

North American Property/Casualty Insurers' Nine Month 2017 Results

Special Report

Operating Returns Decline: Fitch Ratings compiled nine month GAAP financial results for 52 property/casualty (P/C) (re)insurers that are publicly traded or report GAAP consolidated results. The group's operating ROAE through 9M17 declined to 4.3% from 7.1% in the prior year, reflecting poorer underwriting results offset by a modest improvement in investment income. Seven of the 52 companies reported a double-digit operating ROAE through 9M17, with the personal lines insurers representing the only subsegment above 10.0% in aggregate.

Significant Catastrophe Losses: Reported catastrophe losses for the group nearly tripled in 9M17 to \$27.9 billion from \$9.7 billion in 9M16. Hurricanes Harvey, Irma and Maria were the largest drivers of catastrophe losses, with varying impacts on the respective subsectors. Catastrophe losses raised the group's combined ratio by 10.3 points in 9M17, up from 3.9 points in the prior year. Catastrophe losses for the Reinsurance and Florida specialist segments represented 24.3% and 16.2% of earned premium at 9M17, respectively.

9M17 Underwriting Loss: Higher catastrophe losses led to a jump in the group's combined ratio to 103.7% in 9M17, up from 95.4% in the prior year. The personal lines group was the only subsegment to report an underwriting gain through 9M17 and actually posted a 2.3 point yoy combined ratio improvement during the period. Underwriting losses increased during 9M17, but the aggregate group expense ratio improved by 1.8 percentage points, down to 27.3%, with many of the large diversified companies driving expense ratio improvement.

Capital Growth Limited: Group common shareholders' equity grew by 5.3% in 9M17 to \$674 billion as weaker earnings were offset by strong investment results and \$19.3 billion of unrealized investment gains across the group. Growth in shareholders' equity was tempered by companies actively managing their capital in 9M17 as \$19 billion was returned to shareholders. Returned capital includes \$12 billion of share repurchases, despite elevated price/book valuations, and \$7 billion returned to shareholders in the form of dividends.

Lower Reserve Releases: Prior-period loss reserve releases declined in 9M17 to \$2.3 billion, down from \$5.1 billion in 9M16. Favorable reserve development represented approximately 0.8% of earned premium versus 2.1% in the prior year. Personal and commercial auto writers continued to report adverse developments from recent accident years, dampening the impact of favorable developments from other lines of business. Several (re)insurers also reported adverse reserve effects from the reduction of the discount rate in the U.K.

Investment Results: After-tax realized gains increased yoy for 33 of the 52 companies in the group for 9M17. The aggregate group, excluding Berkshire Hathaway Inc. (BRK), reported realized gains of \$2.1 billion in 9M17, up from a \$400 million realized loss in the prior year. Net investment income increased modestly, boosting operating results across all sectors. In aggregate, the group reported \$36.5 billion of net investment income in 9M17, versus \$34.6 billion during the prior year.

Sector and Rating Outlooks: Fitch maintains a stable rating outlook for each of the sectors covered in this report (U.S. commercial, U.S. personal and global reinsurance). Broad-based rating changes are unlikely in the next 12–24 months. Personal and commercial lines have stable sector outlooks, while the reinsurance sector's outlook is negative as intense market competition and sluggish cedent demand resulted in a soft reinsurance market.

Related Research

[North American Property/Casualty Insurers' Midyear 2017 Results \(August 2017\)](#)

[Hurricane Season 2017 \(A Desk Reference for Insurance Investors\) \(May 2017\)](#)

[U.S. P/C Insurers' Leverage and Debt-Servicing Capacity \(2016 Moderate Leverage Increase, Fixed-Charge Coverage Declines\) \(May 2017\)](#)

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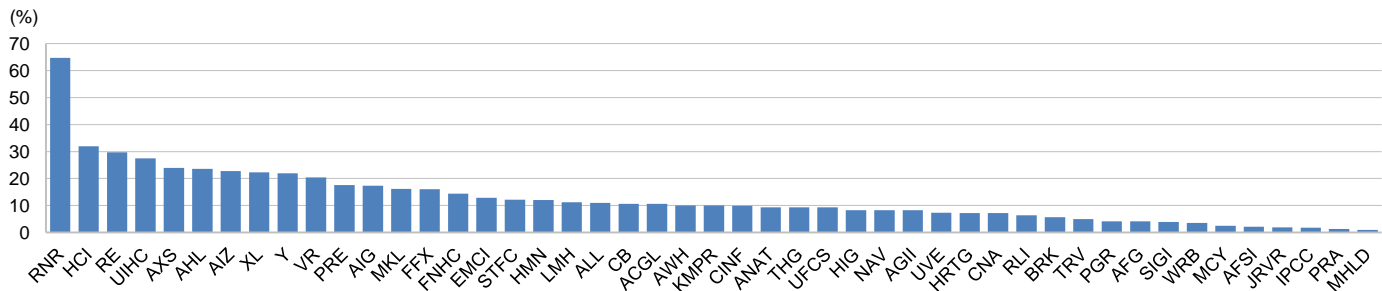
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Significant 3Q Catastrophe Activity

2017 could end up being a record year for insured catastrophe losses for the U.S. P/C market after the very high level of natural catastrophes in the third quarter of the year. Insured losses are expected to reach \$70 billion–\$100 billion according to various industry estimates. Hurricanes Harvey, Irma and Maria each led to significant claims, with each subsegment experiencing varying impacts from the storms. Many of the largest writers of property business in the market had exposure to each of the three hurricane events and risk management and claims operations were put to the test as the storms occurred in very quick succession.

Harvey produced a historic level of rainfall along the Texas coast, leading to massive flooding and significant losses that were uninsured or borne by the National Flood Insurance Program (NFIP). Irma had a considerable impact on the Florida residential property market with primary carriers reporting sizeable recoverables from the reinsurance market. Maria represented a material loss to the commercial property market in Puerto Rico.

