

UNDERWRITING PROFITS NECESSARY TO KEEP PACE
WITH THE INCREASING PREMIUM GROWTH FOR
PROPERTY-CASUALTY COMPANIES

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The long title of this paper expresses the only concept which will be discussed. However, in order to set-up all the relationships, it was necessary to review historical data.

I. SOURCE OF HISTORICAL DATA

The most convenient place to obtain continuous historical data for a number of years and including a number of companies was the publication by A. M. Best -- Aggregate and Averages. On pages 70 and 71 of the 1978 publication (39th Annual Edition), the Grand Totals of 969 Stock Property- Casualty Companies 1977 Annuals Statement figures are shown. Page 70 sets forth the Assets, Liabilities and Capital-Surplus. Page 71 sets forth the pertinent information of Underwriting Income and Distribution, Investment Accounts and Surplus Accounts. The Best's A & A publication goes back many years.

II. DISCUSSION OF THE DATA

All definitions are those of the Annual Statement. No attempt was made to change any value to any other accounting method mainly because the main thrust of this paper is Underwriting Profit necessary to keep pace with the ever increasing premiums and only relationships are necessary. Any attempt to use another accounting method would result in more time spent on the system than the conclusion. There are as many systems to convert to Net Worth as people doing the conversions.

A. Assets, Liabilities and Capital-Surplus

These balance sheet items (as of date items) are strictly Annual Statement summations. The mean of the beginning and end of the year for these items has been used when ratios are needed to income or disbursement items (period of time items). No attempt was made to adjust the Capital and Surplus account for intracompany ownership. Again, because of the relative nature of this analysis, it is not necessary.

B. Underwriting Profit or Loss

Dividends to policyholders has been subtracted from Underwriting Profit. The other income has, also, been included.

No calculation to a so-called Trade basis has been made in basic data. However, the relativity of Earned Premiums to Written Premiums are shown and a calculation can be made. (see Exhibit II) This analysis will stay strictly with the Annual Statement definitions and the financing of new business would become a separate subject.

C. Investment Income, Realized and Unrealized Capital Gains

These Accounts are grouped together and related to the mean total Assets.

D. Federal Income Tax

This item is actual and will be used as a guide in setting up the tax calculations for the four different "situations."

E. Adjustment to Surplus

1. Annual Statement Requirements are:
 - a. Unauthorized Reinsurance
 - b. Assets non-admitted

- c. Foreign Exchange
- d. Loss Reserve Adjustments
- e. Special Reserves

2. Capital and Surplus Changes are:

- a. Capital Paid in
- b. Capital from Surplus
- c. Surplus Paid in
- d. Surplus from Capital
- e. From Home Office
- f. Statutory Deposits
- g. Capital to Surplus
- h. Exchange of Insurance Company Shares

F. Dividend to Stockholders

This account includes Stock Dividends as well as Dividends to Stockholders.

G. Balance to Capital and Surplus Account

As expected all the above accounts B. through F. balance to the Increase or Decrease in Surplus.

III. RELATIONSHIPS

A. Premiums to Surplus (Exhibit I)

Both Written and Earned Premiums were related to the Mean Capital and Surplus' or Surplus regards policyholders.

As the only concept to be reviewed in this paper is the relationship of Underwriting Profit necessary to keep pace with the increasing premium growth, there will be no discussion of what

number is good, bad or indifferent in the relationship of premiums to surplus. The increasing change in the premiums to surplus ratio, because of the premium growth and underwriting loss, is the main concern.

Historical numbers will be used and are as follows:

	<u>Written</u>	<u>Earned</u>	<u>Rounded</u>
1977	2.04	1.95	2.00
1971	1.58	1.52	1.50
1965	1.81	0.97	1.00

B. Relationships to Capital and Surplus (Exhibit I)

	<u>Assets</u>	<u>Liabilities</u>
1977	3.68	2.68
1971	2.85	1.85
1965	2.29	1.29

C. Underwriting Profit or Loss (Exhibit II)

The last complete cycle was six - 1972 through 1977 and average underwriting loss was 3.0% on an equal weight per year basis.

D. Investment Income (Exhibit III)

This account as a ratio to mean Admitted Assets has steadily increased since 1960 from 2.7% to 5.1% for 1977. Rather than use an average that could be considered low, the last year in the cycle was used.

