

BEST'S RATING REPORT

HOUSTON CASUALTY GROUP

Domiciliary Address: 13403 Northwest Freeway, Houston Texas, United States 77040-2401

AMB #: 0018421

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

American Contractors Indem Co	A++
Avemco Insurance Company	A++
HCC Reinsurance Company Ltd	A++
Houston Casualty Company	A++
Producers Agriculture Ins Co	A++
Producers Lloyds Insurance Co	A++
U.S. Specialty Insurance Co	A++
United States Surety Company	A++

HCC LIFE INSURANCE COMPANY

Administrative Office: 225 Town Park Drive, Suite 350, Kennesaw, Georgia 30144 United States

Domiciliary Address: 150 West Market Street, Suite 800, Indianapolis, Indiana 46204 United States

AMB #: 009081

NAIC #: 92711

FEIN #: 35-1817054

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Best's Credit Rating Effective Date

December 12, 2019

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Information

[Best's Credit Rating Methodology](#)
[Understanding Best's Credit Ratings](#)
[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Houston Casualty Group

AMB #: 018421

Associated Ultimate Parent: AMB # 058633 - Tokio Marine Holdings, Inc.

Best's Credit Ratings – for the Rating Unit Members

Financial Strength Rating (FSR)

A++
Superior
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

aa+
Superior
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Very Strong
Business Profile	Favorable
Enterprise Risk Management	Very Strong

Rating Unit - Members

Rating Unit: Houston Casualty Group | **AMB #:** 018421

AMB #	Rating Unit Members
011019	American Contractors Indem Co
000191	Avemco Insurance Company
072473	HCC Reinsurance Company Ltd
003286	Houston Casualty Company

AMB #	Rating Unit Members
012485	Producers Agriculture Ins Co
002729	Producers Lloyds Insurance Co
000747	U.S. Specialty Insurance Co
012009	United States Surety Company

Rating Rationale

Balance Sheet Strength: **Strongest**

- Strongest risk-adjusted capitalization level as measured by the Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% level.
- Financial flexibility available within the group and from the intermediate holding company, if necessary.
- Consistent level of policyholders' surplus supports retained risks.
- Conservative reserve positions.

Operating Performance: **Very Strong**

- Consistently strong operating results across both underwriting and investment results contribute to annual retained earnings. Operating results are significantly favorable compared to peer companies and the insurance industry.
- Investment income provides considerable support to operating performance on both a dollar and a ratio basis.
- Underwriting results benefit from consistency in rate management, expense advantages, and line of business proficiency.
- Performance has remained strong even with changing market dynamics and acquisitions.

Business Profile: **Favorable**

- Well-established leader in multiple specialty markets.
- Exceptionally well diversified by product line, market segment, distribution channel, and jurisdiction.
- Extensive use of proprietary systems to support all facets of marketing, distribution, and product offerings.
- Acutely knowledgeable senior management team with lengthy history of successful execution of strategies.

Enterprise Risk Management: **Very Strong**

- Risk management capabilities are very strong for the risk profile of the group and are in excess of comparable organizations.
- The group's ERM is fully integrated with Tokio Marine's framework. Best practices are shared across insurance operating entities.
- Utilizes Economic Capital Modeling aligned with Tokio Marine's for informing and quantifying the impact of various strategic options.

Outlook

- The stable outlooks indicate that rating actions are not expected to occur in the near term.
- Factors supporting the outlooks include risk-adjusted capital at the strongest levels as measured by BCAR, an extended history of consistently profitable underwriting and operating results that are favorable to the peer composite and stronger than industry-wide results, a long-term trend of favorable reserve development, robust product and geographic diversification complemented by a wide-ranging distribution network, and very strong enterprise risk management capabilities.

Rating Drivers

- Downward movement in the ratings could result from deterioration in underwriting results, adverse loss reserve development trends, a decline in capitalization, eroding premium levels, or a significant change in the strategic importance of the group to the Tokio Marine organization.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	68.6	61.7	58.3	57.1

Source: Best's Capital Adequacy Ratio Model - P/C, US

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Premiums Written:							
Direct	1,556,705	1,576,402	1,890,163	1,732,808	1,711,327	1,702,809	1,699,188
Assumed*	807,434	602,375	117,004	167,758	134,118	184,137	116,166
Ceded*	1,078,216	1,038,945	634,095	506,052	452,182	576,267	942,989
Net	1,285,922	1,139,832	1,373,072	1,394,515	1,393,262	1,310,678	872,364
Net Operating Income	198,803	172,377	207,710	228,746	239,466	305,199	230,559
Net Income	215,337	171,905	203,772	229,405	254,610	312,725	261,394
Total Admitted Assets	7,224,873	6,593,396	5,968,645	5,639,199	5,433,873	5,624,704	5,055,785
Policyholders' Surplus	2,337,928	2,232,085	2,316,804	2,162,829	2,191,134	2,200,603	2,147,663

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2019	2018	2018	2017	2016	2015	2014	
Profitability:								
Combined Ratio	84.7	86.8	93.1	87.2	89.0	88.2	77.5	87.8
Reserve Development Combined Ratio Impact	-2.4	3.6	0.5	-6.0	-2.1	-2.0	-7.9	-3.2
Net Investment Yield	3.2	3.4	3.4	3.2	4.2	5.6	3.2	3.9
Pre-Tax Operating Return on Net Earned Premiums	22.1	21.7	19.2	22.8	22.2	28.9	35.1	24.9
Net Income Return on Policyholders' Surplus	12.3	10.4	9.1	10.5	11.6	14.4	12.2	11.5
Total Return on Policyholders' Surplus	17.1	17.4	15.9	1.4	14.3	13.5	17.3	12.5
Leverage:								
Net	2.7	2.5	2.1	2.2	2.1	2.1	1.8	...
Gross	...	...	3.1	3.0	2.8	2.9	2.6	...
Non-affiliated Investment	21.7	21.8	19.2	29.1	27.1	8.1	20.3	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

As measured by Best's Capital Adequacy Ratio (BCAR), the group's capital position is more than supportive of an assessment of "strongest". Excellent operating results over an extended time frame have provided the financial means to support the group's business risks. The considerable appreciation in the group's policyholders' surplus over the 2008 to 2011 period was driven primarily by operating earnings and both realized and unrealized gains. Subsequently, very prudent management of capital needs and dividend payments has led to policyholders' surplus remaining remarkably stable over the last seven years. Despite the challenging market and limited opportunities for top line growth, the group's earnings have benefited from a fairly stable level of earned premiums due in part to increased premium retention levels.

Capitalization

Historically, strong cash flow from operations was sufficient to cover dividend requirements of the (then) publicly traded holding company. Dividends paid upstream are now balanced with ongoing capital and operational needs within the Houston Casualty Group and more broadly the Tokio Marine organization. In 2014, policyholders' surplus gained support from a significant increase in unrealized capital gains, while during the same year being restrained by negative turns in non-operating items such as deferred income taxes, changes in non-admitted assets, and net unrealized foreign exchange capital losses. Though the technical impact was a decline in policyholders' surplus levels, the contraction was less than one percentage point and had no material impact on the organization's risk-adjusted capital position. In 2017, policyholder's surplus was impacted by a larger than usual other surplus loss caused by revaluations of tax assets, non-admitted assets, and a greater provision for reinsurance recoverable amounts. This contraction in policyholder's surplus was also immaterial to the risk-adjusted capital position. In 2018, the surplus level reached its peak in ten years to \$2.3B.

Balance Sheet Strength (Continued...)

Capital Generation Analysis USD (000)	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Beginning Policyholders' Surplus	2,316,804	2,162,829	2,162,829	2,191,134	2,200,603	2,147,663	2,153,416
Net Operating Income	198,803	172,377	207,710	228,746	239,466	305,199	230,559
Net Realized Capital Gains (Losses)	16,534	-472	-3,938	659	15,143	7,526	30,835
Net Unrealized Capital Gains (Losses)	82,725	114,421	153,130	-197,979	58,481	-20,037	110,905
Net Change in Paid-In Capital and Surplus	-17,000	...	...	420	-333	7,624	1,006
Stockholder Dividends	-216,100	-205,800	-205,800	...	-333,600	-256,919	-347,200
Other Changes in Capital and Surplus	-43,838	-11,270	2,874	-60,151	11,373	9,548	-31,858
Net Change in Policyholders' Surplus	21,124	69,256	153,975	-28,305	-9,469	52,940	-5,753
Ending Policyholders' Surplus	2,337,928	2,232,085	2,316,804	2,162,829	2,191,134	2,200,603	2,147,663
Net Change in Policyholders' Surplus (%)	0.9	3.2	7.1	-1.3	-0.4	2.5	-0.3
Net Change in Policyholders' Surplus (5 yr CAGR)	...	...	1.5	...	...	...	...