Catastrophe Losses/Net Earned Premiums — 9M17



Source: Company financials, Fitch Ratings.

As seen in the chart above, the bulk of the net catastrophe losses through 9M17 were incurred by the reinsurer and Florida homeowners subsegments, with Renaissance Re Holdings, Ltd. (RNR) and HCI Group, Inc. reporting the highest proportion of catastrophe losses/net earned premiums for each group, respectively. The largest increase in underwriting results from catastrophes was in the reinsurance and Florida specialist segments, represented by 24.3% and 16.2% of earned premium for the two segments, respectively.

Operating Results Driven by Catastrophe Losses

GAAP 9M17 operating results for Fitch’s group of 52 P/C (re)insurers included the impact of significant catastrophe losses in the third quarter leading to a yoy decline in operating income. The industry reported a drop in operating profitability yoy as group annualized operating ROAE was 4.3% in 9M17, down from the 7.1% return generated in the previous year. Generating an operating ROAE above 10% remains a challenge in the current marketplace. Out of the 52 (re)insurance organizations, only seven companies reported a 9M17 operating ROAE above 10%.

The aggregate calendar-year combined ratio increased by 8.3 percentage points to 103.7%, from 95.4% in the prior year, as the impact of catastrophe events raised the group combined ratio by 10.3 points, compared with 3.9 points in the prior year. In the 10 year period 2007–2016, the group averaged 4.5 points from catastrophes. Of the companies in the group, 31 reported calendar-year combined ratios above 100% in 9M17, compared with seven companies with an underwriting loss in the prior year. The personal lines subsegment was the only group to report an improvement in underwriting results yoy as the group has experienced

Related Criteria

[Insurance Rating \(November 2017\)](#) [Methodology](#)

recent favorable pricing momentum and avoided significant retention of the 3Q catastrophe losses.

The specialty group had the lowest losses attributable to catastrophes, reporting a 6.2-point hit to the calendar-year combined ratio in 9M17. This was significantly higher than the 1.8 points from catastrophes in the prior year. Assurant, Inc. and Market Corporation stood out from the specialty insurer group as both companies reported double-digit catastrophe impacts to their respective combined ratios.

Underwriting Performance

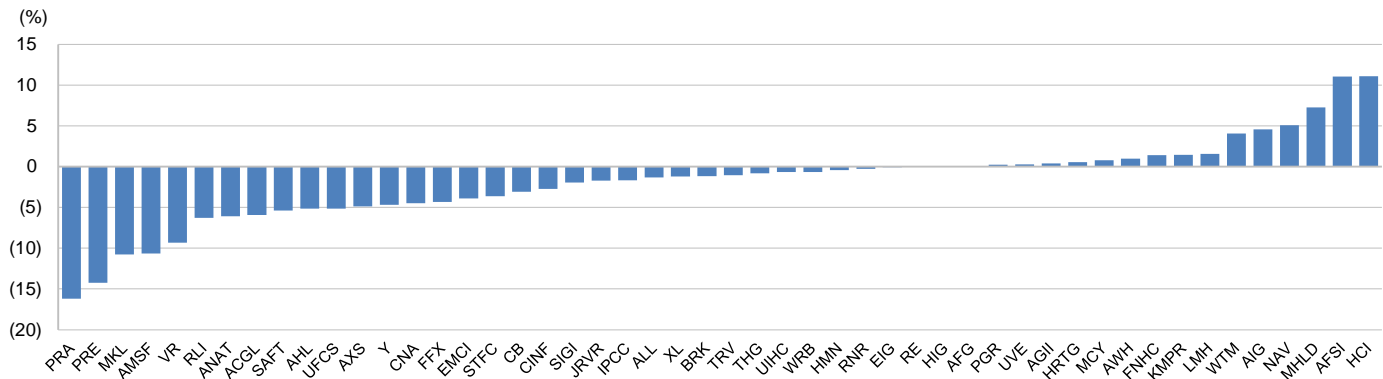
(%)	9M16	9M17
Loss Ratio	66.3	76.4
Expense Ratio	29.0	27.3
Combined Ratio	95.4	103.7
Combined Ratio, Excluding Reserve Development	97.4	104.6
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	93.6	94.2

Source: SNL Financial, company data.

The overall favorable impact of prior-year reserve development experienced by the industry in recent years gradually lessened, although at a slower pace than projected by many industry observers. Sixteen of the 52 companies reported adverse development in 9M17, up from twelve in the prior year. AIG reported adverse development of \$902 million, primarily related to a third quarter reserve charge for the company’s European Casualty and Financial lines and various U.S. commercial lines. AmTrust Financial Services reported \$419 million of adverse development, which added 11.0 points to the company’s calendar-year combined ratio in 9M17.

Reserve Development/Net Earned Premiums

(Negative: Favorable, Positive: Unfavorable)



Source: Company financials, Fitch Ratings.

Aggregate group results benefited from the improvement in reserve development at Hartford Financial Services Group, Ltd., as the company reported \$1 million of prior-year adverse reserve development in 9M17, compared to \$409 million of adverse development during the same period of 2016, primarily related to asbestos and environmental reserves.

The Florida homeowners subsegment incurred \$22 million of prior-year reserve charges in 9M17, representing 1.4% of net earned premiums. Four of the five Florida homeowners companies reported adverse development through 9M17 as the impact of the assignment of benefits issue in Florida continues to impact frequency and severity trends from water damage claims in the state.

The average investment yield of the aggregate group of insurers was 3.2% in 9M17, versus 3.1% reported in the prior-year period. A number of (re)insurers reported slightly higher yields in 9M17. Liberty Mutual Holding Company, Inc. (LMH) and American International Group, Inc.

