

**THE SCHEDULE F PENALTY — EFFECTIVE OR EVADED?**  
by LeRoy J. Simon and Steven M. Visner

**BIOGRAPHIES:**

Immediately prior to Mr. Simon's recent retirement he spent four years as Executive Consultant in Coopers & Lybrand's Casualty Actuarial and Risk Management Consulting group. He began his career with eight years at Mutual Service Insurance Companies followed by eight years at Insurance Company of North America. The next six years were as General Manager of the National Insurance Actuarial and Statistical Association — a research organization in the property insurance field. He then spent 17 years with Prudential Reinsurance Company as Senior Vice President. He served as Chairman of the Foreign Credit Insurance Association and of American Nuclear Insurers (and in addition was Chairman of its Foreign Operations Committee 1982–87). He was President of the CAS in 1972 and has served two terms on its Board. He is also a Member of the American Academy of Actuaries and has served on its Board. He served on the ASTIN Committee 1973–91 and was its Chairman for 1974–78. He also served on the Conseil de Direction of the International Actuarial Association (Brussels) 1974–91. He is a charter member of the Society of Insurance Research, and served as its fourth president in 1973. "Roy" graduated from the University of Minnesota with a Bachelor's degree in mathematics in 1948 and a Master's in statistics in 1949.

Mr. Visner is the Director of Casualty Actuarial Consulting in the New York office of Coopers & Lybrand. He is responsible for actuarial consulting and audit support for many insurers, reinsurers and large self-insured clients. Steve was formerly Executive Vice President for Sedgwick James in New York where he was in charge of their nationwide Risk Management Consulting Practice. Prior to that he managed the loss reserve unit, the research and analysis unit, and the Workers Compensation unit in the actuarial department of Continental Insurance Company. He started his career at ISO. He is a Fellow of the Casualty Actuarial Society, a member of the American Academy of Actuaries, the International Actuarial Association, ASTIN, and is on the Program Planning Committee of the Conference of Consulting Actuaries as well as the CAS Ratemaking Committee. He teaches courses in loss reserving at The College of Insurance and is a frequent speaker at local and national RIMS conferences and the Society of Insurance Accountants. He has also published various articles on reserving and actuarial science in Risk Management Magazine. Steve graduated summa cum laude from Queens College of the City University of New York with a Bachelor's degree in mathematics in 1975.

**ABSTRACT:**

The revisions to Schedule F that could result in a penalty against surplus caused by authorized reinsurers have been in effect since the 1989 Annual Statement. This paper compiles statistics associated with these new penalties as well as the long-standing penalties due to unauthorized reinsurers and analyzes them. The impact the penalties have on companies and in total is measured. Several areas of interest are discussed and suggestions are made for improvements, revisions or refinements.

**THE SCHEDULE F PENALTY — EFFECTIVE OR EVADED?**  
by LeRoy J. Simon and Steven M. Visner

**A. Introduction**

The 1990 Annual Statement marks the second year that insurance companies have had to fill out the Schedule F which includes the calculation of a penalty against surplus for overdue authorized reinsurance. We felt it was timely to see what this meant with respect to a company's surplus, its security, and its solvency. One would expect that any processing difficulties encountered by the companies in the initial year would have been overcome and the reporting would now be complete and correct. In addition, one might also expect that companies which had problems with the penalty would have sought and found ways to overcome those problems by this second round. This might be done in ways which would support and enhance the security regulations' objectives, or it might be done in ways which effectively circumvent the spirit of the regulation. We must point out that the companies included in this study are only 35 among the approximately 2000 groups/companies in the full population. They do represent \$63 billion of the \$138 billion of industry Surplus (46%) as of December 31, 1990. If we think of the individual company as representing the group of companies with which it is affiliated, then they represent \$82 billion or 60% of the industry. Further, the companies were selected deliberately and not by any random process and thus extrapolations of this data to all insurers would not be valid.

Beginning with the 1989 Annual Statement, insurers are required to include an exhibit for authorized reinsurers only, showing the aging of ceded reinsurance recoverables on paid losses. On that schedule reinsurers are characterized as "fast" or "slow" payers. (Note the terminology slow or fast payer is not used in the Annual Statement but is popularly used to simplify terminology.) The designation as fast or slow payer is established by looking at the ratio of reinsurance recoverable on paid losses that is more than 90 days overdue, divided by the sum of all reinsurance recoverable on paid losses and amounts recovered on paid losses during the prior 90 days. If that ratio is less than 20% then the reinsurer is considered a "fast" payer, and if the ratio is equal to or greater than 20% the reinsurer is considered a "slow" payer. The rest of the reinsurers, which might be termed "no-recoverable" reinsurers would be those having no reinsurance recoverables on paid losses and no amounts recovered on paid losses during the prior 90 days. Such reinsurers are not considered specifically in the Annual Statement, but there may very well be IBNR associated with those companies. The amount of the penalty for overdue authorized reinsurance is calculated differently for fast and slow payers while, of course, the no-recoverable reinsurers are dropped from further consideration.

For the fast payers, a surplus penalty equal to 20% of the recoverables on paid losses greater than 90 days overdue is calculated. For slow payers, a 20% surplus penalty is taken on all balances owed by reinsurers (an offset is allowed for letters of credit, trust agreements, funds held, and miscellaneous balances owed to the reinsurer).

Additionally, companies must indicate whether their reinsurer is subject to a delinquency proceeding such as conservation, rehabilitation or liquidation.

For some time now companies have been required to take a surplus penalty for unauthorized reinsurance in excess of deposits by (letters of credit or trust agreements) and funds withheld from such unauthorized companies. The new requirements related to authorized reinsurers mentioned above were developed as an attempt by regulators to generate more information about the company's ceded reinsurance program and to aid in monitoring companies which could be in hazardous financial condition as a result of uncollectibles from authorized companies. More emphasis on collectibility of reinsurance has been heightened by congressional reports examining the financial health of the industry and insolvencies which have been abetted by uncollectible reinsurance.

This paper reviews the tabulation of the Schedule F penalty for authorized reinsurance, explains the logic behind the calculations, and then reviews actual results. We have obtained Annual Statements from 35 leading insurance carriers in the country (both consolidated and lead company). We will analyze the impact of the new Schedule F penalty by reviewing various statistics taken from these Annual Statements. The impact of unauthorized reinsurers, "slow" authorized, and "fast" authorized reinsurers will be examined and contrasted.

We have chosen to encode company names as "#1", "#2", and so forth. The objective of this study is to make observations which we hope will lead to improved security through a better understanding of how the surplus penalty calculations are functioning in practice. Also note that these results are being published more than a year after December 31, 1990 (the date on which the data was compiled by the companies) and the 1991 or 1992 Annual Statements of the companies may be additionally refined and improved in this area.

### **B. Data Collection Process and Procedure**

The selection process began with all companies that Business Insurance tracks regularly (see, for example, the issue of September 9, 1991 page 31) with respect to operating results. In addition, we supplemented the list with certain other large companies for a total of 35 companies as listed in Exhibit A. We wrote to each company asking for a copy of the Annual Statement for the company or, if it was a group of companies, for both the lead company and for the consolidated group. The consolidated Statements often omitted some of the detailed information we needed. In the final analysis, we only used the consolidated Statements for reference and relied on the individual company Statement for the analysis.

Most companies were very cooperative about sending us a copy of their Annual Statement, and, for those few which were not, the information is on the public record and

we went to an insurance department and got it. In addition, when the Annual Statement we received omitted certain data or had figures we questioned, they were checked against the copy on file in the insurance department. Our copies were in agreement with the Department's in each of the areas in which we were interested.

We recorded 45 items of information for each of the companies as described in Exhibit B and set forth in detail in Exhibit C. In addition, seven balancing checks were performed basically to assure that we were recording the information correctly, but also as a check on the company's correctness in reporting. We found that all 35 companies balanced correctly at Our Item (6). Similarly, all balanced at Our Item (11). Such balancing is to be expected since the figures to achieve the balance are all on the same (Liabilities) page of the Statement. Our Items (41), (42) and (43) normally balanced; that is, the sum of the detailed information on Authorized and Unauthorized reinsurers added to the reported total. In those cases where it did not balance, the companies explained it was caused by such things as uncollectible reinsurance reserves carried elsewhere, write-off of balances, or intercompany transactions. One company did not explain.

In Schedule F, Part 2B, Section 1, the Statement calls for a listing of the names of authorized reinsurers that have overdue balances with the company. Every cedant has done this except one. One of the effects of this listing of names could be to put pressure on a reinsurer to pay promptly and thus not appear on any cedant's list of slow payers. There is always the possibility that a sophisticated buyer will compile and use such a list.

After calculating the 20% penalty, every company carries it forward to the Liabilities page accurately with a few exceptions. The exceptions explain that it is due to reserves established for overdue reinsurance or that it is credited to affiliated companies under a pooling arrangement.

After we collected and balanced these Data Items (except as commented on above), we made a number of calculations based on this data as described in Exhibit D and set forth in Exhibit E.

### **C. Calculation of the Schedule F Penalty**

Schedule F, Part 1A, Section 1 of the Annual Statement displays an aging of ceded reinsurance recoverable on paid losses. Amounts are displayed as current (1-29 days), 30-90 days overdue, 91-180 days overdue and greater than 180 days overdue, and in total. Amounts are displayed as of December 31st for all ceded reinsurance, individually by reinsurer. The aging exhibit includes both authorized and unauthorized reinsurers, along with appropriate totals for affiliates, U.S. reinsurers, pools, and all other companies. It should be noted that the total of all ceded reinsurance recoverable on paid losses, both for authorized and unauthorized companies is carried as an asset by the ceding company on Page 2 of the Annual Statement, Line 12 (reinsurance recoverable on paid losses). This is in contrast to the treatment of ceded reinsurance recoverables on unpaid losses as well as unearned premium, which are both treated as a reduction from liabilities.