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Net Operating Cash Flow USD (000)	274,733	119,783	331,178	281,963	107,729	318,482	165,126
Current Liquidity (%)	79.2	84.8	105.6	107.5	105.9	111.1	143.7

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The portfolio has produced an average investment yield above the industry composite average for many years. Net investment income in 2014 was restrained as the level of dividends elevated from operating companies to the lead company were modified to allow earnings to be retained within select subsidiaries. This led to a contraction in investment yield calculations. Nonetheless, this measure returned to normalized levels in 2015. Similar circumstance occurred in 2017, with investment returns normalizing during 2018. The group's investment leverage remains conservative compared to industry composite norms. The invested asset portfolio is predominately concentrated in high-quality fixed-income securities, with an emphasis on municipal bonds, asset-backed and mortgage-backed securities, corporate bonds and to a lesser extent, treasury securities. The average maturity of the fixed income portfolio is seven years which leaves an exposure to duration risk in the event of a liquidity need. In 2012, the group began to diversify its investment portfolio by purchasing unaffiliated common stocks. As of year-end 2015 this allocation was roughly 1% of invested assets, below composite results of 5.6% and within management's tolerance level. Following the acquisition by Tokio Marine, TMHCC has further diversified their investment portfolio by investing a portion of their portfolio with sister company Delphi Financial Group. The group's higher retention levels, the increase in the payout period for claims due to the writing of more longer-tail business, and the impact of reinsurance commutations have combined to produce solid operating cash flows in recent years. These cash flows have driven notable growth in both the invested asset base and net investment income. In addition, cash flow remains supportive of dividend payments to the ultimate parent holding company.

Composition of Cash and Invested Assets	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Total Cash and Invested Assets USD (000)	4,762,984	4,438,336	4,649,887	4,351,663	4,239,106	4,309,539	4,430,955
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	3.0	3.0	3.1	3.9	5.3	8.3	0.8
Bonds	75.7	76.7	77.6	78.4	72.1	75.3	79.4
Stocks	1.1	2.1	0.7	1.9	1.9	1.0	6.7
Other Invested Assets	6.3	6.0	5.9	5.8	5.8	2.0	0.1
Total Unaffiliated	86.1	87.7	87.3	90.0	85.2	86.6	87.0
Investments in Affiliates	13.9	12.3	12.7	10.0	14.8	13.4	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	1.3	1.8	0.9	0.9	0.6	7.4
Government Agencies and Municipal Bonds	0.5	14.0	14.3	6.3	7.4	10.1
Industrial and Miscellaneous Bonds	1.1	16.0	27.9	1.7	2.0	6.8
Bank Loans	0.1	2.0	0.3	...	...	3.5
Hybrid Securities	0.1	...	0.2	...	0.4	16.1
Total Bonds	3.1	33.9	43.6	8.9	10.4	8.3

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

On a calendar year basis, the group has historically reported favorable loss reserve development. In the aggregate, accident year reserve development trends are also favorable. Management proactively evaluates accident year reserves with regards to frequency and severity of claims. Reserves allocated to lines that have been negatively impacted by loss trends will be adjusted as necessary to mitigate any potential adverse impact. A.M. Best expects the group's reserve development pattern to remain reflective of the favorable historical norms.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Loss and LAE Reserves USD (000)	1,768,751	1,824,309	1,781,074	1,744,076	1,611,419	1,511,334	1,577,248
Loss and LAE Reserves Development USD (000)	-25,772	35,030	...	577	-76,454	-96,299	-135,624
Development to:							
Original Reserves (%)	...	...	...	...	-4.5	-6.0	-7.9
Prior Year End Reserves (%)	-1.4	2.0	...	...	...	...	...
Prior Year End Surplus (%)	-1.1	1.6	...	...	-3.5	-4.4	-6.3

Source: BestLink® - Best's Financial Suite

Loss and Loss Adjustment Expense Reserves and Development - Accident Year	Year End - December 31				
	2018	2017	2016	2015	2014
Original Loss and ALAE Reserves USD (000)	568,594	612,245	591,371	424,958	373,010
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	568,594	603,596	577,650	436,691	366,587
Development to Original Reserves (%)	...	-1.4	-2.3	2.8	-1.7
Accident Year Loss and LAE Ratio (%)	64.6	65.6	61.5	62.3	54.3
Accident Year Combined Ratio (%)	92.7	92.7	90.4	91.3	84.8

Source: BestLink® - Best's Financial Suite

Operating Performance

On a five-year basis, the group's pre-tax and after-tax returns substantially surpass the average produced by the industry composite. This level of performance is driven by the group's underwriting discipline, consolidated expense ratio advantage, and the sizeable income garnered from its high quality investment portfolio. Despite overall market softening that has caused margin compression in recent years, the group has focused on specific lines of business it feels still offer the greatest profit potential. These more desirable lines include professional liability, certain surety lines, medical stop loss, offshore energy, and aviation. Strong net investment income generated by the group's growing, conservative portfolio has also helped drive profits. Overall profitability felt a minor impact in 2014 with a contraction in investment income and a negative outcome from a loss portfolio transfer. The acquisition of Producers Agriculture and Producers Lloyd on January 1, 2015 causes some minor variability in historical trends. A portion of the return measures recorded for 2017 were hampered by accounting transactions that addressed activity within wholly owned subsidiaries and unrealized losses. Results in 2018 have more than recovered and are anticipated to remain strong going forward.

Across the portfolio, the group should continue to generate better than average earnings given its accomplished specialty underwriting approach, product diversification, and ability to focus on lines of business less impacted by market pressures. Proactive steps applied

Operating Performance (Continued...)

by management subsequent to the impact of the professional liability lines reserve adjustments in 2011 led to improved earnings in this line over ensuing periods. These steps were directly related to the Diversified Financial Products line of business within the segment, which provides coverage for private equity partnerships, hedge funds, and investment managers. Considering the group's successful history in managing the cycle and its steadfast application of conservative operating fundamentals, operating results are expected to remain favorable.

Over the last five years, the group's underwriting performance has been very strong as evidenced by a combined ratio during that period that is significantly better than that of the industry composite. A distinct loss ratio advantage supports underwriting performance. This group has generally been able to drive exceptional results from nearly all of its core business units, despite factors impacting specific niche lines.

Competitive market pressures have compressed pricing dynamics in certain lines of coverage in specialty admitted and surplus lines business. In recent years, the group has increased retentions on lines such as professional liability, aviation, property treaty, and energy where business written has proven to be profitable. The group's combined ratio has historically benefited from a substantial amount of ceding commission that has largely offset commissions paid on direct and assumed business. Increasing net retentions, however, have tempered the positive impact of ceding commissions in recent years. Management expects long-held underwriting discipline to allow the group to sustain the favorable underwriting and operating results even as segments of the market face greater price competition.

Operating and Financial Performance Ratios (%) - Company	9-Months		Year End - December 31					Weighted Average
	2019	2018	2018	2017	2016	2015	2014	
Calendar Year Loss and LAE Ratio	62.3	64.4	65.1	60.1	60.1	59.2	47.1	59.2
Expense and Policyholder Dividend Ratio	22.4	22.5	28.0	27.2	28.9	29.0	30.4	28.6
Combined Ratio	84.7	86.8	93.1	87.2	89.0	88.2	77.5	87.8
Reserve Development Ratio Impact	-2.4	3.6	0.5	-6.0	-2.1	-2.0	-7.9	-3.2
Net Investment Yield	3.2	3.4	3.4	3.2	4.2	5.6	3.2	3.9
Pre-Tax Operating Return on Net Earned Premiums	22.1	21.7	19.2	22.8	22.2	28.9	35.1	24.9
Net Income Return on Policyholders' Surplus	12.3	10.4	9.1	10.5	11.6	14.4	12.2	11.5
Total Return on Policyholders' Surplus	17.1	17.4	15.9	1.4	14.3	13.5	17.3	12.5