Company Tickers

Alleghany Corporation	Y
Allstate Corporation (The)	ALL
American Financial Group, Inc.	AFG
American International Group, Inc.	AIG
American National Insurance Company	ANAT
AMERISAFE, Inc.	AMSF
AmTrust Financial Services, Inc.	AFSI
Arch Capital Group Ltd.	ACGL
Argo Group International Holdings, Ltd.	AGII
Aspen Insurance Holdings Limited	AHL
Assurant, Inc.	AIZ
Axis Capital Holdings Limited	AXS
Berkshire Hathaway Inc.	BRK
Chubb Limited	CB
Cincinnati Financial Corporation	CINF
CNA Financial Corporation	CNA
Donegal Group Inc.	DGICA
EMC Insurance Group Inc.	EMCI
Employers Holdings, Inc.	EIG
Everest Re Group, Ltd.	RE
Fairfax Financial Holdings Limited	FFX
Federated National Holding Company	FNHC
Hanover Insurance Group Inc. (The)	THG
Hartford Financial Services Group, Inc. (The)	HIG
HCI Group Inc.	HCI
Heritage Insurance Holdings, Inc.	HRTG
Horace Mann Educators Corporation	HMN
Infinity Property and Casualty Corporation	IPCC
James River Group Holdings, Ltd.	JRVR
Kemper Corporation	KMPR
Liberty Mutual Holding Company Inc.	LMH
Maiden Holdings, Ltd.	MHLD
Markel Corporation	MKL
Mercury General Corp.	MCY
Navigators Group, Inc.	NAV
Old Republic International Corporation	ORI
PartnerRe, Ltd.	PRE
ProAssurance Corporation	PRA
Progressive Corporation	PGR
RenaissanceRe Holdings Ltd.	RNR
RLI Corp.	RLI
Safety Insurance Group, Inc.	SAFT
Selective Insurance Group, Inc.	SIGI
State Auto Financial Corporation	STFC
Travelers Companies, Inc. (The)	TRV
United Fire Group, Inc.	UFCS
United Insurance Holdings Corp.	UIHC
Universal Insurance Holdings, Inc.	UVE
Validus Holdings, Ltd.	VR
W. R. Berkley Corporation	WRB
White Mountains Insurance Group, Ltd.	WTM
XL Group plc	XL

(AIG) are among the companies that benefited from higher returns in their private equity portfolios and other alternative assets.

GAAP shareholders' equity for the group increased by 5.3% to \$674 billion in 9M17, driven by \$23.6 billion of net earnings and \$19.3 billion of unrealized investment gains. The aggregate group also repurchased approximately \$12 billion worth of shares in 9M17. Of the aggregate share repurchases, \$9.2 billion were from four companies: AIG; Travelers Companies, Inc.; Allstate Corporation; and Hartford Financial Services Group, Inc. (HIG). Several of the companies in the group have announced the suspension of share repurchase programs following the catastrophe losses from 3Q.

Overall growth in net written premium (NWP) was 9.2% for the year, with the \$10.2 billion of premium recorded by BRK as consideration for a retroactive reinsurance agreement with AIG serving as the largest source of growth. Excluding BRK, aggregate group NWP grew by only 4.1%. The personal lines group reported growth of 7.2%, largely as a result of favorable pricing conditions following the emergence of adverse loss experience in personal and commercial auto from recent accident years.

Individual company and group aggregate financial performance figures are provided in the tables on pages 9–12.

Commercial Diversified Insurers

The diversified segment reported deterioration in aggregate underwriting profitability with a 105.2% combined ratio in 9M17, compared with 95.3% in the prior year. Both AIG and LMH reported catastrophe losses of over \$3.0 billion during the year. Seven of the 12 companies in the group reported catastrophe losses/net earned premiums of over 10% during 9M17, driving up results for the group.

Net earned premiums in the segment grew by 10.7% in 9M17, largely as the result of \$10.2 billion of retroactive reinsurance premiums assumed by BRK from AIG. The largest premium decline in the group was a 24.4% drop reported by White Mountains Insurance Group, Ltd., which reflects the sale of its Sirius Group business and OneBeacon Insurance Group Ltd., which are reported as discontinued operations.

The diversified group reported a decline in operating ROAE to 4.4% from 6.9% in the prior year. Alleghany Corporation (Y), LMH and XL Group plc each reported operating losses in 9M17. Net ROAE for HIG declined by 2.7 points in 9M17, while operating ROAE increased by 1.0 points as net earnings deteriorated as the result of increased insurance operating expenses from a \$750 million pension charge incurred in 2Q17.

Regional Insurers

The group of regional insurers reported better than industry underwriting results through 9M17, with a 3.9-point deterioration in aggregate combined ratio, but five of the seven companies reported an underwriting loss in the period. The two companies that reported an underwriting

Commercial Diversified Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	65.8	78.5
Expense Ratio	29.4	26.6
Combined Ratio	95.3	105.2
Combined Ratio, Excluding Reserve Development	97.6	105.8
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	94.3	95.4

Source: SNL Financial, company data.

gain, Cincinnati Financial Corporation and Selective Insurance Group, Inc. (SIGI) have a limited geographic footprint in Florida. United Fire Group, Inc. reported the greatest deterioration in combined ratio, at 8.1 points through 9M17, but increased catastrophe losses explained only 1.7 points of the weaker result.

Each company in the group reported favorable reserve development through 9M17 except for Donegal Group, Inc., which experienced adverse development from its commercial multiperil and commercial auto lines of business. The group of regional insurers' results benefited from 2.1 points of reserve releases, the highest amount of any of the primary insurance segments.

SIGI reported the strongest results within the regional segment with a net ROAE of 11.4%, up from 10.7% in the prior year. SIGI's strong underwriting performance, along with an improved investment yield, led the company to report the only yoy improvement in operating results and double-digit returns among the regional companies.

Regional Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	63.2	67.4
Expense Ratio	33.1	33.0
Combined Ratio	96.4	100.3
Combined Ratio, Excluding Reserve Development	98.3	102.5
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	92.9	93.4

Source: SNL Financial, company data.