### Fast vs. Slow Payers

Information from the aging exhibit is utilized on Schedule F, Part 2B, Section 1 for the authorized reinsurers only where they are classified as fast payers or slow payers as explained above. Before we discuss how the penalty is calculated, let's consider a few items related to the determination of the 20% threshold to distinguish between fast and slow payers.

The denominator of the ratio includes not only total reinsurance recoverable on paid losses as of December 31st, but also amounts recovered on paid losses within the past 90 days. This relates the numerator (amounts overdue more than 90 days) to a quantity that somewhat represents the amount that was due 90 days ago. Therefore the denominator not only includes amounts recoverable on paid losses due as of 12/31, but amounts received in the prior 90 days which were presumably due 90 days ago. The measure is not perfect however since a payment due 60 days ago and paid by 12/31 will help increase the denominator and thus lower the ratio. Such a slight imperfection is better than omitting the adjustment altogether, of course. Another way to look at the denominator of the trigger ratio is as an attempt to give a reinsurer some credit for recent payments. This occurs because recent payments will inflate the denominator and thus lower the ratio.

It is also important to recognize that any amounts that are in dispute between cedant and reinsurer are allowed to be excluded from the amount overdue by more than 90 days,



as well as the reinsurance recoverable on paid losses. This is an attempt not to unduly penalize cedants which may have legitimate disputes with their reinsurers. We have seen evidence in the Annual Statements which we reviewed that companies have been able to lower ratios by exclusion of disputed amounts, but that would not appear to be a wide-spread practice.

The calculation of the penalty for overdue authorized reinsurance is different for fast or slow payers. For fast payers, the penalty is equal to 20% of the amounts recoverable on paid losses that are more than 90 days overdue. These amounts also may exclude any payments which are in dispute.

For slow payers, the penalty is analogous to that taken for unauthorized reinsurers. It is determined by adding unearned premiums, paid and unpaid losses recoverable, IBNR losses recoverable, and paid and unpaid allocated loss adjustment expense recoverable. From that total, a credit is taken for deposits by and funds withheld from reinsurers, as well as any miscellaneous balances. The excess is then penalized by 20%.

The total penalty for overdue authorized reinsurance (both for fast and slow payers) is brought forward to the Liabilities page of the Annual Statement on Line 13e, Page 3. That amount is included with the penalty for unauthorized reinsurers to determine a total liability provision for ceded reinsurance which is carried on Line 14.

### Contrast to Unauthorized Penalty

In contrast, the penalty for unauthorized reinsurance is not segregated between fast and slow payers. The penalty is taken on the amount by which the sum of unearned premium, reinsurance recoverable on paid, unpaid, IBNR, and allocated loss expense, exceeds funds held or retained by the company for account of such unauthorized companies. A 100% penalty is taken on 100% of the excess.

### D. Analysis of Annual Statement Data

In order to evaluate the impact of the Schedule F penalty for overdue authorized reinsurance and to contrast its impact to the penalty for unauthorized reinsurance, we used the information from the Annual Statements to generate various statistics as described in Exhibit D and set forth in Exhibit E. The statistics we found interesting and which shed some light on the subject were the following:

- 1) Penalty/Exposure for authorized and unauthorized companies, as well as combined.

This statistic measures how effective the various penalties are in covering the total exposure that is eligible for a penalty. We have defined exposures eligible for a penalty as reinsurance recoverable on paid and unpaid reported losses, IBNR reserves, and unearned premiums. (Although the exposure should also properly include recoverables from paid and unpaid allocated loss adjustment expenses,

that quantity was not readily determinable for all authorized companies from information in the Statement.)

- 2) Effect on Surplus Prior to Penalty for authorized and unauthorized reinsurance, as well as combined. This statistic tells how much of the surplus which would have existed without either of the penalties, is being eroded by that penalty.
- 3) IBNR/Known for all companies, unauthorized companies, authorized companies and slow authorized companies. "Known" is defined as reinsurance recoverable on paid losses plus unpaid reported losses. This statistic is interesting since it gives us an opportunity to look at the results of company allocation of ceded IBNR to various categories of reinsurers. Since IBNR is not included in the penalty for fast authorized reinsurers but is included for slow authorized reinsurers, the study of these statistics gives a view on how IBNR is assigned to the various categories.
- 4) Percent of Penalty Eliminated by Funds Held for unauthorized versus slow authorized companies. This is tabulated as the funds held divided by the sum of losses recoverable on paid and unpaid losses, IBNR reserves, unearned premium and allocated loss adjustment expense reserves. This statistic relates to a ceding company's ability to avoid the penalty by either holding funds or being in possession of a letter of credit.

## **E. Observation of Statistics**

### **Penalty/Exposure**

In most instances the penalty on unauthorized business is a much higher percentage of the exposure than the penalty on authorized business. This is not too surprising given the unauthorized penalty is on the full exposure less funds held. In contrast the authorized penalty affords a lower ratio to exposure by the use of an 80% "haircut" of the otherwise determined penalty (via the 20% factor) on fast and slow payers, as well as a penalty only on the 90 day overdue amounts for the fast payers.

It is interesting to note that nine of the 35 companies sampled do not show any unauthorized entries in Schedule F, Part 1A, Section 1. However, three of the nine do show a penalty from unauthorized reinsurance on Page 3, Line 14 of the Annual Statement but do not break their data down between authorized and unauthorized. This leads to some strange results in some of our calculated ratios in Exhibit E which are denoted as "No Un". Additionally, three of the six having no unauthorized business and no unauthorized penalty have no penalty for authorized business either. The remaining three of the six show minuscule percentages of authorized penalties to exposure. One might interpret this to mean that companies which have been careful to deal only with authorized reinsurers (perhaps to avoid collectibility problems or penalties) have also been diligent in their dealing with authorized companies in avoiding penalties. It might also mean that some companies have written off certain balances and they are no longer on the books to elicit the penalty.

The observation above may also reveal that our results are being distorted by the impact of intercompany pooling. This might occur, for instance, if all companies in a group cede 100% of their direct business to a lead company and then assume back a prorata share of the total business written by the group. In this case it would appear that each company were reinsuring solely with authorized affiliates. In fact, the pooled business may be ceded to unauthorized reinsurers. However, in many cases this was not discernible since the Annual Statement of consolidated groups often does not have Schedule F completed in a way which would reveal this.

Excluding the nine companies which have no unauthorized business as shown on Schedule F, Part 1A, Section 1, we note that the results for the remaining 26 companies reveal that the penalty to exposure ratio for unauthorized companies is almost 100 times (not 100%) greater than the ratio for authorized (Exhibit E, Sheet 3, Section A). This could be interpreted as a factor of five due to the 20% multiplier on authorized and a factor of 20 as the "pure" ratio between unauthorized penalties and authorized penalties, each measured against its own exposure base. Looking at the data from a slightly different direction, there are nine companies which have no penalty on authorized reinsurers and 11 which have no penalty on unauthorized reinsurers. Four companies have no penalty on either. There are many reinsurers involved in a typical company's reinsurance program and it seems that the normal situation would be for some penalty to arise from some source. The lack of a penalty on unauthorized reinsurers was also

unexpected because of the well-known resistance of the London market companies to putting up letters of credit on IBNR.

It might be possible, for example, that a company is reporting on their reinsurance situation as of September 30 instead of December 31. In such a case they would have sufficient time to exactly match those unauthorized companies' figures with letters of credit. Another possibility is that there is a way to categorically avoid these surplus penalties through some type of financial arrangement or through a reinsurance mechanism. If these are complete and irrevocable, it would seem to avoid the problem and strengthen the insurance company's surplus position. However, if the company still retains some element of the risk or if the arrangement does not function properly under conditions of stress, then the cedant has avoided the penalty intended by the regulation while still retaining the fundamental risk of default on the asset.

#### Effect on Surplus Prior to Penalty

On an overall basis approximately 2% of surplus is being eroded by penalties for doubtful ceded reinsurance (both authorized and unauthorized) as shown on Exhibit E, Sheet 2. The Surplus impact of the unauthorized penalty is about 11 times greater than the authorized penalty. The magnitude of the difference is especially interesting given the previously mentioned observation that six companies have no unauthorized reinsurance and no unauthorized penalty. Obviously for these companies the effect of penalties for unauthorized reinsurance on surplus is 0%. When we exclude those six

companies from the analysis the impact of the unauthorized penalty on surplus is about 12 times greater than the authorized company penalty (Exhibit E, Sheet 3, Section B).

Of the 29 companies which do have unauthorized reinsurance in their portfolio, the impact of the penalty on surplus is higher for unauthorized business in 23 companies. For the other six companies which have unauthorized reinsurance, the impact of the penalty on surplus for authorized reinsurance is higher in four cases because there is no unauthorized penalty. Each of those four companies has been able to avoid an unauthorized penalty by holding funds for the accounts of such unauthorized companies.

#### IBNR/Known

When we look at all the companies in the sample, the ratio IBNR/Known does not appear to be very different for the categories of all ceded business, unauthorized business, authorized business, and slow authorized business. However, when we look at companies on an individual basis, in many instances we do see a remarkable distinction among these categories.