Source: BestLink® - Best's Financial Suite

Operating and Financial Performance Ratios (%) - Composite	9-Months		Year End - December 31					Weighted Average
	2019	2018	2018	2017	2016	2015	2014	
Calendar Year Loss and LAE Ratio	...	67.8	73.1	78.1	56.8	58.4	60.1	65.7
Expense and Policyholder Dividend Ratio	...	34.7	38.0	36.2	36.6	34.7	33.5	35.9
Combined Ratio	...	102.5	111.1	114.3	93.4	93.1	93.5	101.5
Reserve Development Ratio Impact	...	-2.5	-2.6	-2.8	-11.2	0.4	0.3	-3.1
Net Investment Yield	...	2.4	2.6	2.9	2.1	2.2	2.2	2.4
Pre-Tax Operating Return on Net Earned Premiums	...	1.9	-4.6	-4.6	12.6	16.0	13.5	6.1
Net Income Return on Policyholders' Surplus	...	4.0	0.9	0.8	5.3	7.2	7.2	4.1
Total Return on Policyholders' Surplus	...	3.0	-5.8	7.1	8.1	5.5	8.2	4.4

Source: BestLink® - Best's Financial Suite

Industry Composite: Commercial Property Composite - BestLink® - Best's Financial Suite

Business Profile

The eight insurance companies comprising the Houston Casualty Group, led by Houston Casualty Company, provide a wide range of products and coverages including group life, accident and health, aviation, property, marine, energy, professional liability including directors' and officers' liability, surety, primary and excess casualty, agriculture, and niche specialty lines. The group's business is produced directly and through independent agents, brokers and third-party administrators on a worldwide basis. Affiliated underwriting agencies act on behalf of insurance companies within the group, as well as unaffiliated insurance companies, to provide underwriting management and claim administration services.

Professional liability, including directors' and officers' liability is written through acquired underwriting agencies. Surety operations in the U.S. include contract and commercial surety bonds, written primarily through American Contractors Indemnity Company, United

Business Profile (Continued...)

States Surety Company, and U.S. Specialty Insurance Company. These are managed together as the U.S. Surety division. The company also writes surety business in the UK, Ireland, and Spain through HCC International Insurance Company PLC.

Aviation coverage is marketed to offshore operations, corporations, cargo operations, commuter airlines, governments and private aircraft owners on both a domestic and international basis. Operations are primarily dedicated to the underwriting of aircraft hull and liability insurance. In addition to conventional corporate and personal aircraft, the group covers specialty types, such as sport and antique airplanes, amphibians and seaplanes.

Accident and health coverage (primarily medical stop loss and its recently acquired organ transplant business) is provided through the group's affiliate HCC Life Insurance Company, marketed directly through unaffiliated agents, brokers and third-party administrators.

Operations of the lead company include a branch office in London, England. This location writes property coverage for large multinational corporations, marine hull and liability coverage for ocean-going vessels, and onshore and offshore energy coverage for large oil companies and drilling contractors. This office also coordinates assumed reinsurance coverage consisting of property treaty reinsurance, accident and health reinsurance, facultative aviation, property, and energy reinsurance.

TMHCC supplements the activities of its risk-bearing companies with underwriting agencies who write on behalf of its insurance carriers and, in certain situations, other non-affiliated companies. These organizations generate fee and commission income, including profit commissions, for the group while bearing no insurance risk. The principal agencies operating within TMHCC are HCC Global Financial Products, LLC, HCC Indemnity Guaranty Agency, Inc., HCC Specialty Underwriters, Inc., Professional Indemnity Agency, Inc., HCC Casualty Insurance Services, Inc. and HCC Medical Insurance Services, LLC. The underwriting agencies specialize in the various lines of business written by the group's insurance carriers.

Over the years, the organization has made numerous strategic transactions that have furthered its overall business strategy. These acquisitions have allowed the enterprise to expand its product and geographic diversification. Many of these opportunities also advanced the distribution channels. In addition, TMHCC has recognized synergy opportunities with TMNF affiliated entities that has advanced premium writings.

	9-Months		Year End - December 31					5 Year CAGR
	2019	2018	2018	2017	2016	2015	2014	
Premium Composition and Growth								
Direct Premiums Written USD (000)	1,556,705	1,576,402	1,890,163	1,732,808	1,711,327	1,702,809	1,699,188	...
% Change	-1.2	9.6	9.1	1.3	0.5	0.2	3.1	2.8
Reinsurance Premiums Assumed USD (000)*	807,434	602,375	117,004	167,758	134,118	184,137	116,166	...
% Change	34.0	-16.0	-30.3	25.1	-27.2	58.5	-3.4	-0.6
Reinsurance Premiums Ceded USD (000)*	1,078,216	1,038,945	634,095	506,052	452,182	576,267	942,989	...
% Change	3.8	6.1	25.3	11.9	-21.5	-38.9	4.1	-6.9
Net Premiums Written USD (000)	1,285,922	1,139,832	1,373,072	1,394,515	1,393,262	1,310,678	872,364	...
% Change	12.8	-3.1	-1.5	0.1	6.3	50.2	1.0	9.7

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
2018 By Line Business									
Allied Lines	669,383	35.4	-4,101	-3.5	253,638	40.0	411,643	30.0	61.9
Other Liab Claims made	448,411	23.7	4,807	4.1	99,300	15.7	353,918	25.8	78.9
Surety	161,067	8.5	561	0.5	15,489	2.4	146,139	10.6	90.7
Other Liab Occurrence	147,552	7.8	13,135	11.2	24,095	3.8	136,592	9.9	92.6
Ocean Marine	72,356	3.8	2,013	1.7	55,103	8.7	19,266	1.4	25.9
Top 5	1,498,768	79.3	16,415	14.0	447,624	70.6	1,067,558	77.7	70.5
All Other	391,395	20.7	100,590	86.0	186,471	29.4	305,514	22.3	62.1
Total	1,890,163	100.0	117,004	100.0	634,095	100.0	1,373,072	100.0	69.1

Source: BestLink® - Best's Financial Suite

Business Profile (Continued...)

Year End - December 31

**Geographic Breakdown by Direct Premiums
Written USD (000)**

	2018	2017	2016	2015	2014
California	309,347	280,163	282,653	258,109	252,262
Texas	248,492	212,979	203,160	188,085	197,538
New York	180,188	159,318	165,158	172,970	158,812
Illinois	76,584	70,448	80,883	74,448	63,040
Michigan	61,098	63,611	59,788	62,694	54,791
Top 5 States	875,710	786,520	791,642	756,307	726,443
All Other	1,014,453	946,288	919,684	946,502	972,745
Total	1,890,163	1,732,808	1,711,327	1,702,809	1,699,188
Geographic Concentration Index	0.07	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

The Group's Enterprise Risk Management (ERM) process is very well-developed, assessing the organization's risks systematically and determining the most appropriate responses to them. The Enterprise Risk Committee is responsible for the ongoing enhancement and integration of the ERM process throughout the organization. ERM policies and procedures are central to the organization's operations and strategic planning. Clearly defined and detailed risk appetite and tolerance statements have been implemented and proactively applied across all operations.

Reinsurance Summary

Reinsurance is maintained on a quota share and excess of loss basis with a separate program maintained for each major line of business. Catastrophe coverage is purchased for property, property treaty, marine, energy, aviation, and other catastrophe exposed lines of business. Facultative reinsurance is also purchased when deemed appropriate.

Financial Statements

	9-Months		Year End - December 31			
	2019		2018		2017	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	142,816	2.0	142,780	2.4	167,836	3.0
Bonds	3,604,885	49.9	3,607,113	60.4	3,412,090	60.5
Preferred and Common Stock	701,980	9.7	613,213	10.3	507,307	9.0
Other Invested Assets	313,303	4.3	286,781	4.8	264,430	4.7
Total Cash and Invested Assets	4,762,984	65.9	4,649,887	77.9	4,351,663	77.2
Premium Balances	1,276,939	17.7	679,207	11.4	737,234	13.1
Net Deferred Tax Asset	53,872	0.7	47,849	0.8	39,891	0.7
Other Assets	1,131,079	15.7	591,702	9.9	510,410	9.1
Total Assets	7,224,873	100.0	5,968,645	100.0	5,639,199	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	657,318	9.1	584,485	9.8	558,880	9.9
Net INBR Loss Reserves*	1,111,433	15.4	1,093,016	18.3	1,084,942	19.2
Net LAE Reserves	...	...	125,010	2.1	115,963	2.1
Total Net Loss and LAE Reserves	1,768,751	24.5	1,802,510	30.2	1,759,785	31.2
Net Unearned Premiums	831,559	11.5	612,762	10.3	582,107	10.3
Other Liabilities	2,286,635	31.6	1,236,569	20.7	1,134,478	20.1
Total Liabilities	4,886,945	67.6	3,651,841	61.2	3,476,370	61.6
Capital Stock	15,623	0.2	15,623	0.3	15,623	0.3
Paid-In and Contributed Surplus	685,848	9.5	702,848	11.8	702,848	12.5
Unassigned Surplus	1,636,458	22.7	1,598,333	26.8	1,444,358	25.6
Total Policyholders' Surplus	2,337,928	32.4	2,316,804	38.8	2,162,829	38.4
Total Liabilities and Surplus	7,224,873	100.0	5,968,645	100.0	5,639,199	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

