

HB

615



Oxford Pendaflex

STOCK No. 753 1/3

MADE IN U.S.A.

① What will happen when you clamp down on profits?
20% Surplus lines - can't regulate rates
of total fire Ins in state

10% (2) Are we dependent on the aggressiveness of Directors?
Why are rates so high

SOUTHEASTERN ALASKA

COMMUNITY

ACTION PROGRAM

*Where is the bill
 (H) Commerce 3-amended Commerce
 Are they aware of this problem?
 in H-Judiciary*



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March 14, 1978

Honorable Terry Gardiner
 House of Representative
 Pouch V.
 Juneau, Alaska 99811

Dear Representative Gardiner:

Last week I became aware of the Committee Substitute for House Bill 615 that proposes the arrangement of an "insurance pool" in order to reduce the cost of property insurance for communities in Alaska. This sounds like it could have a very significant impact in Southeastern Alaska, especially in the smaller communities

The quality of fire protection and the high rate of fire insurance have been perennial concerns among our Board of Directors. SEACAP has passed numerous resolutions dealing with fire fighting training, organizing Volunteer Fire Departments and the need for specialized equipment. Local municipalities have been using their revenue sharing funds to upgrade their fire fighting abilities. Tlingit and Haida Central Council assists villages in submitting Community Block Grants for major fire fighting Structures. These measures not only raise the degree of fire safety present in the rural areas but will tend to lower the fire insurance rates.

The problem with CSHB 615 is that its "area of operation" is essentially areas "west of the 141st meridian." This summarily excludes all of Southeast Alaska!

*did change that - "pool operates statewide"
 & Dir of Insurance - determines availability, problem.*

During the last two days SEACAP has tried to reach our Board Members representing 19 communities in this Region. The Mayors of Klawock, Kake, Craig, Hydrburg, and Hoonah - all reconfirmed that fire insurance there is difficult to get. Petersburg and Klukwan also reported high rates.

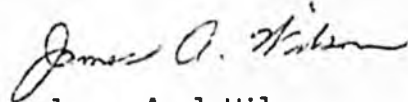
I recall that Yakutat had a hard time trying to renovate the fire-damaged ANB Hall because no insurance benefits were available - the Hall was not insured.

In checking with Tlingit and Haida Central Council's Division of Economic and Social Development, they confirmed the lack of adequate fire protection and high cost of insurance in Southeastern communities. They added that according to their latest OEDP Reports that Kasaan has no fire protection or insurance and Angoon like many of the other communities, has the costliest rating (10) on insurance scales.

In summary, let me say that providing for sufficient Fire protection in Southeastern Alaska is something that the local governments are continually striving for and as fire departments are upgraded, hopefully rates of insurance will decrease. At present, that is not the case and therefore any Legislative Act designed to equitably apportion the net loss of operating an insurance pool to reduce the cost of fire insurance receives our whole-hearted endorsement as long as it realistically covers all regions of the State.

With this in mind, SEACAP strongly urges that an Amendment be made to CSHB 615, Section 21.61.025, which would delete the exclusionary clause and provide for the specific inclusion of Southeastern Alaska.

Sincerely,



James Axel Wilson
Acting Executive Director

Rural Property Insurance



Prepared By The Interim Insurance Committee
For The Legislative Council
January, 1978

RURAL PROPERTY INSURANCE IN ALASKA

A Report prepared by the
Interim Insurance Committee
for the Legislative Council

January 1978

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I. SUMMARY OF THE PROBLEM

This report examines the apparent non-availability of rural dwelling insurance in the normal market. From conversation with the Director of Insurance, company representatives, and agents and brokers, it has been determined that the majority of rural dwelling insurance is written by surplus line companies. These surplus line companies are unregulated, and primarily provide insurance to high risk exposures who cannot be placed with a licensed insurer. The surplus line carriers routinely surcharge rural dwelling policies 175% to 300% of standard bureau rates.¹ Evidence indicates that the majority of these are surcharged at 300% and that this is excessive.

The standard companies major complaint against writing bush dwelling insurance is that the rate is inadequate due to:

- 1) High Replacement Costs
- 2) High Cost of Adjusting Claims
- 3) Lack of Uniform Building Codes
- 4) Lack of Adequate Fire Protection

These complaints are legitimate to the extent that the cost of insuring rural dwellings may be higher than the cost of insuring urban dwellings. However, there are indications that

the overall rate level of standard companies is excessive and that the surcharge levied by the surplus line carriers is also excessive.

Table 1 shows the total premium volume for admitted and surplus carriers operating within Alaska. The data indicates that over the past five years the surplus line companies have been writing an increasing share of the Alaska fire insurance market. Between 1972 and 1976 there has been a 450% increase in the volume written by the surplus line carriers. In fact, by 1976 the surplus carriers enjoyed nearly one-third of the total fire insurance market. This increase indicates a tightening of the market and the increasing non-availability of fire insurance from admitted carriers.

TABLE 1.²

Alaska Fire Insurance Written Premiums

	<u>Total (Admitted & Surplus)</u>	<u>Surplus</u>	<u>Surplus as % of Total</u>
1972	\$ 8,817,563	\$ 976,882	11.1
1973	8,521,343	648,959	7.6
1974	9,523,474	965,537	10.1
1975	10,639,320	2,865,449	26.9
1976	<u>13,796,608</u>	<u>4,522,476</u>	<u>32.8</u>
Totals	\$51,298,308	\$9,979,306	19.5

Insurance Report 1972-76, 1/21/77, R. Rainery.

Table 2 summarizes dwelling fire insurance premiums for companies reporting to the Insurance Services Office (I.S.O.). The I.S.O. is the main statistical rating bureau for property

and casualty lines in Alaska. Table 2 represents over 90% of the total market as most companies subscribe to I.S.O. fire rates. For the five years shown, dwelling fire insurance has been very profitable. The balance point loss ratio for fire insurance is 56%.³ This means that a company can have a loss ratio of 56% and still maintain an underwriting profit.

Table 2 shows that for policies written in areas with some fire protection (protection class 1-8), companies have maintained a 21.6% profit margin, and a 36.5% profit margin in areas with no fire protection (protection class 9 and 10). Normally, companies calculate rates based on a 6% profit margin.

TABLE 2.⁴

ISO Dwelling Experience Compilation - Protection Standard Fire Policy

	Protected (Classes 1-8)			Unprotected (Classes 9&10)		
	<u>Earned Premiums</u>	<u>Incurred Losses</u>	<u>Loss Ratio</u>	<u>Earned Premiums</u>	<u>Incurred Losses</u>	<u>Loss Ratio</u>
1971	474,991	289,125	60.9	508,446	168,957	33.2
1972	456,014	205,009	45.0	526,474	170,967	32.5
1973	448,655	166,816	37.2	506,598	96,752	19.1
1974	510,136	197,089	38.6	587,118	84,009	14.3
1975	<u>667,871</u>	<u>175,513</u>	<u>26.3</u>	<u>647,324</u>	<u>186,553</u>	<u>28.8</u>
	2,557,667	1,033,552	40.4	2,775,960	707,238	25.5

ISO 1976 Statistical Report, Personal Lines

Table 3 shows the relativities for different protection classes. Relativities adjust the premium either up or down in relation to a base premium. Here the base premium is figured for protection class five. The current relativities, that is those

currently being charged, show that an insured with a dwelling in protection class 3 pays approximately 77% of what a person with a dwelling in an area of protection class 5 pays. For a person in protection class 10, the price for insurance is approximately 265% of that for protection class 5. The indicated relativities are the relativities based on the actual experience. This means that the rates for protection class 3 should be 7.9% higher than for protection class 5. The rates for protection class 10 should be 34.8% higher, rather than 165% higher than the base rate for protection class 5.

TABLE 3.⁵

ISO Premium Relativities - Dwelling Fire - Frame Bldg

<u>Protection Class</u>	<u>Statewide Current Relativities</u>	<u>Statewide Indicated Relativities</u>
3	.773	1.079
4	.884	1.000
5	1.000	1.000
6	1.155	1.000
7	1.542	.836
8	1.956	.836
9	2.447	1.195
10	2.654	1.348

ISO Fire filing of June 7, 1977

It is difficult to draw any concrete conclusions from this data, but the evidence indicates:

- * There is an increasing problem of fire insurance availability within the normal market.
- * The standard rates currently being charged are excessive.
- * The surcharges levied by the surplus line companies are excessive.

II. INTRODUCTION TO THE PROPOSALS

The Interim Committee on Insurance has developed three possible solutions to this problem. These are:

- * Open Competitive Rating
- * Establishment of a Rural Rating Territory
- * FAIR Plans and the Development of a Rural Property Insurance Pool

The first proposal, open competitive rating, allows for prompt adjustment of the rate by the insurance companies. The concept of open rating is tied to insurance regulation, and the fact that Alaska is a prior approval state. Prior approval means that the insurer must submit an annual rate filing for each line of insurance, and that filing must be approved by the Director of Insurance. The insurance industry argues that prior approval has introduced rigidities into the market and increased the availability problems for certain lines of insurance. The industry further maintains that if they were allowed to adjust their rates to reflect underwriting results as they occurred, this would increase their willingness to write policies for marginal risks. This report briefly summarizes the affect that open competition has had on price and

availability for auto and property insurance in New York. The conclusions were:

- * Competitive rating did not substantially influence the price of insurance, as price remains a function of underwriting results and company operating expense.
- * Competitive rating did have a favorable impact on the population of New York's FAIR plan, and resulted in more of those risks being insured in the standard market.
- * Competitive rating allowed a greater range of rates by lessening the adherence to bureau rates of most the companies writing insurance in the state.⁶

The second proposal calls for the establishment of a rural rating territory. Currently the Insurance Services Office has divided the state into two rating territories. These are Southeast Alaska and the rest of the state.⁷ The committee has proposed that the ISO create a third rating territory, rural unprotected Alaska. The present situation results in the same rate being charged for property insurance in Dillingham as in Anchorage. The effect is that standard insurers will not write property insurance in Dillingham or any of rural Alaska. The creation of a third rating territory would allow for the eventual development of a non-discriminatory adequate bush rate and avoid the problem of creating a subsidy between urban and rural Alaska.

The third proposal is the development of a rural property insurance pool. The pool has been based on the concept of a FAIR plan. FAIR plans are a type of residual market mechanism

which operate in much the same fashion as an assigned risk pool. If a homeowner is unable to obtain insurance from a standard insurer he may apply to the pool. If the dwelling meets the underwriting criteria set forth by regulation, the dwelling would be insured by the pool. There is one basic difference between FAIR plans and assigned risk pools. In an assigned risk pool, each risk is assigned to a particular insurer. With the FAIR plan, the total experience of the pool is distributed between all the insurers operating within the state, based on the percentage of the market which they write for that particular lien. Although the rural property insurance pool is similar to a FAIR plan, the committee has made some significant changes. These are:

- * The pool will not be associated with the Urban Property Protection and Reinsurance Act of 1968, an act which all FAIR plans are subject to.
- * The pool will be self-rating.
- * The pool will only operate in a specific geographic area namely the rural rating territory.

A fourth alternative is being considered by the committee and this is the formation of a bush mutual, however it has not been included in the body of this report. A bush mutual would involve incorporation of groups or entities for the purpose of writing insurance policies. The mutual would have to be allowed to begin writing insurance policies with an amount of surplus which is below that normally required of an authorized mutual insurer. Initial capitalization would be provided by payment

on the policies and a fee assessed based on the amount of the policy. The fee would be refunded or credited to a policy after the mutual achieved financial stability.

Legislation has been drafted, or is being drafted for the open competitive rating law, the rural property insurance pool, and the bush mutual. A Resolution was drafted directing the Director of Insurance to disapprove any rate filing which did not incorporate a rural rating territory which provided for a non-excessive bush rate.

A. Open Competitive Rating Law

Introduction

Rate regulation has been the focus of increased attention by both insurers and regulators. The issue dates back to the McCarran Ferguson Act which essentially exempted the insurance industry from the Federal anti-trust laws. After passage of the McCarran Ferguson Act, virtually all states began to regulate insurance rates. The laws varied from state to state, but many were based on a model bill drafted by the NAIC. This bill allowed the use of rating bureaus, and said rates were to be regulated so that they are neither, "Excessive, inadequate, or unfairly discriminatory."⁸ However, the bill also said that membership in a rate bureau is not mandatory, and those companies that are bureau members may even apply for deviations from bureau rates.

At the time of passage of the McCarran Ferguson Act, the insurance industry was strongly in favor of exemption from the anti-trust laws. In fact, this exemption was absolutely necessary if the industry was to continue the operation of assigned risk pools, and other pooling arrangements where it is necessary to fix a rate. The corollary to exemption from the Federal anti-trust was rigid state regulation. The industry maintains

this has caused certain irregularities and rigidities in the market, and increased the availability problems with certain types of insurance.⁹ According to the insurance industry, the end result has been a situation where a risk which is slightly worse than average often receives a much worse rate through a residual market plan such as an assigned risk pool.¹⁰

Alaska is a "prior approval" state. This means that companies writing in the state must submit annual rate filings to the Division of Insurance, and must then be approved by the Director. If the Director deems a rate filing excessive, the company must re-submit the filing. It must be approved before the company implements the proposed rate change. Companies may file separately or subscribe to a rating bureau.

Prior approval is the most stringent type of state regulation. Industry maintains that prior approval has hampered their efforts to effectively market insurance by not allowing the companies to promptly adjust their rates. Generally, a company will reevaluate rates being charged for a particular line and find that it is either too high or too low. In either case, under prior approval, the company must wait until the end of the rate filing period to adjust the rate. The affect is that if the rate is excessive the company may be undercut by another company who has filed for a lesser rate. If the rate is too low the company will restrict its underwriting to curb losses, thus aggravating the problem of availability.

The issue becomes a problem for rural Alaska in that most standard companies have simply excluded this particular segment of the market. Companies feel the rate is inadequate. As pointed out in the introduction, this may not be the case. With open competition allowing companies to more promptly adjust rates, it is possible that the availability problem may be eased in the standard market. However, underwriting considerations such as the lack of fire protection and uniform building codes, also are key factors in the reluctance of insurers to write rural dwelling insurance. These factors may be of such significance that rural dwellings may be excluded no matter what type of rating law is used.

Open Rating in New York

In 1970, New York, at the recommendation of the Insurance Department, passed a competitive rating law. The law replaced the prior approval law which previously had been in affect.

The competitive law:

- * Required that insurance rates shall not be excessive, inadequate, or unfairly discriminatory, continuing the statutory price standards that existed under prior approval;
- * Made it illegal for insurance companies to set rates in concert and prohibited other forms of anti-competitive behavior with prohibitions and penalties paralleling the Federal anti-trust laws;
- * Eliminated the need for the Insurance Department to approve rates in advance of their use in the marketplace;
- * Provided for continuous monitoring of competition and for the reimposition of prior approval where competition was deemed inadequate to restrain excessive prices, or where

destructive competition resulted in price wars and insolvencies.¹¹

Open competition was expected to influence both the price and availability of insurance. Price is basically a function of underwriting losses, company expenses, and profit. Although open competition was not expected to affect underwriting losses a long term beneficial impact on price was anticipated through the encouragement of independent pricing, thereby providing market incentives to hold down the expenses and profits. In the short run it was expected that open competition would allow for more responsiveness in adjusting rates and a wider range of rates thus increasing the availability.

