



2025 Risk Retention Group Benchmarking Study

Gregory W. Fears Jr., FCAS, MAAA, ARM
Director and Consulting Actuary

Erich A. Brandt, FCAS, MAAA
Senior Consulting Actuary

Robert J. Walling III, FCAS, MAAA, CERA
Principal and Consulting Actuary

Brittany L. Henrich, ACAS, MAAA
Consulting Actuary

Steve Jagodzinski, ACAS, MAAA
Consulting Actuary

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Commitment Beyond Numbers

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I. Executive Summary

Pinnacle Actuarial Resources, Inc. (Pinnacle) is pleased to present our eighth annual Risk Retention Group (RRG) Benchmarking Study. The purpose of this study is to examine publicly available RRG financial statement data and provide analysis of key financial metrics and industry trends. Key findings specific to this year's study are summarized below:

- The number of RRGs has been stable over the past 15 years. Vermont, South Carolina and Alabama have the most domiciled RRGs. New York, Pennsylvania and California, however, rank highest in terms of the risk state for written premium.
- Both RRGs and the industry continue to see premium growth across commercial auto liability (CAL), medical professional liability (MPL), and other liability (OL) lines of business. We continue to see new formations of CAL RRGs.
- The overall market share across all lines for RRGs has been about 0.5% of direct written premium (DWP). The market share for the MPL line of business has steadily increased from 15.9% in 2014 to 22.5% in 2024.
- RRGs have had higher accident-year loss and loss adjustment expense (LAE) ratios than the rest of the industry over the past 11 years.
 - Loss ratios for MPL Association-affiliated companies have been superior to unaffiliated companies historically but are beginning to worsen in recent years.
- Net income has been positive for the 11 calendar years prior to 2024 for both the industry and RRGs. Underwriting net income decreased drastically in 2022 for RRGs but rebounded in 2023. Many RRGs use Generally Accepted Accounting Principles (GAAP) as their accounting basis. The reductions in net income as bonds are marked to market caused a much bigger decrease compared to the industry which predominantly uses statutory accounting principles (SAP).
- Overall, RRGs tend to be better capitalized than the overall industry. The ratio of net written premium (NWP) to surplus has been flat for RRGs over the past several years and the ratio for RRGs is substantially smaller when compared to the insurance industry.
 - MPL Association-affiliated RRGs are *substantially* more capitalized than that of their unaffiliated counterparts.
- A comparison of reported incurred (paid amounts plus case reserves) loss and defense and cost containment expenses (DCC) development patterns reveal that aggregated RRG-incurred losses tend to develop differently than aggregated incurred losses for the industry for the MPL, CAL and OL lines of business.
- Overall expenses for RRGs vary by line of business written, with CAL having a higher and more variable expense ratio than RRGs writing OL or MPL.

II. Overview

One extremely useful aspect of state regulation of admitted insurance companies and RRGs is that insurers are required to annually provide significantly more financial information than other industries. The National Association of Insurance Commissioners (NAIC) prescribes a standardized format for annual statements required from property/casualty (P/C) insurance companies licensed in the United States. Under statutory accounting rules, the annual statement is supported with a detailed codification of the accounting rules that must be followed when producing the document. The annual statement contains such information as balance sheets, income statements, cash flow detail, premium breakdowns by line and state, reinsurance analysis, investment holdings (as well as sales and acquisitions), expense analyses, a wide variety of interrogatories related to matters that require additional description and documentation (e.g., accounting rules, asbestos claims liabilities, ownership structures) and a detailed analysis of paid and unpaid claims experience (Schedule P). Because of the annual statement's extensive data requirements, mandate and structure, it is a tremendous resource for analyzing insurance industry trends.

The NAIC, the A.M. Best Company and other vendors have developed products that compile annual statement data and make it easy to aggregate and summarize. We have used, aggregated and performed extensive calculations of A.M. Best's compilation of annual statement data for RRGs and for the broader insurance industry throughout this analysis. Our analysis included calendar years 2014 through 2024 for most schedules.

We have utilized RRG annual statement data from the following schedules:

- Annual Statement Assets Page – asset data
- Liabilities, Surplus and Other Funds – liability data
- Income Statement – net income, net underwriting income, policyholder surplus
- Statement of Cash Flows – net investment income
- Underwriting and Investment Exhibit – net written premiums, investment data
- Five-Year Historical Data
- Statutory Page 14 – direct premium and loss data
- Schedule P – loss and expense data, net earned premiums, one- and two-year loss development values
- Schedule T – by-state data, industry type data
- Insurance Expense Exhibit – premium and loss data, expense data
- A.M. Best General Information – state of domicile, Best's Financial Strength Rating

One of this data source's weaknesses is that detailed information by state is limited to premium, a portion of total underwriting expenses and loss and loss adjustment data. All by-state data is on a calendar-year basis. This information is contained in Statutory Page 14 and Schedule T. We used annual statement data to examine calendar-year incurred losses and DCC expenses. Insurance company

financial statements provide this data annually by line of coverage and state. We also examined ratios of losses and DCC to earned premium as a measure of industry and company underwriting profitability.

The calendar-year data we have described thus far is particularly worthwhile because it allows a comparison to the total insurance industry. It also offers the benefit of examining claim payments and reserve changes actually made in a given calendar-year period. However, the calendar-year data contains loss payments from a number of different accident years in any given calendar year. For example, any general liability claim payment made in 2024 is assigned to calendar year 2024 regardless of whether the incident occurred in 2024 or in 2015. To remedy the disconnect between payment calendar year and claim-occurrence year, insurance companies also produce financial data on an accident-year basis for occurrence coverages and a report-year basis for claims made (CM) coverage that assigns claims to the year in which the claim occurred or was reported. The accident-year approach's main drawback is that insurance companies are not required to produce this data on a by-state basis.

Accident-year data is additionally complicated because companies are required to post incurred but not reported (IBNR) reserves as an estimate of future claims development beyond the current accident-year paid losses and case reserves. IBNR is also held for DCC and other loss adjustment expenses. These IBNR estimates are based on both the judgment of the insurer's appointed actuary and its management's best estimates. These estimates introduce an additional amount of uncertainty to the loss results, however. We have assumed management's current best estimate is reasonable and have not attempted to replace the companies' currently held reserves with our own analysis.

Graphs are either based on "As-Was" or "As-Is" data, as appropriate. "As-Is" data is defined as the data as of an accounting date, e.g., December 31, 2024, for active RRGs at that particular date. It includes historical information, but only for any RRG that is active in 2024. "As-Was" data is defined as the data as of each annual accounting date for any RRG that was active in that year. "As-Was" data can give a more accurate historical perspective of the RRG market for each prior year and will include RRGs that are inactive in 2024. The difference between the two is caused by RRGs active in the last 10 years shutting down due to insolvency, low premium or management decision. Where appropriate, "As-Was" data is used to more accurately represent the RRG market and changes over the years. In general, the graphs that use "As-Was" data capture calendar-year statistics.

