

The Big Red Insurance Company

Exhibit 1: General Information

This company was incorporated on January 1, 1978 and purchased by a savings and loan holding company on September 30, 1983. This change in financial control was accompanied by an entirely new management staff. The new ownership contributed \$4 million to surplus in late 1983 and an additional \$3 million in early 1984.

Exhibit 2: Assets, Liabilities, Surplus & Other Funds

ADMITTED ASSETS	Avg. Yield	December 31, 1983	'83%	'82%
Cash & short-term investments	1.3	\$ 6,136,736	43.6	12.2
Bonds	12.0	1,745,436	12.4	32.7
Loans	1.4	1,971,412	14.0	0.0
Other investments	<u>-0.8</u>	<u>4,213,182</u>	<u>30.0</u>	<u>55.1</u>
Total (statement)	2.0	\$14,066,766	100.0	100.0

LIABILITIES/SURPLUS/OTHER FUNDS	December 31, 1983	'83%	'82%
Total liabilities (statement)	\$ 5,800,524	41.2	56.1
Policyholders' surplus (statement)	<u>\$ 8,266,242</u>	<u>58.8</u>	<u>43.9</u>
Total	\$14,066,766	100.0	100.0

Exhibit 3: Investment Data

Only 12% of assets are invested principally in short-term, non-government bonds. There is limited investment in affiliates other than outstanding loans (11% of assets) secured by real estate holdings.

Exhibit 4: Summary of Operations

STATEMENT OF INCOME

Earned premiums	13,975,556
Incurred losses & adj. expenses	15,120,053
Other expenses	354,666
Net underwriting income	- 1,499,163
Net investment income	297,373
Net operating income	- 1,201,790

CHANGE IN POLICYHOLDERS' SURPLUS

Net operating income	- 1,201,790
Realized capital gains	- 57,167
Unrealized capital gains	- 174,759
Change in non-admitted assets	- 147,718
Capital & surplus paid in	4,000,000
Other changes	87,300
Change in policyholders' surplus	2,505,866

Exhibit 5: Comparative Financial and Operating Exhibit *(all figures except ratios in thousands)*

	<u>PHS</u>	<u>DPW</u>	<u>NPW</u>	<u>Comb. Ratio</u>	<u>Undwtg Income</u>	<u>After-Tax Income*</u>
1979	3,926	10,014	8,665	94.5	56	595
1980	5,095	12,642	11,060	94.6	137	333
1981	5,572	16,232	12,882	99.8	264	10
1982	5,760	16,992	12,260	100.5	- 18	- 195
1983	8,266	23,537	10,850	111.5	- 1,499	- 1,434 (min.)

* Operating income, plus other investment gains/losses, less federal taxes and declared dividends.

Exhibit 6: Underwriting Experience *(all figures except ratios in thousands)*

	<u>DPW</u>	<u>NPW</u>	<u>1983 Loss Ratio</u>	<u>1982 Loss Ratio</u>
Workers Comp	13,645	7,185	74.9	46.5
Com'l Multi-Peril	5,543	1,574	48.7	63.4
Com'l Liability	2,551	618	283.0	34.1
Auto Liability	1,129	928	37.0	973.0
Auto Phys Dam	457	477	82.7	44.5
All Other	212	67

Exhibit: Best's Operating Comments

Underwriting operations over the last half decade developed an indicated deficit of 3.3% of premiums. Present management advises that they have taken a number of steps to improve the company's financial position and operating results. Stricter underwriting guidelines have been introduced, along with rate increases where warranted. A complete review of all business on the books and reserves for losses in process of adjustment is being made. The Best's Rating history of this company is "A" (1981 & 1982), "NA-7" (1983), and "Deferred" (1984).