Price:

Figure 2.1 shows the percentage change in the cost of automobile liability coverage during the period of prior approval, open competition, and the return to prior approval with the enactment of no-fault. The changes are compared with the changes in the New York consumer price index, the change in weekly wage for New York production workers and New York medical cost index.

The figures shown in Figure 2.1 superficially suggest that open competition has kept the price of auto liability coverage down as there was an annual increase of only 2.1% during the four

years of open competition. This is far below the 18% recorded with the return to prior approval and the passage of no-fault. What the figures do not show is that the return to prior approval coincided with a drastic deterioration in underwriting results, and a temporary rate freeze. The rate freeze produced a price backlash which further escalated cost. When the rate increase under the four years of open competition (1970-1973) are averaged with the three years of the transitional prior approval (1974-1976), the average annual rate increase is 8.3%. During the same period, the period the Consumer Price Index rose 7.1%, the average weekly earnings rose 8.4%, and the medical costs rose 8.7%. These are all comparable to the 8.3% recorded for auto insurance. It can be concluded that in the long run the major effect on costs was primarily due to inflation and underwriting results, and not on the type of rating law which happened to be in effect.

FIGURE 2.1
 PERCENT CHANGES IN AUTOMOBILE LIABILITY (BI & PD)¹²
 INSURANCE RATE LEVELS AND OTHER INDEXES
 1967-1976

	<u>Automobile Liability (BI & PD) Rate Level</u>	<u>N.Y. Metro- politan Area Consumer Price Index^a</u>	<u>Average Weekly Earnings of Pro- duction Workers in Mfg. N.Y. State^a</u>	<u>N.Y. Metro- politan Area Medical Costs Index^b</u>
<u>Prior Approval</u>				
Jan. 1967-Dec. 1969 (3 years)	+6.7%	+5.5%	+5.6%	+7.7%
<u>Competitive Pricing</u>				
Jan. 1970-Dec. 1973 (4 years).....	+1.1	+6.9	+7.5	+6.1
<u>Transitional Prior Approval</u>				
Feb. 1974-Dec. 1976 (3 years).....	+18.0	+7.4	+9.7	+12.1

FIGURE 2.2
 PERCENT CHANGES IN HOMEOWNERS INSURANCE¹³
 RATE LEVELS AND OTHER INDEXES
 1967-1976

<u>Year</u>	<u>Homeowners Insurance Rate Level</u>	<u>N.Y. Metropolitan Consumer Price Index^a</u>	<u>Residential Construction Cost Index^b</u>
<u>Prior Approval</u>			
Jan. 1967-Dec. 1969 (3 years).....	+9.7%	+5.5%	+7.8%
<u>Open Competition</u>			
Jan. 1970-Dec. 1976 (7 years).....	+1.2	+8.0	+10.7

Figure 2.2 shows the average annual rate increases for homeowners insurance, both under open competition and prior approval. Under prior approval, the annual rate increase averaged 9.7%. With open competition the average annual rate increase was 1.2%, well below that recorded during prior approval. However, as in the case with automobile liability insurance, the moderate rate changes during the seven years of competitive pricing can be attributed to favorable underwriting results for this line and not to the type of rating law which was in effect.

Availability:

As mentioned, open competition was expected to increase availability by allowing for prompter adjustment of the rate and a wider range of rates. To some degree, availability can be gauged by changes of population in the residual market.

Residual markets are groups of sub-standard risks which cannot

find insurance from standard insurers. In most states insurers have formed pools which set a rate for these risks to insure the availability of insurance. Often times these pools were the result of legislative action. The most common examples are the assigned risk auto plans, and FAIR plans. This is a particularly pertinent point, as the rural housing market in Alaska is basically a residual market. This particular market segment falls outside of the rates filed by the majority of the standard insurers operating within the state.

Figure 2.3 shows populations trends of the assigned risk auto plan in New York. The plan shows an increase up to 1972 and then begins to decrease both during the period of competitive rating and the return to prior approval. It is difficult to draw any conclusions from this data because of two events which occurred during this time period. First, in 1969, coverage was expanded under the assigned risk auto plan, making the purchase of insurance from the plan more attractive. Second, these events affected the population of the assigned risk pool so it was difficult to ascertain the affect of open competition.

FIGURE 2.3
 AUTOMOBILE ASSIGNED RISK PREMIUMS AS PERCENT¹⁴
 OF TOTAL AUTOMOBILE PREMIUMS WRITTEN IN
 NEW YORK STATE^a

(in thousands)

<u>Year</u>	<u>Total Automobile Premiums</u>	<u>Voluntary Market Premiums^b</u>	<u>Assigned Risks Premiums^c</u>	<u>Assigned Risks As Percent of Total</u>
1970	\$,474,242	\$1,337,853	\$136,389	9.25
1971	1,666,849	1,451,877	214,972	12.90
1972	1,693,905	1,471,672	222,233	13.12
1973	1,700,542	1,520,200	180,342	10.60
1974	1,592,806	1,471,242	121,564	7.63
1975	1,708,757	1,570,948	137,809	8.06

a Includes Liability (BI and PD) and Physical Damage.

b Includes voluntary private passenger and commercial coverages.

c Includes private passenger business only.

A clearer indication of the affect of open competition on availability can be gained from analyzing the affect on fire insurance. As figure 2.4 shows, the fire insurance pool shows a clear depopulation trend, declining 62% in premiums written between 1971 and 1975. This is a positive indication that open competition in New York has increased the willingness of insurers to write insurance for risks which had previously been included in the residual market. The favorable trend in homeowner and fire insurance took place during a period of moderate increases in loss ratios for these lines. Although there was a slight decrease in profitability for these lines, this did not increase the selectivity of underwriting.

FIGURE 2.4
 NEW YORK PROPERTY INSURANCE UNDERWRITING ASSOCIATION¹⁵
 1970-May 1976

<u>Fiscal Year Ended November 30</u>	<u>Policies Written</u>	<u>Premiums Written^a (in thousands)</u>
1970	154,125	\$114,233
1971	182,937	119,313
1972	203,214	91,301
1973	147,882	60,263
1974	124,529	49,300
1975	117,357	45,455
12/1/74-5/31/75	-	25,361
12/1/75-5/31/76	-	24,403

^a Adjusted on the basis of rates effective September 1, 1975.

One final effect of an open competition rating law is to decrease the adherence of insurance companies to bureau rates. In the case of fire insurance in Alaska, over 90% of the market is written at bureau rates with no deviations. What this does is narrow the range of rates, and may exacerbate the availability problem. If a company feels this rate is inadequate for a particular market segment, they will simply not write it.

Figure 2.5 shows the effect of open competition on companies' dependence on bureau rates. As the figures show, rating bureau dominance in the insurance industry has all but ended.

FIGURE 2.5

ADHERENCE TO BUREAU RATES - TOP 30 COMPANIES¹⁶

	Number of Top 30 Companies Writing at Bureau Rates		Percent of Market of Top 30 Companies Written at Bureau Rates	
	<u>1969</u>	<u>1976</u>	<u>1969</u>	<u>1976</u>
Auto Liability.....	24	1	62.7	3.8
Auto Physical Damage.....	21	1	53.0	1.1
Homeowners.....	24	0	75.3	0.0

In conclusion, the effects of open competition in New York can be summarized as:

- * Competitive rating did not substantially influence the price of insurance, as price remained a function of underwriting results and company operating expense.
- * Competitive rating did have a favorable impact on the population of New York's FAIR plan, and resulted in more of those risks being insured in the standard market.
- * Competitive rating allowed a greater range of rates by lessening the adherence to bureau rates of most the companies writing insurance in the state.

B. Formation of a Rural Rating Territory

Introduction

A key concept in the availability of standard fire insurance in rural Alaska is that of rating territories. Rating territories provide geographical subdivisions by which experience can be segregated, allowing for the derivation of a non-discriminatory rate. Location is often a consideration in rating overall experience for a particular line. For example, underwriting results for automobile liability coverage are often worse in the large cities than in rural areas.

The ISO has divided Alaska into two rating territories, the dividing line being the 141st meridian. Territory 01 covers Southeast Alaska and territory, 02 is the remainder of the state.¹⁷ Since most companies subscribe to ISO for fire rates, these are the only territories which exist for this particular line. For homeowners insurance, some of the companies have divided the state into different zones, however, there is no territory which has been strictly designated "rural". It is the intent of this section to suggest the formation of a rural rating territory. This would allow the development of an equitable bush rate, and avoid the problem of forming a subsidization between urban and rural Alaska.

Rating and Relativities

How is a rating territory developed and how does it work? A familiarity with rating and the use of relativities is necessary. Rating depends on an insurer's cost. The insurance premium collected is meant to cover costs the insurer expects to encounter and guarantee a reasonable profit. The insurer's cost includes two general categories. These are:

- 1) The expected loss and loss adjustment costs;
- 2) General Company expenses.

The expected loss and loss adjustment cost is also called the expected loss ratio. This is the amount an insurer can expect to pay in settling and adjusting claims and still enjoy a profit. General Company expenses are those expenses incurred in the operation of the business. A cost breakdown shows:

FIGURE 3.1¹⁸

<u>Expenses</u>	<u>Percent</u>
Company Operating Expenses	6.0
Production Cost Allowance	25.0
Taxes, Licenses & Fees	3.9
Underwriting Profit	6.0
Subtotal	<u>40.9</u>
Expected Loss and Loss Adjustment Ratio	<u>59.1</u> <u>100.0%</u>

Company operating expenses include salaries, travel, rent, insurance, etc., and amounts to 6% of the premium dollars. The production cost allowance of 25% includes agents and brokers'

commissions, and money used to generate business such as the money spent on advertising. Taxes, licenses, and fees includes premium tax and licenses required by the Insurance Department to do business in the state. The expected loss and loss adjustment ratio includes all money which can be paid to claimants (48.6%), and the 10.5% needed to adjust claims.

In general, when a company develops rates for homeowner or fire insurance, the actuary simply compares the loss ratio developed over the preceding five year period with the expected loss ratio of 59.1%. If the average loss ratio is less than 59.1%, the company will ask for a decrease. If the loss ratio is greater than 59.1%, the company will ask for an increase. The process is summarized below.

Column (1) This is the premium volume collected for each year shown. The premiums have been adjusted to reflect the current cost of insurance.

Column (2) These are the losses incurred for each year shown. The losses have been trended for inflation, and adjusted to reflect the cost of adjusting claims, and the possibility of a catastrophic loss.

FIGURE 3.2¹⁹
RATE LEVEL DETERMINATION

Accident Year Ended	(1) Earned Premiums At Present Rates	(2) Adjusted Incurred Losses	(3) Adjusted Loss Ratios (2) ÷ (3)	Weights
12/21/71	2,816,561	1,303,309	.463	.10
12/31/72	3,350,751	2,052,331	.612	.15
12/31/73	3,885,186	1,950,611	.502	.20
12/31/74	3,890,408	2,705,910	.696	.25
12/31/75	5,441,053	2,416,628	.444	.30

To arrive at the final rate level change, the loss ratios in Column (3) are weighted, so the most recent experience counts the most. The loss ratio for 1971 is weighted 10%, the loss ratio for 1972 is weighted 15%, for 1973 20%, for 1974 25%, and for 1975 30%. These are summed and then divided by the expected loss ratio of .591 to arrive at the final rate level change.

The process is summarized as:

$$\Sigma (\text{weights} \times \text{adjusted loss ratio}) = .546$$

$$(.546 \div .591) = .924$$

$$\text{Indicated Change} = -7.6\%$$

Therefore, based on the experience in Figure 3.2, the base rates for all homeowners' policies would be reduced by 7.6%, or a factor of .924.

To understand the effect of a rating territory, let us continue the explanation one step further. Assume that Territory 02 has

FIGURE 3.2¹⁹
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Therefore, based on the experience in Figure 3.2, the base rates for all homeowners' policies would be reduced by 7.6%, or a factor of .924.

To understand the effect of a rating territory, let us continue the explanation one step further. Assume that Territory 02 has

more losses than territory 01. The relative difference would then be 1.2. The base premium would then be calculated as shown.

Territory 01: Base Premium = $(1.0 \times .924) = .924$ or -7.6%

Territory 02: Base Premium = $(1.2 \times .924) = 1.108$ or +10.8%

What this shows is that Territory 01 would have a -7.6% reduction and Territory 02 would have a +10.8% increase, based on the relative difference between losses in the two territories.

It is the suggestion of the Committee that Insurance Services Office create a Territory 03 to include rural unprotected Alaska. This would allow for the development of territorial relativity based on rural experience.

One caveat to be mentioned is the suggestion that there may not be sufficient premium volume in rural Alaska to develop a statistically valid rate. The ISO has, however, developed a method to determine a credibility factor if there is not sufficient experience. Full statistical credibility is based on 40,000 house years.²⁰ That is 40,000 houses insured for one year. This means that for five years experience there would have to be a total of 8,000 policies/year. Given the same set of circumstances previously illustrated, assume there is only 20,000 house years of experience.

$$\text{Credibility Factor} = \frac{20,000^{1/2}}{40,000} = .71$$

$$\begin{aligned} \text{Territory 02: Base Premium} &= [(1.2 \times .71) + (.29 \times 1.0) \\ &\quad \times .924] = 1.055 \text{ or } +5.5\% \end{aligned}$$

What this shows is that without full statistical validity the rate increase would only be 5.5%.

In conclusion it would be up to the ISO to determine exactly what the territorial relativity would be. There are two ways this could be accomplished. First the standard companies could just start writing this business, and develop the relativity over time, or they could estimate the relativity bases on the current experience of protection class 9 & 10. As shown in the introduction, the indicated relativity for protection class 9 & 10, relative to protection class 5 was 1.348. This method would provide a far more equitable rate than the current surcharge of 175% to 300% by the surplus line companies.

C. FAIR Plans

General Description

The term FAIR plan stands for "Fair Access to Insurance Requirements." FAIR plans were created in the late sixties, intended as solutions to the availability problem of essential property insurance within the cores of major cities.²¹ Insurers were reluctant to write property insurance in these areas because of old construction, vandalism and fear of riot. To some degree these were legitimate complaints, however, in many cases the result was the denial of property insurance to clean risks by virtue of the location of their dwelling. This reluctance actually amounted to a redline, and the problem was exacerbated by the growing requirement of insurance for financing.