E. Realized and Unrealized Capital Gains or Losses (Exhibit III)

It is very difficult to know how many years to use in getting a good average on these accounts. The problem was solved by using the same six years as was used in arriving at the cycle average for Underwriting Profit. The numbers are of sufficient differences to have an effect on the "situations" as set forth.

F. Federal Income Tax (Exhibit IV)

1. A 48% tax factor was used to apply against the Underwriters Profit or Loss.
2. A 15% tax factor was used to apply against the sum of Investment Income and Realized Capital Gains or Losses. (Note - a calculation of this average number can be obtained if necessary).
3. The actual Federal Tax averages are reasonably close to the sum obtained by using the factors in a preceding paragraphs.

G. Adjustments to Surplus (Exhibit IV)

1. Annual Statement requirements are generally minus and range from minus 1.3% to 0.8% and will continue as the Operations continue.
2. Capital and Surplus changes have been rather large and on the plus side the last four years. The question is --- Will these items continue?

H. Dividends to Stockholders (Exhibit IV)

The six year average shows the changing percentage patterns.

IV. THE SITUATIONS

Three different years have been selected for review:

1977 because it is the last year available

1971 because it is one underwriting cycle from 1977

1965 because it is about one underwriting cycle from 1971.

In addition to the underwriting cycles, these three years have "round" number relationships of premiums to surplus. The other numbers used are pertinent to the time period.

A. The 1977 Situation (Exhibit V)

This exhibit sets forth the 1977 factors to calculate a new premium to surplus ratio and then the "necessary underwriting profit ratio" to maintain the beginning premium to surplus ratio.

The critical number is on line 17 -- a premium growth of 20%. This number was obtained from Exhibit II.

The 1977 factors as shown on Exhibit V by the line numbers on the exhibit are as follows:

1. Base to Capital Surplus
 - a. Premium 2.00(Exhibit I)
 - b. Assets 3.68(Exhibit I)
3. Operating Profit to Premiums
 - a. (3.0)% to Premium (Exhibit II)
 - b. (6.0)% to Capital-Surplus
4. Investment Income 5.1% for 1977 (Exhibit III)
5. Realized Capital Gains 0.3% six year average (Exhibit III)
6. Unrealized Capital Loss (0.7)% six year average (Exhibit III)

7. Subtotal related to Surplus 17.3%
9. Underwriting Federal Tax times 48% factor
10. Investment Income and Realized Federal Tax of 15%
11. Total Federal Tax reasonable close to actual (Exhibit IV)
13. Adjustments to Surplus -- a six year average of Annual Statement requirements and changes (Exhibit IV)
15. Dividends to Stockholders -- six year average (Exhibit IV)
16. Addition to Surplus 8.2%
17. Premium Growth of 20%
19. New Ratio of Premiums to Surplus of 2.22

The last three columns of Exhibit V are nothing more than working backwards, holding all numbers the same except the Underwriting Profits, and of course, retaining the beginning relationships of premiums to surplus.

The result is that with the 1977 "situation" of 2 to 1 premium to surplus ratio and a 20% premium growth, an 8.3% "underwriting" profit is necessary to at least maintain the same premiums to surplus ratio.

Note that the 8.3% is in reality 4.0% for Federal Income Tax and 4.3% for profit.

B. The 1971 Situation

With a beginning 1.5 to 1.0 premiums to surplus ratio, a premium growth of 12%, a six year underwriting cycle loss of 1.0% and other account figures from the numbers available back in 1971; the result is a 1.6 to 1.0 premium to surplus ratio. Again holding the beginning premiums to surplus ratio and working backwards, the result is a 7.5% underwriting profit necessary to maintain the same ratio of premiums to surplus.

C. 1965 Situation

With a beginning 1 to 1 ratio, the results with a 10% growth are only 1.4% necessary underwriting profit. However, it should be noted that there was a large amount of Unrealized Capital Gain in that period and a lesser leverage.

D. Future Situation

If the trend of a higher and higher premiums to surplus ratio continues, it won't be long before the combined all companies ratio is 3 to 1 as shown on Exhibit VIII. Also, if inflation continues as it has been, the rate of growth could move up to 2% a year. The results, even with a higher Investment Income of 5%, could be a greater ratios of premiums to surplus unless the underwriting profits are increased.