State Auto Financial Corporation was the only company in the segment to report an operating loss through 9M17 as underwriting results remained the weakest in the group, with a calendar-year combined ratio of 110.1%, up from 107.9% in the prior year.

The regional group reported the biggest difference between its operating and net ROAE, as net earnings benefited from higher realized investment gains. Net ROAE deteriorated to 6.3% for 9M17, from 8.1% in the prior year, while operating ROAE declined to 4.9% from 7.3%.

Specialty Insurers

The specialty insurance segment reported 5.7% growth in net earned premiums through 9M17. James River Group Holdings, Ltd. (JRVR) reported significant net earned premium growth at 46.6%. JRVR's growth was largely derived from organic growth in the company's excess and surplus business, its largest reporting segment.

The specialty segment is generally the least exposed to catastrophe losses with a smaller mix of property business than the other segments. The group reported 6.2 points of losses related to catastrophes through 9M17, the lowest of any segment. The companies with the greatest increase in reported yoy catastrophe losses were Assurant, Inc., Markel Corporation, Navigators Group, Inc. (NAVG), RLI Corp. and Argo Group International Holdings, Ltd. (AGII).

Commercial Specialty Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	61.5	69.8
Expense Ratio	32.6	32.8
Combined Ratio	94.2	102.5
Combined Ratio, Excluding Reserve Development	95.9	103.0
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	94.1	96.8

Source: SNL Financial, company data.

Favorable prior-year reserve development modestly deteriorated for the group, trimming 0.5 percentage points from the combined ratio through 9M17, compared with a 1.7-percentage point benefit in the prior year. Four specialty insurers, AmTrust Financial Services, Inc.; NAVG; AGII; and American Financial Group, Inc. (AFG) reported adverse development through 9M17.

Aggregate shareholders' equity for the specialty insurance segment grew by 5.7% through 9M17, which represents the largest increase among the commercial lines subsegments. Compared with a year earlier, operating ROAE declined the most among commercial subsegments at 4.0 points. Four companies reported modestly higher yoy operating returns including Employers Holdings, Inc.; AFG; American National Insurance Company and ProAssurance Corporation.

Florida Specialists

The Florida specialist group reported the largest increase in combined ratio amongst the primary insurance subsegments, rising by 16.7 points to 105.8% in 9M17, from 89.1% in the prior year. The companies have grown their market share in Florida over the past several years, with additional modest growth into nearby coastal states. The companies in the group experienced significant gross losses related to Hurricane Irma but ceded a large portion of the losses to the reinsurance market. However, catastrophe losses retained by the Florida specialists in 9M17 still increased considerably over the prior year, representing 16.2% of net earned premiums, up from 4.0%.

The Florida specialists reported deterioration in underlying results, combined ratio excluding reserve development and catastrophes, despite broader personal lines performance improvement during the same period. The Florida specialists continue to be negatively affected by the ongoing assignment of benefits issues facing homeowners' insurance writers, which materially increased the number of claims and amount of loss costs attributed to noncatastrophe water losses.

The group reported 8.5% growth in 9M17 net earned premiums, with the strongest growth coming from United Insurance Holdings Corp. (UIHC) and Federated National Holding Company (FNHC). The 24.9% growth from UIHC largely reflects its April 2017 merger with AmCo Holdings Company. Growth in net earned premiums at FNHC was partly related to organic growth along with the expiration of a 30% Florida-only property quota share treaty that reduced ceded premiums in 9M17.

Deterioration in aggregate group underwriting results as a result of catastrophe losses led to a decline in operating and net returns on equity of 4.4% and 3.7%, respectively, in 9M17. HCI reported the weakest returns in the group at 9M17, with an annualized operating ROAE of negative 11.7%. UIHC reported increased merger expenses and intangibles amortization in 9M17, resulting in a large gap between operating and net returns of 1.2% and negative 6.0%, respectively.

Personal Lines Insurers

The personal lines group is the only subsegment to produce an improved calendar-year combined ratio through 9M17, dropping to 95.5% from 97.8% in the prior year. The positive result for the group is largely the result of its two largest members, ALL and Progressive Corporation (PGR), reporting the strongest improvement in results and demonstrating the scale advantage of the major players within the segment. ALL and PGR reported 3.0 and 1.8 point

Florida Specialists Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	52.1	64.6
Expense Ratio	37.0	41.2
Combined Ratio	89.1	105.8
Combined Ratio, Excluding Reserve Development	85.9	104.5
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	81.9	88.3

Source: SNL Financial, company data.

improvements in the combined ratio, respectively, as the companies benefited from the improvement in pricing conditions in the segment.

Catastrophe losses increased for the group by the smallest margin of any subsegment during the year. Catastrophe losses represented 7.5 points of the combined ratio in 9M17, up by only 1.1 points over the prior year when catastrophes were 6.4% of net earned premiums.

Personal Lines Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	74.5	71.8
Expense Ratio	23.3	23.7
Combined Ratio	97.8	95.5
Combined Ratio, Excluding Reserve Development	97.6	96.1
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	91.2	88.5

Source: SNL Financial, company data.

Each of the personal lines insurers reported an increase in net earned premiums in 9M17 with total group growth of 6.8%, as many companies pursued price increases in the personal auto line in the wake of negative frequency and severity trends that significantly affected results in the segment over the past 12–18 months.

The personal lines group reported the only improvement in yoy net returns on equity, as strong results from ALL and PGR boosted aggregate group results. Along with the improved underwriting performance of the two large personal lines writers, ALL and PGR reported material increases in realized investment gains, increasing the group net income from common shareholders by 76% to \$3.2 billion in 9M17.