Ten of the 35 companies in the sample have absolutely no slow authorized reinsurance. Of the remaining 25 companies, six have a ratio of IBNR/Known which is zero for slow authorized reinsurers, 16 have slow ratios lower than all authorized ratios, and three have slow ratios higher than all authorized.

One of the simplest explanations of the low relative IBNR for slow authorized companies is that cedants may have, years ago, discontinued ceding business to companies where they have had problems collecting. Since business with these companies is in a runoff mode, the IBNR will be less since there is less business on new accident years which would contain the bulk of the IBNR.

It is understandable that companies would experience difficulty in measuring ceded IBNR by individual reinsurer, but it is also noteworthy that there is no penalty for the IBNR on the no-recoverable and fast authorized while there is on slow authorized. It might be well for the ceding companies to be particularly careful that their assignment of IBNR to individual reinsurers is as soundly based as possible and thus avoid any regulatory criticism.

#### Percentage of Penalty Eliminated by Funds Held

For both slow authorized and unauthorized reinsurers the penalty can be offset by crediting of funds held (or letters of credit or trust agreements). For the 21 companies which have both unauthorized and slow authorized reinsurers, 20 companies have a lower percentage of the penalty eliminated for slow authorized than unauthorized. For most of those 20 companies there is a very significant difference in the amount of the penalty eliminated. For the entire sample of companies, over 85%, of the penalty is eliminated for the unauthorized companies but under 5% is eliminated for the slow authorized (Exhibit E, Sheet 2, Total). These statistics would seem to imply that companies have not yet geared up with authorized reinsurers to take the credit available



for funds held. There may be at least three reasons for this. First, no penalties existed on authorized reinsurance until 1989, so historically funds held have never been needed to offset penalties. Treaties never needed such a contractual right before and few have that in them even today for authorized companies. Second, companies might be having some difficulties determining which of their reinsurers will be classified as fast or slow by year end. For fast payers no part of the penalty can be avoided by holding funds. Third, ceding companies may feel more comfortable with authorized reinsurers than with unauthorized reinsurers and may not feel as much of a need to hold funds even if lack of funds might trigger a Schedule F penalty. This last point may be especially true given the small impact the authorized penalty has been demonstrated to have. When companies do gear up to minimize the penalty by holding funds, we expect that the penalty for authorized reinsurance will drop.

It is also interesting to note that five companies have eliminated 100% of the penalty for unauthorized reinsurance by means of funds held. This is interesting considering that companies would have to be holding letters of credit or funds which, on each individual unauthorized company, meet or exceed the sum of the unearned premiums, reinsurance recoverable on paid and unpaid losses, IBNR reserves and allocated loss adjustment expense. For some companies the liabilities were exactly balanced by letters of credit on the majority of the reinsurers. While there may be ways to accomplish this exact matching, it would not be the norm. Companies would not reasonably be able to evaluate these liabilities until some time after year end which would not give them

enough time to set proper lines of credit on each individual account. Here again, it might be well for some special investigation to determine how this exact matching occurs and whether the reporting is really correct.

#### **F. Implications and Concluding Remarks**

The impact of the Schedule F penalties is much more in what they accomplish indirectly than what they reveal directly. The penalty has brought about a much higher degree of security in connection with unauthorized reinsurers by more or less forcing the cedant to get letters of credit or to hold funds for what would otherwise be uncollateralized receivables. With respect to authorized reinsurers, the potential of creating a penalty has encouraged reinsurers to pay more promptly. In addition, it has also encouraged the cedant to get letters of credit or funds held and thus improve the security of these receivables.

If we eliminate the one company which has an outlier value and the five companies which have absolutely no surplus penalties from Schedule F, the average penalty for the combined authorized and unauthorized reinsurance is 2.25% of Surplus (Exhibit E, Sheet 3, Section D). The direct impact of the unauthorized penalty is 2 points of the above 2.25%.

The penalty attributed to authorized reinsurers has very little effect on the financial statements of the cedants (3.01% of surplus is the maximum and it accounts for a

quarter of a point in the above 2.25%). We would expect there to be even less effect in the future as cedants invoke various means to insure prompt payment from their reinsurers (we understand that at least one cedant has included a treaty term calling for a lost interest reimbursement on late payment of recoverables) and as letters of credit or funds held on authorized companies becomes more prevalent. With 91% of the "Known" reinsurance reserves ceded being ceded to authorized companies (Exhibit E, Sheet 3, Section C), this is a large and important area to be considered. The two alternatives which suggest themselves are that the regulation be dropped for lack of impact or that it be strengthened to make it more demanding. In the latter case one could lower the trigger point at which a reinsurer is considered a slow payer (for example, from 20% to 10%) or one could raise the severity of the penalty (for example, from 20% to 40%). In any event, the impact of the present rules is so small as to question whether it is worth the cost involved.

Throughout the paper we have pointed out a number of areas in which there is a potential for problems. If the objective of the Schedule F penalties is to enhance the security of the companies being regulated, then the regulations should be scrupulously followed both in letter and in spirit. If proper means can be found with which to minimize or eliminate the impact of these penalties, that will serve to support the regulations and improve the security of the companies. However, if means are used that circumvent the intent of the regulations while not removing the risk that the asset is not recoverable, then these should be stopped.

There is also a question raised by the data on whether IBNR is being determined for all categories of reinsurers on a reasonable basis or whether, in some instances, there might be bias in that determination. If some unauthorized reinsurers categorically decline to fund IBNR or if a penalty is to be imposed if an IBNR is put against slow paying authorized reinsurers, there could be an incentive for bias.

Intra-group pooling or reinsurance arrangements may inadvertently produce results in this area of penalties which were not intended by the regulations. Clarification and strengthening of the rules for consolidating groups and for the effect of affiliated company reinsurance on the penalties may be necessary.

Effective with the 1992 Annual Statements, receivables from unauthorized reinsurers will be subject to the aging process as well as those from authorized reinsurers. They will then be subject to a 20% penalty on balances that are more than 90 days overdue and have not had funds drawn down from the letter of credit or other security. If the exhibits are carefully constructed, one should be able to identify IBNR on both authorized and unauthorized companies and simultaneously on fast payers and slow payers as well as no-recoverable reinsurers. This might be the appropriate time to raise the question of exactly how these estimates are made.

#### ENDNOTE

The authors would like to thank Michael J. Tempesta for contributions made in compiling and analyzing the data used in the paper.

★ ★ ★ ★ ★ ★ ★ ★

COMPANIES INCLUDED IN THE STUDY

Aetna Casualty and Surety Company  
Allstate Insurance Company  
American Home Assurance Company (AIG)  
American States Insurance Company (Lincoln National)  
Argonaut Insurance Company  
Commercial Union Insurance Company  
Continental Casualty Company

Continental Insurance Company  
Farmers Insurance Exchange  
Federal Insurance Company (Chubb)  
Fireman's Fund Insurance Company  
Fremont Compensation Insurance Company  
General Reinsurance Corporation  
Hartford Accident and Indemnity Company

Hartford Steam Boiler Inspection and Insurance Company  
Home Insurance Company  
Insurance Company of North America (CIGNA)  
Liberty Mutual Insurance Company  
Lumbermens Mutual Casualty Company (Kemper)  
Maryland Casualty Company  
National Indemnity Company (Berkshire Hathaway)

Nationwide Mutual Insurance Company  
Ohio Casualty Insurance Company  
Old Republic Insurance Company  
Reliance Insurance Company  
Royal Insurance Company of America  
SAFECO Insurance Company of America  
Sentry Insurance A Mutual Company

St. Paul Fire and Marine Insurance Company  
State Farm Mutual Automobile Insurance Company  
Transamerica Insurance Company  
Travelers Indemnity Company  
United Services Automobile Association  
United States Fire Insurance Company (Crum & Forster)  
United States Fidelity and Guaranty Company

NOTE: The companies have been scrambled and assigned Company Numbers for use in Exhibits C and E.

## Data Items Extracted from Annual Statements

Page 3:

Our Item Statement

Number	Line	Description
1	13a	Unearned premiums on reinsurance in unauthorized companies
2	13b	Reinsurance on paid losses
3	13b	and on unpaid reported losses
4	13b	and on incurred but not reported losses
5	13b	recoverable from unauthorized companies
6		$(2)+(3)+(4)-(5) = 0?$
7	13c	Paid and unpaid allocated loss adjustment expenses recoverable from unauthorized companies.
8	13d	Less funds held or retained by company for account of such unauthorized companies as per Schedule F, Part 2A, Column 6
9	13e	Provision for overdue authorized reinsurance as per Schedule F, Part 2B, Section 2
10	14	Provision for reinsurance
11		$(1)+(5)+(7)-(8)+(9)-(10) = 0?$
12	26	Surplus as regards policyholders

Page 10: Our Item Number 13 was Statement Line 32, Column 4c: Incurred But Not Reported - Reinsurance Ceded

Page 47 - Schedule F, Part 1A, Section 1: For each of the NAIC codes shown below, we recorded three data items: Column 1(e) Reinsurance Recoverable on Paid Losses; Column 2 Reinsurance Recoverable on Unpaid Losses; Column 3 Unearned Premiums (Estimated).