We also reviewed the available information with respect to auditors and opining actuaries for RRGs. The dataset was incomplete as several smaller RRGs do not report that information to our data source, but an opining actuary and auditor were available for over 85% of RRGs. We can state affirmatively that there are over 10 actuarial and accounting firms that service five or more RRGs, demonstrating diversity in the industry's service providers.

Note that in our 2025 study we have updated our section outline. Please refer to the table of contents for specific sections, as they may not be in the same numerical section as in previous years.

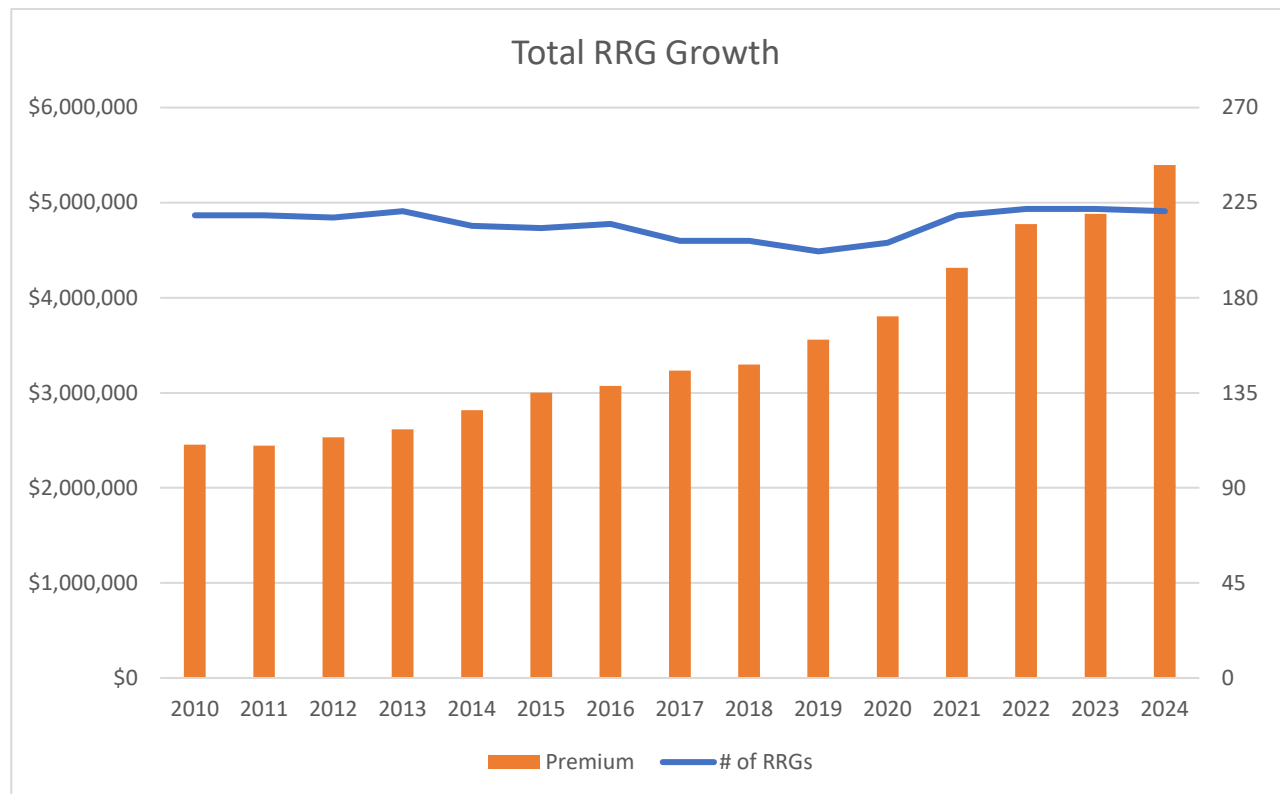
III. Overall RRG Demographics

This section provides a high-level overview of RRGs: the number and types of RRGs and how these demographics are changing. We find the number of RRGs has been relatively stable over the past 10 years despite slight reversals. Five states and districts have 10 or more domiciled RRGs. Vermont, South Carolina and Alabama have the most and are in the top 5 in terms of written premium. The business mix for RRGs is focused on MPL, OL and CAL.

A. How Many RRGs Are There?

The amount of written premium insured by RRGs decreased slightly between 2010 and 2011 before growing steadily since and exceeding \$5 billion in written premium. The number of RRGs with written premiums had been relatively stable from 2010 to 2013, averaging 219 per year. Between 2013 and 2019 the number of RRGs with positive written premium decreased from 221 RRGs in 2013 to 202 RRGs in 2019. This decrease was related primarily to small- and medium-sized MPL RRGs. In the past five years, the numbers of RRGs increased overall and currently sits at 222 RRGs with positive written premium in 2024.