	9-Months		Year End - December 31	
	2019	2018	2018	2017
Income Statement USD (000)				
Net Premiums Earned	1,067,125	980,908	1,342,418	1,387,211
Net Losses and LAE Incurred:				
Current Accident Year	690,615	596,456	867,547	916,015
Prior Accident Years	-25,772	35,030	6,084	-82,913
Underwriting Expenses Incurred	287,766	255,857	384,627	379,018
Dividends to Policyholders	163	160	236	146
Net Underwriting Income	114,354	93,405	83,923	174,945
Net Investment Income	115,240	113,598	152,430	139,876
Other Income (Expense)	6,217	6,277	21,798	1,906
Pre-Tax Operating Income	235,811	213,280	258,151	316,727
Income Taxes Incurred	37,008	40,904	50,441	87,980
Net Operating Income	198,803	172,377	207,710	228,746
Net Realized Capital Gains (Losses)	16,534	-472	-3,938	659
Net Income	215,337	171,905	203,772	229,405

Source: BestLink® - Best's Financial Suite

Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2019	2018	2018	2017
Net Premiums Collected	1,318,629	952,497	1,544,310	1,429,820
Net Losses Paid	808,805	568,648	845,765	753,580
Expenses Paid	345,224	319,844	466,840	490,118
Dividends to Policyholders	115	131	186	127
Net Underwriting Cash Flow	164,485	63,874	231,519	185,994
Net Investment Income	134,197	126,293	163,779	152,541
Other Income (Expense)	6,193	6,328	21,938	2,083
Income Taxes Paid (Recovered)	30,143	76,712	86,058	58,654
Net Operating Cash Flow	274,733	119,783	331,178	281,963

Source: BestLink® - Best's Financial Suite

Last Update

January 06, 2020

Identifiers**AMB #:** 018421

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: [058633 Tokio Marine Holdings, Inc.](#)

AMB#: [003286 Houston Casualty Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Houston Casualty Group

Operations

Domiciled: Texas, United States**Business Type:** Property/Casualty**Organization Type:** Stock**Marketing Type:** MGA

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: December 12, 2019

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 018421 - Houston Casualty Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
011019	American Contractors Indem Co	A++	aa+
000191	Avemco Insurance Company	A++	aa+
072473	HCC Reinsurance Company Ltd	A++	aa+
003286	Houston Casualty Company	A++	aa+
012485	Producers Agriculture Ins Co	A++	aa+
002729	Producers Lloyds Insurance Co	A++	aa+
000747	U.S. Specialty Insurance Co	A++	aa+
012009	United States Surety Company	A++	aa+

Corporate Structure

Associated Ultimate Parent: AMB # 058633 - Tokio Marine Holdings, Inc.

Based on AM Best's analysis, AMB# 058633 Tokio Marine Holdings, Inc. is the Associated Ultimate Parent to this group. Its current data structure is based on the corporate structure for the associated ultimate parent and the non-legal entities such as data records and AM Best Groups. Access current [Corporate Structure](#) in BestLink.

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent AM Best consolidated statements available in BestLink - Best's Statement File – P/C, US. Access [Quantitative Analytical Report \(QAR\) Annual](#) and [Quarterly](#) for additional details.

Currency: US Dollars

Balance Sheet Highlights

Year End - December 31

Ceded Reinsurance Analysis

	2018	2017	2016	2015	2014
Houston Casualty Group					
Ceded Reinsurance USD (000)	2,136,175	1,746,182	1,444,273	1,694,818	1,728,391
Business Retention (%)	69.1	73.4	77.4	73.0	48.1
Reinsurance Recoverables to PHS (%)	63.3	55.2	44.6	50.0	51.6
Ceded Reinsurance to PHS (%)	92.2	80.7	65.9	77.0	80.5
Commercial Property Composite					
Business Retention (%)	52.1	46.8	46.1	45.5	51.2
Reinsurance Recoverables to PHS (%)	54.5	56.3	45.9	40.6	45.5
Ceded Reinsurance to PHS (%)	92.3	94.4	87.7	84.3	90.6

Source: BestLink® - Best's Financial Suite

	Paid & Unpaid Losses	Incurred but not reported (IBNR) losses	Unearned premiums	Other Recoverables	Total Reinsurance Recoverables
2018 Reinsurance Recoverables USD (000)					
US Affiliates	243,563	202,145	52,210	...	497,918
Foreign Affiliates	17,800	12,230	49,314	-28,835	50,509
US Insurers	254,632	287,049	96,322	4,375	642,378
Pools/Associations	173,849	140,722	14,167	...	328,738
Other Non-US	145,891	180,983	118,087	874	445,835
Total (excluding US Affiliates)	592,172	620,984	277,890	-23,586	1,467,460
Grand Total	835,735	823,129	330,101	-23,586	1,965,379

Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Asset Liability Management | Investments

	9-Months			Year End - December 31			
	2019	2018	2018	2017	2016	2015	2014
Bond Portfolio							
Bonds & Short Term Investments USD(000)	3,604,969	3,405,720	3,608,293	3,412,290	3,176,397	3,521,637	3,534,090
By Issuer (%)							
Unaffiliated Bonds:							
US Government	...	...	4.7	5.4	6.2	7.8	6.4
Foreign Government	...	...	0.8	1.1	0.3	0.1	0.1
Foreign - All other	...	...	2.3	3.0	3.4	3.9	3.5
State, Municipal & Special Revenue	...	...	42.5	56.7	57.6	66.4	66.2
Industrial and Misc, Hybrid and SVO Identified	...	...	49.6	33.8	32.5	21.7	23.7
Bonds and Short Term Investments By Private vs Public (%)							
Private issues	...	...	33.6	21.2	19.9	8.5	9.6
Public issues	...	...	66.4	78.8	80.1	91.5	90.4
Bonds and Short Term Investments By Quality (%)							
Class 1	82.8	85.9	85.7	81.9	83.6	91.4	93.3
Class 2	12.1	9.5	10.2	8.8	7.4	4.8	2.8
Class 3	2.1	2.0	1.8	6.9	6.2	3.3	3.5
Class 4	2.7	2.0	1.9	2.0	2.7	0.4	0.4
Class 5	0.2	0.6	0.4	0.4	0.1	...	...
Class 6	0.1	...	...	...	...	...	...
Below Investment Grade (NAIC 3-6)	5.1	4.6	4.2	9.3	8.9	3.7	3.9
Below Investment Grade - % of Policyholders' Surplus	7.9	7.0	6.5	14.7	13.0	5.9	6.4

Source: BestLink® - Best's Financial Suite

	9-Months			Year End - December 31			
	2019	2018	2018	2017	2016	2015	2014
Stock Portfolio							
Stocks USD(000)	701,980	626,839	613,213	507,307	699,284	613,818	866,828
By Type (%)							
Unaffiliated Common	...	...	3.3	13.5	9.4	7.3	34.2
Affiliated Common	...	...	94.4	83.4	88.4	92.7	65.8
Unaffiliated Preferred	...	...	2.4	3.1	2.2	...	...