Three of the personal lines insurers reported reserve charges in 9M17, including Kemper Corporation, Mercury General Corporation and PGR, as adverse development relating to recent accident years in the auto line continued to negatively affect performance. However, ALL reported \$321 million of favorable development in 9M17 due to better than expected injury coverage claims in auto, compared with \$120 million of adverse development in the prior-year period. Excluding the impact of ALL, the aggregate group reported a 0.2-point unfavorable impact on the combined ratio in 9M17 related to adverse development, up from 0.1 point of favorable reserve movement in the prior year.

Reinsurers

The group of reinsurers experienced the largest impact from catastrophes in 9M17, reporting \$4.1 billion of catastrophe losses, up from \$0.7 billion in the prior year. The losses added 24.3 points to the combined ratio, up from 4.2 points in the same period of 2016. RenaissanceRe Holdings, Ltd. reported the largest impact from the storms with the losses equaling 64.7% of the company’s net earned premiums. Five of the seven companies in the group reported at least a 20.0 point impact on the combined ratio during the period.

Until the catastrophe events of the third quarter, premium rates in the reinsurance segment had continued to experience modest declines amid intense competition and an overabundance of capital, putting increasing downward pressure on underwriting profits as revenue struggled to keep pace with loss cost trends.

The largest company in the reinsurance segment, Everest Re Group, Ltd., reported strong net written premium growth of 16.7% in 9M17, reflecting new crop reinsurance transactions and growth in a variety of primary insurance lines, including business written through its Lloyd’s of London syndicate. Of the other Bermuda/U.S.-based companies, only Aspen Insurance Holdings, Ltd reported a decline in net written premiums despite positive yoy growth in gross premiums written, primarily due to increased use of quota share reinsurance to reduce volatility across the company’s longer-tail businesses in its Insurance segment.

Reflecting the underwriting pressure felt across the subsegment, the reinsurance group's underlying combined ratio (excluding catastrophe losses and prior-year reserve development) increased to 96.2% in 9M17, 2.5 points worse than the 93.7% in the prior year.

The reinsurers were the only subsegment to produce an operating loss in 9M17, with a resulting operating ROAE of negative 4.7%, down from 8.1% in the prior year. PartnerRe Ltd. was the only company in the group to report a positive operating ROAE at 1.4%, down from 4.4% in 9M16, as the company reported favorable prior-period reserve development that largely offset the negative impact from additional catastrophe loss activity during the year.

The level of favorable reserve development reported by the group continued to decline in 9M17 as the benefit provided to the group's calendar-year combined ratio declined to 3.8 points in 9M17, down from 6.5 points in the prior year. Each of the companies in the group reported favorable prior-year development, except for Maiden Holdings, Ltd., which reported an increased level of adverse development, largely from higher than expected loss emergence in the commercial auto segment.

Group shareholders' equity decreased by 3.0% for the reinsurers in 9M17 to \$30.3 billion. The reinsurers were the only individual segment to report a decline in equity during the period. PartnerRe was the only company in the group to report modest growth in equity during the period, increasing by 2.0% over the prior year end.

Reinsurers Year-over-Year Performance Comparison

(%)	9M16	9M17
Loss Ratio	58.2	85.4
Expense Ratio	33.2	31.2
Combined Ratio	91.4	116.6
Combined Ratio, Excluding Reserve Development	97.9	120.5
Combined Ratio, Excluding Catastrophe Losses and Reserve Development	93.7	96.2

Source: SNL Financial, company data.