Figure III.A – Total RRG Growth – Premium (000s) and Number

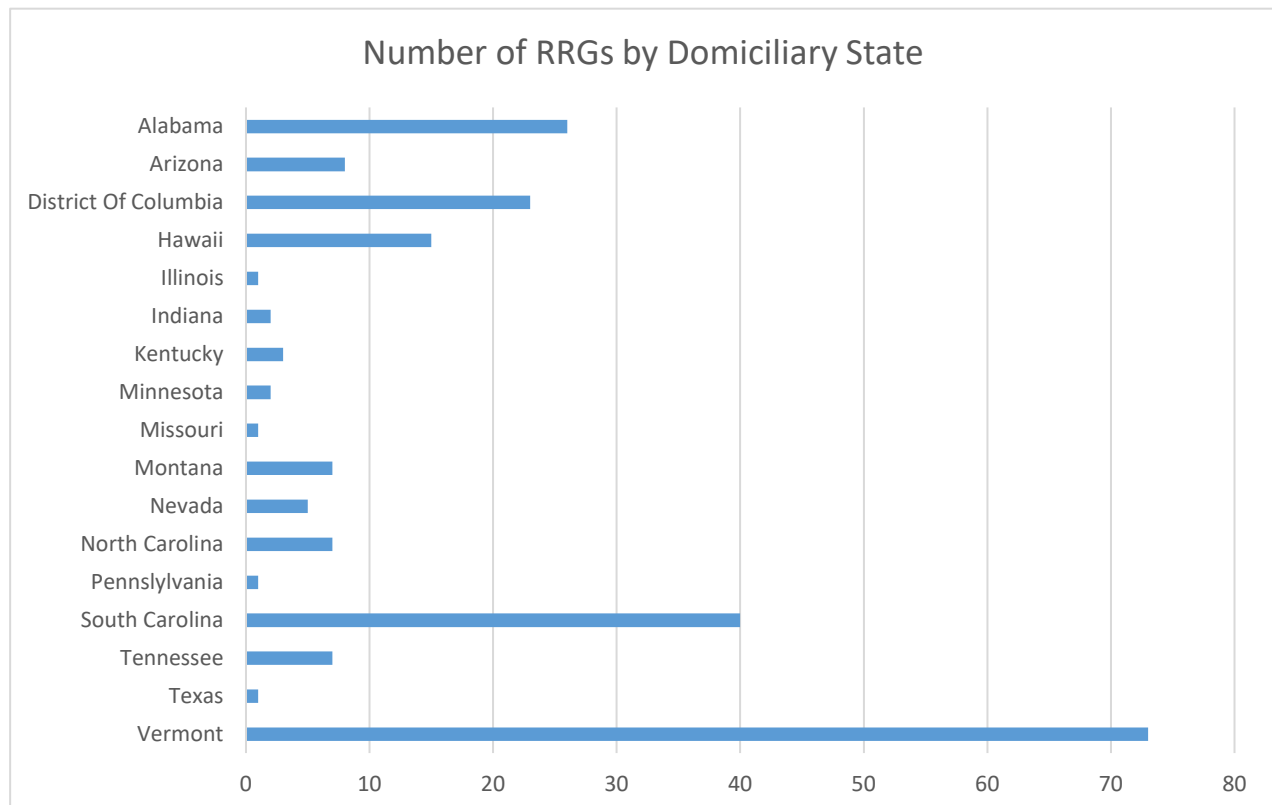


B. RRG Counts and Premiums by Domicile

There are 222 RRGs with positive premium identified in the A.M. Best database for 2024. Over 70% of them are domiciled within Vermont, South Carolina, Alabama and the District of Columbia (D.C.). Over the last five years, Vermont and South Carolina have consistently had the largest percentage of RRGs. Most of the states have seen a bit of fluctuation over the last five years but remain around the same number of RRGs. Meanwhile, South Carolina and Alabama have seen an increase in the number of RRGs. Alabama, in particular, has seen the largest increase over the past five years, growing from only five in 2020 to 26 in 2024.

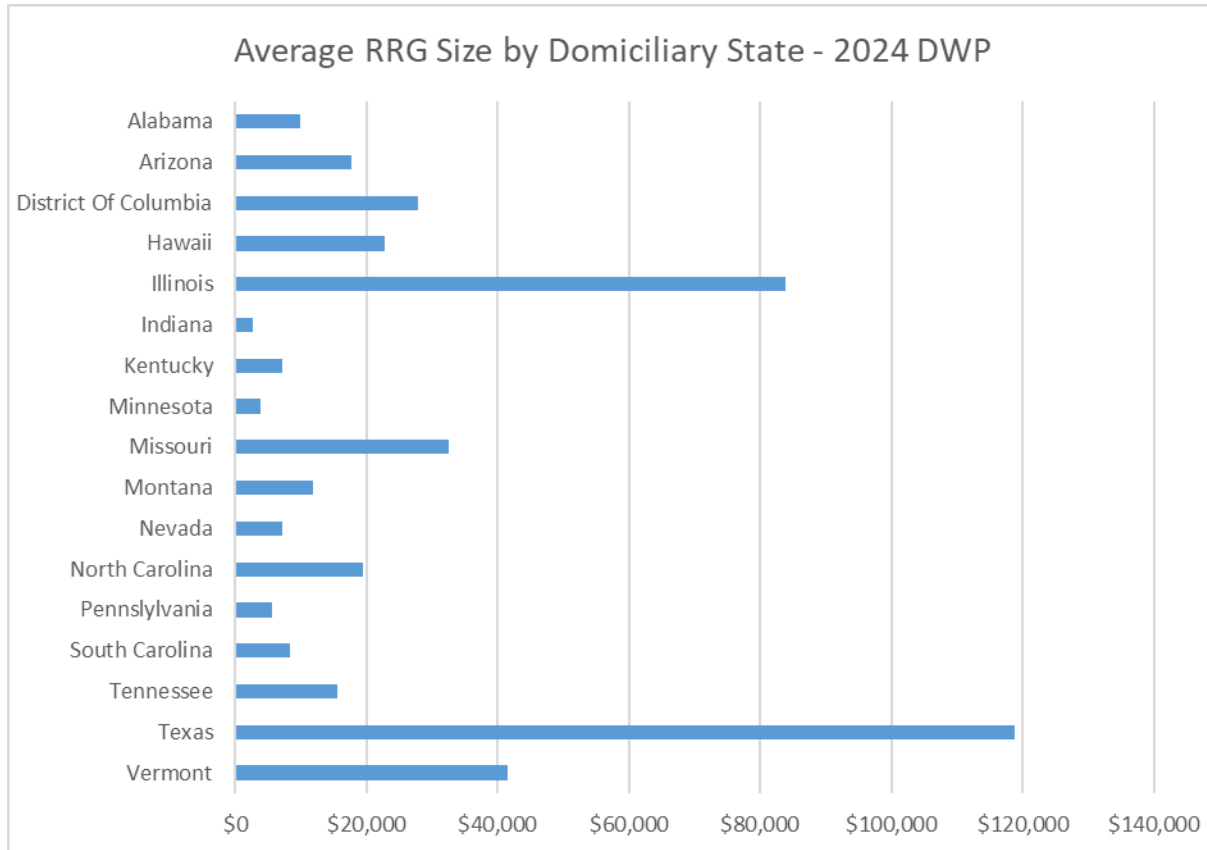
State of Domicile	Number of RRGs					Percent of Total				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Vermont	73	73	74	77	73	33%	33%	33%	35%	37%
South Carolina	40	40	41	37	29	18%	18%	18%	17%	15%
Alabama	26	18	19	13	5	12%	8%	8%	6%	3%
District Of Columbia	23	25	25	25	26	10%	11%	11%	11%	13%
Hawaii	15	16	16	15	14	7%	7%	7%	7%	7%
Arizona	8	8	8	9	10	4%	4%	4%	4%	5%
Tennessee	7	9	10	10	9	3%	4%	4%	5%	5%
North Carolina	7	10	10	9	8	3%	5%	4%	4%	4%
Montana	7	7	6	7	7	3%	3%	3%	3%	4%
Nevada	5	7	7	8	9	2%	3%	3%	4%	5%

Figure III.B.1 – Number of RRGs by Domiciliary State



As shown in [Figure III.B.2](#), Texas has the largest average premium size per RRG based on DWP. It is worth noting though, that Texas, Missouri and Illinois only have one RRG domiciled in their respective state.