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

	Year End - December 31				
	2018	2017	2016	2015	2014
By Line - Net Loss Ratio (%)					
Other Liab	61.9	53.0	54.0	49.2	44.9
Allied Lines	84.1	78.4	75.5	81.5	73.8
Surety	6.8	6.8	7.1	8.4	4.0
Aircraft	49.2	55.3	46.7	45.6	48.5
Comm M.P.	45.5	62.5	41.4	22.4	50.0
Rein-NPA Prop	86.1	-2.8	23.8	15.1	7.7
Credit	16.1	5.8	31.8	43.3	28.3
Earthquake	24.2	16.8	1.2	-1.1	-6.2
Boiler&Mach	1.7	28.6	8.6	30.1	-18.3
Inland Marine	49.4	132.8	59.0	45.8	45.1
All Other	44.9	-6.9	27.1	41.5	44.1
Total	58.1	53.7	53.5	52.7	36.4

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
Geographic - Direct Loss Ratio (%)	2018	2017	2016	2015	2014
California	60.8	89.3	41.2	46.9	81.2
Texas	84.8	41.9	71.3	72.6	47.8
New York	99.9	27.6	35.5	53.7	39.6
Illinois	13.9	26.7	51.1	4.0	96.4
Michigan	39.0	65.1	-3.3	115.6	-0.8
Washington	93.5	85.2	52.6	96.1	38.4
North Carolina	105.4	66.6	152.6	152.1	35.5
Florida	61.8	-0.4	80.7	2.8	75.2
Minnesota	36.8	36.5	63.4	142.8	141.9
Iowa	77.9	19.6	32.4	90.3	190.9
All Other	59.9	70.7	52.9	37.1	44.9
Total	66.8	60.3	53.5	54.6	57.3

Source: BestLink® - Best's Financial Suite

Business Profile Highlights**Historical Market Presence**

	Year End - December 31				
	2018	2017	2016	2015	2014
By Line Breakdown - NPW USD (000)					
Other Liab	490,510	458,310	472,460	452,814	418,082
Allied Lines	411,643	509,713	504,463	452,240	12,737
Surety	146,139	151,626	151,475	148,325	149,133
Aircraft	71,249	93,558	99,384	97,757	113,310
Comm M.P.	47,534	42,135	36,944	28,474	27,515
Credit	29,311	24,369	28,296	19,456	18,194
Rein-NPA Prop	28,529	24,374	24,868	26,235	28,832
Earthquake	25,915	20,461	10,804	11,429	13,223
Fire	20,341	-1,543	3,973	9,201	12,270
Inland Marine	19,804	12,832	10,798	15,567	10,506
All Other	82,096	58,679	49,798	49,181	68,564
Total	1,373,072	1,394,515	1,393,262	1,310,678	872,364

Source: BestLink® - Best's Financial Suite

	Year End - December 31		
	2018	2017	2016
By Line Reserves USD (000)			
Other Liab	1,233,043	1,133,604	1,082,729
Allied Lines	165,266	237,761	208,161
Surety	80,086	67,258	70,366
Comm M.P.	77,138	65,038	58,418
Group A&H	53,602	73,980	86,615
Aircraft	45,032	58,668	64,326
Fidelity	24,373	20,513	20,230
Rein-NPA Prop	23,809	14,505	17,075
Ocean Marine	22,305	25,210	33,366
Inland Marine	15,227	16,694	9,702
All Other	62,631	46,555	52,269
Total	1,802,510	1,759,785	1,703,258

Source: BestLink® - Best's Financial Suite

Best's Credit Rating Effective Date

December 12, 2019

Analytical Contacts

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Information

[Best's Credit Rating Methodology](#)
[Understanding Best's Credit Ratings](#)
[Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

HCC Life Insurance Company

AMB #: 009081 | **NAIC #:** 92711 | **FEIN#:** 35-1817054
Ultimate Parent: AMB # 058633 - Tokio Marine Holdings, Inc.

Best's Credit Ratings

**Financial Strength Rating
(FSR)**

A++ Superior
Outlook: Stable Action: Affirmed

**Issuer Credit Rating
(ICR)**

aa+ Superior
Outlook: Stable Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Strong
Business Profile	Neutral
Enterprise Risk Management	Very Strong

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Capital and surplus increased over the past five years despite sizable stockholder dividends and capital deployed for acquisitions.
- HCC Life maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Model.
- The investment portfolio remains relatively conservative, as 100% of its fixed-income securities are investment grade and no exposure to higher-risk assets.
- The investment portfolio does maintain a concentration in municipal bonds, which represent approximately half of the fixed-income securities portfolio.

Operating Performance: **Strong**

- Continued profitability within HCC Life's core group accident and health line of business due to favorable, albeit modestly higher, loss ratios in its medical stop-loss line of business.
- HCC Life has experienced consistent growth in premiums over the past five years due to good retention of existing business and increasing sales. Premiums and earnings have increased significantly in 2018 partially due to the acquisition of AIG's medical stop-loss business in 2017.
- Net investment income has declined over the past several years due to declining investment yields that have resulted from the low interest rate environment.

Business Profile: **Neutral**

- HCC Life has maintained a top five market position with the acquisition of AIG's medical stop-loss operations, which have added scale and other efficiencies as the business becomes integrated.
- HCC Life benefits from the financial strength and support of its ultimate parent, Tokio Marine Holdings, Inc., and has increased synergies with its U.S. affiliates.
- HCC Life maintains a significant concentration in medical stop-loss, which represents nearly all of its premiums as the company has exited several ancillary lines of business in recent years. This concentration exposes the company to a changing regulatory environment. The organ transplant product included as part of the aforementioned acquisition will add some diversity.

Enterprise Risk Management: **Very Strong**

- The organization maintains a robust enterprise risk management program that is fully integrated into Tokio Marine's framework.
- Utilizes economic capital modeling aligned with Tokio Marine's for informing and quantifying the impact of various strategic options.

Rating Lift/Drag

- HCC Life benefits from the financial strength and support of Tokio Marine.
- HCC Life has become well integrated within the Tokio Marine organization.

Outlook

- The stable outlooks reflect HCC Life's very strong balance sheet strength, strong operating performance and the benefits it receives from its ultimate parent.

Rating Drivers

- A negative rating action for HCC Life could be considered if AM Best's view of the strategic importance of HCC Life to its ultimate parent declines.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	63.3	45.8	39.2	37.2

Source: Best's Capital Adequacy Ratio Model - L/H, US

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Assets:							
General Account	1,134,900	1,086,875	1,096,984	994,758	981,612	921,472	923,465
Total	1,134,900	1,086,875	1,096,984	994,758	981,612	921,472	923,465
Liabilities:							
Net Life Reserves	169	203	180	288	316	387	548
Net Accident & Health Reserves	355,235	457,713	410,479	436,494	315,538	317,808	314,722
Asset Valuation Reserve	3,275	3,039	3,070	2,812	2,758	2,477	2,297
Other General Account	131,312	108,981	121,707	149,006	61,150	48,123	51,625
Total	489,991	569,936	535,435	588,600	379,763	368,795	369,192
Total Capital and Surplus	644,909	516,939	561,549	406,158	601,849	552,677	554,272
Net Income	87,223	111,177	121,364	90,872	104,763	112,109	116,083
Net Premiums Earned	935,313	1,021,464	1,365,756	1,095,489	987,676	973,272	956,439
Net Investment Income	25,676	21,864	30,315	28,592	25,890	27,086	30,575

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2019	2018	2018	2017	2016	2015	2014	
Operating Return on Revenue	8.7	10.4	8.6	7.2	10.1	11.0	12.1	9.6
Operating Return on Capital and Surplus	19.3	32.1	25.1	18.0	18.2	20.3	24.7	21.1
Net Investment Yield	3.3	3.0	3.1	3.1	2.9	3.1	3.9	3.2
Pre-Tax Investment Total Return	3.3	3.1	2.9	3.2	3.0	3.8	3.7	3.3

Source: BestLink® - Best's Financial Suite

Leverage (%)	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
General Account Liabilities to Capital and Surplus	0.8	1.1	1.0	1.4	0.6	0.7	0.7
Higher Risk Assets to Capital and Surplus:							
All Other Higher Risk Assets	...	...	...	...	0.7	0.6	0.7

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Current Liquidity (%)	249.8	195.1	210.4	164.1	255.5	241.2	235.4
Net Operating Cash Flow USD (000)	14,925	147,715	139,972	202,812	105,777	116,770	157,718

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Capitalization

HCC Life's capital and surplus has historically had consistent growth as a result of substantial net income, less stockholder dividend distributions. Capital and surplus declined modestly in 2015 due to a \$116 million dollar stockholder dividend to its parent. While capital and surplus increased in 2016, it declined again in 2017 due to the acquisition of AIG's medical stop-loss business. However, A.M. Best notes that in 2018 and continuing into 2019, capital and surplus has increased substantially from 2017 levels as the acquisition has been accretive to earnings and no stockholder dividends have been paid since 2016. HCC Life maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Model. A.M. Best will continue to monitor HCC Life's ability to keep its capitalization level adequate to support its premium growth.

Balance Sheet Strength (Continued...)