	Authorized NAIC code (our 3 entries)	Unauthorized NAIC code (our 3 entries)
Affiliates	014999 (14,15,16)	018999 (17,18,19)
U.S. insurers and U.S. branches of alien insurers	024999 (20,21,22)	028999 (23,24,25)
Pools, associations & similar underwriting facilities	034999 (26,27,28)	038999 (29,30,31)
All Other Insurers	044999 (32,33,34)	048999 (35,36,37)
TOTAL	059999 (38,39,40)	

These entries were then balanced separately for each data item as follows:

41 Column 1(e)  $(14)+(17)+(20)+(23)+(26)+(29)+(32)+(35)-(38) = 0?$ 42 Column 2  $(15)+(18)+(21)+(24)+(27)+(30)+(33)+(36)-(39) = 0?$ 43 Column 3  $(16)+(19)+(22)+(25)+(28)+(31)+(34)+(37)-(40) = 0?$ 

Page 51 - Schedule F, Part 2B, Section 1: Our Data Item 44 indicated Yes/No/Not Applicable regarding whether or not the names of companies having amounts over 90 days due were shown.

Page 51 - Schedule F, Part 2B, Section 2: Provision for Overdue Authorized Reinsurance: Our Data Items 45-52 are as follows:

Our Item Number	Line or Column	Description	
45	2(a)	Paid and Unpaid Losses Recoverable - TOTAL	} for slow pay authorized companies
46	2(b)	Incurred But Not Reported Losses Recoverable - TOTAL	
Calculation of Provision for Overdue Authorized Reinsurance (at the foot of this Section)			
47	(1)	Total from Column 5 of Schedule F, Part 2B, Section 1	
48	(2)	Total from Column 3 of Schedule F, Part 2B, Section 2	
49	(3)	Total from Column 6 of Schedule F, Part 2B, Section 2	
50	(4)	Taken from the Schedule	
51		(47)+(48)-(49)-(50) = 0?	
52		20%(50)-(9) = 0?	

## Data Extracted from Annual Statements

Company #:		1	2	3	4	5
13a	unear prem on unauth	30,316,487	23,745,626	21,135,905	4,522,324	6,290,210
13b	rein on paid unauth	276,176,507	102,868,106	6,641,406	12,931,927	2,086,835
13b	rein on unpaid unaut	556,907,592	107,496,800	78,480,922	30,268,386	4,040,299
13b	rein on IBNR unauth	285,453,397	139,124,886	32,014,311	10,977,156	5,652,932
13b	rein - pd,unpd,IBNR,unauth	1,118,537,496	349,489,792	117,136,639	54,177,469	11,780,066
	Balance to 07	0	0	0	0	0
13c	pd + unpd LAE unauth	119,569,403	24,289,130	3,533,215	4,169,190	10,293,468
13d	funds held for unaut	709,494,324	156,272,032	111,252,359	54,273,102	9,913,734
13e	author penalty	28,656,073	17,057,882	8,707,243	1,786,140	595,992
14-1	Total Penalty	587,585,135	258,310,398	39,260,643	10,382,021	19,046,002
	Balance to 07	0	0	0	0	0
26-1	Surplus	365,844,901	3,147,493,824	785,548,266	280,539,912	523,743,928
3A-4c-32	- Ceded IBNR	2,516,301,053	3,404,120,924	593,267,400	679,056,560	215,368,904
014	Authorized	1(e) rec on pd	2,947,409	11,248,631	7,436,437	0
	2 - rec on unpd	1,306,285,593	1,197,547,244	246,142,259	0	512,685,772
Affiliates	3 - Unearned	506,328,019	586,786,593	106,177,488	0	294,952,116
	Unauthorized	1(e) rec on pd	0	3,023,340	0	0
018	2 - rec on unpd	8,734,730	0	37,369,129	0	0
	Affiliates	3 - Unearned	5,966,480	1,657	0	0
024	Authorized	1(e) rec on pd	168,125,599	219,052,585	55,344,667	25,281,678
	2 - rec on unpd	879,938,084	257,235,709	343,317,652	1,122,914,805	37,920,872
U.S. Companies	3 - Unearned	152,690,670	104,943,301	171,909,666	352,665,669	37,571,786
	Unauthorized	1(e) rec on pd	96,949,915	22,334,218	39,089,145	0
028	2 - rec on unpd	104,359,842	10,862,794	14,390,115	0	0
	U.S. Companies	3 - Unearned	2,320,978	1,679,683	60,364	0
034	Authorized	1(e) rec on pd	54,587,274	97,601,583	5,089,680	0
	2 - rec on unpd	277,075,905	481,647,173	40,562,940	0	5,504,713
Pools	3 - Unearned	46,007,391	17,488,889	6,203,709	0	1,266,758
	Unauthorized	1(e) rec on pd	12,241	2,656,275	1,175,282	0
038	2 - rec on unpd	12,031,929	1,369,313	196,321	0	0
	Pools	3 - Unearned	1,146,777	74,845	0	0
044	Authorized	1(e) rec on pd	28,887,624	0	7,575,728	0
	2 - rec on unpd	276,681,307	0	50,265,709	0	0
All Other	3 - Unearned	4,579,775	0	7,241,874	0	0
	Unauthorized	1(e) rec on pd	193,749,959	87,799,665	17,059,251	12,931,925
048	2 - rec on unpd	461,092,014	95,264,691	101,484,633	30,268,386	5,448,678
	All Other	3 - Unearned	22,477,849	21,991,095	22,838,193	4,522,324
059	TOTAL	1(e) rec on pd	545,258,080	440,692,757	87,293,530	38,213,603
		2 - rec on unpd	3,326,199,407	2,043,926,924	814,728,758	1,153,183,191
		3 - Unearned	741,517,939	732,964,406	314,432,951	357,187,993
Balance to 07		1(e) rec on pd	1,941	0	48,500,000	0
		2 - rec on unpd	(3)	0	19,000,000	0
		3 - Unearned	0	0	0	(1)
F2B1 Names? - Overdue Auth Reinsurers		Yes	Yes	Yes	Yes	Yes
F2B2 figures						
2-a TOTAL		219,616,763	17,749,898	23,269,894	6,715,157	2,765,645
2-b TOTAL		63,071,136	28,687,063	6,832,057	630,967	447
Cal (1)		19,690,275	34,124,490	10,544,112	526,417	76,310
cul (2)		331,304,213	52,173,706	37,926,445	8,590,325	3,051,249
ati (3)		1,530,187	1,008,788	4,934,343	186,037	147,600
on (4)		349,464,301	85,289,408	43,536,214	8,930,705	2,979,959
Balance to 07		0	0	0	0	0
13e check - balance to 07		41,236,787	0	0	1	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

Company #:	6	7	8	9	10
13a unear prem on unauth	69,640,005	37,978,525	151,785,507	25,901,544	28,269,342
13b rein on paid unauth	3,219,649	16,717,916	212,095,629	19,143,774	4,876,270
13b rein on unpaid unauth	313,900,445	111,976,159	657,550,000	59,373,145	193,777,526
13b rein on IBNR unauth	165,797,013	68,893,301	271,758,570	5,087,624	155,748,569
13b rein - pd,unpd,IBNR,unauth	482,917,107	197,587,375	1,141,404,199	83,604,543	354,402,365
Balance to 0?	0	1	0	0	0
13c pd + unpd LAE unauth	21,697,454	12,091,384	34,448,984	0	51,365,000
13d funds held for unaut	565,503,138	201,088,707	1,292,898,320	88,123,741	416,617,936
13e author penalty	629,039	842,625	1,787,643	966,049	1,550,597
14-1 Total Penalty	9,380,467	47,411,203	36,528,013	22,348,395	18,969,368
Balance to 0?	0	(1)	0	0	0
26-1 Surplus	289,698,108	1,464,588,909	1,140,705,925	767,047,086	697,294,573
3A-4c-32 - Coded IBNR	523,428,465	459,884,348	676,089,306	498,969,601	219,769,931
Authorized	1(e) rec on pd	79,044	1,872,504	398,912,319	2,727,181
014	2 - rec on unpd	114,429,942	40,762,729	1,703,370,254	15,619,600
Affiliates	3 - Unearned	18,456,742	14,225,566	420,056,830	24,068,357
Unauthorized	1(e) rec on pd	55,522	1,205,815	0	1,076,672
018	2 - rec on unpd	42,540,970	28,055,869	3,326	4,007,933
Affiliates	3 - Unearned	3,454,483	12,983,650	239,472	342,778
Authorized	1(e) rec on pd	7,717,167	43,362,924	0	63,455,169
024	2 - rec on unpd	181,189,077	279,491,292	55,431	186,987,510
U.S. Companies	3 - Unearned	18,896,050	71,891,298	46,120	51,378,957
Unauthorized	1(e) rec on pd	1,963,705	525,994	0	11,287,727
028	2 - rec on unpd	14,444,389	2,950,740	0	44,020,763
U.S. Companies	3 - Unearned	4,974,553	1,221,377	0	15,604,966
Authorized	1(e) rec on pd	(1,695)	10,962,157	0	1,729,151
034	2 - rec on unpd	316,127,528	222,673,531	0	9,637,877
Pools	3 - Unearned	8,730,519	53,949,455	0	3,061,569
Unauthorized	1(e) rec on pd	0	42,029	0	0
038	2 - rec on unpd	0	17,920,065	0	0
Pools	3 - Unearned	0	4,687,954	0	0
Authorized	1(e) rec on pd	71,387	0	0	4,122,151
044	2 - rec on unpd	19,393,310	0	0	19,081,484
All Other	3 - Unearned	3,440,615	0	0	5,344,192
Unauthorized	1(e) rec on pd	1,200,422	16,516,498	8,293	6,779,375
048	2 - rec on unpd	256,915,086	61,164,770	494,466	11,344,449
All Other	3 - Unearned	61,210,969	18,763,043	583,199	9,953,800
					1,417
059 TOTAL	1(e) rec on pd	11,085,552	74,467,921	398,920,612	91,177,426
	2 - rec on unpd	945,040,302	653,018,996	1,703,923,477	290,699,616
	3 - Unearned	119,163,931	177,722,343	420,925,621	109,754,618
	1(e) rec on pd	0	0	3,326	0
Balance to 0?	2 - rec on unpd	0	0	236,146	0
	3 - Unearned	0	0	0	1
F2B1 Names? - Overdue Auth Reinsurers	Unknown	Yes	Yes	Yes	Yes
F2B2 figures					
2-a TOTAL	2,056,707	3,380,585	13,933,180	3,131,804	5,512,917
2-b TOTAL	1,144,785	5,310	410,992	9,000	839,051
Cal (1)	0	465,053	7,718,488	1,305,679	1,385,013
cul (2)	3,586,650	3,748,070	17,305,773	3,524,903	6,367,970
ati (3)	441,454	0	195,878	338	0
on (4)	3,145,196	4,213,124	24,828,383	4,830,244	7,752,983
Balance to 0?	0	(1)	0	0	0
13e check - balance to 0?	0	0	1	0	0

Note: See Exhibit B for a more complete description of the left side titles.