Figure III.B.2 – Average RRG Size by Domiciliary State – 2024 DWP (000s)

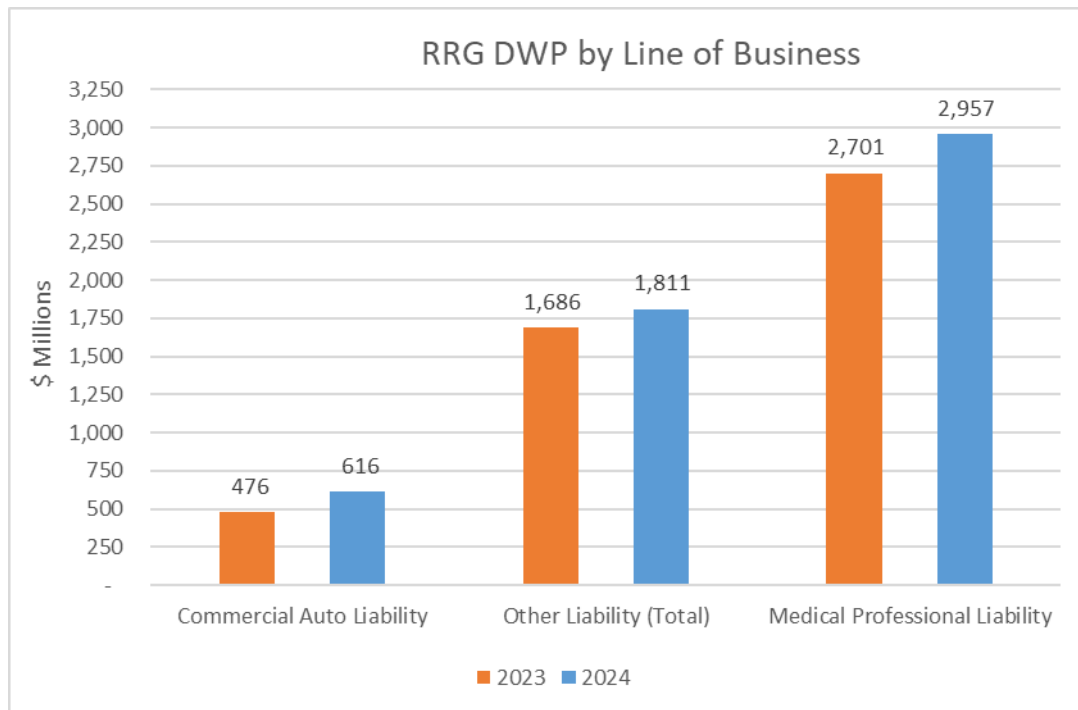


C. RRG Premiums by Line of Business and State

The mix of RRG premium by line and risk state provides insight into line and state combinations where RRGs provide substantial market capacity. The following section looks at these differences.

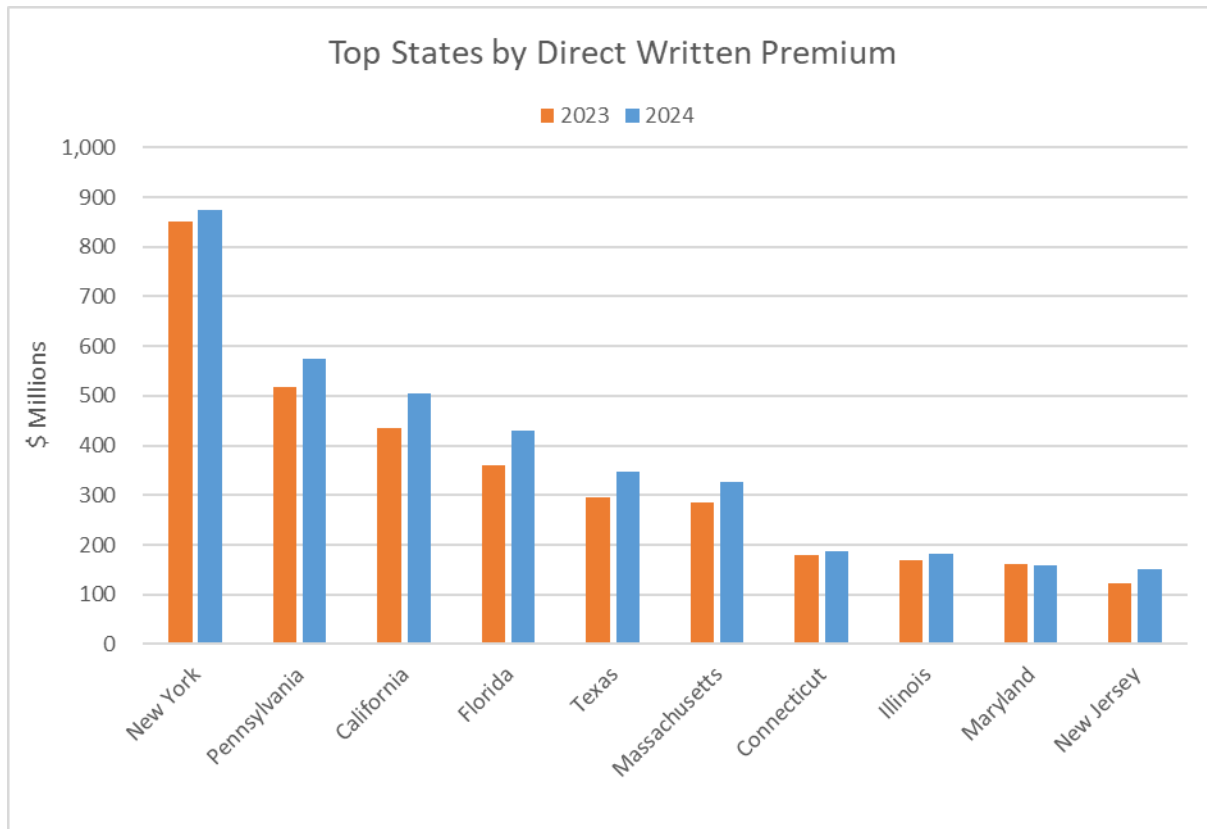
The following graph shows 2024 DWP by line of business for RRGs domiciled in the U.S. The largest written lines of business are CAL, OL and MPL, with MPL ranking highest. It should be noted that OL and MPL include both occurrence (OCC) and claims made (CM) forms.

Figure III.C.1 – RRG DWP by LOB (\$millions)



In addition to the state of domicile, we also reviewed volume based on the state in which the insured risk was located. A physician group in New York insured by an RRG domiciled in Vermont is counted with Vermont (domicile) in the preceding figures but is included in New York (risk state) in [Figure III.C.2](#). It summarizes the total RRG direct written premium for all lines combined by risk state. New York, Pennsylvania, California, Florida and Texas have the largest RRG premium volume and each saw increases in DWP in 2024. Premium volume by risk state also varies significantly by line of business. For more information, please see Section VI.

Figure III.C.2 – RRG Direct Written Premium (000s) by Risk State



Since 2023, our study of MPL RRGs was extended further as we began to analyze affiliated members of the Medical Professional Liability Association (MPL Association) separately. These members are often parent companies for multiple RRGs and make up roughly 44% of the direct premiums written in our database of MPL RRGs. Our analysis revealed numerous insights highlighted below.

For MPL RRGs, New York emerged as the top writing state for RRGs with an MPL Association affiliation. Likewise, Pennsylvania is the respective top writing state for unaffiliated RRGs.