Capital Generation Analysis USD (000)	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Beginning Capital and Surplus	561,549	406,158	406,158	601,849	552,677	554,272	436,893
Net Operating Gain	87,223	111,177	121,364	90,872	105,000	112,109	122,300
Net Realized Capital Gains (Losses)	...	...	...	...	-237	...	-6,217
Net Unrealized Capital Gains (Losses)	73	377	377	125	615	200	4,841
Net Change in Paid-In Capital and Surplus	...	...	...	...	...	1,073	-12
Stockholder Dividends	...	...	...	...	-55,000	-116,082	...
Other Changes in Capital and Surplus	-3,936	-772	33,651	-286,689	-1,206	1,105	-3,532
Net Change in Capital and Surplus	83,360	110,782	155,391	-195,692	49,172	-1,595	117,380
Ending Capital and Surplus	644,909	516,939	561,549	406,158	601,849	552,677	554,272
Net Change in Capital and Surplus (%)	14.8	27.3	38.3	-32.5	8.9	-0.3	26.9
Net Change in Capital and Surplus (5 yr CAGR)	...	...	5.1	...	...	...	...

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

HCC Life maintains a conservative investment portfolio that has generated consistent but below average returns. The company has utilized a conservative investment strategy to preserve and maintain capital. Nearly 100% of invested assets are comprised of investment-grade bonds, most of which are publicly-traded with an average duration of approximately 4 years. HCC Life has no direct exposure to investments in sub-prime mortgage loans. The remainder of HCC Life's investment portfolio consists of affiliated common stock, cash and short-term investments.

While net investment income has increased in each of the last three years as a result of growth in the investment balances, the company has experienced a general decline in investment yields that has dampened investment results. HCC Life continues to invest in fixed maturity securities with longer durations in an effort to improve investment returns. While its intermediate parent, HCC, has been investing in more opportunistic investments in recent years, HCC Life has not incorporated that investment strategy within its own investment portfolio at this time.

HCC Life incurred very modest realized capital losses in its bond portfolio over the past five years. The exception was in 2014 when a \$6.2 million loss on the sale of Perico Life was reported. A.M. Best notes that despite the modest realized loss in 2014, HCC Life has sufficient premium and investment cash flow to cover its predictable contractual obligations and operating expenses. On October 27, 2015 HCC Benefits Corporation was contributed to the company. On October 19, 2018 HCC Benefits Corporation was dissolved. With the sale of Perico Life in June 2014, HCC Life owns 100% of the common stock of HCC Risk Solutions Company, HCC Benefits Corporation and US Holdings Inc. The company's common stock value in HCC Benefits Corporation and US Holdings Inc. has an admitted value of 0. The company's common stock value in HCC Risk Solutions Company is \$1.5 million.

Composition of Cash and Invested Assets	9-Months		Year End - December 31				
	2019	2018	2018	2017	2016	2015	2014
Total Cash and Invested Assets USD (000)	1,060,592	1,004,765	1,024,449	916,250	921,476	867,237	862,362
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	2.8	2.4	2.1	0.3	2.1	2.7	3.2
Bonds	97.0	97.5	97.7	99.5	97.7	97.1	96.6
Total Unaffiliated	99.8	99.9	99.9	99.8	99.8	99.8	99.8
Investments in Affiliates	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	0.2	2.0	0.8	0.4	0.1	5.8
Government Agencies and Municipal Bonds	0.4	20.8	17.1	6.0	7.8	9.1
Industrial and Miscellaneous Bonds	0.6	16.9	26.6	0.2	...	5.7
Total Bonds	1.2	39.8	44.5	6.6	7.9	7.5

Source: BestLink® - Best's Financial Suite

Bonds - Distribution by Issuer	Year End - December 31				
	2018	2017	2016	2015	2014
Bonds USD (000)	1,000,981	911,870	900,631	842,287	833,353
US Government (%)	3.6	4.0	4.1	4.0	4.3
Foreign - All Other (%)	1.0	1.1	1.3	1.4	1.5
State, Municipal & Special Revenue (%)	52.1	75.7	69.3	61.7	70.7
Industrial & Miscellaneous (%)	43.4	19.2	25.3	32.9	23.5
Total Bonds (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Operating Performance

HCC Life has reported positive operating earnings in each of the past five years despite the challenging low interest rate environment. While investment income has been impacted by decreasing investment yields, this has been partially offset by ongoing expense management and premium revenue growth within its medical stop-loss line of business. As the company has substantially grown its book of business over time, it has consistently reported sizable net operating gains. A.M. Best notes that despite the increasing competition within the industry, the company has been able to maintain its medical stop-loss net loss ratio within its target range. Additionally, HCC Life has been able to effect pricing adjustments where needed and modify its commission schedule to keep its competitive pricing and maintain profit margins. The recent acquisition of AIG's stop-loss business has added additional scale and other synergies resulting in improving profitability over the medium-term.

Although positive, statutory net operating earnings have generally declined in recent years, primarily due to lower investment yields and an increase in claims in its medical stop-loss insurance line of business. Net operating earnings rebounded somewhat in 2018. Net written premiums continue to increase due to increased writing in the medical stop-loss. A.M. Best notes that the company exited the short-term medical line of business in 2017.

A.M. Best has remained cautious for some time of the prolonged downturn in the underwriting cycle of the medical stop-loss market given HCC Life's reliance on this business for both premium revenue and net income. Like other health insurance lines of business, utilization has been down since the economic crisis. However, A.M. Best notes that the company has exhibited discipline in responding to the pressures of a more competitive environment, and as a market leader in the medical stop-loss market, has a competitive advantage with its lower expense structure. Additionally, all of HCC Life's other ancillary product lines contributed to the organization's profitability. The company will continue to look at increasing its earned premium and operating earnings from the growth of its medical stop-loss insurance product line.

Net Operating Gain By LOB USD (000)	Year End - December 31				
	2018	2017	2016	2015	2014
Ordinary Life	...	26	27	...	431
Group Life	49	83	49	252	484
Individual Accident & Health	4,779	6,727	9,031	8,920	4,921
Group Accident & Health	116,536	84,035	95,894	102,937	116,465
Total	121,364	90,872	105,000	112,109	122,300

Source: BestLink® - Best's Financial Suite

Operating Performance (Continued...)

Year End - December 31

Accident & Health Statistics	2018	2017	2016	2015	2014
Net Premiums Written USD (000)	1,365,674	1,095,330	987,450	972,868	956,018
Net Premiums Earned USD (000)	1,366,119	1,112,474	988,925	973,865	940,650
Claims and Cost Containment Ratio (%)	78.7	88.9	74.2	74.0	71.4
Expense Ratio (%)	12.1	12.4	13.5	13.1	13.9
Combined Ratio (%)	90.8	101.2	87.7	87.1	85.3
Underwriting Results USD (000)	111,666	-11,681	121,375	126,128	136,385

Source: BestLink® - Best's Financial Suite

Business Profile

HCC Life Insurance Company (HCC Life), based in Kennesaw, GA, is licensed in all states and the District of Columbia. The company specializes in marketing medical stop-loss insurance for self-insured corporations and groups. HCC Life provides a good source of product and earnings diversification for HCC Insurance Holdings, Inc. (TMHCC). The company is a wholly owned subsidiary of Houston Casualty Company (HCC), who is ultimately 100% owned by Tokio Marine Holdings, Inc. (TMHD).

TMHCC, based in Houston, TX, is a specialty insurance holding company that markets property and casualty, life, accident and health (primarily medical stop-loss) and credit and surety insurance worldwide through its operating insurance subsidiaries and affiliated underwriting agencies. TMHCC was acquired by Tokio Marine Holdings, Inc., through its subsidiary, Tokio Marine & Nichido Fire Insurance Co., Ltd. in 2015. The acquisition provided an international footprint to expand its diverse portfolio and expertise globally, and build a financial foundation on which to compete with larger insurers and the opportunity to offer clients expanded coverages.

HCC Life's products include medical stop-loss and organ transplant written in the United States, and a limited program of disability insurance. The majority of the business covers employer sponsored groups of employees, and claims are reported and settled within 12 to 15 months for each reporting year. The company has achieved growth primarily through numerous acquisitions and ongoing product development. Through acquisitions, HCC Life has grown its market position and retained an experienced senior management team with an average of over 20 years of experience. While recent growth has been organic as the company leverages its scale and relationships with brokers, HCC Life acquired the medical stop-loss operations and organ transplant product of American International Group, Inc. in 2017. The acquisition, which includes renewal rights, inforce business and employees, will increase HCC Life's MSL premiums by approximately one-third to over \$1.3 billion, making it one of the top three largest carriers in the industry. In addition to the MSL block of business, HCC Life also acquired a smaller block of organ transplant business, which represents approximately 10% of the total amount of business being acquired in the transaction.