The problem became critical enough to finally elicit Congressional action. Congress passed the urban Property Protection and Reinsurance Act of 1968. This Act reinsured insurers against catastrophic loss caused through riot and civil disorder, but were contingent upon states adopting and insurers participating in FAIR plans.²² In the late sixties, during a time of largespread civil unrest, the riot reinsurance proved enough of an incentive that insurers actually urged the adoption of FAIR plans.²³ As the number and severity of riots

declined, and the need for the riot reinsurance became less acute, FAIR plans simply became mechanisms by which the availability of property insurance was assured to urban property owners.

FAIR plans are similar in nature to assigned risk pools for automobiles, and are a type of residual market mechanism. Companies operating within a state are required to participate in relation to the total amount of insurance which they write. There are a variety of different structures and organizations, but essentially FAIR plans are pooling arrangements which allow the insurers to spread the losses of marginal risks, or to distribute dividends if the plans operate at a profit. FAIR plans have provided insureds an optional market to the surplus line companies.

In spite of their success in providing insurance to people otherwise unable to obtain it, most FAIR plans have been unprofitable. This is basically because the plans were designed to be subsidized. Data from PIPSO, the Property Insurance Plans Services Office, shows that the total losses for all states from inception through 1976 has been \$227,808,000.²⁴ Although on a nationwide basis FAIR plans have been perennial money losers, some states have shown profits. These states are Georgia, Indiana, Louisiana, New Mexico, Puerto Rico, and the District of Columbia.²⁵ In fact, the experience of eight states

accounts for 88% of the losses.²⁶ Generally the plans with high concentrations of urban business like New York or Massachusetts suffer the greatest losses. In states like Georgia and Louisiana, losses in the FAIR plans are offset by the relatively good experience of their beach and windstorm plans.

Most FAIR plans offer fire insurance and extended coverage, and coverage for vandalism and malicious mischief. Two states, Massachusetts and Rhode Island also offer homeowner policies.²⁷ California is currently considering expanding the policy options available under their FAIR plans. Generally, coverage was limited to conform to loan requirements, although limited coverage through FAIR plans has been a major consumer complaint.

Subsidies

Most FAIR plans, since they operate at deficits, require subsidization. In some states the insurance industry has been forced into a situation where they are subsidizing insurance for substandard exposures. This represents an obvious inequity. However, had the companies not put themselves in the position where they had redlined this business, losses incurred would have been accounted for in the rating process. Most FAIR plans are subsidized by the voluntary market in the state.

There are three basic ways which the voluntary market subsidizes the voluntary or residual market. First, three states

have statutory provisions which allow the insurance industry to recoup their losses.²⁸ Second, in some states, a loading factor is applied in the rate filing for the statewide rate level determination.²⁹ Finally, the insurance industry has attempted to pad losses in FAIR plans by placing clean but perhaps marginal risks in the plan.³⁰

The three states which have recoupment provisions in the statute are Michigan, Ohio, and New Jersey. The Board of Governors of the Michigan FAIR plan estimates the deficit which they expect the plan to incur in the upcoming year. A loading factor is then applied to the rates for all homeowner and fire policies within the state. This spreads the losses among all the insureds within the state.³¹

In Ohio a rate increment was developed and was applied on April 1, 1977, and will extend to March 31, 1978. The rate increment was based on all losses of the plan from inception to present. The increments were 3% for fire and allied lines, 2% for homeowners, and 2% for commercial multi-peril. It was planned that this increment would be figured at a rate to recoup the plan's entire loss. The rate increment will be evaluated, to see if a continuation is required after March 31, 1978.³²

The New Jersey legislature has created the New Jersey Insurance Development Fund. This plan surcharges coverages for both private and commercial property. The surcharge applied is 2%.³³

Administration Organization

FAIR plans consists of a pool, a joint reinsurance association, and an industry placement facility. The pool is simply those insureds unable to purchase insurance from a standard insurer. The Joint Reinsurance Association is a group consisting of all the insurers operating within the state. The industry placement facility is the organization formed by the insurers operating within the state to handle the administrative duties of the plan.

The industry placement facility is organized and operated by the insurance industry. There are basically two types, a servicing carrier or syndicate. The servicing carrier approach is where either a single company or a group of companies handles writing policies, paying claims, and investing the capital. Under the syndicate approach, an autonomous unit is created to handle the business. The operations of the industry placement facility are overseen by a governing committee consisting primarily of members of the industry under direction of the Director of Insurance.

The Joint Reinsurance Association, as mentioned, is made up of all the insurers operating within the state. It is this organization which allows for distribution of losses or payments of dividends depending upon the financial operating results of the plan. This is a significant difference between FAIR plans and assigned risk pools. In assigned risk pools, each risk is assigned to a particular company. In the FAIR plan, all the business is pooled and the total experience is then portioned out to each company in relation to their market share. This structure allows for more equitable distribution of losses or dividends, and avoids the problem of sticking a disproportionate number of particularly bad risks with one insurer.

D. The Development of a Rural Property Insurance Pool

Introduction

The preceding discussion is background for a program to establish a rural property insurance pool. The pool is based on the concept of a FAIR plan, but with some significant changes.

These are: (1) the pool will not be associated with the Urban Property Protection and Reinsurance Act of 1968, (2) the pool will only operate in a specific geographic area, and (3) the pool will be self-rating, and will not require subsidization.

The Urban Property Protection and Reinsurance Act of 1968 is a means by which the Federal Government reinsured insurers against catastrophic loss caused through riot and civil disorder. All FAIR plans must meet specification under the act and many of the FAIR plans terminate if the Reinsurance Act is repealed. Rural Alaska was not associated with the riot and civil disorders of the late sixties, and to maintain a connection to the Reinsurance Act is unnecessary. In most cases the riot Reinsurance Act is a vestigial element of FAIR plans, and the resinsurance is no longer being purchased by insurers participating in the plans.

The second major difference is that the pool is designed to operate in a specific geographic area. Most FAIR plans were intended to operate primarily in the decaying cores of large cities. The proposed property insurance pool is designed only to operate in rural areas where it has been determined there is an availability problem in the standard market. This conforms roughly to areas designated protection class 9 or 10, but also includes a number of rural communities with limited protection. In this respect the pool is similar to some of the beach plans operating in the southern coastal states, or the brush plan in California. The urban areas of Alaska have been excluded because there is no evidence of an availability problem. This will also preclude the insurers from placing marginal risks in the plan.

Finally, the pool is designed to operate in what amounts to a separate rating territory as suggested in the second section of this report. The loss experience would be figured into the overall rate level determination and a relativity would be applied to policies issued by the pool. The relativity would be based on the loss experience from the pool. The current indicated relativity for protection class 9 is 1.195 and for protection class 10, 1.348. See "Introduction." This is based on a comparison to protection class 5 which is the base or unity premium.

Pool Operation

The pool would be administered by a Governing Committee, subject to supervision by the Director of Insurance, and operated by a manager chosen by the Committee. The Committee would consist of five insurers, one each from the following organizations:

- The American Insurance Association
- American Mutual Insurance Alliance
- National Association of Independent Insurers
- All other stock insurers
- All other non-stock insurers.

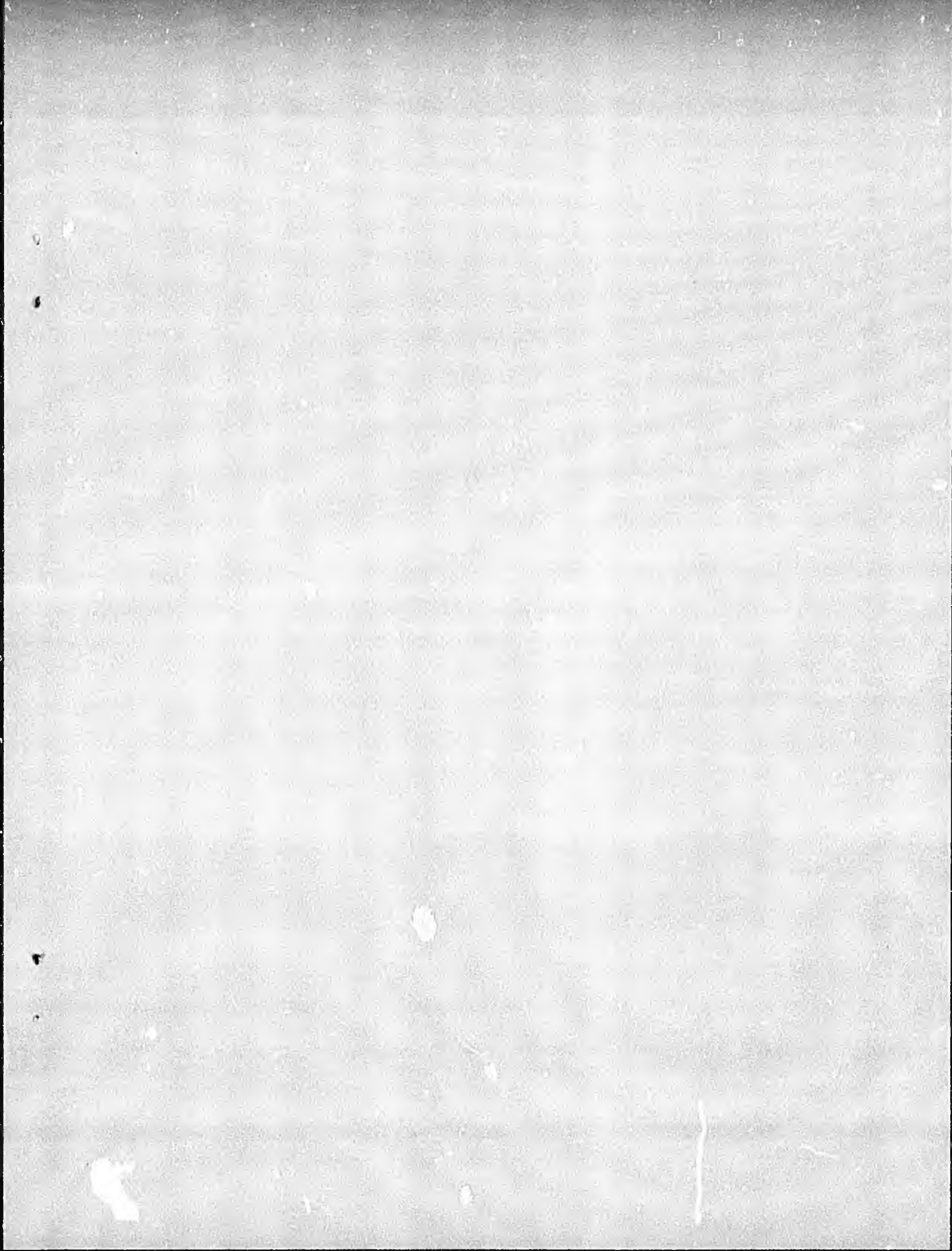
Each member would have voting power. The members from the three trade associations would be appointed by the respective member companies. The other two representatives would be elected with each insuring company's vote weighted by their respective share of the market. The governing committee would be empowered to issue operating procedures and other directives to carry out the purposes of the pool. The plan also includes provisions for the operation of a joint reinsurance association. The reinsurance association would assume reinsurance on behalf of the participating insurers, and cede reinsurance on all eligible risks. Policy limits would be set at \$1,500,000. Each insurer operating within the state is required to participate in the total writings, expenses, losses, and profits of the Association in proportion to its premiums written. If a member goes insolvent during operation of this program, the remaining members are responsible for any unpaid losses.

The pool would be required to offer a fire policy with extended coverage and coverage for vandalism and malicious mischief. This is not as complete a coverage as a homeowner policy, but it would meet the minimum requirements for bank financing. This is what is commonly referred to as essential property insurance.

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THE ALASKA EXPERIENCE

fire & homeowners
insurance

1972-1976



REPORT
ON
HOMEOWNERS AND FIRE
INSURANCE

Division of Insurance
Department of Commerce and
Economic Development
State of Alaska

January 6, 1978

Jay S. Hammond, Governor
Phillip Hubbard, Commissioner
Richard L. Block, Director

State of Alaska
Department of Commerce
& Economic Development
Division of Insurance

In January of 1977 the Division of Insurance held hearings on the subject of property insurance. These hearings were held in Anchorage, Fairbanks and Sitka and were prompted by several complaints to the division regarding the red lining of certain areas by insurance companies and by the general impression of consumer dissatisfaction. The hearings were held to determine first if there actually was a problem, and if there was a problem, of its severity, and what corrective alternatives were available.

Testimony was presented from representatives of the industry, trade associations, and a rating bureau, as well as numerous consumers. Several companies testified that their reluctance to write coverage in part of Fairbanks and outlying areas stemmed from the lack of building codes and fire protection. Consumers testified as to cancellation of present coverages and the expensive price of purchasing replacement coverage. It seemed to be the lack of standard priced insurance that was the problem, not total unavailability. In other words, the conclusion seemed to be that the problem lay not in unavailability, but in unaffordability.

Testimony also showed that consumers realizing their vulnerability in outlying areas are already establishing new volunteer fire departments and developing individual fire protection ideas.

One other step was made by concerned citizens in Fairbanks which led to the organization of the North Star Borough Inspection Council and the passage of legislation which provided for inspection of dwellings to insure proper construction and the ensuing credit allowed on insurance policies for inspected dwellings. Thus, those companies wanting the assurance of proper construction are provided with the tool of the inspection council. Credits allowed for dwellings meeting the criteria for inspection have been approved by the division and range from 5% to 10%.

Following the hearings the division began an extensive study of the property insurance market.

The study focused on the level of profitability and the rate structure of the Alaskan fire and homeowners insurance industry. Utilizing statistics already on file and data submitted by various companies upon the request of the division, the investigation was completed over the next two months, October and November.

The profitability study revealed that the fire and homeowners industry in the State is in a healthy condition. Exhibit I, Alaska Fire Insurance Experience 1972-76, shows that that line has had fine five year level of profitability, with the exception of a disastrous 1976 which was the result of the experience of some four or five companies. Despite this, the five year loss ratio was 45.9%. Exhibit II, the combined experience and expense exhibit, which has become an important tool in the division's market surveillance efforts, demonstrates the approximate permissible loss ratio's for companies in Alaska. The 1975 data requires some explanation. The expense figures submitted by the Reserve Insurance Company are not regarded as credible. A quick comparison with the statistics supplied by the other companies is graphic explanation. The second set of totals (noted "See Reserve") represent the average expenses, discounting Reserve's figures. The resultant permissible loss ratio is 62.4%. For 1976 it is 62.7%, with a two year average 62.6% permissible loss ratio, the 45.9% actual loss ratio for 1972-76 leaves a margin of some 16.7% for profit. Provision for bulk reserves would have to be made from this margin, but there is still an excellent return.

Exhibits III and IV are identical studies in the homeowners insurance line. The Experience Tables indicate that homeowners companies in Alaska have enjoyed a fairly consistent five year loss picture. The overall ratio is 48.0%. The Expense charts show a permissible loss ratio of 58.7% in 1975 and 60.1% in 1976, a 59.5% average. A margin of some 11.5%, discounting bulk reserves. Again, a good return for the industry.