Figure III.C.3a – Top States by Direct Written Premium

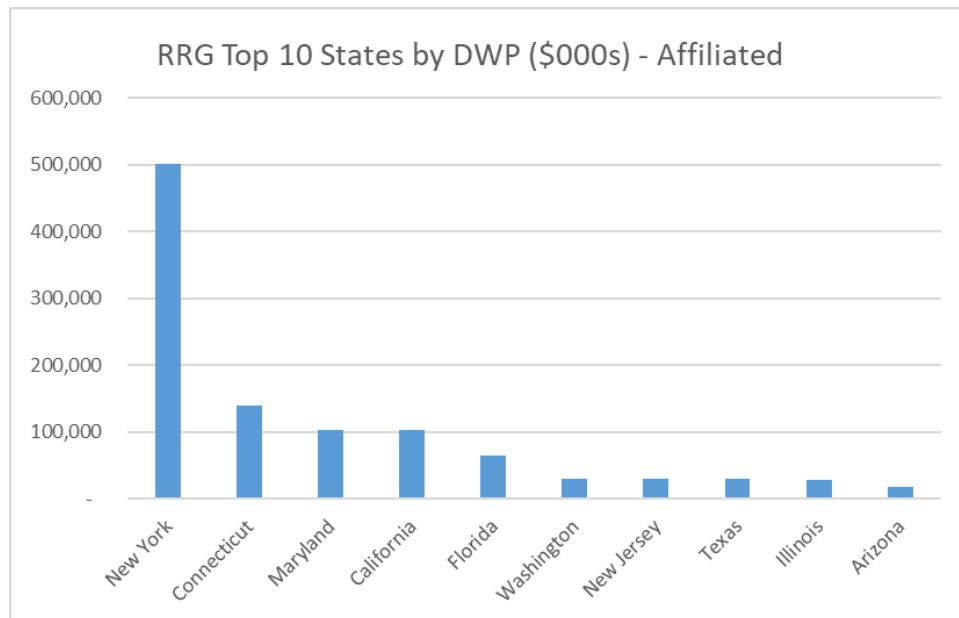
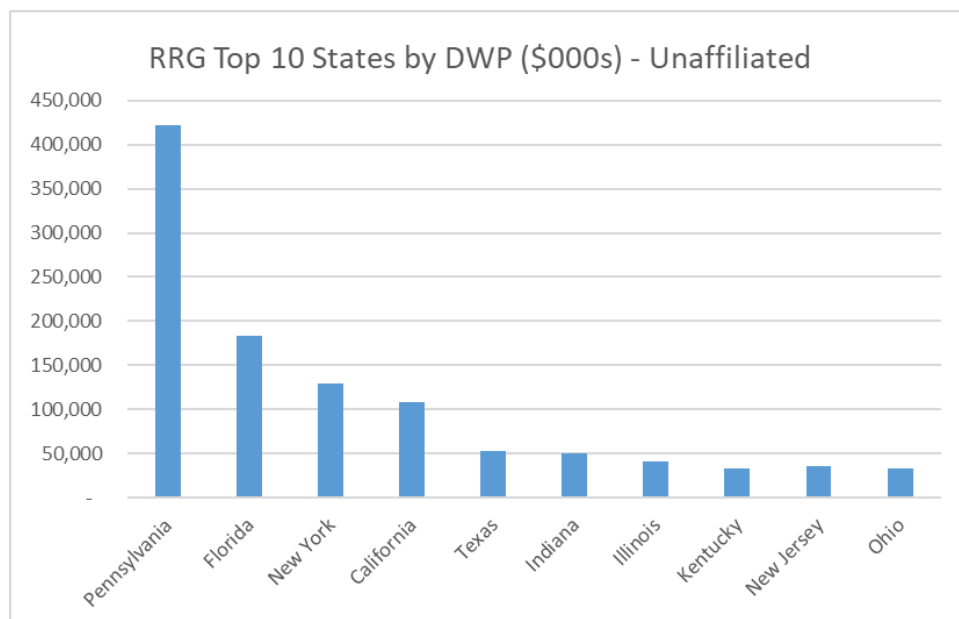


Figure III.C.3b – RRG Top 10 States by DWP – Unaffiliated RRGs



D. Monoline RRG Writers

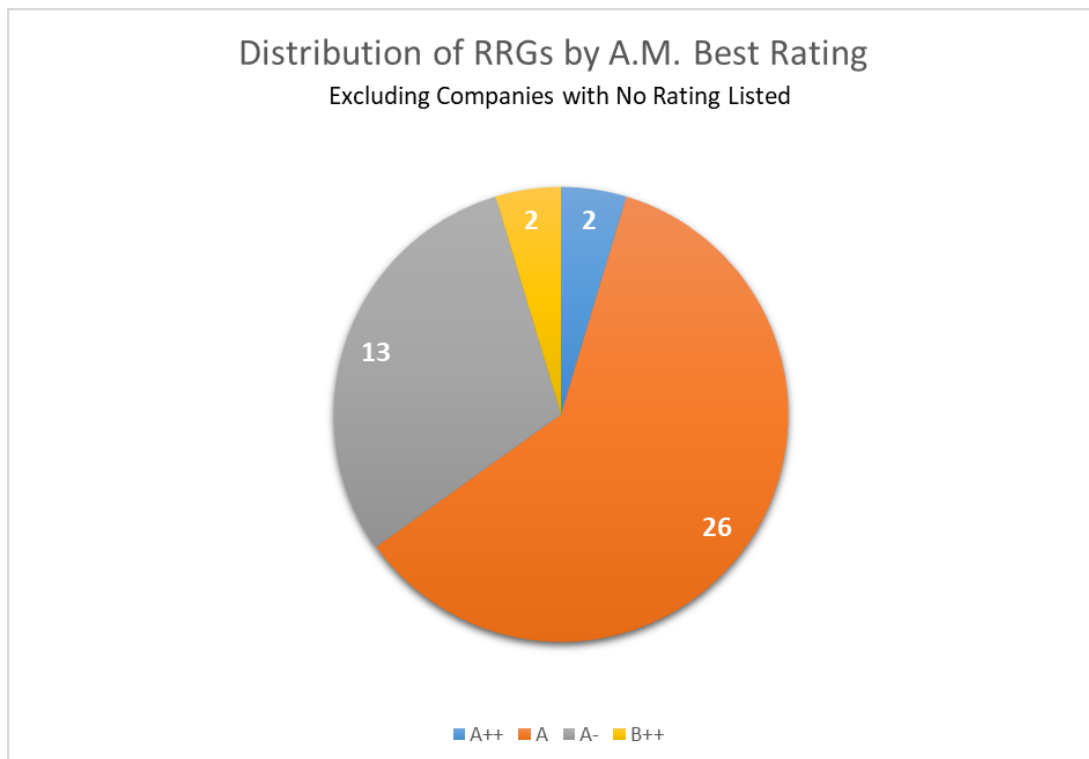
Of the 222 RRGs with positive written premium in 2024, 198 wrote over 90% of their premium in one line of business (LOB). We refer to these RRGs as Pure RRGs. Below is the percentage of monoline RRG writers by LOB. The number of MPL RRGs has increased from 95 RRGs in 2020 to 100 RRGs in 2024, while the number of RRGs specializing in CAL has increased from 31 to 45 over the same time period and those for OL has increased from 51 to 53.