## Data Extracted from Annual Statements

Company #:	11	12	13	14	15
13a unear prem on unauth	16,265,088	7,688,849	46,892,431	13,131,644	57,915,371
13b rein on paid unauth	7,102,845	0	(307,166)	69,445,085	58,910,080
13b rein on unpaid unauth	44,127,051	37,530,256	116,438,285	102,252,553	396,754,499
13b rein on IBNR unauth	38,197,118	21,168,000	66,473,360	21,923,469	134,178,106
13b rein - pd,unpd,IBNR,unauth	89,427,014	58,698,256	182,604,479	193,621,107	589,842,685
Balance to 0?	0	0	0	0	0
13c pd + unpd LAE unauth	4,788,646	5,520,560	19,164,146	1,628,905	38,848,094
13d funds held for unaut	82,129,420	71,907,664	223,198,609	146,377,880	686,606,150
13e author penalty	1,833,468	7,438,831	131,472	16,886,754	5,008,440
14-i Total Penalty	30,184,796	7,438,832	25,593,919	78,890,530	5,008,440
Balance to 0?	0	0	0	0	0
26-1 Surplus	1,404,631,855	390,134,500	1,420,474,446	4,710,310,758	409,117,694
3A-4c-32 - Coded IBNR	1,062,616,465	126,844,306	1,411,446,074	292,436,257	1,773,222,926
Authorized	1(e) rec on pd (29,703)	0	3,401,198	0	52,845,880
014	2 - rec on unpd 289,045,160	43,022,345	759,780,735	0	2,783,732,008
Affiliates	3 - Unearned 316,088,784	0	355,500,167	0	1,215,444,437
Unauthorized	1(e) rec on pd 0	0	0	0	19,460,393
018	2 - rec on unpd 24,641	3,929,322	0	99,229	253,691,953
Affiliates	3 - Unearned 0	0	0	38,846	33,163,658
Authorized	1(e) rec on pd 12,869,949	11,798,445	32,408,717	31,397,434	153,694,927
024	2 - rec on unpd 224,918,282	54,534,762	239,580,803	127,691,049	481,805,054
U.S. Companies	3 - Unearned 199,688,851	678,742	192,988,088	47,937,255	51,428,650
Unauthorized	1(e) rec on pd 63,846	4,030,721	596,073	5,281,326	55,431
028	2 - rec on unpd 1,686,168	6,809,410	4,705,352	4,352,166	13,458,270
U.S. Companies	3 - Unearned 1,195,825	141,226	3,363,165	147,648	7,344,364
Authorized	1(e) rec on pd 822,428	1,108,315	102,658,923	2,891,498	103,204,015
034	2 - rec on unpd 102,822,531	7,812,758	418,074,592	306,437,975	523,022,328
Pools	3 - Unearned 14,715,950	152,312	68,456,503	26,530,385	171,755,891
Unauthorized	1(e) rec on pd 615,729	0	(12,559)	1,593,032	0
038	2 - rec on unpd 21,015,281	0	22,976,429	4,856,673	0
Pools	3 - Unearned 3,468,382	0	8,421,603	9,962,454	0
Authorized	1(e) rec on pd 1,479,869	0	30,458,036	9,247,165	546,964
044	2 - rec on unpd 4,961,502	0	109,291,969	23,371,704	1,097,627
All Other	3 - Unearned 2,216,474	0	13,059,334	1,461,944	94,685
Unauthorized	1(e) rec on pd 6,423,270	(2,194,628)	(890,680)	62,570,727	39,394,256
048	2 - rec on unpd 21,600,961	24,955,432	88,756,504	92,944,486	129,604,276
All Other	3 - Unearned 11,600,881	7,547,623	35,107,663	2,982,696	17,407,349
	1(e) rec on pd 22,245,388	14,742,854	168,619,707	112,981,183	369,201,866
059 TOTAL	2 - rec on unpd 665,874,526	141,064,029	1,643,166,383	559,753,281	4,186,411,516
	3 - Unearned 548,975,147	8,519,903	676,896,524	89,061,229	1,496,639,034
	1(e) rec on pd 0	(1)	1	(1)	0
Balance to 0?	2 - rec on unpd 0	0	1	0	0
	3 - Unearned 0	0	(1)	(1)	0
F281 Names? - Overdue Auth Reinsurers	Yes	Yes	Yes	No	Yes
F282 figures					
2-a TOTAL	338,949	25,766,154	0	73,592,308	81,059,169
2-b TOTAL	504,143	10,912,000	0	4,370,026	4,368,229
Cal (1)	1,752,924	540,516	657,358	1,214,186	3,671,685
cul (2)	7,590,025	41,883,706	0	88,014,807	22,398,655
ati (3)	175,606	5,230,068	0	4,795,225	1,028,138
on (4)	9,167,343	37,194,154	657,358	84,433,768	25,042,202
Balance to 0?	0	0	0	0	0
13e check - balance to 0?	1	0	0	0	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

Company #:	16	17	18	19	20
13a unear prem on unauth	6,766,342	2,045,403	603,620	66,002	574,082
13b rein on paid unauth	11,349,371	1,734,758	0	0	899,264
13b rein on unpaid unauth	29,657,346	75,654,862	1,583,831	2,367,777	6,691,652
13b rein on IBNR unauth	7,253,427	46,091,851	0	839,281	111,793,716
13b rein - pd,unpd,IBNR,unauth	48,260,144	123,481,471	1,583,831	3,207,058	119,384,632
Balance to 0?	0	0	0	0	0
13c pd + unpd LAE unauth	352,842	4,866,820	0	149,934	334,582
13d funds held for unaut	42,635,085	121,716,449	959,234	1,084,567	119,305,036
13e author penalty	226,925	55,228	0	0	0
14-1 Total Penalty	12,971,168	8,732,473	1,228,217	2,338,427	988,261
Balance to 0?	0	0	0	0	(1)
26-1 Surplus	2,604,044,897	2,132,574,169	313,575,213	619,962,965	267,256,090
3A-4c-32 - Ceded IBNR	850,789,155	633,512,998	0	2,116,637,446	624,539,246
Authorized	1(e) rec on pd	736,469	(18,885,159)	0	(33,275,954)
014	2 - rec on unpd	1,078,710,643	1,028,784,763	0	426,441,078
Affiliates	3 - Unearned	524,458,191	22,420,556	0	240,685,483
Unauthorized	1(e) rec on pd	0	0	0	0
018	2 - rec on unpd	0	0	3,553	0
Affiliates	3 - Unearned	0	0	0	0
Authorized	1(e) rec on pd	17,010,557	864,548	0	63,682,796
024	2 - rec on unpd	325,015,101	12,764,051	7,943,680	246,451,582
U.S. Companies	3 - Unearned	15,007,851	4,960,430	42,004	6,715,188
Unauthorized	1(e) rec on pd	0	590,440	0	432,110
028	2 - rec on unpd	0	2,368,241	5,709	3,651,827
U.S. Companies	3 - Unearned	0	559,622	14,127	161,395
Authorized	1(e) rec on pd	26,150,991	291,822,882	0	47,520,391
034	2 - rec on unpd	56,328,473	1,735,771,939	5,176,195	311,214,048
Pools	3 - Unearned	24,799,783	291,982,160	447,466	104,210,713
Unauthorized	1(e) rec on pd	0	35,747	0	0
038	2 - rec on unpd	0	8,523,056	0	0
Pools	3 - Unearned	0	809,963	0	0
Authorized	1(e) rec on pd	0	0	0	3,313,568
044	2 - rec on unpd	0	4,527,935	157,870	3,222,261
All Other	3 - Unearned	0	23,216	445,958	318,816
Unauthorized	1(e) rec on pd	0	1,225,968	0	1,233,194
048	2 - rec on unpd	0	9,547,299	1,578,122	8,740,122
All Other	3 - Unearned	0	117,003	251,171	901,720
	1(e) rec on pd	43,898,017	275,654,426	0	82,906,105
059 TOTAL	2 - rec on unpd	1,460,054,217	2,802,287,284	4,324,427,548	999,720,918
	3 - Unearned	564,265,825	320,872,950	2,831,507	352,993,315
	1(e) rec on pd	0	0	0	0
Balance to 0?	2 - rec on unpd	0	0	0	0
	3 - Unearned	0	0	0	0
F2B1 Names? - Overdue Auth Reinsurers	Yes	Yes	Yes	Yes	Yes
F2B2 figures					
2-a TOTAL	5,429,059	263,600	Entire	Entire	14,057,253
2-b TOTAL	0	0	Part 28	Part 28	207,025,400
Cal (1)	60,128	127	Section 2	Section 2	0
cul (2)	5,448,567	276,013	has	has	0
sti (3)	4,374,069	0	no	no	0
on (4)	1,134,626	276,140	entries	entries	0
Balance to 0?	0	0	0	0	0
13e check - balance to 0?	0	0	0	0	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