The high level of profit for the two lines is further supported by the next two exhibits. While neither of these exhibits contains a large enough percentage of the total market to be regarded concrete trends, they are valuable indicators nonetheless. In any event, the companies included in Exhibits V and VI were the only ones who were able to respond to our requests for the information therein. Exhibit V suggests that the prosperity of the fire insurance business was felt by both the dwelling and commercial lines which had respective five year loss ratios of 32.8% and 41.8%. Exhibit VI details the zone experience of four homeowners companies, including the top three. The result is that both zones are shown to render a profit, despite inflation of the loss figures by State Farm's inclusion of loss adjustment expenses with losses.

It has been established that fire and homeowners insurance are moneymaking endeavors in Alaska. Whether or not the rates which produce such profits are excessive is the natural question. The factors involved in such a question include rate levels and distribution, availability of insurance and competition for the market. An examination of these elements follows.

Exhibit VII, lists the rates for fire insurance charged by companies subscribing to the Insurance Services Office rating plan. These companies accounted for 91.2% of the earned premium volume in Alaska in 1975 and 1976 and include the top sixteen companies each year. Exhibit VIII, displays the rates for the top ten Alaskan homeowners companies in 1976. These companies totaled 87.7% of the earned premium volume for that year. In both cases the rates rise as the protection class designation rises. Exhibit IX lists ISO fire premium relativities, both those currently in use and those indicated by actual loss experience. The current relativities, using class 5 premiums as the base, show that the premium load is borne heavily by protection classes seven through ten, particularly classes nine and ten, the unprotected areas. The indicated relativities demonstrate that the premium load is not equitably distributed. The lower protection classes pay less than experience indicates they should and the upper classes (seven through ten) pay on the average about twice what the experience would seem to indicate they should pay. The inequitable distribution of premium weight is further supported by Exhibit X. For the years 1971-75 the unprotected classes have a consistently lower loss experience for the ISO dwelling comprehensive (standard) fire policy than do the protected classes. The five year loss ratio for protected areas is 40.4% and for unprotected it is 25.5%. What data is available on homeowners insurance seems to suggest that the premium distribution there is more closely aligned to loss experience.

The matter of competition for the consumer's premium dollar is addressed by Exhibits XI and XII. The market concentration share charts are extremely interesting. They indicate that the Alaskan markets for both homeowners and fire insurance are dominated by a few companies. The homeowners line has five companies accounting for 64.5% to 73.4% of business from 1972-76, while nationwide, in 1976, twenty-six groups, each comprised of a varying number of companies (figures were not available for individual companies) totaled 64.8% of the market. Fire insurance shows 10 companies holding 57.1% to 69.1% of the market for the period, while nationwide the top twenty-six groups in 1976 had a 59.0% market share.

It is obvious that competition in Alaska is not nearly of the level that it is nationally. The percentage of the Alaskan fire premium written by surplus lines companies (Exhibit XII) is further evidence that statewide competition for the insurance dollar may not be what it could. With portions like 26.9% and 32.8% of the written premiums for fire insurance being supplied by surplus (non-admitted) companies it is apparent that, for one reason or another, including proper underwriting restrictions; many Alaskans find it necessary to turn to highly priced markets in order to insure their property. Surplus lines companies do not submit separate figures for homeowners insurance.

To properly investigate the question of availability, the existence of a hidden component must be recognized. This factor is, is what is available, affordable? To determine the availability of fire and homeowners insurance, the division conducted a telephone poll of agents across the state. Agencies in Anchorage, Kenai, Palmer, Juneau, and Fairbanks were contacted. The general consensus, excepting Fairbanks, was that insurance was available for everyone who had insurable property. Most unprotected property could be placed in the standard market, depending on condition and location of the property, and surplus lines would write the remainder, in almost all cases. Fairbanks was a different story. One agent stated that all his business, even in Protection class four areas, was through non-admitted markets. Another said that most risks within 10 miles of the city limits could be placed in the standard market, although his agency was selective about whom they did insure, in order not to jeopardize the market. Still another agency replied that nothing outside of the North Star Borough could be written in the standard market. They also said log homes were not insured unless "significant amounts of other construction classes" were involved. All said that property whose condition or location precluded standard coverage usually could be written by surplus companies. These statements agreed in general tenor with what had come out of the hearings in January. The complaint then seemed to be more one of price rather than availability, that the admitted carriers were not making reasonably priced insurance available to all those who desired it.

Insurance for property owners unable to obtain coverage in the standard market is available from two sources. One admitted company has filed a fire program to insure sub-standard dwellings at 175% of ISO fire rates. This company currently writes only a very small percentage of the market in Alaska. Most consumers find they have to resort to the surplus companies. A telephone interview of five surplus lines brokers who specialize in homeowners and fire insurance was made by the division. The resultant picture of the

surplus fire rates was that they ranged from 150% to 300% of the ISO dwelling fire rates, with the majority at the top end of the spectrum. Examination of 59 homeowners policy affidavits filed by one surplus lines broker confirmed this, eight being 225% of ISO rates and 51 being 300%. Fifty fire policy affidavits filed by the same broker showed 5 at 200% of ISO fire rates, one at 225% and 44 at 300%. A perusal of Exhibit VII demonstrates that 300% of ISO fire rates for unprotected dwellings is getting into a lot of money. For purposes of comparison, please note that Fireman's Fund and Pacific Insurance Companies utilize the standard ISO homeowners rates (Exhibit VIII). Again, the cost is steep at 300% of ISO

The five year financial history of the personal lines of property insurance has been one that has reflected solid earnings to the industry. The rate structure and level of competition, for whatever reason, do not serve the consumer as well as they should. In view of the high level of profitability for the state as a whole, the industry should be considering lower rates and expanded markets. The Division of Insurance has been encouraging this approach as a voluntary solution by the companies. On the other hand, a number of plans to assure the availability of reasonably priced insurance, such as a Joint Underwriting Association or a Market Availability Program, have been suggested.

The division also has begun to assume the responsibility of better informing (via this report) the consumers of alternatives available to them. The wise consumer will help himself, by shopping thoroughly for insurance and making certain the dwelling he builds or buys is constructed to meet all applicable safety codes. If the consumer takes positive aggressive action, the industry will find it in their own best interests to respond in kind. The data contained in this report indicates that the situation is ripe for change. Concerted effort by industry, government and consumer will effect that change.

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Division of Insurance
January 6, 1978

Exhibit I

Alaska Fire Insurance Experience - 1972

Company	Earned Premium	Incurred Losses	Loss Ratio
New Hampshire Insurance Co.	\$ 986,869	\$ 387,489	39.3
U.S. Fire Insurance Co.	895,095	472,374	52.3
Pacific Insurance Co.	519,108	63,568	12.3
Highland Insurance Co.	486,640	502,734	103.3
Fireman's Fund Insurance Co.	439,520	205,472	46.7
Insurance Co. of N. America	423,937	248,195	58.5
Great American Insurance Co.	341,585	230,795	67.6
Hartford Fire Insurance Co.	334,151	132,259	39.8
Employers Commercial Union Insurance	330,012	227,886	69.1
U.S. Fidelity & Guaranty Co.	309,553	125,208	41.9
Eagle Star Insurance Co.	309,189	129,680	41.9
Harbor Insurance Co.	289,950	11,400	3.9
Home Insurance Co.	171,435	139,623	80.7
North River Insurance Co. (N.J.)	166,561	76,144	45.7
State Farm Fire & Casualty Co.	159,971	55,349	34.6
Allstate Insurance Co.	146,723	26,538	18.1
Jefferson Insurance Co. of N.Y.	89,004	28,619	32.3
Westchester Fire Insurance Co.	78,186	80,232	102.6
Aetna Casualty & Surety Co.	73,286	1,967	2.7
Continental Insurance Co.	72,558	58,496	80.6
St. Paul Fire & Marine Insurance Co.	66,863	21,933	32.8
Hillmark Insurance Co.	64,203	3,926	6.1
Central Mutual Insurance Co.	62,610	15,139	24.2
State Farm General Insurance Co.	55,583	3,866	6.9
North East Insurance Co.	55,330	41,264	74.6
Mission Insurance Co.	55,222	4,068	7.4
Total (95.25 of all business)	\$6,981,225	\$3,293,674	47.2
Total All Cos.	\$7,329,794	\$3,480,847	47.5

Alaska Fire Insurance Experience - 1973

Company	Earned Premium	Incurred Losses	Loss Ratio
New Hampshire Insurance Co.	\$ 872,330	\$ 343,665	39.4
U.S. Fire Insurance Co.	683,105	30,787	4.5
Insurance Co. of N. America	568,404	99,677	17.5
Pacific Insurance Co.	560,230	136,299	24.3
Highlands Insurance Co.	555,453	32,954	5.9
Fireman's Fund Insurance Co.	394,571	61,937	15.7
Great American Insurance Co.	272,750	100,075	36.7
Mission Insurance Co.	263,166	1,231,806	468.1
Harbor Insurance Co.	238,252	2,336	1.0
American Home Assurance Co.	221,446	0	0.0
Home Insurance Co.	219,021	45,346	20.7
Commercial Union Insurance Co.	215,707	27,820	12.9
Hartford Fire Insurance Co.	204,542	82,978	40.6
U.S. Fidelity & Guaranty Co.	186,630	93,659	50.2
Allstate Insurance Co.	175,471	56,556	32.2
State Farm Fire & Casualty Co.	171,366	34,937	20.4
Eagle Star Insurance Co.	171,309	(1,745)	(1.0)
Industrial Indemnity Co. of Alaska	145,760	85,871	58.9
North River Insurance Co. (N.J.)	113,778	49,458	43.5
Lumberman's Underwriters Alliance	93,955	0	0.0
Yosemite Insurance Co.	91,163	0	0.0
Reserve Insurance Co.	88,739	0	0.0
St. Paul Fire & Marine Insurance Co.	81,786	52	0.1
Providence Washington Insurance Co. of Alaska	78,520	10,854	13.8
Central National Insurance Co. of Omaha	77,585	0	0.0
Atlas Assurance Co., Ltd.	75,009	0	0.0
Hillmark Insurance Co.	69,685	65,913	94.6
State Farm General Insurance Co.	64,298	27,295	42.5
Arkwright-Boston Manufacturers Mutual Insurance Co.	62,860	(1,045)	(2.9)
Alaska Insurance Co.	62,460	0	0.0
Unigard Mutual Insurance Co.	62,033	0	0.0
Peninsular Fire Insurance Co.	59,007	2,741	4.6
Jefferson Insurance Co. of N.Y.	58,951	42,335	71.8
Westchester Fire Insurance	55,595	40,428	72.7
Allendale Mutual Insurance Co.	51,460	0	0.0
Providence Washington Insurance Co.	38,153	0	0.0
Central Mutual Insurance Co.	33,230	1,442	4.3
Protection Mutual Insurance Co.	29,615	(88,862)	(300.1)
American Manufacturing Insurance Co.	29,508	12,685	43.
Total (95% of all business)	\$7,500,149	\$2,627,454	35.0
Total All Cos.	\$7,893,310	\$2,721,742	34.5

Alaska Fire Insurance Experience - 1974

Company	Earned Premium	Incurred Losses	Loss Ratio
Mission Insurance Co.	\$ 869,865	\$ 19,193	2.2
Pacific Insurance Co.	547,449	170,145	31.1
Alaska Insurance Co.	531,924	61,533	11.6
Industrial Indemnity Co. of Alaska	516,571	121,971	23.6
New Hampshire Insurance Co.	514,486	172,422	33.5
Highlands Insurance Co.	511,787	150,935	37.3
Stuyvesant Insurance Co.	356,737	12,215	3.4
Unigard Mutual Insurance Co.	355,356	0	0.0
U.S. Fire Insurance Co.	317,087	131,890	41.6
Fireman's Fund Insurance Co.	314,770	35,121	11.2
Providence Washington Insurance Co. of Alaska	280,732	17,069	6.1
Insurance Co. of N. America	272,295	12,753	4.7
Commercial Standard Insurance Co.	242,411	0	0.0
Reserve Insurance Co.	218,923	7,184	3.3
State Farm Fire & Casualty Co.	193,951	32,575	16.4
Allstate Insurance Co.	190,67	73,275	38.5
Great American Insurance Co.	171,133	70,124	37.1
Harbor Insurance Co.	162,825	60	0.0
U.S. Fidelity & Guaranty Co.	155,863	874	0.6
Hartford Fire Insurance Co.	134,635	6,125	4.5
St. Paul Fire & Marine Insurance Co.	114,580	7,325	6.4
Yosemite Insurance Co.	107,773	3,112	2.9
Central National Insurance Co. of Omaha	97,942	0	0.0
Atlas Assurance Co., Ltd.	95,073	114,195	120.1
Peninsular Fire Insurance Co.	92,416	2,800	3.1
Commercial Union Insurance Co.	84,036	31,309	37.2
American Home Assurance Co.	71,693	85,000	118.6
Arkwright-Boston Manufacturers Mutual Insurance Co.	68,511	3,747	5.5
State Farm General Insurance Co.	62,938	19,795	31.4
Hillmark Insurance Co.	61,929	6,011	9.7
Allendale Mutual Insurance Co.	57,320	0	0.0
Home Insurance Co.	55,038	59,031	107.3
Lumberman's Underwriting Alliance	49,310	0	0.0
Providence Washington Insurance Co.	35,246	0	0.0
North River Insurance Co. (N.J.)	38,076	59,678	156.7
Jefferson Insurance Co. of N.Y.	32,622	11,498	35.2
Federal Insurance Co.	31,508	2,000	6.3
Allied Insurance Co.	30,641	1,615	5.3
Total (95.12 of all business)	\$8,050,779	\$1,544,666	19.2
Total All Cos.	\$8,467,152	\$1,786,314	21.0