Line of Business	Number of Monoline RRGs					Percent of Total RRGs				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
CAL	45	47	46	41	31	20%	21%	20%	19%	15%
OL	53	56	57	55	51	24%	25%	25%	25%	25%
MPL	100	99	97	96	95	45%	44%	43%	44%	47%
Mono Total	198	202	200	192	177	89%	91%	88%	87%	88%

E. A.M. Best Rating

Of the 222 RRGs operating with positive written premium in 2024, only 44 were rated by A.M. Best, two more than last year's analysis. The distribution of those ratings appears below. A majority of the rated RRGs received an A- or better. Only two RRGs fell below an A- level rating, and those RRGs scored the next-highest rating of B++. The number of RRGs with a reported A.M. Best rating has remained steady for the past several years.

Figure III.E – Distribution of RRGs by A.M. Best Rating



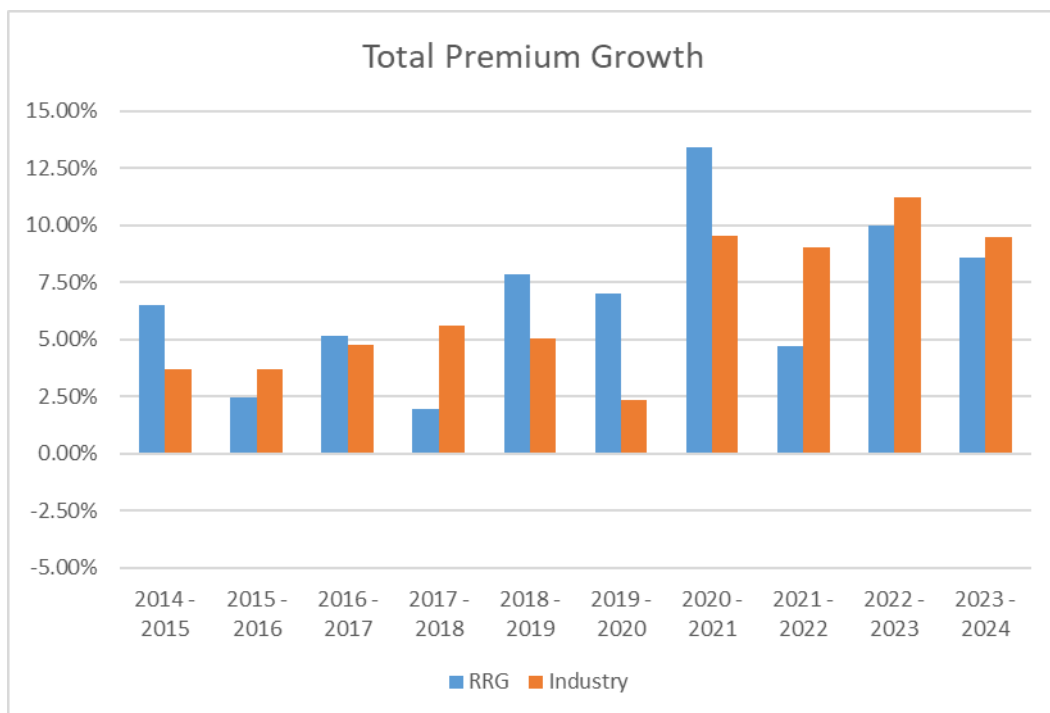
IV. Premium Trends and Benchmarks

Premiums are a primary measure of insurance companies' top-line revenue. As such, premium trends are key financial indicators. A comparison of RRG writers to the insurance industry shows RRGs have had lower overall DWP growth in each of the past three calendar years. The states with the highest amount of RRG DWP in calendar year 2024 are New York, Pennsylvania, California, Florida and Texas. The following analysis details the varying coverages by state. In the past several years, the industry has retained about 90% of its NWP as a percentage of DWP. RRGs have retained around 58% of their DWP. The magnitude of the differences between the industry and RRGs varies by line of coverage. The overall market share across all lines for RRGs has been about 0.5% of DWP in the observed periods. For the MPL line of business, its share has steadily increased from 15.9% in 2014 to 22.5% in 2024.

A. Premium Trends by Line

Total premium growth for the industry and RRGs has been positive since 2014-15, with the industry growing faster than RRGs in each of the past three years.

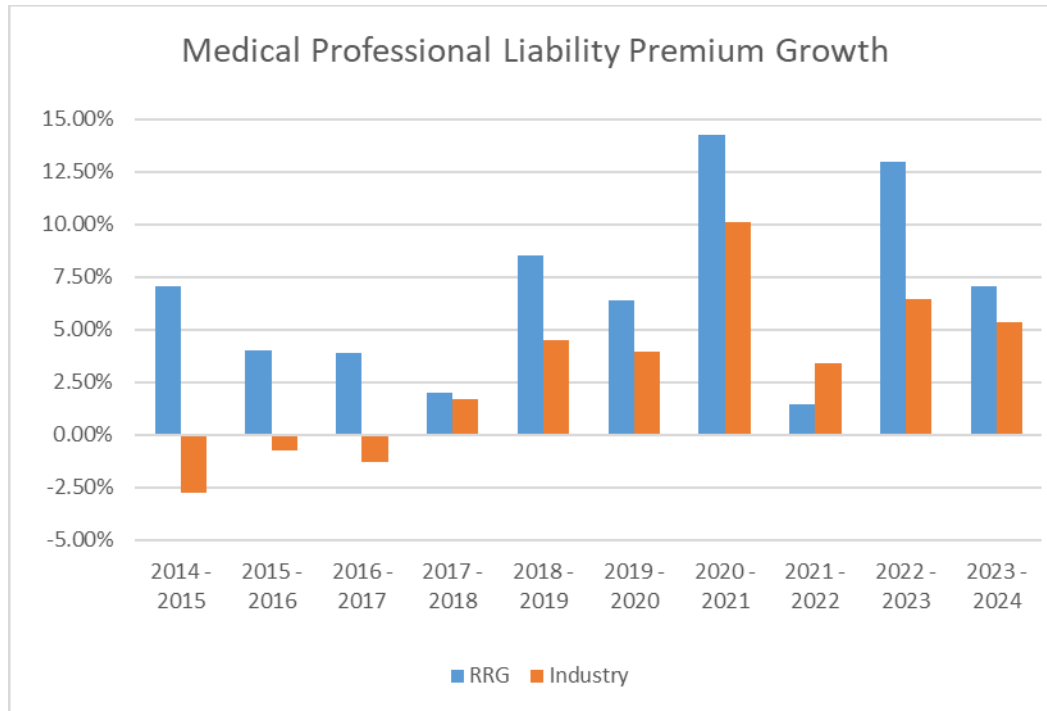
Figure IV.A.1 – Total Premium Growth



For the MPL line of business, premium growth for the industry was negative 2014-17, while RRGs experienced only positive growth during that same time period. During the past six years, both the industry and RRGs have had positive growth. Some of this growth is due to the