Company #:	21	22	23	24	25
13a unear prem on unauth	41,556,398	718,076	0	10,902,231	66,963,424
13b rein on paid unauth	9,135,532	868,402	0	10,555,813	1,335,342
13b rein on unpaid unauth	93,026,493	9,342,829	0	60,937,091	89,690,313
13b rein on IBNR unauth	16,345,133	2,112,660	0	122,691,933	36,447,621
13b rein - pd,unpd,IBNR,unauth	118,507,158	12,323,891	0	194,184,837	127,473,276
Balance to 0?	0	0	0	0	0
13c pd + unpd LAE unauth	14,464,897	506,775	0	7,911,311	11,475,605
13d funds held for unauth	172,328,110	12,586,039	0	212,998,379	205,412,822
13e author penalty	72,324	166,482	3,114,780	2,908,417	203,098
14-1 Total Penalty	2,272,667	1,129,185	3,114,780	2,908,417	702,581
Balance to 0?	0	0	0	0	0
26-1 Surplus	1,313,263,860	657,863,908	2,513,486,716	2,779,467,936	817,072,312
3A-4c-32 - Ceded IBNR	204,712,841	244,935,256	3,122,868,171	429,475,952	559,401,349
Authorized	1(e) rec on pd	721,945	13,534	3,661,549	24,603
014	2 - rec on unpd	14,835,778	233,274,179	1,219,206,482	124,504,427
Affiliates	3 - Unearned	1,975,028	206	448,255,185	70,009,301
Unauthorized	1(e) rec on pd	173,119	0	105,527	0
018	2 - rec on unpd	404,318	0	2,650,186	0
Affiliates	3 - Unearned	1,179,120	0	36,196	0
Authorized	1(e) rec on pd	4,101,699	4,189,501	135,948,736	4,959,138
024	2 - rec on unpd	52,020,909	34,062,166	157,718,224	145,305,100
U.S. Companies	3 - Unearned	10,561,108	1,526,858	60,547,207	96,642,980
Unauthorized	1(e) rec on pd	1,020,671	11,036,074	0	0
028	2 - rec on unpd	8,176,246	3,204,890	0	0
U.S. Companies	3 - Unearned	3,728,972	0	0	0
Authorized	1(e) rec on pd	30,304,325	546,746	158,940,638	242,419
034	2 - rec on unpd	222,309,986	3,171,613	901,291,046	30,858,068
Pools	3 - Unearned	15,774,960	145,466	268,216,236	6,689,234
Unauthorized	1(e) rec on pd	0	0	0	0
038	2 - rec on unpd	0	0	0	0
Pools	3 - Unearned	0	0	0	0
Authorized	1(e) rec on pd	0	111,336	37,312,128	1,664,443
044	2 - rec on unpd	0	140,119	106,164,605	98,169,406
All Other	3 - Unearned	0	0	25,894,623	60,977,756
Unauthorized	1(e) rec on pd	10,670,537	(10,667,672)	0	0
048	2 - rec on unpd	112,233,063	6,137,936	0	0
All Other	3 - Unearned	49,061,256	718,076	0	0
059 TOTAL	1(e) rec on pd	36,184,068	5,229,519	335,863,052	6,147,942
	2 - rec on unpd	1,104,392,477	279,990,903	2,384,380,359	399,738,020
	3 - Unearned	352,612,426	2,390,606	802,913,254	234,319,281
Balance to 0?	1(e) rec on pd	10,808,228	0	(1)	991
	2 - rec on unpd	(694,412,177)	0	(2)	14,421,000
	3 - Unearned	(270,331,982)	0	(3)	(16,402)
F2B1 Names? - Overdue Auth Reinsurers	Yes	Yes	Yes	Yes	Yes
F2B2 figures					
2-a TOTAL	274,724	694,411	3,568,469	23,033,482	653,548
2-b TOTAL	0	0	6,557,010	14,338,097	18,579
Cal (1)	50,376	0	4,857,165	339,144	381,006
cul (2)	311,242	832,410	12,369,865	41,374,161	960,716
ati (3)	0	0	1,653,132	619,364	326,232
on (4)	361,618	832,410	15,573,899	41,093,941	1,015,490
Balance to 0?	0	0	(1)	0	0
13e check - balance to 0?	0	0	0	5,310,371	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

Company #:	26	27	28	29	30
13a unear prem on unauth	0	0	0	0	0
13b rein on paid unauth	83,145	419,412	0	123,085	(868,736)
13b rein on unpaid unauth	364,984	534,229	0	3,269,622	1,740,525
13b rein on IBNR unauth	0	71,566	0	0	0
13b rein - pd,unpd,IBNR,unauth	448,129	1,025,207	0	3,392,707	871,789
Balance to 0?	0	0	0	0	0
13c pd + unpd LAE unauth	0	42,054	0	244,714	51,143
13d funds held for unaut	16,766	466,728	0	3,637,421	919,952
13e author penalty	4,559	0	254,203	8,130	0
14-1 Total Penalty	435,922	600,533	254,203	8,130	2,980
Balance to 0?	0	0	0	0	0
26-1 Surplus	852,144,308	2,739,861,426	2,072,410,069	91,903,408	1,544,166,645
3A-4c-32 - Ceded IBNR	246,222,300	4,256,476	1,560,241,067	551,320	948,076,887
Authorized 1(e) rec on pd	912	0	(3,092,145)	0	0
014 2 - rec on unpd	430,755,115	0	2,108,503,888	0	670,693,749
Affiliates 3 - Unearned	341,522,033	0	1,747,082	0	772,015,978
Unauthorized 1(e) rec on pd	0	0	0	0	0
018 2 - rec on unpd	0	0	0	115,722	0
Affiliates 3 - Unearned	0	0	0	0	0
Authorized 1(e) rec on pd	3,828,919	1,427,497	42,250,639	609,879	353,878
024 2 - rec on unpd	81,506,031	5,768,580	161,973,008	26,785,831	2,419,114
U.S. Companies 3 - Unearned	2,604,609	4,125,970	46,891,660	0	0
Unauthorized 1(e) rec on pd	54,359	7,091	0	83,136	0
028 2 - rec on unpd	332,257	7,324	0	901,370	0
U.S. Companies 3 - Unearned	0	0	0	0	0
Authorized 1(e) rec on pd	2,439,708	4,033,863	111,026,012	0	(705,515)
034 2 - rec on unpd	16,682,606	14,950,497	2,112,175,488	0	33,936,125
Pools 3 - Unearned	1,592,633	512,553	387,570,308	0	0
Unauthorized 1(e) rec on pd	0	0	0	0	0
038 2 - rec on unpd	0	0	0	0	0
Pools 3 - Unearned	0	0	0	0	0
Authorized 1(e) rec on pd	0	326,104	60,890,726	0	(919,818)
044 2 - rec on unpd	0	551,955	206,885,872	23,592	1,575,632
All Other 3 - Unearned	0	0	14,711,146	0	0
Unauthorized 1(e) rec on pd	28,787	412,321	0	39,949	0
048 2 - rec on unpd	32,726	526,905	0	2,252,530	0
All Other 3 - Unearned	0	0	0	0	0
059 TOTAL 1(e) rec on pd	6,352,685	6,206,876	211,075,232	732,964	(1,271,455)
2 - rec on unpd	529,308,735	21,805,261	4,589,538,256	30,079,045	708,624,621
3 - Unearned	345,719,275	4,638,523	450,920,196	0	772,015,978
Balance to 0? 1(e) rec on pd	0	0	0	0	0
2 - rec on unpd	0	0	0	0	(1)
3 - Unearned	0	0	0	0	0
F2B1 Names? - Overdue Auth Reinsurers	Yes	Yes	Yes	Yes	Yes
F2B2 figures					
2-a TOTAL	0	Entire	778,760	36,168	Entire
2-b TOTAL	0	Part 2B	122,533	0	Part 2B
Cal (1)	22,797	Section 2	470,033	0	Section 2
cul (2)	0	has	901,293	41,567	has
at (3)	0	no	100,302	918	no
on (4)	22,797	entries	1,271,024	40,649	entries
Balance to 0?	0	0	0	0	0
13e check - balance to 0?	0	0	2	0	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