Alaska Fire Insurance Experience - 1975

Company	Earned Premium	Incurred Losses	Loss Ratio
Alaska Insurance Co.	\$ 998,163	\$ 299,098	29.1
Pacific Insurance Co.	679,031	987,734	144.7
Industrial Indemnity Co. of Alaska	645,176	235,288	36.5
Unigard Mutual Insurance Co.	613,632	760,200	123.9
American Home Assurance Co.	493,162	363,121	73.2
Providence Washington Insurance Co. of Alaska	406,177	101,782	25.1
Highlands Insurance Co.	387,345	78,374	20.2
Fireman's Fund Insurance Co.	373,781	71,034	6.5
Great American Insurance Co.	284,233	102,730	36.1
Insurance Co. of N. America	278,895	68,141	24.6
Reserve Insurance Co.	257,175	37,320	14.7
New Hampshire Insurance Co.	235,724	14,858	6.3
State Farm Fire & Casualty Co.	221,484	54,923	24.8
Mission Insurance Co.	166,305	30,078	18.1
Harbor Insurance Co.	165,824	457,198	275.7
Allstate Insurance Co.	161,891	28,723	17.7
Aetna Insurance Co.	154,409	11,091	7.2
Yosemite Insurance Co.	149,239	70,254	47.3
Stuyvesant Insurance Co.	14,997	0	0.0
St. Paul Fire & Marine Insurance Co.	130,627	51,636	39.5
U.S. Fidelity & Guaranty Co.	113,122	35,003	30.9
Peninsular Fire Insurance Co.	109,273	32,019	29.1
Home Insurance Co.	107,260	163,556	152.5
Commercial Union Insurance Co.	96,034	56,289	58.6
U.S. Fire Insurance Co.	90,220	29,420	31.5
Central National Insurance Co. of Omaha	88,913	0	0.0
Arkwright-Boston Manufacturers Mutual Insurance Co.	86,414	1,000	1.2
Hillmark Insurance Co.	85,256	13,517	15.7
National Union Fire Insurance Co.	84,479	50,000	59.2
State Farm General Insurance Co.	65,225	8,516	13.1
Allendale Mutual Insurance Co.	63,161	1,000	1.6
Hartford Fire Insurance Co.	61,017	100,215	164.2
Atlas Assurance Co., Ltd.	49,183	28,611	58.2
Providence Washington Insurance Co.	1,574	2,939	6.2
Protection Mutual Insurance Co.	40,000	(46,000)	(113.7)
Allied Insurance Co.	39,234	4,373	11.4
Travelers Indemnity Co.	28,583	1,903	6.6
Total (95% of all business)	\$8,129,851	\$4,243,027	52.2
Total All Cos.	\$3,553,593	\$4,360,149	51.0

Alaska Fire Insurance Experience - 1976

Company	Earned Premium	Incurred Losses	Loss Ratio
Alaska Insurance Co.	\$1,484,200	\$ 226,176	15.2
Industrial Indemnity Co. of Alaska	870,433	340,523	39.1
Pacific Insurance Co.	611,150	482,158	78.9
National Union Fire Insurance Co.	563,269	1,030	0.2
Great American Insurance Co.	420,181	210,730	50.2
Providence Washington Insurance Co. of Alaska	402,388	31,272	8.3
Fireman's Fund Insurance Co.	387,998	122,764	31.6
Aetna Insurance Co.	350,709	2,051,139	584.9
American Home Assurance Co.	341,613	795,922	233.0
Mission Insurance Co.	292,384	449	0.2
Atlas Assurance Co., Ltd.	290,360	41,136	14.2
Insurance Co. of N. America	259,023	54,721	21.1
Highlands Insurance Co.	235,371	25,063	10.6
State Farm Fire & Casualty Co.	234,964	122,337	52.1
Allstate Insurance Co.	209,719	264	0.1
St. Paul Fire & Marine Insurance Co.	202,109	28,840	14.3
Affiliated FM Insurance Co.	135,053	0	0.0
Puritan Insurance Co.	130,457	0	0.0
Arkwright-Boston Manufacturers Mutual Insurance Co.	120,394	25,562	21.2
Reserve Insurance Co.	113,917	483,074	424.1
U.S. Fidelity & Guaranty Co.	100,215	10,994	10.9
Peninsular Fire Insurance Co.	94,230	1,139	1.2
Allied Insurance Co.	79,674	0	0.0
Central National Insurance Co. of Omaha	76,106	1,743	2.3
Harbor Insurance Co.	75,493	238,268	315.6
Allendale Mutual Insurance Co.	73,713	22,792	30.9
Protection Mutual Insurance Co.	60,652	100,000	164.9
State Farm General Insurance Co.	60,129	34,226	56.9
Commercial Union Insurance Co.	54,545	16,314	29.9
Hallmark Insurance Co.	52,569	30,314	57.7
Hartford Fire Insurance Co.	50,115	5,272	10.5
Employers Mutual Liability Insurance Co.	47,268	0	0.0
Hone Insurance Co.	46,653	4,839	10.4
Unigard Mutual Insurance Co.	36,127	790,619	2,189.4
New Hampshire Insurance Co.	32,172	168,939	525.1
Horace Mann Insurance Co.	28,193	494	1.8
U.S.A.A.	27,927	0	0.0
Lumberman's Underwriting Alliance	26,019	0	0.0
Aetna Casualty & Surety Co.	25,514	177	0.7
American Motorists Insurance Co.	24,670	44,000	178.4
Total (95.4% of all business)	\$9,726,601	\$6,515,280	74.6
Total All Cos.	\$9,147,766	\$6,653,254	72.7

Alaska Fire Insurance Experience - 1972-76

Company	Earned Premium	Incurred Losses	Loss Ratio
Alaska Insurance Co.	\$ 3,048,807	\$ 579,801	18.8
Pacific Insurance Co.	2,916,968	1,835,294	62.9
New Hampshire Insurance Co.	2,641,581	1,087,371	41.2
Industrial Indemnity Co. of Alaska	2,177,940	783,673	36.0
Highlands Insurance Co.	2,176,536	830,160	38.1
United States Fire Insurance Co.	2,000,365	664,826	33.2
Fireman's Fund Insurance Co.	1,860,640	446,328	24.0
Insurance Co. of N. America	1,800,614	483,487	26.9
Mission Insurance Co.	1,647,122	1,286,344	78.1
Great American Insurance Co.	1,507,932	714,454	47.4
Providence Washington Insurance Co. of Alaska	1,167,817	162,977	14.0
American Home Assurance Co.	1,158,926	1,273,910	109.9
Unigard Mutual Insurance Co.	1,067,148	1,550,019	145.3
State Farm Fire & Casualty Co.	956,036	300,121	30.4
Harbor Insurance Co.	938,344	709,262	75.6
Allstate Insurance Co.	882,571	105,356	12.0
U.S. Fidelity & Guaranty Co.	846,043	265,688	31.4
Hartford Fire Insurance Co.	781,380	326,049	41.6
Commercial Union Insurance Co.	780,384	359,618	46.1
Reserve Insurance Co.	703,612	528,198	75.1
National Union Fire Insurance Co.	678,144	51,150	7.5
Hone Insurance Co.	599,407	471,375	68.6
St. Paul Fire & Marine Insurance Co.	595,965	109,786	18.4
Aetna Insurance Co.	562,703	2,060,276	366.5
Stuyvesant Insurance Co.	551,400	12,217	2.2
Atlas Assurance Co., Ltd.	525,679	183,942	35.0
Eagle Star Insurance Co., Ltd.	480,031	178,041	26.7
Arkwright-Boston Manufacturers Mutual Insurance Co.	391,949	30,714	7.8
Central National Insurance Co. of Omaha	385,923	2,258	0.6
Peninsular Fire Insurance Co.	377,808	37,413	10.4
Yosemite Insurance Co.	375,081	111,190	30.2
North River Insurance Co. (N.J.)	339,374	185,322	54.6
Hallmark Insurance Co.	333,642	119,681	35.7
State Farm General Insurance Co.	308,331	93,729	30.4
Commercial Standard Insurance Co.	291,775	0	0.0
Allendale Mutual Insurance Co.	284,094	23,792	8.4
Lumberman's Underwriting Alliance	214,507	0	0.0
Jefferson Insurance Co. of N.Y.	203,335	80,074	39.3
Protection Mutual Insurance Co.	201,181	11,135	5.5
Affiliated FM Insurance Co.	166,060	0	0.0
Allied Insurance Co.	163,335	(2,748)	(1.7)
Westchester Fire Insurance Co.	154,732	135,244	87.4
Aetna Casualty & Surety Co.	151,164	2,135	1.4
Total (95.3% of all business)	\$39,464,912	\$18,167,232	46.0
Total All Cos.	\$41,391,653	\$19,002,306	45.9

Exhibit II

1975 - ALASKA FIRE INSURANCE EXPERIENCE AND EXPENSES

(S) Company	Earned Premium	Inurred Losses	Loss Ratio	Loss Adjust. Expenses	Commission Brokerage	Other Acq. Field Super. Collection	General Expenses	Taxes Licenses Fees	Total Expenses Incurred	Resultant: Permissible Loss Ratio
*Alaska Insurance Co.	\$ 978,163	\$290,098	29.15	5.1	21.2	4.0	3.4	3.5	37.2	62.8
*Pacific Insurance Co.	679,031	982,734	144.7	2.5	23.9	2.3	7.6	2.7	39.0	61.0
*Industrial Indemnity Company of Alaska	645,176	235,288	36.5	5.5	19.3	3.0	10.6	2.5	40.9	59.1
*Unigard Mutual Insurance Co.	613,632	760,200	123.9	2.8	19.4	5.6	8.2	2.3	38.3	61.7
*American Home Assurance Co.	483,162	363,121	75.2	3.7	21.9	2.9	3.0	4.0	32.1	67.9
*Provident Washington Insurance Co. of Alaska	406,177	101,782	25.1	4.9	18.3	4.2	12.3	2.7	42.4	57.6
*Highlands Insurance Co.	387,345	78,374	20.2	2.4	26.4	2.1	2.0	2.0	31.9	68.1
*Fireman's Fund Insurance Co.	323,781	21,034	6.5	5.3	12.9	3.5	11.1	1.9	34.7	65.3
*Great American Insurance Co.	284,283	102,730	36.1	4.4	20.3	3.0	12.8	2.6	43.1	56.9
*Insurance Co. of North America	276,895	68,141	24.6	3.9	13.1	4.7	9.8	3.8	35.3	64.7
*Reserve Insurance Co.	257,175	37,980	14.7	106.2	40.0	178.5	117.5	83.3	472.9	(372.9)
*New Hampshire Insurance Co.	235,724	14,858	6.3	5.1	21.2	4.0	3.4	3.5	37.2	62.8
*State Farm Fire & Casualty Co.	221,484	54,923	24.8	3.5	27.3	4.1	4.6	1.1	40.8	59.2
*Mission Insurance Co.	166,385	30,828	18.5	1.3	11.9	2.5	0.6	2.1	18.4	81.6
*Harbor Insurance Co.	165,824	457,198	275.7	1.2	18.6	0.9	2.4	4.2	27.2	72.8
*Allstate Insurance Co.	161,891	28,723	17.7	3.0	18.7	4.2	4.2	2.6	32.7	67.3
*Aetna Insurance Co.	154,409	11,091	7.2	5.2	20.2	3.5	8.3	3.6	40.8	59.2
*Yosemite Insurance Co.	149,239	70,254	47.3	4.9	25.9	5.9	3.6	3.1	43.4	56.6
*Stuyvesant Insurance Co.	134,997	0	0.0	2.1	19.8	1.2	5.4	1.4	29.8	70.2
*St. Paul Fire & Marine Insurance Co.	130,627	51,616	39.5	2.6	19.6	2.4	10.3	3.4	38.3	61.7
*U.S. Fidelity & Guaranty Co.	113,122	35,003	30.9	3.2	16.6	7.4	8.4	2.3	32.9	67.1
*Peninsular Fire Insurance Co.	109,273	32,019	29.3	7.1	12.3	5.4	5.7	4.9	35.5	64.5
*Home Insurance Co.	107,260	163,556	152.5	4.7	14.5	2.2	9.8	2.9	34.1	65.9
*Commercial Union Insurance Co.	96,084	56,289	58.6	2.5	16.6	1.9	10.4	3.2	34.6	65.4
*U.S. Fire Insurance Co.	90,370	28,420	31.5	5.5	19.3	3.0	10.6	2.5	40.9	59.1
*Central National Insurance Co. of Omaha	88,513	0	0.0	3.7	5.3	12.2	8.6	17.6	47.4	52.6
Arthurlight-Boston Manufacturers Mutual Insurance Co.	86,414	1,000	1.2	3.2	2.3	9.7	15.1	5.0	35.3	64.7
*Hallmark Insurance Co.	85,256	13,517	15.9	18.8	(71.4)	92.5	17.3	17.7	72.7	27.3
*National Union Fire Insurance Co.	84,879	50,000	59.2	3.7	21.9	2.8	3.0	3.7	35.1	64.9
*State Farm General Insurance Co.	65,225	8,546	13.1	3.7	22.2	6.4	6.7	1.8	40.8	59.2
Allendale Mutual Insurance Co.	63,161	1,000	1.6	1.9	6.3	10.9	6	2.5	32.2	67.8
*Hartford Fire Insurance Co.	61,037	100,215	164.2	4.4	20.9	2.2	8	3.1	42.4	57.6
*Atlas Assurance Co., Ltd.	49,183	28,611	58.2	4.9	31.7	0.0	1	9.5	52.2	47.8
*Provident Washington Ins. Co.	47,574	2,919	6.2	4.9	18.3	4.2	3	2.7	42.4	57.6
*Protection Mutual Insurance Co.	40,463	(46,000)	(113.7)	2.6	1.4	11.6	9.5	2.9	28.0	72.0
*Allied Insurance Co.	38,234	4,373	11.4	3.9	13.1	4.7	9.8	3.8	42.6	57.4
Travelers Indemnity Co.	28,853	1,903	6.6	4.0	14.2	5.8	15.3	3.3	42.6	57.4
Total (95% of all business) - Average	\$8,179,851	\$4,243,027	52.2	7.3	19.2	8.6	10.8	5.7	51.5	48.5
Total All Companies	\$8,553,533	\$4,360,149	51.0	4.1	18.3	4.6	7.4	3.2	See Reserve 37.6	62.4
*ISO Total (93% of all business) - Average	\$7,951,423	\$4,331,124	54.5	7.4	19.4	8.5	10.8	5.7	51.8	48.2
									37.7	62.3