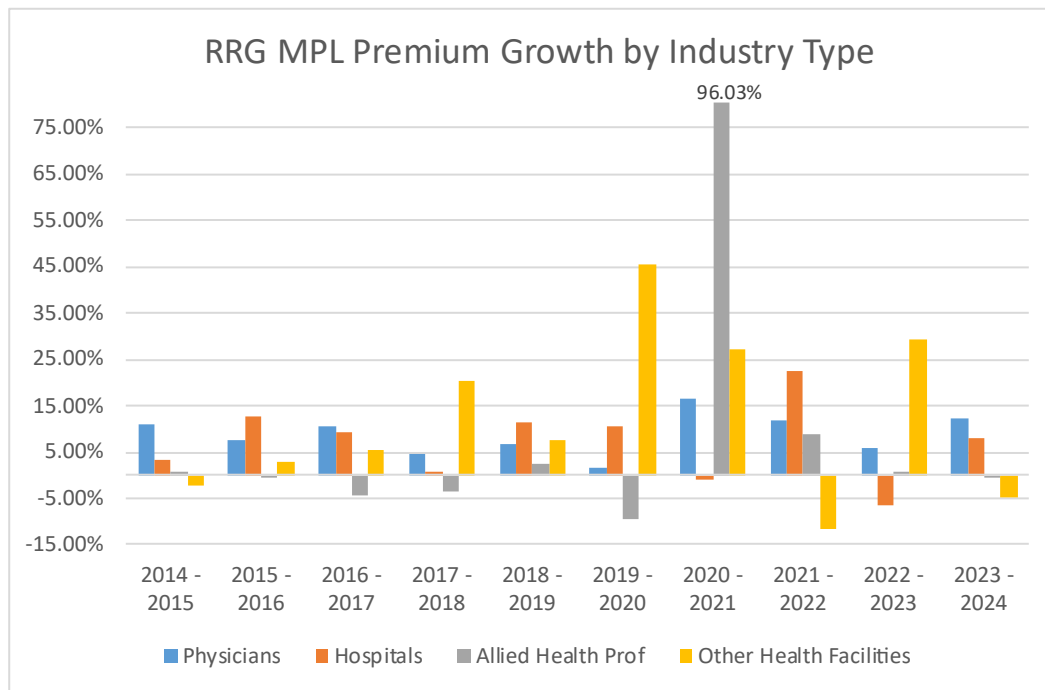
hardening of the market; RRGs are becoming more attractive for benefits such as federal regulation, customized coverage for complex risks and ease of expansion. We note that while the number of MPL RRGs has slightly decreased over the last five years (see Section III.F), the average direct written premium per MPL RRG increased slightly from \$24 to \$25 million.

Figure IV.A.2a – MPL Premium Growth



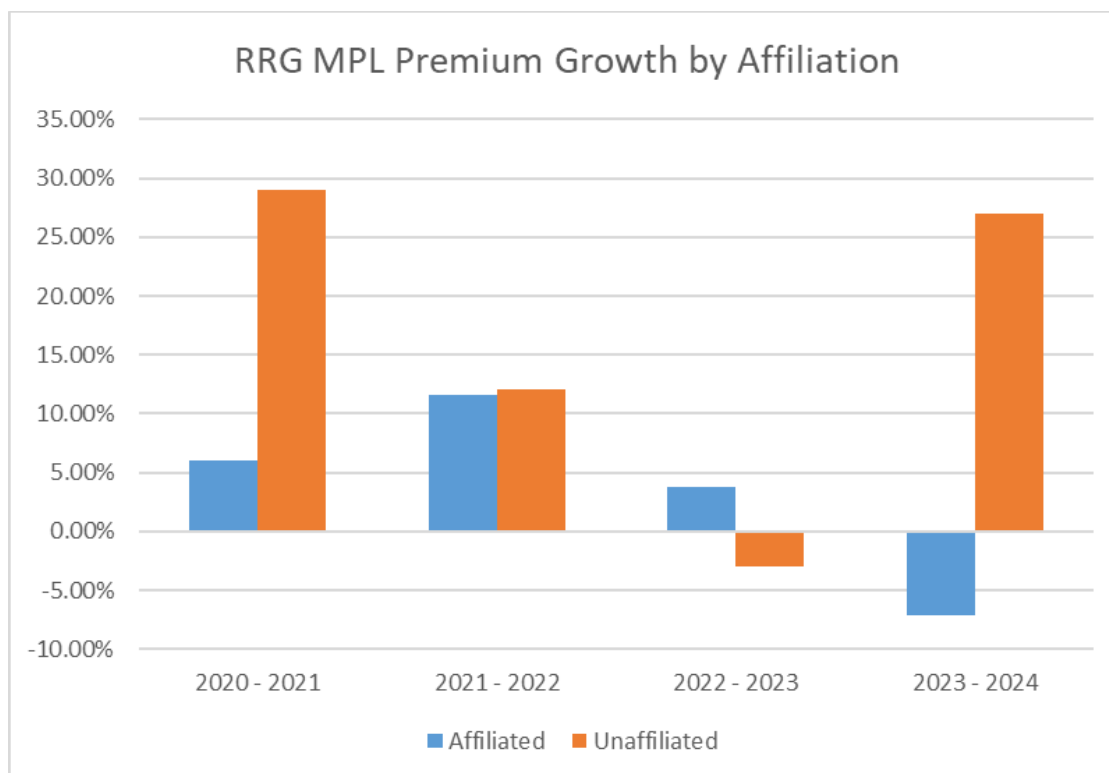
When reviewing changes in MPL growth by industry type, the historic growth in allied health and other healthcare facilities RRGs seems to be driving overall MPL results. In 2020-21, the large growth was attributable to one allied health professional company, Emergency Capital Management, LLC. Other healthcare facilities and allied health sectors, however, have begun to see decreases in the most recent year of our study. It should be noted that premium growth for physicians and hospitals continue to remain positive across many of the years of our study, including 2024.

Figure IV.A.2b – MPL Premium Growth by Industry Type



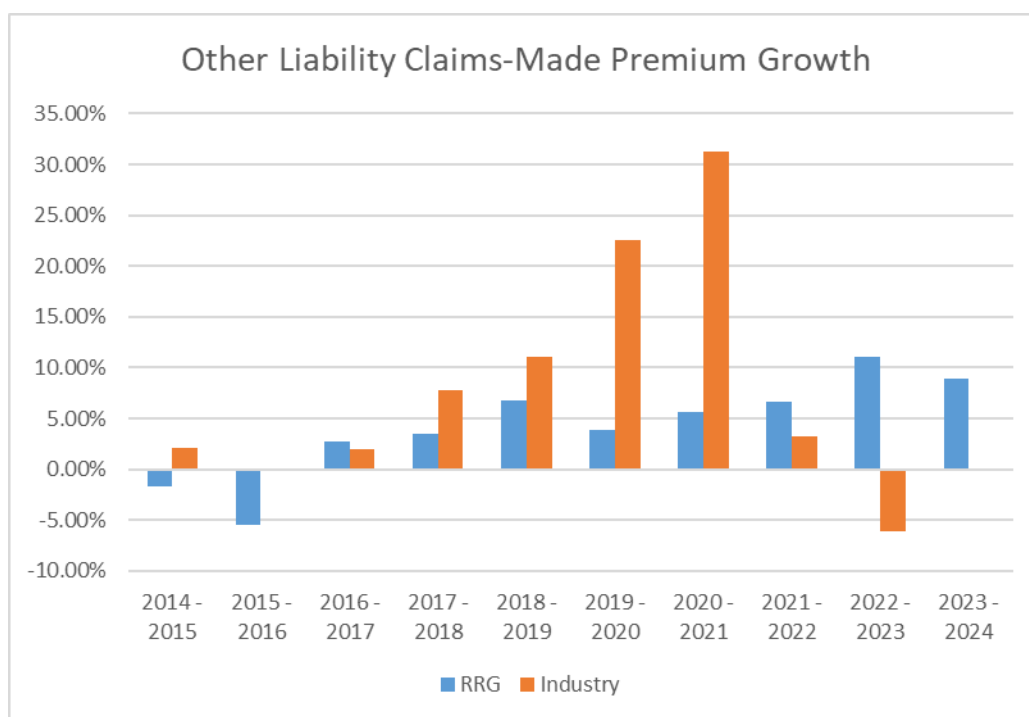
When reviewing MPL growth by MPL Association affiliation, unaffiliated companies are growing faster than affiliated companies for three out of the past four years. The spike in 2020-21 for unaffiliated companies is due to the emergence of Emergency Capital Management LLC. Growth in other years can be attributable to the overall rise in senior care exposure.