Appendix A: Property/Casualty Segment Underwriting Results — Consolidated GAAP

(\$ Mil.)	Fitch		Net Earned Premium			Combined Ratio (%)			Prior Years Incurred Loss Development		Reserve Development/ Earned Premium (%)		Accident Year Combined Ratio (%)	
	Fitch	Sr. Debt	9M16	9M17	% Change	9M16	9M17	Worse/ (Better)	9M16	9M17	9M16	9M17	9M16	9M17
	IDR	Rating												
Commercial Diversified														
Alleghany Corporation	A-	BBB+	3,737	3,693	(1.2)	92.0	112.2	20.2	(262)	(173)	(7.0)	(4.7)	99.0	116.9
American International Group, Inc.	A-	BBB+	22,571	19,703	(12.7)	99.6	118.8	19.2	214	902	0.9	4.6	98.7	114.2
Arch Capital Group Ltd.	A-	BBB+	2,916	3,620	24.1	89.0	93.1	4.1	(218)	(215)	(7.5)	(5.9)	96.5	99.0
Berkshire Hathaway Inc.	AA-	A+	29,211	43,418	48.6	95.3	105.5	10.2	(1,453)	(510)	(5.0)	(1.2)	100.3	106.7
Chubb Limited ^a	A+	A	21,690	21,816	0.6	89.0	96.0	7.0	(897)	(671)	(4.1)	(3.1)	93.1	99.1
CNA Financial Corporation	BBB+	BBB	4,796	4,782	(0.3)	94.6	98.2	3.6	(297)	(215)	(6.2)	(4.5)	100.8	102.7
Fairfax Financial Holdings Limited ^b	NR	NR	5,779	6,879	19.0	93.4	109.0	15.6	(397)	(299)	(6.9)	(4.3)	100.3	113.3
Hartford Financial Services Group, Inc. (The)	NR	NR	7,881	7,916	0.4	101.1	100.5	(0.6)	409	1	5.2	0.0	95.9	100.5
Liberty Mutual Holding Company Inc.	BBB	BBB-	25,970	28,066	8.1	98.5	107.1	8.6	(71)	443	(0.3)	1.6	98.8	105.5
Travelers Companies, Inc. (The)	A+	A	18,257	19,057	4.4	92.8	98.7	5.9	(430)	(197)	(2.4)	(1.0)	95.2	99.7
White Mountains Insurance Group, Ltd.	BBB+	BBB	1,078	815	(24.4)	99.1	104.6	5.5	15	33	1.4	4.0	97.6	100.5
XL Group Ltd	A-	BBB+	7,312	7,651	4.6	93.9	111.6	17.7	(196)	(94)	(2.7)	(1.2)	96.6	112.8
Diversified Total			151,197	167,416	10.7	95.3	105.2	9.9	(3,582)	(995)	(2.4)	(0.6)	97.6	105.8
Regional														
Cincinnati Financial Corporation	A	A-	3,343	3,523	5.4	94.4	99.1	4.7	(151)	(96)	(4.5)	(2.7)	98.9	101.8
Donegal Group Inc.	NR	NR	487	521	7.0	97.3	102.4	5.1	2	5	0.4	1.0	96.9	101.4
EMC Insurance Group Inc.	NR	NR	441	450	1.8	99.8	103.8	4.0	(29)	(18)	(6.6)	(3.9)	106.4	107.7
Hanover Insurance Group, Inc. (The)	BBB+	BBB	3,458	3,589	3.8	95.5	100.0	4.5	(3)	(30)	(0.1)	(0.8)	95.6	100.8
Selective Insurance Group, Inc.	A-	BBB+	1,597	1,701	6.5	92.7	93.4	0.7	(43)	(33)	(2.7)	(2.0)	95.4	95.4
State Auto Financial Corporation	NR	NR	968	956	(1.2)	107.9	110.1	2.2	33	(35)	3.5	(3.6)	104.4	113.7
United Fire Group, Inc.	NR	NR	692	737	6.6	99.5	107.6	8.1	(27)	(38)	(3.9)	(5.2)	103.4	112.8
Regional Total			10,986	11,478	4.5	96.4	100.3	3.9	(218)	(244)	(2.0)	(2.1)	98.3	102.5
Specialty														
American Financial Group, Inc.	NR	NR	3,184	3,354	5.3	96.0	97.9	1.9	22	2	0.7	0.1	95.3	97.8
American National Insurance Company	NR	NR	927	1,007	8.6	104.6	104.3	(0.3)	(27)	(61)	(2.9)	(6.1)	107.5	110.4
AMERISAFE, Inc.	NR	NR	277	259	(6.4)	77.0	83.5	6.5	(41)	(28)	(15.0)	(10.6)	92.0	94.1
AmTrust Financial Services, Inc.	NR	NR	3,452	3,796	10.0	92.2	109.8	17.6	193	419	5.6	11.0	86.6	98.8
Argo Group International Holdings, Ltd.	NR	NR	1,049	1,168	11.4	95.2	107.3	12.1	(19)	4	(1.8)	0.4	97.0	106.9
Assurant, Inc.	NR	NR	1,378	1,302	(5.6)	86.6	107.5	20.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Employers Holdings, Inc.	NR	NR	523	535	2.3	94.3	93.6	(0.7)	(2)	(1)	(0.3)	(0.1)	94.6	93.7
James River Group Holdings, Ltd.	NR	NR	369	541	46.6	95.2	98.2	3.0	(15)	(9)	(4.0)	(1.7)	99.2	99.9
Markel Corporation	A-	BBB+	2,883	3,116	8.1	92.9	108.4	15.6	(327)	(335)	(11.3)	(10.8)	104.2	119.2
Navigators Group, Inc.	NR	NR	816	881	8.0	96.7	105.5	8.8	(12)	45	(1.4)	5.1	98.1	100.4
Old Republic International Corporation	NR	NR	2,193	2,314	5.5	97.7	98.9	1.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
ProAssurance Corporation	A-	BBB+	540	556	3.0	93.2	96.5	3.3	(94)	(90)	(17.5)	(16.2)	110.7	112.7
RLI Corp.	NR	NR	541	550	1.6	89.3	96.7	7.4	(29)	(35)	(5.3)	(6.3)	94.6	103.0
W. R. Berkley Corporation	A-	BBB+	4,673	4,720	1.0	94.1	97.3	3.2	(42)	(31)	(0.9)	(0.6)	95.0	97.9
Specialty Total			22,804	24,097	5.7	94.2	102.5	8.4	(392)	(119)	(1.7)	(0.5)	95.9	103.0
Commercial Total			184,987	202,992	9.7	95.2	104.6	9.4	(4,192)	(1,358)	(2.3)	(0.7)	97.5	105.3

^aFormer Chubb Corporation and ACE Ltd. ^bIFRS. IDR – Issuer Default Rating. NR – Not rated. N.A. – Not available. *Continued on next page.*
Source: SNL Financial, company reports, Fitch Ratings.

Appendix A: Property/Casualty Segment Underwriting Results — Consolidated GAAP
(Continued)