1976 - ALASKA FIRE INSURANCE EXPERIENCE AND EXPENSES

Company	Earned Premium	Inurred Losses	Loss Ratio	Loss Adjust. Expenses	Commission Brokerage	Other Acq. Field Super. Collection	General Expenses	Taxes Licenses Fees	Total Expenses Incurred	Resultant: Permissible Loss Ratio
Alaska Insurance Co.	\$ 1,484,200	\$ 226,176	15.25	4.8	20.2	4.5	2.9	3.6	36.0	64.0
Industrial Indemnity Company of Alaska	870,433	340,523	39.1	10.4	17.6	2.4	7.3	2.9	40.6	59.4
Pacific Insurance Co.	611,150	482,148	78.9	2.4	22.9	1.9	5.9	1.8	33.9	66.1
National Union Fire Insurance Co.	563,269	1,030	0.2	4.5	24.9	4.0	4.1	3.9	41.4	58.6
Great American Insurance Co.	470,181	210,730	50.7	4.4	19.1	3.8	14.3	2.4	44.0	56.0
Provident Washington Insurance Co. of Alaska	402,308	33,272	8.3	3.7	19.5	1.8	8.6	2.4	36.0	64.0
Fireman's Fund Insurance Co.	387,978	122,784	31.6	5.5	15.5	3.5	10.3	2.6	37.4	62.6
Aetna Insurance Co.	350,700	2,051,139	584.9	3.5	20.3	3.2	8.2	3.2	38.4	61.6
American Home Assurance Co.	341,613	795,922	231.0	4.5	24.9	4.0	4.1	3.9	41.4	58.6
Mission Insurance Co.	293,360	449	0.2	1.7	(28.6)	4.1	1.1	3.0	(10.6)	118.6
Atlas Assurance Co. of London Ltd.	293,043	41,136	14.2	2.9	32.9	0.0	3.2	8.2	47.2	52.8
Insurance Co. of North America	239,073	54,721	23.1	2.8	13.5	4.4	9.8	4.0	34.5	65.5
Highlands Insurance Co.	235,371	25,063	10.6	2.9	27.3	1.4	2.1	2.0	36.4	63.6
State Farm Fire & Casualty Co.	234,964	122,337	52.1	3.2	24.4	0.1	5.9	3.0	43.6	56.4
Allstate Insurance Co.	208,119	764	0.1	4.0	18.5	4.6	2.1	2.5	32.5	67.5
St. Paul Fire & Marine Insurance Co.	202,109	28,840	14.3	1.9	18.9	2.3	9.8	3.3	36.2	63.8
Affiliated FM Insurance Co.	135,058	0	0.0	8.4	33.5	2.8	0	21.5	66.7	33.0
Puritan Insurance Co.	130,457	0	0.0	10.5	9.2	6.1	33.6	21.2	88.6	11.4
Arthurlight-Boston Manufacturers Mutual Insurance Co.	120,394	25,562	21.2	2.2	1.1	7.7	15.7	4.4	31.1	69.9
Reserve Insurance Co.	113,917	483,074	424.1	4.1	19.2	1.6	11.8	2.7	32.4	60.6
U.S. Fidelity & Guaranty Co.	100,115	10,994	10.9	3.7	17.4	2.7	8.0	3.2	35.0	65.0
Peninsular Fire Insurance Co.	94,090	1,139	1.2	8.9	14.8	15.2	6.7	8.7	54.2	45.0
Allied Insurance Co.	79,674	0	0.0	2.9	13.8	4.3	9.5	4.0	34.5	65.5
Central National Insurance Co. of Omaha	76,106	1,743	2.3	3.3	(53.2)	12.6	16.6	33.1	12.4	87.6
Harbor Insurance Co.	75,493	230,260	315.6	3.9	(17.5)	7.7	2.2	10.8	2.1	97.9
Allendale Mutual Insurance Co.	73,714	22,792	30.9	2.9	8.4	11.3	15.7	2.8	41.1	58.9
Protection Mutual Insurance Co.	60,652	100,001	163.9	2.6	7	14.2	1.9	4.5	23.4	76.6
State Farm General Insurance	60,129	34,276	56.9	3.2	24.4	8.1	5.9	3.0	44.6	55.4
Commercial Union Insurance Co.	54,545	16,314	29.9	2.4	16.6	1.0	8.5	3.4	31.9	68.1
Hallmark Insurance Co.	52,569	30,314	57.7	6.6	14.8	30.8	7.8	5.9	68.4	31.6
Hartford Fire Insurance Co.	50,115	5,272	10.5	5.2	20.2	2.1	13.4	3.3	44.2	55.8
Employers Mutual Liability Insurance Co.	47,269	0	0.0	6.1	9.6	13.0	17.4	4.5	50.7	49.3
Home Insurance Co.	46,653	4,839	10.4	4.7	17.3	2.3	9.3	3.3	36.9	63.1
Unigard Mutual Insurance Co.	36,127	799,619	2188.4	4.7	21.8	4.6	6.1	2.3	39.5	60.5
New Hampshire Insurance Co.	32,172	160,919	525.1	4.8	20.7	4.5	2.9	3.6	36.0	64.0
Horace Mann Insurance Co.	28,193	494	1.8	6.7	20.2	6.2	2.9	3.1	39.1	60.9
U.S.A.A.	27,927	0	0.0	5.4	1.4	20.4	5.0	3.7	35.9	64.1
Lumberman's Underwriting Alliance	26,019	0	0.0	2.8	24.2	1	2.8	2.1	32.2	67.8
Aetna Casualty & Surety Co.	25,514	177	0.7	3.1	21.0	2.1	10.4	3.2	33.7	60.3
American Motorists Insurance Co.	24,670	44,000	178.4	4.1	21.7	3.8	6.9	2.8	40.3	59.7
Total (95.4% of all business) - Average	\$ 8,776,601	\$ 6,515,260	74.6	4.8	17.4	4.1	6.8	4.2	37.3	62.7
Total All Companies	\$ 9,147,766	\$ 6,653,254	72.7							

¹State Farm Fire & Casualty Figures

Insurance Report
1975-76
Company Expense
Exhibits 1975-76
R. Rainey 11/77

Exhibit III

Alaska Top 20 Homeowner Insurance Writers Experience - 1972

Company	Earned Premium	Incurred Losses	Loss Ratio
State Farm Fire & Casualty	\$1,253,712	\$ 535,050	46.4
Insurance Company of N. America	1,217,955	693,785	57.4
Allstate Insurance Co.	661,041	171,395	25.9
Fireman's Fund Insurance Co.	474,810	261,092	55.3
Great American Insurance Co.	345,720	193,712	56.0
New Hampshire Insurance Co.	318,726	303,406	97.1
United States Fire Insurance Co.	274,954	292,116	106.3
U.S. Fidelity & Guaranty Co.	198,718	45,941	23.1
Pacific Insurance Co.	180,440	26,440	14.7
State Farm General Insurance Co.	140,097	116,655	82.8
Hartford Fire Insurance Co.	131,665	48,549	36.3
Home Insurance Co.	100,453	89,428	89.3
Employers Commercial Union Insurance Co.	99,352	12,224	12.3
American Motorists Insurance Co.	88,514	19,719	22.3
Consolidated Underwriters	83,912	29,840	35.6
All-American Insurance Co.	79,341	7,407	9.3
American Manufacturers Mutual Insurance Co.	63,205	23,386	37.0
Horace Mann Insurance Co.	57,766	7,196	12.5
United Services Automobile Association	51,585	3,127	6.1
Jefferson Insurance Co. of N.Y.	51,515	40,575	78.7
Total (95.7% of all business)	\$5,879,391	\$3,031,443	51.7
Total All Cos.	\$6,141,678	\$3,142,624	51.2

Alaska Top 20 Homeowner Insurance Writers Experience - 1975

Company	Earned Premium	Incurred Losses	Loss Ratio
State Farm Fire & Casualty Co.	\$ 2,780,754	\$1,772,812	63.8
Insurance Company of N. America	1,998,659	987,004	49.4
Allstate Insurance Co.	1,256,863	669,942	53.3
Pacific Insurance Co.	524,250	110,241	21.0
Great American Insurance Co.	508,978	301,391	59.2
Providence Washington Insurance Co. of Alaska	474,540	252,496	53.2
Fireman's Fund Insurance Co.	357,409	115,046	32.2
State Farm General Insurance Co.	340,605	189,930	55.8
Industrial Indemnity Co. of Alaska	323,875	287,365	88.7
North West Insurance Co.	172,537	36,710	21.3
Horace Mann Insurance Co.	162,072	58,242	35.9
Associated Indemnity Corp.	150,690	73,956	49.1
United Services Automobile Assoc.	129,002	78,475	60.1
New Hampshire Insurance Co.	126,238	11,467	9.1
American Motorists Insurance Co.	114,491	18,336	16.0
All-American Insurance Co.	111,898	5,668	5.1
Alaska Insurance Co.	73,651	28,549	38.6
Providence Washington Insurance Company	71,770	77,192	107.6
Nationwide Mutual Fire Insurance Co.	71,734	99,086	138.1
Hallmark Insurance Co.	50,291	27,833	55.3
Total (96.9% of all business)	\$ 9,800,307	\$5,201,741	53.1
Total All Cos.	\$10,114,704	\$5,367,178	53.1

Alaska Top 20 Homeowner Insurance Writers Experience - 1973

Company	Earned Premium	Incurred Losses	Loss Ratio
Insurance Co. of N. America	\$ 1,730,074	\$ 882,719	51.0
State Farm Fire & Casualty Co.	1,504,038	714,315	47.5
Allstate Insurance Co.	827,701	397,993	48.1
Fireman's Fund Insurance Co.	531,526	290,013	54.6
Great American Insurance Co.	356,662	87,193	24.5
Pacific Insurance Co.	321,576	79,770	24.8
U.S. Fire Insurance Co.	297,604	145,176	48.8
New Hampshire Insurance Co.	242,760	221,066	91.1
State Farm General Insurance Co.	170,878	84,780	49.6
Home Insurance Co.	117,720	1,964	1.7
American Motorist Insurance Co.	114,981	86,506	75.3
Hartford Fire Insurance Co.	110,566	93,645	84.7
U.S. Fidelity & Guaranty Co.	92,995	38,193	41.1
Providence Washington Insurance Co. of Alaska	90,029	13,036	14.5
Commercial Union Insurance Co.	85,046	17,144	20.0
United States Automobile Association	84,473	10,517	12.5
All-American Insurance Co.	72,839	42,070	57.8
Horace Mann Insurance Co.	71,559	22,846	31.9
Jefferson Insurance Co.	64,249	705	1.1
Medallion Insurance Co.	53,727	4,402	8.3
Total (95.6% of all business)	\$6,941,821	\$3,234,205	46.6
Total All Cos.	\$7,261,938	\$3,459,525	47.6

Alaska Top 20 Homeowners Insurance Writers Experience - 1976

Company	Earned Premium	Incurred Losses	Loss Ratio
State Farm Fire & Casualty Co.	\$ 3,986,852	\$1,612,156	40.4
Insurance Company of N. America	2,221,764	871,765	39.2
Allstate Insurance Co.	1,675,553	542,182	32.4
Great American Insurance Co.	810,122	433,259	53.5
Pacific Insurance Co.	633,259	405,238	64.0
Fireman's Fund Insurance Co.	450,783	61,607	13.7
State Farm General Insurance Co.	435,382	222,740	51.2
Industrial Indemnity Co. of Alaska	358,856	55,292	15.4
Horace Mann Insurance Co.	290,458	344,964	118.8
Providence Washington Insurance Co. of Alaska	283,110	279,126	98.6
Associated Indemnity Corp.	269,610	109,970	40.9
North West Insurance Co.	215,419	182,020	84.5
United Services Automobile Assoc.	162,626	30,348	18.7
New Hampshire Insurance Co.	161,759	34,489	21.3
American Motorists Insurance Co.	135,515	43,558	32.1
Nationwide Mutual Fire Insurance Co.	76,054	6,282	8.3
All-American Insurance Co.	56,117	19,394	34.6
Hallmark Insurance Co.	52,863	2,374	4.5
Providence Washington Insurance Co.	43,922	127,285	289.8
Hartford Fire Insurance Co.	37,435	6,046	16.2
Total (97.2% of all business)	\$12,357,509	\$5,390,143	43.6
Total All Cos.	\$12,715,608	\$5,581,144	43.9

Alaska Top 20 Homeowner Insurance Writers Experience - 1974

Company	Earned Premium	Incurred Losses	Loss Ratio
Insurance Co. of N. America	\$1,989,768	\$1,301,104	65.4
State Farm Fire & Casualty Co.	1,808,616	790,276	43.4
Allstate Insurance Co.	963,546	392,489	40.7
Pacific Insurance Co.	434,351	182,104	41.9
Fireman's Fund Insurance Co.	413,614	52,434	12.7
Providence Washington Insurance Co. of Alaska	396,569	162,147	40.9
Great American Insurance Co.	311,711	220,601	71.3
Industrial Indemnity Co. of Alaska	232,007	85,788	36.8
State Farm General Insurance Co.	210,921	81,137	38.5
Alaska Insurance Co.	162,813	48,025	30.0
U.S. Fire Insurance Co.	151,547	118,137	78.0
American Motorists Insurance Co.	127,034	58,267	45.9
United Services Automobile Association	109,783	10,070	9.2
Horace Mann Insurance Co.	96,953	14,220	14.7
All-American Insurance Co.	88,072	91,916	106.7
Home Insurance Co.	85,054	1,394	1.6
New Hampshire Insurance Co.	81,976	163,375	199.3
Hartford Fire Insurance Co.	76,597	53,001	70.2
Nationwide Mutual Fire Insurance Co.	50,894	13,161	22.4
Jefferson Insurance Co.	44,079	2,019	4.6
Total (96.1% of all business)	\$7,945,275	\$3,853,343	48.5
Total All Cos.	\$8,267,918	\$4,059,395	49.1

Alaska Top 20 Homeowners Insurance Writers Experience -

Company	5 Years (1972-76)		Loss Ratio
	Earned Premium	Incurred Losses	
State Farm Fire & Casualty Co.	\$11,440,027	\$ 5,474,609	47.9
Insurance Company of N. America	9,158,230	4,740,377	51.8
Allstate Insurance Co.	5,384,704	2,173,991	40.4
Great American Insurance Co.	2,333,133	1,244,196	53.3
Fireman's Fund Insurance Co.	2,228,142	780,192	35.0
Pacific Insurance Co.	2,094,376	803,793	38.4
State Farm General Insurance Co.	1,297,833	694,642	53.5
Providence Washington Insurance Co. of Alaska	1,244,240	706,805	56.8
Industrial Indemnity Co. of Alaska	941,357	431,353	45.3
New Hampshire Insurance Co.	931,467	739,103	79.4
U.S. Fire Insurance Co.	778,284	622,675	80.0
Horace Mann Insurance Co.	670,808	498,038	73.4
American Motorists Insurance Co.	580,535	276,466	47.6
United Services Automobile Assoc.	537,469	160,688	29.9
Associated Indemnity Corp.	469,471	193,343	42.2
All-American Insurance Co.	408,267	160,525	41.3
Hartford Fire Insurance Co.	405,290	233,531	57.6
U.S. Fidelity & Guaranty Co.	404,549	162,217	40.1
North West Insurance Co.	387,956	218,738	56.8
Home Insurance Co.	362,079	101,021	27.9
Total (92.1% of all business)	\$42,066,220	\$20,211,477	48.0
Total All Cos.	\$45,689,532	\$21,948,089	48.0