The necessary underwriting profit to maintain the same ratio of premiums to surplus is 4.5% as shown on Exhibit VIII. This number is near the present average rate-making formula profit of 5% for all property and casualty lines.

V. CONCLUSION

The conclusion, using the most conservative of assumptions and approaches, is that at least a 5% underwriting profit (before tax) is necessary to maintain present relationships of premiums to surplus. And that to enable companies to obtain an average underwriting profit of 5% over the period of a cycle, the addition of a contingency factor is necessary. If the last 18 years of an average 2% underwriting loss is any criteria, the contingency factor would need to be in the neighborhood of 7% (5% target profit plus 2% underwriting loss).

Calendar Years	<u>Assets, Liabilities & Premiums</u>							Exhibit I	
	Relationship to Capital-Surplus							(000,000's)	
	Assets Admitted Total	Capital and Surplus	Assets to Cap-Sur (1)+(2)	Liability to Assets- Cap-Sur (3)-1.0	Mean Capital -Surplus	Written Premiums Amount	To Mean (6)+(5)	Earned Premiums Amount	To Mean (8)+(5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1960	\$22,777	\$ 9,495	2.40		\$ 9,438	\$10,527	1.12	\$10,266	1.09
1961	25,585	11,719	2.18		10,607	10,783	1.02	10,710	1.01
1962	25,780	11,146	2.31		11,433	11,207	0.98	11,278	0.99
1963	27,989	12,642	2.21		11,894	11,881	1.00	11,595	0.98
1964	30,077	13,691	2.20		13,167	12,648	0.96	12,356	0.94
1965	31,299	13,660	2.29	1.29	13,676	13,855	1.01	13,307	0.97
1966	31,035	12,007	2.58		12,834	15,197	1.18	14,582	1.14
1967	34,183	13,580	2.52		12,794	16,343	1.28	15,775	1.23
1968	37,691	14,887	2.53		14,234	17,833	1.25	17,225	1.21
1969	37,992	12,699	2.99		13,793	19,970	1.45	19,096	1.38
1970	42,568	14,014	3.04		13,357	22,430	1.68	21,446	1.61
1971	49,333	17,308	2.85	1.85	15,661	24,824	1.58	23,804	1.52
1972	58,461	21,398	2.73		19,353	27,595	1.43	26,557	1.37
1973	62,214	20,056	3.10		20,727	30,051	1.45	29,098	1.40
1974	60,294	14,831	4.07		17,444	32,110	1.84	31,421	1.80
1975	69,716	18,451	3.78		16,641	35,644	2.14	34,528	2.08
1976	83,573	23,021	3.63		20,736	43,138	2.08	40,957	1.98
1977	99,648	27,062	3.68	2.68	25,042	51,165	2.04	48,732	1.95
1965				1.33					1.00
1971				1.22					1.00
1977				1.38					1.00
				<u>1.30</u>					<u>1.00</u>
Future (Possible)	1.00	4.90	3.90						3.00

Source: A. M. Best's A & A

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Premiums: Written & Earned
Yearly Change & Relationship
Underwriting Profit (or Loss)

Exhibit II

Calendar Years	Written Premiums		Earned Premiums		Underwriting Profit (or Loss)		Relation Earned To Written (3) ÷ (1)
	Amount	Yearly Change	Amount	Yearly Change	Amount	To Earned (5)÷(3)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960	\$10,527	-	\$10,266	-	\$ 10	0.1%	.975
1961	10,783	1.02	10,710	1.04	(25)	(0.2)	.993
1962	11,207	1.04	11,278	1.05	(53)	(0.5)	1.006
1963	11,881	1.06	11,595	1.03	(283)	(2.4)	.976
1964	12,648	1.06	12,356	1.07	(417)	(3.4)	.977
1965	13,855	1.10	13,307	1.08	(504)	(3.8)	.960
						(1.7)	.981
1966	15,197	1.10	14,582	1.10	5	0.0	.960
1967	16,343	1.08	15,775	1.08	(116)	(0.7)	.965
1968	17,833	1.09	17,225	1.09	(346)	(2.0)	.966
1969	19,970	1.12	19,096	1.11	(564)	(3.0)	.956
1970	22,430	1.12	21,446	1.12	(346)	(1.6)	.956
1971	24,824	1.11	23,804	1.11	462	1.9	.959
						(0.9)	.960
1972	27,595	1.11	26,557	1.12	688	2.5	.962
1973	30,051	1.09	29,098	1.10	(32)	(0.1)	.968
1974	32,110	1.07	31,421	1.08	(2,047)	(6.5)	.979
1975	35,644	1.11	34,528	1.10	(3,146)	(9.1)	.969
1976	43,138	1.21	40,957	1.19	(1,680)	(4.1)	.949
1977	51,165	1.19	48,732	1.19	464	1.0	.952
						(3.0)	.963