(\$ Mil.)	Fitch IDR	Fitch Sr. Debt Rating	Net Earned Premium			Combined Ratio (%)			Prior Years		Reserve		Accident Year	
						9M16	9M17	% Change	9M16	9M17	Worse/ (Better)	Incurred Loss		Development/ Earned
			9M16	9M17	Development							Premium (%)	9M16	9M17
Personal														
Allstate Corporation (The)	A-	BBB+	23,406	24,098	3.0	98.2	95.2	(3.0)	120	(321)	0.5	(1.3)	97.7	96.5
Horace Mann Educators Corporation	BBB+	BBB	462	482	4.4	102.4	106.5	4.1	(4)	(2)	(0.9)	(0.4)	103.3	106.9
Infinity Property and Casualty Corporation	NR	NR	1,019	1,025	0.6	98.0	96.9	(1.1)	(19)	(17)	(1.8)	(1.7)	99.8	98.6
Kemper Corporation	BBB	BBB-	1,262	1,283	1.7	106.4	105.9	(0.5)	(18)	19	(1.4)	1.4	107.8	104.5
Mercury General Corporation	BBB+	BBB	2,337	2,389	2.2	101.2	100.1	(1.1)	69	18	3.0	0.8	98.2	99.3
Progressive Corporation	A+	A	16,603	18,884	13.7	96.0	94.2	(1.8)	(23)	43	(0.1)	0.2	96.1	94.0
Safety Insurance Group, Inc.	NR	NR	564	578	2.5	95.4	95.7	0.3	(34)	(31)	(6.0)	(5.4)	101.4	101.1
Personal Total			45,652	48,739	6.8	97.8	95.5	(2.3)	92	(292)	0.2	(0.6)	97.6	96.1
Florida Homeowners' Insurers														
Universal Insurance Holdings, Inc.	NR	NR	468	505	7.8	78.2	86.9	8.7	(0)	1	(0.0)	0.3	78.2	86.6
Heritage Insurance Holdings, Inc.	NR	NR	317	278	(12.3)	87.0	97.8	10.8	17	1	5.5	0.5	81.5	97.3
HCI Group Inc.	NR	NR	180	169	(6.3)	83.8	127.5	43.7	11	19	5.9	11.1	78.0	116.5
United Insurance Holdings Corp.	NR	NR	336	419	24.9	98.5	118.4	19.9	10	(3)	2.9	(0.7)	95.6	119.1
Federated National Holding Company	NR	NR	184	240	30.3	108.8	117.8	9.0	11	3	5.9	1.4	102.9	116.4
Florida Homeowners' Total			1,486	1,611	8.5	89.1	105.8	16.7	48	22	3.2	1.4	85.9	104.5
Reinsurers														
Aspen Insurance Holdings Limited	NR	NR	2,025	1,796	(11.3)	95.4	118.0	22.6	(78)	(93)	(3.9)	(5.2)	99.3	123.2
Axis Capital Holdings Limited	A-	BBB+	2,784	2,937	5.5	95.7	118.1	22.4	(224)	(143)	(8.1)	(4.9)	103.8	123.0
Everest Re Group, Ltd.	NR	NR	3,879	4,281	10.3	88.9	116.5	27.6	(4)	(1)	(0.1)	(0.0)	89.0	116.5
Maiden Holdings, Ltd.	NR	NR	1,952	2,074	6.3	98.7	106.7	8.0	N.A.	151	N.A.	7.3	N.A.	99.4
PartnerRe Ltd.	A-	BBB+	2,880	2,694	(6.5)	94.9	98.8	3.9	(505)	(383)	(17.5)	(14.2)	112.4	113.0
RenaissanceRe Holdings Ltd.	A	A-	1,052	1,296	23.3	73.2	149.5	76.3	(77)	(4)	(7.3)	(0.3)	80.5	149.8
Validus Holdings, Ltd.	A-	BBB+	1,709	1,930	12.9	82.5	126.9	44.4	(169)	(180)	(9.9)	(9.3)	92.4	136.2
Reinsurers Total			16,280	17,008	4.5	91.4	116.6	25.2	(1,057)	(654)	(6.5)	(3.8)	97.9	120.5
All Lines Total			248,405	270,350	8.8	95.4	103.7	8.3	(5,109)	(2,282)	(2.1)	(0.8)	97.4	104.6

^aFormer Chubb Corporation and ACE Ltd. ^bIFRS. IDR – Issuer Default Rating. NR – Not rated. N.A. – Not available.
Source: SNL Financial, company reports, Fitch Ratings.