Exhibit IV

1975 - ALASKA HOMEOWNERS INSURANCE EXPERIENCE AND EXPENSES

Company	Earned Premiums	Incurred Losses	Loss Ratio	Loss Adjust. Expenses	Commission Brokerage	Other Acq. Field Super. Collection	General Expenses	Taxes Licenses Fees	Total Expenses Incurred	Resultant Permissible Loss Ratio
State Farm Fire & Casualty Co.	\$2,780,754	\$1,772,812	63.8%	6.9	20.8	4.5	4.8	2.8	39.8	60.2
Insurance Company of North America	1,998,659	987,004	49.4	7.7	21.2	5.1	8.1	3.3	45.4	54.5
Allstate Insurance Co.	1,256,863	669,942	53.3	8.2	9.5	8.0	4.0	3.8	33.5	66.5
Pacific Insurance Co.	524,250	110,241	21.0	7.0	25.3	3.2	6.6	2.6	41.5	58.5
Great American Insurance Co.	508,978	301,391	59.2	5.2	23.0	3.1	5.0	2.8	39.1	60.9
Providence Washington Insurance Co. of Alaska	474,540	252,496	53.2	10.0	19.6	4.8	7.4	2.6	44.4	55.6
Fireman's Fund Insurance Co.	357,409	115,046	32.2	8.3	21.1	5.2	7.7	3.2	45.5	54.5
State Farm General Insurance Co.	340,605	189,930	55.8	7.1	19.5	5.0	5.3	2.9	39.8	60.2
Industrial Indemnity Co. of Alaska	323,875	287,365	88.7	7.5	21.0	2.5	6.4	2.4	39.8	60.2
North West Insurance Co.	172,537	36,710	21.3	6.3	25.0	0.0	11.6	2.3	43.8	56.2
Horace Mann Insurance Co.	162,072	58,242	35.9	7.3	18.4	8.0	7.1	4.5	45.1	54.7
Associated Indemnity Corp.	150,690	73,956	49.1	8.3	21.1	5.2	7.7	3.2	45.5	54.5
U.S.A.A.	129,002	78,475	60.1	8.3	0.3	15.6	6.9	3.4	34.4	65.6
New Hampshire Insurance Co.	126,238	11,467	9.1	10.5	21.1	3.2	3.4	2.8	41.0	59.0
American Motorists Insurance Co.	114,491	18,336	16.0	6.8	26.1	8.6	5.0	3.2	50.0	50.0
All-America Insurance Co.	111,898	5,668	5.1	8.2	36.7	.8	.9	.7	47.3	52.7
Alaska Insurance Co.	73,651	28,549	38.6	10.5	21.1	3.2	3.4	2.8	41.0	59.0
Providence Washington Insurance Co.	71,770	77,192	107.6	10.0	19.6	4.8	7.4	2.6	44.4	55.6
Nationwide Mutual Fire Insurance Co.	71,734	99,086	138.1	8.6	14.5	12.6	6.0	3.9	45.6	54.4
Total (96.4% of all business) - average	\$ 9,750,016	\$5,173,908	53.1	7.5	19.7	5.1	6.0	3.0	41.3	58.7
Total All Companies	\$7,114,704	\$5,367,178	53.1							

1976 - ALASKA HOMEOWNERS INSURANCE EXPERIENCE AND EXPENSES

Company	Earned Premiums	Incurred Losses	Loss Ratio	Loss Adjust. Expenses	Commission Brokerage	Other Acq. Field Super. Collection	General Expenses	Taxes Licenses Fees	Total Expenses Incurred	Resultant Permissible Loss Ratio
State Farm Fire & Casualty Co.	\$ 3,986,852	\$1,612,156	40.4%	6.4	20.6	5.3	3.9	3.0	39.2%	60.8%
Insurance Co. of North America	2,221,764	871,765	39.2	7.7	22.7	3.3	7.7	3.3	44.8	55.2
Allstate Insurance Co.	1,675,553	542,182	32.4	7.9	9.2	7.4	3.7	4.0	32.2	67.8
Great American Insurance Co.	810,172	433,299	53.5	4.2	21.3	4.0	5.3	2.1	37.2	62.7
Pacific Insurance Co.	633,259	405,238	64.0	5.5	23.2	2.7	6.9	2.3	40.6	59.4
Fireman's Fund Insurance Co.	450,783	61,607	13.7	7.9	20.9	5.2	7.4	3.2	44.6	55.4
State Farm General Insurance Co.	435,382	222,740	51.2	6.4	20.6	5.3	3.9	3.0	39.7	60.8
Industrial Indemnity Company of Alaska	358,856	55,292	15.4	7.0	22.3	2.0	5.4	2.8	39.5	60.5
Horace Mann Insurance Co.	290,450	344,964	118.8	8.3	21.5	6.7	3.1	3.3	42.9	57.1
Providence Washington Insurance Co. of Alaska	283,110	279,126	98.6	9.1	16.9	3.7	7.2	2.4	39.3	60.7
Associated Indemnity Corp.	269,610	109,970	40.9	7.9	20.9	5.2	7.4	3.2	44.6	55.4
North West Insurance Co.	215,419	102,078	47.4	12.6	17.8	0.0	3.6	1.6	35.7	64.3
U.S.A.A.	162,626	30,348	18.7	7.7	0.3	19.9	2.5	3.8	34.2	65.8
New Hampshire Insurance Co.	161,759	34,489	21.3	10.0	20.0	4.6	3.5	2.6	40.7	59.3
American Motorists Insurance Co.	135,515	43,558	32.1	5.6	26.1	4.0	5.1	2.4	43.2	56.8
Nationwide Mutual Fire Insurance Co.	76,054	6,202	8.3	0.6	9.5	12.1	6.4	4.4	41.0	59.0
All America Insurance Co.	56,117	19,374	34.6	4.6	39.1	1.3	1.8	.7	47.5	52.5
Hallmark Insurance Co.	52,861	2,374	4.5	15.1	45.4	32.7	6.6	5.1	108.9	(4.9)
Providence Washington Insurance Co.	43,922	127,285	289.8	9.1	16.2	3.7	7.2	2.4	39.3	60.7
Hartford Fire Insurance Co.	37,435	6,048	16.2	7.6	21.2	3.0	7.4	3.3	42.5	57.5
Total (97.2% of all business) - average	\$12,357,509	\$5,390,143	43.6	7.1	19.5	5.1	5.1	3.1	39.9	60.1
Total All Companies	\$12,715,088	\$5,581,144	43.9							

Exhibit V

Companies Reporting Fire Insurance Experience by Dwelling Commercial Categories

1972

Company	Dwelling Fire			Commercial Fire			Total		
	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio
Continental Insurance Group	229,134	68,826	30.0	417,428	104,065	24.9	646,562	172,891	26.7
Highlands Insurance Co.	17,714	0	0.0	468,926	502,784	107.2	486,640	503,784	103.3
Fireman's Fund Insurance Cos.	-	-	-	464,987	206,303	44.4	464,987	206,303	44.4
Hartford Fire Insurance Co.	107,736	43,741	40.6	230,557	92,223	40.0	338,293	135,994	40.2
Great American Insurance Co.	7,820	0	0.0	322,791	230,795	71.5	330,611	230,795	69.8
United States Fidelity & Guaranty Co.	111,608	35,289	31.6	202,320	108,008	53.4	313,928	143,837	45.8
St. Paul Insurance Cos.	-	-	-	66,097	21,914	33.2	66,097	21,914	33.2
Mission Insurance Co.	-	-	-	55,222	4,068	7.4	55,222	4,068	7.4
American Home Assurance Co.	156	0	0.0	40,403	30,088	74.2	40,559	30,088	74.2
National Union Fire Insurance Co.	-	-	-	3,458	0	0.0	3,458	0	0.0
Industrial Indemnity Group	-	-	-	624	0	0.0	624	0	0.0
Total (37.5% of all business)	474,168	147,856	31.2	2,272,813	1,300,248	57.2	2,745,981	1,448,114	52.7
Total All Companies							7,329,884	3,480,847	47.5

1973

Continental Insurance Group	249,177	80,736	32.4	331,516	61,904	18.7	580,693	142,640	24.6
Highlands Insurance Co.	4,804	0	0.0	550,649	32,954	6.0	555,453	32,954	5.9
Industrial Indemnity Group	137,623	64,552	46.9	361,034	(20,881)	(5.8)	498,657	43,671	8.8
Fireman's Fund Insurance Co.	-	-	-	408,379	61,937	15.2	408,379	61,937	15.2
Alaska Insurance Co.	65,379	17,265	26.4	208,711	45,205	21.7	274,090	62,460	22.8
Mission Insurance Co.	-	-	-	263,222	1,231,806	468.0	263,222	1,231,806	468.0
Great American Insurance Co.	27,292	26,002	95.3	230,200	85,573	37.2	257,492	111,575	43.3
Hartford Fire Insurance Co.	50,823	2,897	5.7	155,176	90,315	58.0	205,999	93,212	45.9
U.S. Fidelity & Guaranty Co.	70,352	80,775	114.8	124,980	24,699	19.8	195,332	105,474	54.0
Atlas Assurance Co.	5,265	2,400	45.6	94,023	139	0.1	100,088	2,539	2.5
St. Paul Insurance Cos.	-	-	-	85,369	985	1.2	85,369	985	1.2
American Home Assurance Co.	88	0	0.0	24,066	0	0.0	24,154	0	0.0
National Union Fire Insurance Co.	-	-	-	5,715	162	2.8	5,715	162	2.8
Total (43.8% of all business)	610,803	274,627	45.0	2,843,840	1,614,798	56.8	3,454,743	1,889,415	54.7
Total All Companies							7,893,318	2,721,742	34.4

1974

Company	Dwelling Fire			Commercial Fire			Total		
	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio
Industrial Indemnity Group	258,011	0	0.0	760,099	149,502	19.7	1,018,110	149,502	14.7
Mission Insurance Co.	-	-	-	869,865	19,193	2.2	869,865	19,193	2.2
Continental Insurance Group	238,583	141,846	59.4	313,676	41,485	13.2	552,259	183,331	33.2
Alaska Insurance Co.	151,365	28,039	18.5	380,619	154,578	40.6	531,984	182,617	34.3
Highlands Insurance Co.	10,603	0	0.0	501,183	190,904	38.1	511,786	190,904	37.3
Fireman's Fund Insurance Co.	21,070	0	0.0	306,147	35,121	11.5	327,217	35,121	10.7
Great American Insurance Co.	38,529	0	0.0	143,754	60,704	42.2	182,283	60,704	33.3
Atlas Assurance Co.	13,744	0	0.0	126,842	104,000	82.0	140,586	104,000	74.0
Hartford Fire Insurance Co.	40,894	(5,194)	(12.7)	93,906	11,269	12.0	134,800	6,075	4.5
St. Paul Insurance Cos.	-	-	-	117,076	6,815	5.8	117,076	6,815	5.8
U.S. Fidelity & Guaranty Co.	50,640	2,418	4.8	56,930	820	1.4	107,570	3,238	3.0
American Home Assurance Co.	63	0	0.0	16,130	85,000	527.0	16,193	85,000	525.0
National Union Fire Insurance Co.	-	-	-	9,254	0	0.0	9,254	0	0.0
Total (53.4% of all business)	823,502	167,109	20.3	3,695,401	859,471	23.3	4,518,983	1,026,500	22.7
Total All Companies							8,467,152	1,786,314	21.0

1975

Industrial Indemnity Group	269,187	0	0.0	861,455	450,414	52.3	1,130,642	450,414	39.8
Alaska Insurance Co.	260,720	16,063	6.2	737,443	274,036	37.2	998,163	290,099	29.1
Continental Insurance Group	300,804	143,834	47.8	382,782	819,267	219.3	683,586	983,101	143.8
Highlands Insurance Co.	30,750	0	0.0	356,595	78,374	22.0	387,345	78,374	20.2
Fireman's Fund Insurance Cos.	36,514	0	0.0	302,463	21,034	7.0	338,977	21,034	6.2
Great American Insurance Co.	70,000	75,000	107.1	226,429	28,154	12.4	296,429	103,154	34.8
Mission Insurance Co.	-	-	-	166,385	30,828	18.5	166,385	30,828	18.5
National Union Fire Insurance Co.	-	-	-	90,859	50,000	55.0	90,859	50,000	55.0
U.S. Fidelity & Guaranty Co.	53,666	18,072	33.7	36,502	16,933	46.3	90,168	35,005	38.8
Hartford Fire Insurance Co.	19,768	95,203	481.6	41,706	5,005	12.0	61,474	100,208	163.0
Atlas Assurance Co.	8,435	1,800	21.3	45,800	33,609	73.4	54,235	35,409	65.3
American Home Assurance Co.	30	0	0.0	3,699	0	0.0	3,729	0	0.0
St. Paul Insurance Cos.	-	-	-	729,516	51,995	40.1	129,516	51,995	40.1
Total (51.8% of all business)	1,049,874	349,972	33.3	3,381,634	1,879,649	55.6	4,431,508	2,229,621	50.3
Total All Companies							8,553,533	4,360,129	51.0

1976

Company	Dwelling Fire			Commercial Fire			Total		
	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio
Alaska Insurance Co.	309,099	3,470	1.1	1,175,102	222,707	19.0	1,484,201	226,177	15.2
Industrial Indemnity Group	234,645	115,055	49.0	658,332	227,981	34.6	892,977	343,036	38.4
Continental Insurance Co.	282,470	218,666	77.4	335,744	263,472	78.5	618,214	482,138	78.0
Great American Insurance Co.	97,000	26,000	26.8	358,194	185,122	51.7	455,194	211,122	46.4
Fireman's Fund Insurance Co.	43,587	13,500	31.0	361,975	109,264	30.2	405,562	122,764	30.3
Mission Insurance Co.	-	-	-	292,384	449	0.2	292,384	449	0.2
Highlands Insurance Co.	13,152	0	0.0	222,219	25,063	11.3	235,371	25,063	10.6
St. Paul Insurance Cos.	-	-	-	195,997	28,888	14.7	195,997	28,888	14.7
Atlas Assurance Co.	75,527	379	0.5	114,395	10,150	8.9	189,922	10,529	5.5
National Union Fire Insurance Co.	-	-	-	135,434	1,030	1.0	105,434	1,030	1.0
United States Fidelity & Guaranty Co.	48,472	11,431	23.8	38,996	(437)	(1.1)	87,460	10,994	12.6
Hartford Fire Insurance Co.	33,138	6,860	20.7	17,224	689	4.0	50,362	7,549	15.0
American Home Assurance Co.	-	-	-	1,592	0	0.0	1,592	0	0.0
Total (54.8% of all business)	1,137,090	395,451	34.8	3,877,588	1,074,378	27.6	5,014,678	1,469,739	29.3
Total All Companies							9,147,766	6,653,254	72.7

1972-76 TOTALS

Industrial Indemnity Group	899,466	179,607	20.0	2,641,544	807,016	30.6	3,541,010	986,623	27.9
Alaska Insurance Co.	786,563	64,837	8.2	2,501,875	696,526	27.8	3,288,438	761,363	23.2
Continental Insurance Co.	1,300,168	653,908	50.3	1,781,146	1,310,193	73.6	3,081,314	1,964,101	63.7
Highlands Insurance Co.	77,023	0	0.0	2,099,572	830,159	39.5	2,176,595	830,159	38.1
Fireman's Fund Insurance Cos.	101,171	13,500	13.3	1,843,951	433,659	23.5	1,945,122	447,159	23.0
Mission Insurance Co.	-	-	-	1,647,078	1,206,344	73.1	1,647,078	1,286,344	78.1
Great American Insurance Co.	240,641	136,421	56.7	1,281,368	590,348	46.1	1,522,009	726,769	47.8
United States Fidelity & Guaranty Co.	334,738	147,985	44.2	459,728	150,023	32.6	794,466	298,008	37.5
Hartford Fire Insurance Co.	252,359	143,507	56.9	538,569	199,501	37.0	790,928	343,008	43.4
St. Paul Insurance Cos.	-	-	-	624,694	110,597	17.7	624,694	110,597	17.7
Atlas Assurance Co.	102,971	4,579	4.4	381,860	147,898	38.7	484,831	152,477	31.4
National Union Fire Insurance Co.	-	-	-	214,720	51,192	23.8	214,720	51,192	23.8
American Home Assurance Co.	337	0	0.0	85,890	115,088	134.0	86,235	115,088	133.5
Total (48.8% of all business)	4,095,100	1,344,344	32.8	16,101,995	6,728,544	41.8	20,197,440	8,072,888	40.0
Total All Companies							41,391,653	19,002,206	45.9