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Source: A. M. Best's A & A

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Investment Income, Realized & Unrealized

Exhibit III

Relationship to Mean Total Assets

(000,000's)

Calendar Years	Mean Assets Admitted	<u>Investment Income</u>		<u>Realized Capital Gains (or Loss)</u>		<u>Unrealized Cap. Gains (or Loss)</u>		<u>Total Inv., Real & Unreal.</u>	
		Amount	to Mean (2)÷(1)	Amount	to Mean (4)÷(1)	Amount	to Mean	Amount (2)+(4)+(6)	to Mean (8)÷(1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1960	\$22,289	\$ 592	2.7%	\$ 79	0.4%	\$ (16)	(0.1)%	\$ 655	2.9%
1961	24,181	621	2.6	175	0.7	1,720	7.1	2,516	10.4
1962	25,683	673	2.6	102	0.4	(1,006)	(3.9)	(231)	(0.9)
1963	26,885	721	2.7	161	0.6	1,136	4.2	2,018	7.5
1964	29,033	782	2.7	191	0.7	848	2.9	1,821	6.3
1965	30,688	852	2.8	248	0.8	366	1.2	1,466	4.8
			<u>2.7</u>		<u>0.6</u>		<u>1.9</u>		<u>5.2</u>
1966	31,167	896	2.8	315	1.0	(1,764)	(5.6)	(553)	(1.8)
1967	32,609	987	3.0	125	0.4	1,189	3.6	2,301	7.1
1968	35,937	1,101	3.1	336	0.9	842	2.3	2,279	6.3
1969	37,842	1,238	3.3	651	1.8	(2,381)	(6.3)	(492)	(1.3)
1970	40,280	1,439	3.6	176	0.4	(365)	(0.9)	1,250	3.1
1971	45,951	1,787	3.9	191	0.4	1,439	3.1	3,417	7.4
			<u>3.3</u>		<u>0.8</u>		<u>(0.6)</u>		<u>3.5</u>
1972	53,897	2,068	3.8	265	0.5	2,391	4.4	4,724	8.8
1973	60,338	2,514	4.2	407	0.7	(4,362)	(7.2)	(1,441)	(2.4)
1974	61,254	2,891	4.7	(101)	(0.2)	(6,041)	(9.9)	(3,251)	(5.3)
1975	65,005	3,143	4.8	127	0.2	3,299	5.1	6,569	10.1
1976	76,645	3,629	4.7	249	0.3	2,993	3.9	6,871	9.0
1977	91,611	4,648	5.1	332	0.4	(260)	(0.3)	4,720	5.2
			<u>4.6</u>		<u>0.3</u>		<u>(0.7)</u>		<u>4.2</u>

Source: A. M. Best's A & A

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Federal Tax, Adjustments & Dividends
Relationship to Mean Capital-Surplus

