<b>2.7</b>
<b>All Peers Combined</b>	<b>2%</b>	<b>10%</b>	<b>7%</b>	<b>1%</b>	<b>21%</b>	<b>40%</b>	<b>2.6</b>