The company's medical stop-loss insurance provides protection for catastrophic losses to employers that self-fund their employee benefit plans by allowing them to manage the risk of excessive health insurance exposure by limiting aggregate and specific losses to a predetermined amount. HCC Life markets medical stop-loss to employers through insurance brokers, consultants and third-party administrators (TPA). Underwriting offices are located throughout the United States to allow geographic management of the business, deal with catastrophic health claims and work with employers and their plan administrators to control plan costs. In addition, HCC Life underwrites a limited program of group term life insurance to its customers as a complement to its medical stop-loss product.

In 2012, HCC Risk Solutions Company (HCCRS) was created as a wholly owned subsidiary of HCC Life. HCCRS operates as a sponsored cell (captive) for the benefit of protected cells. Protected cells are created for unaffiliated policyholders to participate in underwriting risk. HCC Life does not have an ownership interest in any of the protected cells under HCCRS. Beginning with policy effective dates in 2014, HCCRS is assuming medical stop loss business from HCC Life.

HCC Life is a market leader in stop-loss insurance, with over \$1.2 billion in stop-loss gross premium written in 2018. The company has been able to build its medical stop-loss book of business with high quality, profitable contracts while regulating retention levels in order to match the risk profile prescribed by its internal forecasting models.

Business Profile (Continued...)

2018 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Ordinary Life	1,662	0.1	...	...	1,662	1.1	...	...	...
Group Life	822	0.1	...	...	740	0.5	82	...	10.0
Individual Annuities	125	...	...	...	125	0.1	...	...	...
Individual Accident & Health	22,413	1.8	...	...	15,608	9.9	6,805	0.5	30.4
Group Accident & Health	1,253,466	98.0	244,375	100.0	138,973	88.5	1,358,869	99.5	90.7
Total	1,278,488	100.0	244,375	100.0	157,107	100.0	1,365,756	100.0	89.7

Source: BestLink® - Best's Financial Suite

Year End - December 31

Geographic Breakdown by Direct Premiums Written USD (000)	2018	2017	2016	2015	2014
Texas	86,891	73,306	81,354	94,217	93,184
California	81,397	58,846	65,510	70,763	80,855
Ohio	75,692	60,680	52,390	57,934	59,173
New York	74,882	56,253	46,139	43,376	43,823
Illinois	68,237	63,546	53,863	49,176	46,581
Top 5 States	387,099	312,631	299,257	315,467	323,616
All Other	891,374	813,035	769,408	718,778	684,198
Total	1,278,473	1,125,667	1,068,664	1,034,244	1,007,814
Geographic Concentration Index	0.04	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

The organization maintains a robust enterprise risk management program that is fully integrated into Tokio Marine's framework. HCC Life utilizes economic capital modeling that is aligned with Tokio Marine's for informing and quantifying the impact of various strategic options.

Reinsurance Summary

Since the introduction of PPACA, HCC Life (the "Company") now offers medical stop-loss with unlimited benefits. The company has excess of loss reinsurance on specific losses for its medical stop loss business. The Company cedes medical stop loss to unaffiliated reinsurers who are accepted to participate in underwriting risk for production they originate. The Company also cedes medical stop loss to protected cells within HCC Risk Solutions Company who operates as a sponsored cell. The Company cedes accident and health business related to its disability income line primarily to various Lloyd's syndicates, London, UK. Effective January 1, 2018 the Company began to assume medical stop-loss business from its affiliate Reliance Standard Life Insurance Company.

Rating Lift/Drag

HCC Life benefits from the financial strength and support of its ultimate parent, Tokio Marine Holdings, Inc. HCC Life has become well integrated within the Tokio Marine organization.

Financial Statements

	9-Months		Year End - December 31			
	2019		2018		2017	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	29,906	2.6	21,839	2.0	2,876	0.3
Bonds	1,028,932	90.7	1,000,981	91.2	911,870	91.7
Preferred and Common Stock	1,754	0.2	1,504	0.1	1,504	0.2
Other Invested Assets	...	...	125	...	...	...
Total Cash and Invested Assets	1,060,592	93.5	1,024,449	93.4	916,250	92.1
Premium Balances	31,274	2.8	31,665	2.9	34,829	3.5
Net Deferred Tax Asset	19,156	1.7	21,960	2.0	13,476	1.4
Other Assets	23,879	2.1	18,910	1.7	30,203	3.0
Total General Account Assets	1,134,900	100.0	1,096,984	100.0	994,758	100.0
Total Assets	1,134,900	100.0	1,096,984	100.0	994,758	100.0
Net Life Reserves	169	...	180	...	288	...
Net Accident & Health Reserves	355,235	31.3	410,479	37.4	436,494	43.9
Asset Valuation Reserve	3,275	0.3	3,070	0.3	2,812	0.3
Other Liabilities	131,312	11.6	121,707	11.1	149,006	15.0
Total General Account Liabilities	489,991	43.2	535,435	48.8	588,600	59.2
Total Liabilities	489,991	43.2	535,435	48.8	588,600	59.2
Capital Stock	2,500	0.2	2,500	0.2	2,500	0.3
Paid-In and Contributed Surplus	317,289	28.0	317,289	28.9	317,289	31.9
Unassigned Surplus	325,120	28.6	241,760	22.0	86,368	8.7
Total Capital and Surplus	644,909	56.8	561,549	51.2	406,158	40.8
Total Liabilities, Capital and Surplus	1,134,900	100.0	1,096,984	100.0	994,758	100.0

Source: BestLink® - Best's Financial Suite

Income Statement USD (000)	9-Months		Year End - December 31	
	2019	2018	2018	2017
Net Premiums Earned:				
Group Life	...	...	82	160
Individual Accident & Health	...	...	6,805	17,339
Group Accident & Health	...	...	1,358,869	1,077,991
Total Net Premiums Earned	935,313	1,021,464	1,365,756	1,095,489
Net Investment Income	25,676	21,864	30,315	28,592
Other Income	37,243	25,186	18,011	135,763
Total Revenue	998,232	1,068,514	1,414,082	1,259,844
Policy Benefits	734,923	786,593	1,073,091	970,169
Commissions and Expense Allowances	89,878	80,305	108,395	87,906
Insurance and Other Expense	71,078	68,539	89,459	77,469
Pre-Tax Net Operating Gain	102,353	133,078	143,136	124,300
Income Taxes Incurred	15,130	21,901	21,773	33,428
Net Operating Gain	87,223	111,177	121,364	90,872
Net Realized Capital Gains	...	...	...	...
Net Income	87,223	111,177	121,364	90,872

Source: BestLink® - Best's Financial Suite

Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2019	2018	2018	2017
Net Premiums Collected	935,774	1,021,245	1,373,440	1,095,497
Net Investment Income	29,043	26,224	35,721	34,288
Other Income Received	36,982	24,497	17,092	134,615
Total Collected Operating Revenue	1,001,799	1,071,967	1,426,253	1,264,400
Net Benefits and Loss Related Payments	790,178	765,458	1,099,215	849,241
Commissions and Other Expenses Paid	188,147	148,293	176,567	161,347
Income Taxes Paid (Recovered)	8,550	10,500	10,500	51,000
Total Paid Expenses and Transfers	986,874	924,252	1,286,282	1,061,588
Net Operating Cash Flow	14,925	147,715	139,972	202,812

Source: BestLink® - Best's Financial Suite

HCC Life Insurance Company

Last Update

January 07, 2020

Identifiers

AMB #: 009081**NAIC #:** 92711**FEIN #:** 35-1817054

Contact Information

Administrative Office:
225 Town Park Drive, Suite 350,
Kennesaw, Georgia 30144
United States

Domiciliary Address:
150 West Market Street, Suite 800,
Indianapolis, Indiana 46204
United States

Web: www.tmhcc.com/hcclife**Phone:** +1-770-973-9851**Fax:** +1-770-973-9854

Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Operations

Date Incorporated: December 03, 1980 | **Date Commenced:** March 12, 1981**Domiciled:** Indiana, United States**Licensed:** (Current since 06/03/2016). The company is licensed in the District of Columbia and all states.**Business Type:** Health - Medical Non-HMO**Organization Type:** Stock**Marketing Type:** General Agent**Financial Size:** X (\$500 Million to \$750 Million)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 009081 - HCC Life Insurance Company

Refer to the [Best's Credit Report for AMB# 009081 - HCC Life Insurance Company](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1983. In our opinion, the company has a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Dec 12, 2019	A++	Stable	Affirmed	aa+	Stable	Affirmed
Dec 21, 2018	A++	Stable	Affirmed	aa+	Stable	Affirmed
Dec 13, 2017	A++	Stable	Affirmed	aa+	Stable	Affirmed
Nov 2, 2016	A++	Stable	Upgraded	aa+	Stable	Upgraded
Oct 22, 2015	A+	Stable	Affirmed	aa	Stable	Affirmed

Corporate Structure

Ultimate Parent: AMB # 058633 - Tokio Marine Holdings, Inc.