Exhibit IV

Calendar Years	Mean Capital -Surplus	<u>Federal Income Tax</u>		<u>Annual Statement Requirements</u>		<u>Capital & Surplus Changes</u>		<u>Dividends To Stockholders</u>	
		Amount	to Mean (2)÷(1)	Amount	to Mean (4)÷(1)	Amount	to Mean (6)÷(1)	Amount	to Mean (8)÷(1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1960	\$ 9,438	\$ 122	1.3%	\$ (68)	(0.7)%	\$ 141	1.5%	\$ 360	3.8%
1961	10,607	116	1.1	(64)	(0.6)	276	2.6	333	3.1
1962	11,433	102	0.9	(47)	(0.4)	221	1.9	333	2.9
1963	11,894	52	0.4	(96)	(0.8)	387	3.2	356	3.0
1964	13,167	41	0.3	(74)	(0.5)	355	2.6	437	3.3
1965	13,676	49	0.4	(113)	(0.8)	94	0.7	388	2.8
			0.7		(0.8)		2.1		3.1
1966	12,834	135	1.1	(108)	(0.8)	81	0.6	389	3.0
1967	12,794	146	1.1	(128)	(1.0)	152	1.2	378	3.0
1968	14,234	140	1.0	(69)	(0.5)	245	1.7	584	4.1
1969	13,793	97	0.7	(134)	(1.0)	526	3.8	1,421	10.3
1970	13,357	139	1.0	(110)	(0.8)	384	2.9	576	4.3
1971	15,661	450	2.9	(113)	(0.7)	567	3.6	812	5.2
			1.3		(0.8)		2.3		5.0
1972	19,353	563	2.9	(245)	(1.2)	473	2.4	973	5.0
1973	20,727	328	1.6	(222)	(1.0)	564	2.7	1,682	8.1
1974	17,444	(334)	(1.9)	(86)	(0.5)	884	5.1	1,067	6.1
1975	16,641	(418)	(2.5)	(170)	(1.0)	982	5.9	959	5.8
1976	20,736	115	0.6	(425)	(2.0)	919	4.4	1,036	5.0
1977	25,042	658	2.6	(475)	(1.9)	1,392	5.6	1,394	5.6
			0.6		(1.3)		4.3		5.9

Source: A. M. Best's A & A

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1977 Situation
With 20% Growth

Exhibit V

	<u>1977 Situation</u>			<u>Necessary Profit</u>		
	<u>Premiums</u>	<u>Assets</u>	<u>Capital -Surplus</u>	<u>Premiums</u>	<u>Assets</u>	<u>Capital -Surplus</u>
1. Base-Capital & Surplus	2.00	3.68	1.00	2.00	3.68	1.00
2. Base by column	100.0	100.0	100.0			
3. Underwriting Profit (or Loss)	(3.0)		(6.0)	8.3		16.6
4. Investment Income, Net		5.1				
5. Realized Capital Gains		0.3				
6. Unrealized Capital Gains		<u>(0.7)</u>				
7. sub-total (4, 5 & 6)		4.7	<u>17.3</u>		4.7	<u>17.3</u>
8. Underwriting & Inv. Inc. (3 & 7) Federal Income Tax:			11.3			33.9
9. Underwriting (48% x 3)	(1.4)		(2.8)	4.0		8.0
10. Inv. Inc. & Real. (15% x 4 & 5)		0.8	<u>2.9</u>		0.8	<u>2.9</u>
11. sub-total (9 & 10)			0.1			10.9
12. Net of Federal Tax (8-11)			11.2			23.0
13. Adjustments to Cap. & Sur.			<u>3.0</u>			<u>3.0</u>
14. sub-total (12 & 13)			14.2			26.0
15. Dividends to Shareholders			<u>6.0</u>			<u>6.0</u>
16. Adjustment to Cap. - Sur. (14 & 15)			<u>8.2</u>			<u>20.0</u>
1. Base-Capital & Surplus	2.00		1.00	2.00		1.00
17. Premium Growth 20%	2.40			2.40		
18. New Surplus			1.08			1.20
19. New Ratio to Surplus	2.22		1.00	2.00		1.00

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1971 Situation
With 12% Growth

Exhibit VI

	<u>1971 Situation</u>			<u>Necessary Profit</u>		
	Premiums	Assets	Capital -Surplus	Premiums	Assets	Capital -Surplus
1. Base-Capital & Surplus	1.50	2.85	1.00	1.50	2.85	1.00
2. Base by column	100.0	100.0	100.0			
3. Underwriting Profit (or Loss)	(1.0)		(1.5)	7.5		11.2
4. Investment Income, Net		3.9				
5. Realized Capital Gains		0.8				
6. Unrealized Capital Gains		<u>(0.6)</u>				
7. sub-total (4, 5 & 6)		4.1	<u>11.7</u>		4.1	<u>11.7</u>
						22.9
8. Underwriting & Inv. Inc. (3 & 7) Federal Income Tax:			10.2			
9. Underwriting (48% x 3)	(0.5)		(0.7)	3.6		5.4
10. Inv. Inc. & Real. (15% x 4 & 5) sub-total (9 & 10)		0.7	<u>2.0</u>		0.7	<u>2.0</u>
			1.3			7.4
12. Net of Federal Tax (8-11)			8.9			15.5
13. Adjustments to Cap. & Sur.			<u>1.5</u>			<u>1.5</u>
14. sub-total (12 & 13)			10.4			17.0
15. Dividends to Shareholders			<u>5.0</u>			<u>5.0</u>
16. Adjustment to Cap. - Sur. (14 & 15)			5.4			12.0
1. Base-Capital & Surplus	1.50		1.00	1.50		1.00
17. Premium Growth 12%	1.68			1.68		
18. New Surplus			1.05			1.12
19. New Ratio to Surplus	1.60		1.00	1.50		1.00