Company #:		31	32	33	34	35
13a	unear prem on unauth	0	0	0	28,166,838	0
13b	rein on paid unauth	0	0	0	1,496,748	0
13b	rein on unpaid unauth	0	0	0	982,390,297	0
13b	rein on IBNR unauth	0	0	0	81,264,092	0
13b	rein - pd,unpd,IBNR,unauth	0	0	0	1,065,151,137	0
	Balance to 07	0	0	0	0	0
13c	pd + unpd LAE unauth	0	0	0	688,662	0
13d	funds held for unaut	0	0	0	1,094,006,637	0
13e	author penalty	7,138	0	0	0	0
14-1	Total Penalty	7,138	0	0	0	0
	Balance to 07	0	0	0	0	0
26-1	Surplus	3,871,056,785	465,821,164	17,889,083,301	1,352,196,471	592,608,887
3A-4c-32	- Ceded IBNR	84,140,054	117,966,824	57,609,027	231,074,370	1,435,888,226
	Authorized	1(e) rec on pd	1,405,165	0	0	0
014		2 - rec on unpd	419,819,935	493,060,681	0	1,608,805,960
	Affiliates	3 - Unearned	3,970,707	308,454,986	0	179,124,817
	Unauthorized	1(e) rec on pd	0	0	0	0
018		2 - rec on unpd	0	0	930,749,117	0
	Affiliates	3 - Unearned	0	0	27,636,230	0
	Authorized	1(e) rec on pd	40,290	8,570,608	0	3,841,598
024		2 - rec on unpd	6,331,443	28,036,190	0	62,501,719
	U.S. Companies	3 - Unearned	241,386	1,525,507	0	18,697,166
	Unauthorized	1(e) rec on pd	0	0	0	79,923
028		2 - rec on unpd	0	0	0	778,881
	U.S. Companies	3 - Unearned	0	0	0	48,392
	Authorized	1(e) rec on pd	18,134	739,705	30,675,570	18,515,960
034		2 - rec on unpd	913,736	2,641,156	512,838,536	1,016,963,082
	Pools	3 - Unearned	0	1,132,671	31,889,943	127,262,786
	Unauthorized	1(e) rec on pd	0	0	0	1,097,860
038		2 - rec on unpd	0	0	0	27,510,688
	Pools	3 - Unearned	0	0	0	305,007
	Authorized	1(e) rec on pd	11,646	2,164	0	184,468
044		2 - rec on unpd	256,285	23,695	0	2,921,067
	All Other	3 - Unearned	0	81,577	0	732,696
	Unauthorized	1(e) rec on pd	0	0	0	318,965
048		2 - rec on unpd	0	0	0	23,351,611
	All Other	3 - Unearned	0	0	0	177,209
		1(e) rec on pd	1,475,235	9,312,478	30,675,570	24,038,774
059	TOTAL	2 - rec on unpd	427,321,399	523,761,722	512,838,536	2,064,776,165
		3 - Unearned	4,212,093	311,194,740	31,889,943	353,984,303
		1(e) rec on pd	0	(1)	0	0
Balance to 07		2 - rec on unpd	0	0	0	0
		3 - Unearned	0	1	0	0
F281	Names? - Overdue Auth Reinsurers	Yes	N/A	Yes	Yes	Yes
F282	figures					
2-a	TOTAL	35,689	Entire	0	Entire	Entire
2-b	TOTAL	0	Part 28	0	Part 28	Part 28
Cal	(1)	0	Section 2	0	Section 2	Section 2
cul	(2)	35,689	has	0	has	has
ati	(3)	0	no	0	no	no
	on (4)	35,689	entries	0	entries	entries
Balance to 07		0	0	0	0	0
13e	check - balance to 07	0	0	0	0	0

Note: See Exhibit B for a more complete description of the left side titles.

## Data Extracted from Annual Statements

		Total
		35 Companies
13a	unear prem on unauth	699,841,274
13b	rein on paid unauth	829,040,999
13b	rein on unpaid unauth	4,168,125,769
13b	rein on IBNR unauth	1,847,359,092
13b	rein - pd,unpd,IBNR,unauth	6,844,525,859
	Balance to 0?	N/A
13c	pd + unpd LAE unauth	392,496,918
13d	funds held for unaut	6,803,730,341
13e	author penalty	100,899,532
14-1	Total Penalty	1,234,033,244
	Balance to 0?	N/A
26-1	Surplus	63,286,995,215
3A-4c-32	- Ceded IBNR	27,925,721,485
	Authorized	1(e) rec on pd 436,992,323
014		2 - rec on unpd 22,649,053,982
	Affiliates	3 - Unearned 7,977,994,156
	Unauthorized	1(e) rec on pd 25,100,388
018		2 - rec on unpd 1,312,379,998
	Affiliates	3 - Unearned 85,380,892
	Authorized	1(e) rec on pd 1,144,075,787
024		2 - rec on unpd 5,929,644,945
	U.S. Companies	3 - Unearned 1,737,939,636
	Unauthorized	1(e) rec on pd 195,609,400
028		2 - rec on unpd 241,979,088
	U.S. Companies	3 - Unearned 70,107,064
	Authorized	1(e) rec on pd 1,118,997,678
034		2 - rec on unpd 10,344,708,870
	Pools	3 - Unearned 1,826,618,685
	Unauthorized	1(e) rec on pd 7,215,636
038		2 - rec on unpd 122,212,275
	Pools	3 - Unearned 29,604,502
	Authorized	1(e) rec on pd 185,285,689
044		2 - rec on unpd 928,962,306
	All Other	3 - Unearned 140,624,681
	Unauthorized	1(e) rec on pd 461,988,989
048		2 - rec on unpd 1,793,642,946
	All Other	3 - Unearned 305,892,993
		1(e) rec on pd 3,515,212,072
059	TOTAL	2 - rec on unpd 43,984,476,610
		3 - Unearned 12,444,511,007
		1(e) rec on pd N/A
Balance to 0?		2 - rec on unpd N/A
		3 - Unearned N/A
F2B1	Names? - Overdue Auth Reinsurers	N/A
F2B2	figures	
2-a	TOTAL	527,714,293
2-b	TOTAL	349,846,825
Cal	(1)	89,853,282
cul	(2)	690,018,020
atf	(3)	26,747,679
on	(4)	753,123,625
Balance to 0?		N/A
13e	check - balance to 0?	N/A

Note: See Exhibit B for a more complete description of the left side titles.

## Calculations Performed on Data Items Extracted from Annual Statements

Given the basic data items of Exhibit C, the following calculations were performed:

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>FORMULA</u>
	Penalty/Exposure <sup>1</sup> for:	
a	Authorized reinsurers	$(9)/((14)+(15)+(16)+(20)+(21)+(22)+(26)+(27)+(28)+(32)+(33)+(34)+(13)-(4))$
b	Unauthorized reinsurers	$((10)-(9))/((17)+(18)+(19)+(23)+(24)+(25)+(29)+(30)+(31)+(35)+(36)+(37)+(4))$
c	Combined all reinsurers	$(10)/((38)+(39)+(40)+(13))$
	Effect on Surplus Prior To Penalty <sup>2</sup> of the:	
d	Authorized reinsurers' penalty	$(9)/((10)+(12))$
e	Unauthorized reinsurers' penalty	$((10)-(9))/((10)+(12))$
f	Combined effect	$(10)/((10)+(12)) = (d)+(e)$
	Known <sup>3</sup> reserves on:	
g	Authorized reinsurers	$(14)+(15)+(20)+(21)+(26)+(27)+(32)+(33)$
h	Unauthorized reinsurers	$(17)+(18)+(23)+(24)+(29)+(30)+(35)+(36)$
i	Known % Authorized	$(g)/((g)+(h))$
j	IBNR on Authorized	$(13)-(4)$
k	IBNR on Fast Pay Authorized	$(13)-(4)-(46)$
	IBNR/Known for:	
l	All Ceded	$(13)/((38)+(39))$
m	Unauthorized	$(4)/(h)$
n	Authorized	$(j)/(g)$
o	Slow Pay Authorized	$(46)/(45)$
	Percentage of Penalty Eliminated by Funds Held:	
p	Unauthorized	$(8)/((1)+(5)+(7))$
q	Slow Pay Authorized	$(49)/(48)$

### FOOTNOTES

<sup>1</sup> "Exposure" means recoverables on paid and unpaid losses, IBNR, and unearned premium.

<sup>2</sup> "Surplus Prior to Penalty" is surplus plus total penalty.

<sup>3</sup> "Known" means known outstanding loss reserves plus recoverables on paid losses.

**Calculated Statistics from Data in Exhibit C**  
(dollar figures are /100000)

Company #:	1	2	3	4	5	6	7	8	9	10
Penalty/Exposure <sup>1</sup>										
Authorized	0.48%	0.27%	0.54%	0.08%	0.05%	0.06%	0.07%	0.06%	0.11%	0.57%
Unauthorized	46.80%	62.96%	11.37%	14.64%	92.12%	1.58%	19.82%	12.72%	19.53%	4.55%
Combined	8.24%	3.90%	2.17%	0.47%	1.69%	0.59%	3.47%	1.14%	2.26%	2.90%
Effect on Surplus <sup>2</sup>										
Authorized	3.01%	0.50%	1.06%	0.61%	0.11%	0.21%	0.06%	0.15%	0.12%	0.22%
Unauthorized	58.62%	7.08%	3.70%	2.95%	3.40%	2.93%	3.08%	2.95%	2.71%	2.43%
Combined	61.63%	7.58%	4.76%	3.57%	3.51%	3.14%	3.14%	3.10%	2.83%	2.65%
Known <sup>3</sup>										
Authorized	29,945	22,643	7,557	11,482	5,617	6,390	5,991	21,023	3,034	1,873
Unauthorized	8,769	2,203	2,138	432	76	3,171	1,284	7	785	1,987
Known % Authorized	77%	91%	78%	96%	99%	67%	82%	100%	79%	49%
IBNR on Authorized	22,308	32,650	5,613	6,681	2,097	3,576	3,910	4,043	4,939	640
IBNR on Fast Pay	21,678	32,363	5,544	6,674	2,097	3,565	3,910	4,039	4,939	632
IBNR/Known for:										
All Ceded	65.00%	137.01%	65.77%	57.00%	37.83%	54.74%	63.22%	32.15%	130.66%	56.94%
Unauthorized	32.55%	63.16%	14.97%	25.41%	74.11%	52.28%	53.66%	>1000%	6.48%	78.40%
Authorized	74.50%	144.19%	74.27%	58.19%	37.34%	55.97%	65.26%	19.23%	162.80%	34.18%
Slow Authorized	28.72%	161.62%	29.36%	9.40%	0.02%	55.66%	0.16%	2.95%	0.29%	15.22%
% Penalty Eliminated by Funds Held:										
Unauthorized	55.94%	39.31%	78.45%	86.33%	34.95%	98.48%	81.20%	97.38%	80.47%	95.99%
Slow Authorized	0.46%	1.93%	13.01%	2.17%	4.84%	12.31%	0.00%	1.13%	0.01%	0.00%