Appendix B: Consolidated Earnings

(\$ Mil.)	Operating Earnings ^a		Operating ROE (%)		Net Income ^b		Net Income ROE (%)		Common Shareholders' Equity	
	9M16	9M17	9M16	9M17	9M16	9M17	9M16	9M17	FY16	9M17
Commercial										
Diversified										
Alleghany Corporation	345	(121)	5.9	(2.0)	387	(63)	6.6	(1.0)	7,940	8,201
American International Group, Inc.	3,193	1,705	4.8	3.0	2,192	576	3.3	1.0	76,300	72,468
Arch Capital Group Ltd.	452	295	9.7	5.0	602	363	12.9	6.2	7,481	8,139
Berkshire Hathaway Inc.	13,195	11,119	6.7	5.0	17,788	12,389	9.0	5.6	283,001	308,278
Chubb Limited ^c	3,433	2,295	11.8	6.2	2,525	2,328	8.7	6.3	48,275	50,471
CNA Financial Corporation	603	633	6.7	7.0	618	676	6.9	7.4	11,969	12,169
Fairfax Financial Holdings Limited ^d	240	1	3.5	0.0	156	838	2.3	11.1	8,485	11,609
Hartford Financial Services Group, Inc. (The)	920	989	6.7	7.7	977	572	7.2	4.5	16,903	17,233
Liberty Mutual Holding Company Inc.	886	(688)	5.8	(4.4)	863	(188)	5.6	(1.2)	20,366	20,902
Travelers Companies, Inc. (The)	2,048	1,410	11.3	8.0	2,055	1,494	11.4	8.5	23,221	23,738
White Mountains Insurance Group, Ltd.	423	538	14.9	20.3	441	604	15.5	22.8	3,583	3,469
XL Group Ltd	332	(638)	3.8	(8.1)	136	(589)	1.6	(7.5)	10,939	9,940
Diversified Total	26,071	17,538	6.9	4.4	28,740	19,000	7.6	4.7	518,483	546,616
Regional										
Cincinnati Financial Corporation	386	302	7.6	5.5	491	403	9.6	7.4	7,060	7,523
Donegal Group Inc.	24	7	7.4	2.1	25	10	7.9	3.0	439	449
EMC Insurance Group Inc.	25	12	6.2	2.7	25	13	6.1	3.1	553	575
Hanover Insurance Group, Inc. (The)	204	118	9.2	5.4	169	135	7.6	6.1	2,858	2,972
Selective Insurance Group, Inc.	117	134	10.5	11.0	119	139	10.7	11.4	1,531	1,699
State Auto Financial Corporation	(22)	(33)	(3.3)	(5.0)	(12)	(5)	(1.7)	(0.7)	891	897
United Fire Group, Inc.	34	3	4.9	0.4	38	5	5.5	0.7	942	944
Regional Total	768	542	7.3	4.9	855	699	8.1	6.3	14,274	15,059
Specialty										
American Financial Group, Inc.	358	391	9.8	10.1	264	309	7.2	8.0	4,916	5,379
American National Insurance Company	105	118	3.1	3.3	121	149	3.5	4.2	4,652	4,874
AMERISAFE, Inc.	58	46	16.1	12.9	59	46	16.2	12.7	456	495
AmTrust Financial Services, Inc.	316	(116)	18.2	(6.2)	292	(146)	16.8	(7.8)	2,355	2,599
Argo Group International Holdings, Ltd.	101	5	7.8	0.4	114	21	8.8	1.6	1,793	1,808
Assurant, Inc.	250	120	7.4	3.9	534	207	15.7	6.7	4,098	4,138
Employers Holdings, Inc.	52	60	8.6	9.1	71	70	11.8	10.6	841	917
James River Group Holdings, Ltd.	48	43	9.0	8.1	49	43	9.1	8.2	693	721
Markel Corporation	280	(39)	4.6	(0.6)	323	(40)	5.3	(0.6)	8,461	8,909
Navigators Group, Inc.	54	10	6.2	1.2	61	14	7.1	1.5	1,178	1,224
Old Republic International Corporation	297	224	9.5	6.5	335	261	10.7	7.5	4,472	4,730
ProAssurance Corporation	85	79	5.7	5.8	96	90	6.4	6.6	1,799	1,851
RLI Corp.	68	48	10.3	7.5	83	48	12.6	7.5	824	879
W. R. Berkley Corporation	324	215	9.0	5.4	449	395	12.5	10.0	5,047	5,431
Specialty Total	2,396	1,205	7.7	3.7	2,851	1,466	9.2	4.6	41,584	43,955
Commercial Total	29,235	19,285	7.0	4.3	32,447	21,165	7.7	4.8	574,320	605,631
Personal										
Allstate Corporation (The)	1,031	1,705	7.3	11.6	950	1,853	6.8	12.6	18,768	20,314
Horace Mann Educators Corporation	60	45	5.9	4.4	64	44	6.3	4.4	1,294	1,390
Infinity Property and Casualty Corporation	21	29	4.0	5.5	21	31	4.1	5.8	699	719
Kemper Corporation	(16)	62	(1.1)	4.0	(14)	84	(0.9)	5.5	1,975	2,082
Mercury General Corporation	63	82	4.6	6.2	99	125	7.3	9.4	1,752	1,776
Progressive Corporation	628	977	10.9	15.1	648	1,016	11.2	15.7	7,957	9,289
Safety Insurance Group, Inc.	49	48	9.9	9.3	52	51	10.4	9.9	671	703
Personal Total	1,836	2,948	7.4	11.3	1,820	3,204	7.4	12.3	33,117	36,274

^aOperating Earnings = Net income less after-tax realized gains and the impact of some unusual items such as accounting changes. In some cases, Fitch estimates after-tax realized gains from pretax realized gains. ^bNet income available to common shareholders. ^cFormer Chubb Corporation and ACE Ltd. ^dIFRS. *Continued on next page.*

Source: SNL Financial, company reports, Fitch Ratings.

Appendix B: Consolidated Earnings (Continued)

(\$ Mil.)	Operating Earnings ^a		Operating ROE (%)		Net Income ^b		Net Income ROE (%)		Common Shareholders' Equity	
	9M16	9M17	9M16	9M17	9M16	9M17	9M16	9M17	FY16	9M17
Commercial										
Florida Homeowners' Insurers										
Universal Insurance Holdings, Inc.	85	69	33.9	23.2	86	71	34.2	23.7	371	420
Heritage Insurance Holdings, Inc.	36	3	12.9	1.3	37	4	13.3	1.6	358	302
HCI Group Inc.	23	(19)	12.5	(11.7)	23	(18)	12.8	(10.8)	244	193
United Insurance Holdings Corp.	22	3	11.7	1.2	16	(17)	8.6	(6.0)	241	501
Federated National Holding Company	11	(5)	6.0	(3.1)	12	3	6.6	1.6	219	212
Florida Homeowners' Total	176	51	16.4	4.4	174	42	16.2	3.7	1,433	1,629
Reinsurers										
Aspen Insurance Holdings Limited	193	(178)	8.6	(8.6)	247	(119)	11.0	(5.8)	2,850	2,636
Axis Capital Holdings Limited	309	(284)	7.7	(7.4)	335	(378)	8.4	(9.8)	5,146	5,118
Everest Re Group, Ltd.	630	(181)	10.7	(3.0)	616	(102)	10.5	(1.7)	8,075	7,969
Maiden Holdings, Ltd.	87	(46)	11.0	(6.1)	90	(65)	11.3	(8.7)	1,046	956
PartnerRe Ltd.	206	61	4.4	1.4	578	145	12.5	3.2	5,984	6,104
RenaissanceRe Holdings Ltd.	237	(368)	7.2	(11.6)	406	(242)	12.4	(7.6)	4,467	4,003
Validus Holdings, Ltd.	255	(91)	9.2	(3.4)	352	(55)	12.7	(2.0)	3,688	3,536
Reinsurers Total	1,917	(1,086)	8.1	(4.7)	2,623	(815)	11.1	(3.5)	31,256	30,323
All Lines Total	33,164	21,198	7.1	4.3	37,064	23,596	7.9	4.8	640,126	673,856

^aOperating Earnings = Net income less after-tax realized gains and the impact of some unusual items such as accounting changes. In some cases, Fitch estimates after-tax realized gains from pretax realized gains. ^bNet income available to common shareholders. ^cFormer Chubb Corporation and ACE Ltd. ^dIFRS.

Source: SNL Financial, company reports, Fitch Ratings.

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