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1965 Situation
With 10% Growth

Exhibit VII

	<u>1965 Situation</u>			<u>Necessary Profit</u>		
	Premiums	Assets	Capital -Surplus	Premiums	Assets	Capital -Surplus
1. Base-Capital & Surplus	1.00	2.29	1.00	1.00	2.29	1.00
2. Base by column	100.0	100.0	100.0			
3. Underwriting Profit (or Loss)	(1.7)		(1.7)	1.4		1.4
4. Investment Income, Net		2.8				
5. Realized Capital Gains		0.6				
6. Unrealized Capital Gains		<u>1.9</u>				
7. sub-total (4, 5 & 6)		5.3	<u>12.1</u>		5.3	<u>12.1</u>
8. Underwriting & Inv. Inc. (3 & 7) Federal Income Tax:			10.4			13.5
9. Underwriting (48% x 3)	(0.8)		(0.8)	0.7		0.7
10. Inv. Inc. & Real. (15% x 4 & 5)		0.5	<u>1.1</u>		0.5	<u>1.1</u>
11. sub-total (9 & 10)			0.3			1.8
12. Net of Federal Tax (8-11)			10.1			11.7
13. Adjustments to Cap. & Sur.			<u>1.3</u>			<u>1.3</u>
14. sub-total (12 & 13)			11.4			13.0
15. Dividends to Shareholders			<u>3.0</u>			<u>3.0</u>
16. Adjustment to Cap.-Sur. (14 & 15)			8.4			10.0
1. Base-Capital & Surplus	1.00		1.00	1.00		1.00
17. Premium Growth 10%	1.10			1.10		
18. New Surplus			1.08			1.10
19. New Ratio to Surplus	1.02		1.00	1.00		1.00

"Future" Situation

Exhibit VIII

With 25% Growth

	<u>"Future" Situation</u>			<u>Necessary Profit</u>		
	Premiums	Assets	Capital -Surplus	Premiums	Assets	Capital -Surplus
1. Base-Capital & Surplus	3.00	4.90	1.00	3.00	4.90	1.00
2. Base by column	100.0	100.0	100.0			
3. Underwriting Profit (or Loss)	(2.0)		(6.0)	4.5		13.5
4. Investment Income, Net		5.5				
5. Realized Capital Gains		0.5				
6. Unrealized Capital Gains		0.0				
7. sub-total (4, 5 & 6)		<u>6.0</u>	<u>29.4</u>		6.0	<u>29.4</u>
8. Underwriting & Inv. Inc. (3 & 7)			23.4			<u>42.9</u>
Federal Income Tax:						
9. Underwriting (48% x 3)	(1.0)		(3.0)	2.2		6.5
10. Inv. Inc. & Real. (15% x 4 & 5)		0.9	<u>4.4</u>		0.9	<u>4.4</u>
11. sub-total (9 & 10)			<u>1.4</u>			<u>10.9</u>
12. Net of Federal Tax (8-11)			22.0			32.0
13. Adjustments to Cap. & Sur.			<u>0.0</u>			<u>0.0</u>
14. sub-total (12 & 13)			<u>22.0</u>			<u>32.0</u>
15. Dividends to Shareholders			<u>7.0</u>			<u>7.0</u>
16. Adjustment to Cap.-Sur. (14 & 15)			<u>15.0</u>			<u>25.0</u>
1. Base-Capital & Surplus	3.00		1.00	3.00		1.00
17. Premium Growth 25%	3.75			3.75		
18. New Surplus			1.15			1.25
19. New Ratio to Surplus	3.26		1.00	3.00		1.00

Source: Exhibits I, II, III, & IV

1-19-79