Information submitted by companies
R. Rainery 11/77

Exhibit VI

ALASKA HOMEOWNERS INSURANCE EXPERIENCE

Companies Reporting by Zone

Company	1972								
	Zone 1*			Zone 2*			Total		
	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio
State Farm Fire & Casualty Co.	\$ 91,877	\$ 32,227**	35.1%	\$ 1,167,835	\$ 613,729**	52.6%	\$ 1,259,712	\$ 645,956**	51.3%
Insurance Co. of North America	187,743	84,873	45.2	1,018,899	702,180	68.9	1,206,642	787,053	65.2
Allstate Insurance Co.	13,263	6,197	46.7	639,067	188,463	29.5	652,330	194,660	29.8
State Farm General Insurance Co.	6,450	524**	8.1	97,997	119,209**	121.6	104,447	119,733**	114.6
Total (52.5% of all business)	\$299,333	\$ 123,821	41.4%	\$ 2,923,798	\$ 1,623,581	55.5%	\$ 3,223,131	\$ 1,747,402	54.2%
Total All Companies							\$ 6,141,678	\$ 3,142,624	51.2%
1973									
Insurance Co. of North America	290,954	110,104	37.3	1,431,120	786,242	54.9	1,722,074	896,346	52.0
State Farm Fire & Casualty Co.	124,787	19,525**	15.6	1,379,301	757,489**	54.9	1,504,083	777,014**	51.7
Allstate Insurance Co.	22,325	10,605	47.5	804,146	454,661	56.5	826,471	465,266	56.3
State Farm General Insurance Co.	6,610	35**	0.5	112,662	49,451**	43.9	119,272	49,486**	41.5
Total (57.4% of all business)	444,676	140,269	31.5	3,727,229	2,047,843	54.9	4,171,905	2,188,112	52.4
Total All Companies							7,261,938	3,459,525	47.6
1974									
Insurance Co. of North America	382,187	615,228	160.9	1,603,204	739,633	46.1	1,985,391	1,354,861	68.2
State Farm Fire & Casualty Co.	168,223	40,798**	24.3	1,740,393	816,274**	46.9	1,908,616	857,072**	44.9
Allstate Farm Fire & Casualty Co.	28,329	5,081	17.9	923,884	447,384	48.4	952,263	452,465	47.5
State Farm General Insurance Co.	6,388	1,213**	19.0	95,444	46,800**	49.0	101,632	48,013**	47.1
Total (59.8% of all business)	505,127	657,747	112.4	4,362,925	2,049,662	47.0	4,948,102	2,707,409	54.7
Total of All Companies							8,267,918	4,059,395	49.1
1975									
Company	Zone 1*			Zone 2*			Total		
	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio	Earned Premium	Incurred Losses	Loss Ratio
State Farm Fire & Casualty Co.	\$ 232,030	\$ 161,323**	43.7%	\$ 2,548,724	\$ 1,806,002**	70.9%	\$ 2,780,754	\$ 1,967,325**	68.7%
Insurance Co. of North America	421,583	217,524	68.2	1,571,050	581,521	37.0	1,992,633	869,045	43.6
Allstate Insurance Co.	62,055	11,028	17.8	1,081,687	760,768	70.3	1,143,662	771,706	67.5
State Farm General Insurance Co.	7,252	947**	13.1	74,593	23,056	44.3	81,845	34,003**	41.5
Total (59.3% of all business)	722,920	400,822	55.4	5,275,974	3,103,347	60.3	5,998,894	3,584,169	59.7
Total All Companies							10,114,704	5,367,178	53.1
1976									
State Farm Fire & Casualty Co.	307,126	228,823**	74.5	3,679,727	1,556,547**	42.3	3,986,853	1,785,370**	44.8
Insurance Co. of North America	468,857	65,953	14.1	1,746,945	886,528	50.7	2,215,802	952,481	43.2
Allstate Insurance Co.	117,485	11,660	9.9	1,347,125	615,836	45.7	1,464,610	627,496	42.9
State Farm General Insurance Co.	1,268	538**	42.4	18,876	22,448**	118.9	20,144	22,986	114.1
Total (60.5% of all business)	894,736	306,974	34.3	6,792,673	3,081,359	45.4	7,687,409	3,398,333	44.1
Total All Companies							12,715,088	5,581,144	43.9
1972-1976									
State Farm Fire & Casualty Co.	924,043	422,696**	45.7	10,515,980	5,552,041**	52.8	11,440,023	5,974,737**	52.2
Insurance Co. of North America	1,751,324	1,163,602	66.2	7,371,218	3,696,104	50.1	9,122,542	4,859,786	53.3
Allstate Insurance Co.	243,507	44,571	18.3	4,795,029	2,467,112	51.4	5,039,336	2,511,683	49.8
State Farm General Insurance Co.	27,968	3,257**	11.6	399,572	270,964**	67.8	427,540	274,221**	64.1
Total (57.0% of all business)	2,946,752	1,634,206	55.6	23,002,599	11,986,221	51.9	26,029,351	13,629,427	52.3
Total All Companies							45,689,532	21,948,089	48.0

* Zone 1 - Same for all companies (all of State East of 141st meridian of West longitude)

* Zone 2 - State Farm Zone 2 (all of remainder of State except zip code areas 99701-99799)
State Farm Zone 3 (zip code areas 99701-99799)

Insurance Co. of North America Zone 2 (Matanuska-Susitna and Greater Anchorage Area Boroughs and Kodiak Island)
Insurance Co. of North America Zone 3 (all of remainder of State)

** Includes Loss Adjustment Expenses.

Information submitted by companies
R. Rainey 9/77

Exhibit VII

ISO FIRE RATES

District I Class D - Dwelling Building - Owner Occupied

Amount of Insurance	Protection Class					
	5	6	7	8	9	10
\$ 40,000	173	198	267	338	422	458
\$ 70,000	303	347	467	591	738	801
\$100,000	433	496	667	844	1055	1144

District I Class D - Dwelling Contents

Amount of Insurance	Protection Class					
	5	6	7	8	9	10
\$ 20,000	91	104	139	174	216	229
\$ 35,000	160	183	243	305	379	400
\$ 50,000	228	261	347	436	541	572

District II Class D - Dwelling Building - Owner Occupied

Amount of Insurance	Protection Class							
	3	4	5	6	7	8	9	10
\$ 40,000	173	198	224	259	316	438	549	595
\$ 70,000	303	347	391	454	605	767	961	1042
\$100,000	433	496	559	648	864	1095	1373	1488

District II Class D - Dwelling Contents

Amount of Insurance	Protection Class							
	3	4	5	6	7	8	9	10
\$ 20,000	92	104	117	135	178	224	280	298
\$ 35,000	160	183	205	235	312	392	489	521
\$ 50,000	229	261	293	337	445	559	699	744

Rates compiled from manual on file
with the Division of Insurance and
confirmed by ISO.
R. Rainery 11/77

Exhibit VIII

Homeowners Insurance Rates

Policy - HO - 3 (or nearest equivalent)

Construction - Frame

Premium - Annual (\$100 deductible)

1. Home Insured for \$ 40,000
2. Home Insured for \$ 70,000
3. Home Insured for \$ 100,000

1. Anchorage

Company	Protection Class			
	5	8	9	10
Fireman's Fund	\$ 278	\$ 306	\$ 487	\$ 556
Providence Washington of Ak.	167	199	341	389
Horace Mann	202	315	559	559
Allstate	183	292	360	360
Industrial Indemnity Co. of Ak.	263	437	629	629
Insurance Co. of North America	250	414	550	550
State Farm Fire & Casualty	204	308	424	424
State Farm General	294	456	559	559
Great American	300	467	572	572
Pacific	278	306	487	556

2. Juneau

Company	Protection Class			
	5	6	7	10
Fireman's Fund	556	556	613	1,112
Providence Washington of Ak.	334	361	398	778
Horace Mann	312	337	407	863
Allstate	270	282	339	502
Industrial Indemnity of Ak.	500	571	826	1,188
Insurance Co. of North America	440	466	555	895
State Farm Fire & Casualty	283	295	345	508
State Farm General	485	507	598	864
Great American	566	612	740	1,031
Pacific	556	556	613	1,112

1. Fairbanks

Company	Protection Class			
	4	5	8	10
Fireman's Fund	278	278	306	556
Providence Washington of Ak.	167	167	199	389
Horace Mann	200	218	340	559
Allstate	166	183	292	360
Industrial Indemnity Co. of Ak.	242	263	437	629
Insurance Co. of North America	284	302	498	662
State Farm Fire & Casualty	204	223	337	526
State Farm General	294	323	502	699
Great American	346	375	583	716
Pacific	278	278	306	556

3. Anchorage

Company	Protection Class			
	5	8	9	10
Fireman's Fund	823	910	1,445	1,650
Providence Washington of Ak.	494	592	1,012	1,155
Horace Mann	456	714	1,271	1,271
Allstate	442	713	889	889
Industrial Indemnity of Ak.	734	1,216	1,747	1,747
Insurance Co. of North America	688	1,135	1,513	1,513
State Farm Fire & Casualty	485	741	902	902
State Farm General	822	1,272	1,555	1,555
Great American	831	1,297	1,591	1,591
Pacific	823	910	1,445	1,650

1. Juneau

Company	Protection Class			
	5	6	7	10
Fireman's Fund	278	278	306	556
Providence Washington of Ak.	167	181	199	389
Horace Mann	202	218	264	559
Allstate	157	166	199	292
Industrial Indemnity of Ak.	263	285	437	629
Insurance Co. of North America	220	252	300	484
State Farm Fire & Casualty	180	187	218	308
State Farm General	257	267	316	456
Great American	300	324	392	572
Pacific	278	278	306	556

3. Fairbanks

Company	Protection Class			
	4	5	8	10
Fireman's Fund	823	823	910	1,650
Providence Washington of Ak.	494	494	592	1,155
Horace Mann	453	493	771	1,271
Allstate	398	442	713	889
Industrial Indemnity of Ak.	675	734	1,216	1,747
Insurance Co. of North America	781	831	1,370	1,821
State Farm Fire & Casualty	485	532	814	1,124
State Farm General	822	904	1,399	1,994
Great American	959	1,045	1,618	1,988
Pacific	823	910	1,445	1,650

2. Anchorage

Company	Protection Class			
	5	8	9	10
Fireman's Fund	556	613	975	1,112
Providence Washington of Ak.	334	398	681	778
Horace Mann	312	406	863	863
Allstate	312	502	625	625
Industrial Indemnity of Ak.	500	826	1,188	1,188
Insurance Co. of North America	463	766	1,018	1,018
State Farm Fire & Casualty	314	508	703	703
State Farm General	558	864	1,057	1,057
Great American	566	882	1,081	1,081
Pacific	556	613	975	1,112

3. Juneau

Company	Protection Class			
	5	6	7	10
Fireman's Fund	823	823	910	1,650
Providence Washington of Ak.	494	535	592	1,155
Horace Mann	456	497	567	1,271
Allstate	383	398	480	713
Industrial Indemnity of Ak.	734	841	1,216	1,747
Insurance Co. of North America	605	693	825	1,331
State Farm Fire & Casualty	387	404	474	741
State Farm General	713	747	880	1,272
Great American	831	900	1,088	1,591
Pacific	823	823	910	1,650

2. Fairbanks

Company	Protection Class			
	4	5	8	10
Fireman's Fund	556	556	613	1,112
Providence Washington of Ak.	334	334	398	778
Horace Mann	309	337	525	863
Allstate	282	312	502	625
Industrial Indemnity of Ak.	459	500	826	1,188
Insurance Co. of North America	525	559	921	1,225
State Farm Fire & Casualty	314	366	557	875
State Farm General	558	614	950	1,321
Great American	653	709	1,102	1,352
Pacific	556	556	613	1,112

Rates compiled from manuals on file with the Division of Insurance and confirmed by companies.

R. Rainery 11/77

Exhibit IX

ISO Premium Relativities - Dwelling Fire - Frame Bldg

<u>Protection Class</u>	<u>Statewide Current Relativities</u>	<u>Statewide Indicated Relativities</u>
3	.773	1.079
4	.884	1.000
5	1.000	1.000
6	1.155	1.000
7	1.542	.836
8	1.956	.836
9	2.447	1.195
10	2.654	1.348

ISO Fire filing of June 7, 1977

Exhibit X

ISO Dwelling Experience Compilation - Protection Standard Fire Policy

	Protected (Classes 1-8)			Unprotected (Classes 9 & 10)		
	<u>Earned Premiums</u>	<u>Incurred Losses</u>	<u>Loss Ratio</u>	<u>Earned Premiums</u>	<u>Incurred Losses</u>	<u>Loss Ratio</u>
1971	474,991	289,125	60.9	508,446	168,957	33.2
1972	456,014	205,009	45.0	526,474	170,967	32.5
1973	448,655	166,816	37.2	506,598	96,752	19.1
1974	510,136	197,089	38.6	587,118	84,009	14.3
1975	667,871	175,513	26.3	647,324	186,553	28.8
TOTAL	2,557,667	1,033,552	40.4	2,775,960	707,238	25.5

ISO 1976 Statistical Report, Personal Lines

Exhibit XI

Market Concentration Share

Alaska Homeowners Insurance

	<u>No. of Cos.</u>	<u>% of market share</u>
1972	5	64.5
1973	5	68.2
1974	5	69.1
1975	5	59.9
1976	5	73.4

Countrywide

	<u>No. of Grps</u>	<u>% of market share</u>
1976	26	64.8

Alaska Fire Insurance

	<u>No. of Cos.</u>	<u>% of market share</u>
1972	10	69.1
1973	10	58.7
1974	10	57.1
1975	10	59.6
1976	10	62.6

Countrywide

	<u>No. of Grps</u>	<u>% of market share</u>
1976	26	59.0

NAIC Competition Study, September 30, 1977
 Insurance Report 1972-76
 R. Rainery November 22, 1977

Exhibit XII

Alaska Fire Insurance Written Premiums

	Total (Admitted and Surplus)	Surplus	Surplus as % of Total
1972	\$8,817,563	\$976,882	11.1
1973	8,521,343	548,959	7.6
1974	9,523,474	965,537	10.1
1975	10,639,320	2,865,449	26.9
1976	13,796,608	4,522,479	32.8
Totals	\$51,298,308	\$9,979,306	19.5

Insurance Report 1972-76
 1/21/77 R. Rainery