Based on AM Best's analysis, AMB# 058633 Tokio Marine Holdings, Inc. is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. Access in BestLink this company's current [Corporate Structure](#).

Management

Officers

CEO: Daniel A. Strusz

President: Daniel A. Strusz

Chief Information Officer: Steve M. Harrison

EVP and CFO: Mark R. Sanderford

EVP: William N. Burke, Jr.

EVP: Mark W. Callahan

EVP: Mark A. Carney

EVP: Brad T. Irick

EVP: Andrew J. Ritchie

EVP: Susan Rivera

SVP and Chief Underwriting Officer: Lawrence J. Stewart

SVP: Lori J. Austin

SVP: Charles G. Carlson

SVP: William E. Edrington

SVP: Jeffrey T. Gavlick

SVP: J. David Grider, Jr. (Sales & Marketing)

SVP: John M. Kelbel

SVP: Michael J. Lee

SVP: Beata A. Madey

SVP: Thomas E. Weist

Vice President and Secretary: Alexander M. Ludlow

Vice President and Treasurer: Dwayne J. Lee

Vice President: John J. Banks, Jr. (Marketing)

Vice President: Anthony J. Budreski

Vice President: Timothy R. Campbell (Marketing)

Vice President: Luana W. Davis

Vice President: Shelly L. Iacobell

Vice President: Robert K. Kerr

Vice President: Michael S. Lanza

Vice President: Bradley T. Long

Vice President: Todd E. Marcoux (Marketing)

Vice President: Thomas A. Matchinsky

Vice President: Pamela A. McGovern (Marketing)

Vice President: Joycelyn M. Ray

Vice President: John W. Richert

Vice President: Deborah L. Riffe

Vice President: Randy D. Rinicella

Vice President: Christopher D. Sanborn

Directors

Frank J. Bramanti

Mark A. Carney

Brad T. Irick

Susan Rivera

Robert A. Rosholt

Mark R. Sanderford

Daniel A. Strusz

J. Mikesell Thomas

History

Recent M&A Transactions

Announced on	Closed on	Transaction Type	Target	Acquirer	Seller
10/02/2017	10/15/2017	Book of Business	Amer Intl Grp Inc	HCC Life Ins Co	

Search for this company in [Mergers & Acquisitions](#) in BestLink for additional details and previous transactions.

Corporate Changes

Date	Event Type	Company Name	Current Company Name	Corporate Changes Text
10/27/2015	Ownership	HCC Life Insurance Company		This company was sold to Tokio Marine & Nichido Fire Insurance Company, Ltd. on October 27, 2015.
12/28/1999	Name Change	Centris Life Insurance Company	HCC Life Insurance Company	This company changed its name to HCC Life Insurance Company on December 28, 1999.
03/01/1999	Name Change	Seaboard Life Insurance Company (USA)	HCC Life Insurance Company	This company changed its name to Centris Life Insurance Company on March 01, 1999.
11/05/1993	Name Change	VASA Life Insurance Company	HCC Life Insurance Company	This company changed its name to Seaboard Life Insurance Company (USA) on November 05, 1993.
01/22/1991	Name Change	Indianapolis Life Pension and Insurance Company	HCC Life Insurance Company	This company changed its name to VASA Life Insurance Company on January 22, 1991.

Search for this company in [Corporate Changes](#) in BestLink to review previous changes.

Regulatory

Auditor: PricewaterhouseCoopers, LLP

Actuary: Mark R. Allyn, FSA, MAAA, HCC Life Insurance Company

An examination of the financial condition was made as of December 31, 2013, by the insurance department of Indiana. The 2018 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Mark R. Allyn, FSA, MAAA, HCC Life Insurance Company.

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent company-filed statements available in BestLink - Best's Statement File - L/H, US. Access [Quantitative Analytical Report \(QAR\) Annual](#) and [Quarterly](#) for additional details.

Currency: US Dollars

Balance Sheet Highlights

	Year End - December 31				
Ceded Reinsurance Analysis	2018	2017	2016	2015	2014
HCC Life Insurance Company					
Face Amount Reinsurance Ceded USD (000)	338,435	390,384	344,768	315,019	195,492
Affiliated Reinsurance Recoverable / Capital & Surplus (%)	1.5	1.9	0.9	0.3	...
Unaffiliated Reinsurance Recoverable / Capital & Surplus (%)	14.8	16.6	11.9	3.4	4.4
Total Reinsurance Recoverable / Capital & Surplus (%)	16.2	18.5	12.8	3.7	4.4
Surplus Relief (%)	5.6	7.0	4.1	3.1	3.0
Reinsurance Leverage (%)	28.0	37.3	26.8	17.5	19.4
Group Accident & Health Composite					
Total Reinsurance Recoverable / Capital & Surplus (%)	7.3	9.9	13.4	7.2	6.8
Reinsurance Leverage (%)	107.1	123.2	135.4	122.3	128.6

Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Asset Liability Management | Investments

	9-Months			Year End - December 31			
	2019	2018	2018	2017	2016	2015	2014
Bond Portfolio							
Bonds & Short Term Investments USD (000)	1,028,932	979,383	1,000,981	911,870	919,784	875,737	859,069
By Issuer (%)							
Unaffiliated Bonds:							
US Government	...	...	3.6	4.0	4.1	4.0	4.3
Foreign – All Other	...	...	1.0	1.1	1.3	1.4	1.5
State, Municipal & Special Revenue	...	...	52.1	75.7	69.3	61.7	70.7
Industrial & Miscellaneous	...	...	43.4	19.2	25.3	32.9	23.5
Total Bonds	...	...	100.0	100.0	100.0	100.0	100.0
By Private vs Public (%)							
Private issues	...	...	36.3	14.9	13.4	17.4	12.8
Public issues	...	...	63.7	85.1	86.6	82.6	87.2
By Quality (%)							
Class 1	98.6	99.1	99.0	99.2	97.3	96.4	97.9
Class 2	1.4	0.9	1.0	0.8	2.2	3.2	1.6
Class 3	...	...	...	...	0.5	0.4	0.4
Class 4	...	...	...	...	...	...	0.1
Below Investment Grade (NAIC 3-6)	...	...	...	...	0.5	0.4	0.4
Below Investment Grade - % of Capital & Surplus	...	...	...	...	0.7	0.6	0.7

Source: BestLink® - Best's Financial Suite

	9-Months			Year End - December 31			
	2019	2018	2018	2017	2016	2015	2014
Stock Portfolio							
Stocks USD(000)	1,754	1,504	1,504	1,504	1,503	1,500	1,500
By Type (%)							
Affiliated Common	...	...	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

A&H Current Year Experience	Premiums Written USD(000)	Premiums Earned USD(000)	Loss Ratio (%)	Expense Ratio (%)	Underwriting Results USD(000)
Group	1,358,869	1,359,692	79.1	12.1	106,185
Individual:					
All other	6,805	6,427	-21.3	34.0	5,480

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence

	Year End - December 31				
	2018	2017	2016	2015	2014
By Line Breakdown - NPW USD (000)					
Group Life	82	160	227	404	421
Individual A&H	6,805	17,339	66,679	66,166	55,149
Group A&H	1,358,869	1,077,991	920,770	906,702	900,869
Total	1,365,756	1,095,489	987,676	973,272	956,439

Source: BestLink® - Best's Financial Suite

	Year End - December 31		
	2018	2017	2016
By Line Reserves USD (000)			
Group Life	14	13	10
Group A&H	921	1,744	6,807
Individual A&H	3,359	2,980	15,062
Total (including Supplemental Contracts)	4,294	4,737	21,880

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
	2018	2017	2016	2015	2014
Life Policies Statistics					
Number of Policies					
Ordinary Policies					
In Force	2,908	3,126	3,382	3,588	3,825
Group Policies					
Issued	7	40	64	26	1
In Force	46	59	65	58	59
Group Certificates					
Issued	3,726	7,192	12,129	5,648	56
In Force	10,260	11,945	12,555	8,924	11,306
Life Insurance In Force USD (000)					
Whole Life & Endowment & Additions	85,278	93,029	100,058	106,115	112,865
Term	53,576	60,098	67,476	73,385	82,627
Group	221,757	263,619	253,192	193,599	316,693
New Life Business Issued USD (000)					
Group	70,170	140,222	238,876	126,162	1,113

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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