  

Company #:	11	12	13	14	15	16	17	18	19	20
Penalty/Exposure <sup>1</sup>										
Authorized	0.08%	3.31%	0.00%	1.99%	0.07%	0.01%	0.00%	0.00%	0.00%	0.00%
Unauthorized	26.82%	0.00%	11.09%	29.99%	0.00%	175.70%	12.42%	56.15%	71.44%	0.78%
Combined	1.31%	2.55%	0.66%	7.48%	0.06%	0.44%	0.22%	4.72%	0.03%	0.05%
Effect on Surplus <sup>2</sup>										
Authorized	0.13%	1.87%	0.01%	0.35%	1.21%	0.01%	0.00%	0.00%	0.00%	0.00%
Unauthorized	1.98%	0.00%	1.76%	1.29%	0.00%	0.49%	0.41%	0.39%	0.38%	0.37%
Combined	2.10%	1.87%	1.77%	1.65%	1.21%	0.50%	0.41%	0.39%	0.38%	0.37%
Known <sup>3</sup>										
Authorized	6,369	1,183	16,957	5,010	40,999	15,040	30,557	216	43,221	10,686
Unauthorized	512	375	1,161	1,717	4,557	0	223	16	24	141
Known % Authorized	93%	76%	94%	74%	90%	100%	99%	93%	100%	99%
IBNR on Authorized	10,244	1,057	13,450	2,705	16,390	8,435	5,874	0	21,158	5,127
IBNR on Fast Pay	10,239	948	13,450	2,661	16,347	8,435	5,874	0	21,158	3,057
IBNR/Known for:										
All Ceded	154.42%	81.41%	77.90%	43.47%	38.92%	56.57%	20.58%	0.00%	48.95%	57.69%
Unauthorized	74.56%	56.40%	57.24%	12.77%	29.45%	No Un	206.78%	0.00%	35.45%	795.27%
Authorized	160.85%	89.35%	79.32%	53.99%	39.98%	56.09%	19.22%	0.00%	48.95%	47.98%
Slow Authorized	148.74%	42.35%	No Slo	5.94%	5.39%	0.00%	0.00%	No Slo	No Slo	1472.73%
% Penalty Eliminated by Funds Held:										
Unauthorized	74.34%	100.00%	89.76%	70.25%	100.00%	76.99%	93.35%	43.85%	31.68%	99.18%
Slow Authorized	2.31%	12.49%	No Odu	5.45%	4.59%	80.28%	0.00%	No Odu	No Odu	No Odu

## FOOTNOTES

<sup>1</sup> "Exposure" means recoverables on paid and unpaid losses, IBNR, and unearned premium.

<sup>2</sup> "Surplus" is the Surplus Prior to Penalty; that is, surplus plus total penalty.

<sup>3</sup> "Known" means known outstanding loss reserves plus recoverables on paid losses.

No Un means no unauthorized reinsurer data in Schedule F Part 1A Section 2.

No Slo means no paid and unpaid losses recoverable for slow pay authorized companies.

No Odu means no "Exposure" for overdue authorized companies.



**Calculated Statistics from Data in Exhibit C**  
(dollar figures are /100000)

Company #:	21	22	23	24	25	26	27	28	29	30
<b>Penalty/Exposure<sup>1</sup></b>										
Authorized	0.01%	0.03%	0.05%	0.67%	0.02%	0.00%	0.00%	0.00%	0.03%	0.00%
Unauthorized	1.08%	7.68%	No Un	0.00%	1.37%	96.26%	58.58%	No Un	0.00%	No Un
Combined	0.13%	0.21%	0.05%	0.46%	0.06%	0.04%	1.63%	0.00%	0.03%	0.00%
<b>Effect on Surplus<sup>2</sup></b>										
Authorized	0.01%	0.03%	0.12%	0.10%	0.02%	0.00%	0.00%	0.01%	0.01%	0.00%
Unauthorized	0.17%	0.15%	0.00%	0.00%	0.06%	0.05%	0.02%	0.00%	0.00%	0.00%
Combined	0.17%	0.17%	0.12%	0.10%	0.09%	0.05%	0.02%	0.01%	0.01%	0.00%
<b>Known<sup>3</sup></b>										
Authorized	3,243	2,755	27,202	1,160	4,057	5,352	271	48,006	274	7,074
Unauthorized	1,327	97	0	715	0	4	10	0	34	0
Known % Authorized	71%	97%	100%	62%	100%	100%	97%	100%	89%	100%
IBNR on Authorized	1,884	2,428	31,229	3,068	5,230	2,462	42	15,602	6	9,481
IBNR on Fast Pay	1,884	2,428	31,163	2,924	5,229	2,462	42	15,601	6	9,481
<b>IBNR/Known for:</b>										
All Ceded	17.95%	85.88%	114.80%	248.20%	137.82%	45.97%	15.20%	32.50%	1.79%	134.03%
Unauthorized	12.32%	21.75%	No Un	171.61%	No Un	0.00%	7.50%	No Un	0.00%	No Un
Authorized	58.09%	88.14%	114.80%	264.55%	128.89%	46.00%	15.47%	32.50%	2.01%	134.03%
Slow Authorized	0.00%	0.00%	183.75%	62.25%	2.84%	No Slo	No Slo	15.73%	0.00%	No Slo
<b>% Penalty Eliminated by Funds Held:</b>										
Unauthorized	98.74%	92.89%	No Un	100.00%	99.76%	3.74%	43.73%	No Un	100.00%	99.68%
Slow Authorized	0.00%	0.00%	13.36%	1.50%	33.96%	No Odu	No Odu	11.13%	2.21%	No Odu

  

Company #:	31	32	33	34	35	TOTAL
<b>Penalty/Exposure<sup>1</sup></b>						
Authorized	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%
Unauthorized	No Un	No Un	No Un	0.00%	No Un	17.44%
Combined	0.00%	0.00%	0.00%	0.00%	0.00%	1.40%
<b>Effect on Surplus<sup>2</sup></b>						
Authorized	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%
Unauthorized	0.00%	0.00%	0.00%	0.00%	0.00%	1.76%
Combined	0.00%	0.00%	0.00%	0.00%	0.00%	1.91%
<b>Known<sup>3</sup></b>						
Authorized	4,288	5,331	5,435	11,049	16,088	427,377
Unauthorized	0	0	0	9,839	0	41,601
Known % Authorized	100%	100%	100%	53%	100%	91%
IBNR on Authorized	841	1,180	576	1,498	14,359	260,784
IBNR on Fast Pay	841	1,180	576	1,498	14,359	257,285
<b>IBNR/Known for:</b>						
All Ceded	19.62%	22.13%	10.60%	11.06%	89.25%	58.79%
Unauthorized	No Un	No Un	No Un	8.26%	No Un	43.36%
Authorized	19.62%	22.13%	10.60%	13.56%	89.25%	61.02%
Slow Authorized	0.00%	No Slo	No Slo	No Slo	No Slo	66.29%
<b>% Penalty Eliminated by Funds Held:</b>						
Unauthorized	No Un	No Un	No Un	100.00%	No Un	85.72%
Slow-Authorized	0.00%	No Odu	No Odu	No Odu	No Odu	3.88%

**FOOTNOTES**

<sup>1</sup> "Exposure" means recoverables on paid and unpaid losses, IBNR, and unearned premium.

<sup>2</sup> "Surplus" Prior to Penalty is surplus plus total penalty.

<sup>3</sup> "Known" means known outstanding loss reserves plus recoverables on paid losses.

No Un means no unauthorized reinsurer data in Schedule F Part 1A Section 2.

No Slo means no paid and unpaid losses recoverable for slow pay authorized companies.

No Odu means no "Exposure" for overdue authorized companies.

Calculated Statistics from Data in Exhibit C  
**SPECIAL COMPILATIONS**  
(dollar figures are /100000)

A. Excluding the Nine Companies  
Which Have No Unauthorized Business  
in F1A1.

Penalty/Exposure	
Authorized	0.18%
Unauthorized	17.35%
Combined	1.94%

B. Excluding the Six Companies  
Which Have No Unauthorized Penalty

Effect on Surplus	
Authorized	0.26%
Unauthorized	3.05%
Combined	3.32%

C. Excluding the Three Companies  
Which Have No Unauthorized Business  
in F1A1 but do Have an Unauthorized  
Penalty

Known	
Authorized	401,210
Unauthorized	41,601
Known % Authorized	91%

D. If one eliminates Company #1 as  
an outlier and Companies #31-35  
which have no Surplus penalties at  
all:

Effect on Surplus	
Authorized	0.24%
Unauthorized	2.01%
Combined	2.25%