Figure IV.A.2c – MPL Premium Growth by Industry Type



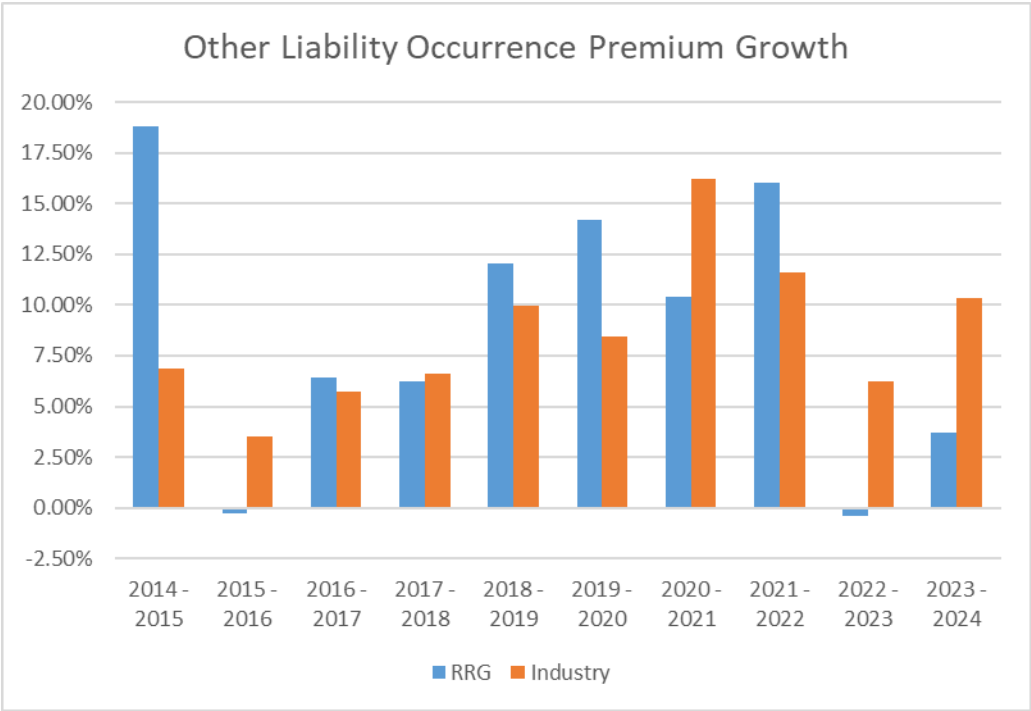
For the OL CM line of business, premium growth for the industry was higher than RRGs from 2016-21, with RRGs outpacing the industry in each of the past three years. Premium growth for the industry remained static in 2024, sitting at just -0.1%.

Figure IV.A.3 – OL CM Premium Growth



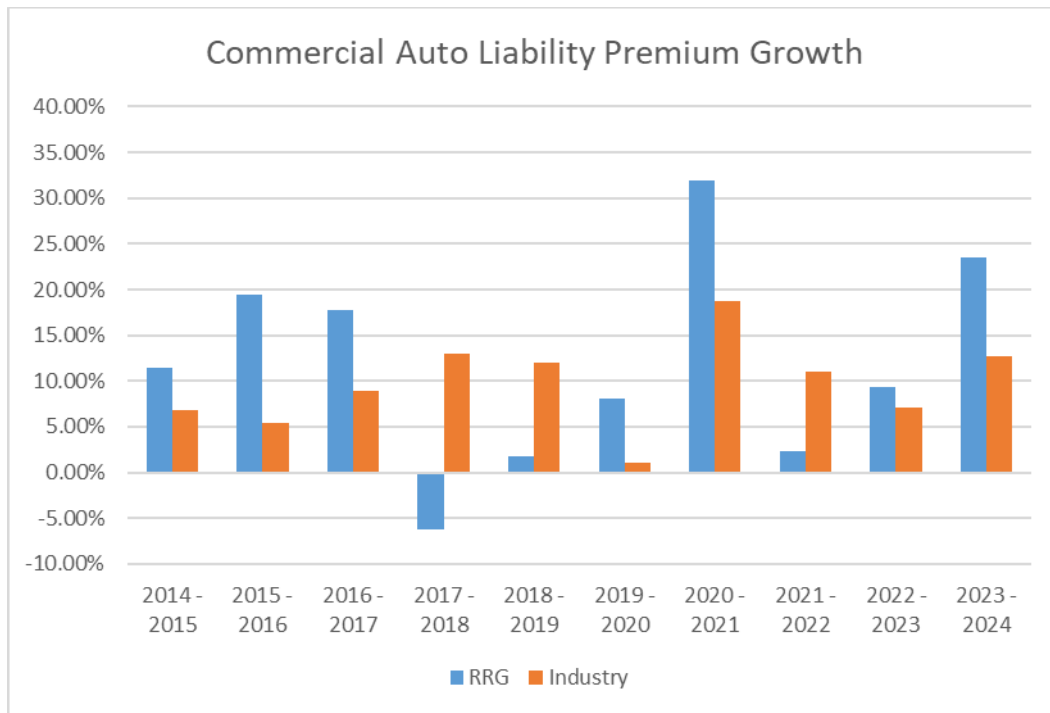
For the OL-OCC line of business, premium growth for the industry has been positive since the 2014 calendar year. RRGs have experienced positive growth for eight out of 10 observed policy periods, with five years having over 10% growth.

Figure IV.A.4 – OL-OCC Premium Growth



For the CAL line of business, premium growth for the industry has steadily increased since 2014. RRG premiums have had even larger increases from 2014-17, followed by a decrease in 2018. RRG premiums increased from 2019-24, having outpaced the industry in four out of the past five years.

Figure IV.A.5 – CAL Premium Growth



B. State Composition

As illustrated by the following graph of calendar year 2024, the five largest RRG DWP risk states are New York, Pennsylvania, California, Florida and Texas.

Figure IV.B.1 – DWP (000s) by State by Line of Business (Top 10)

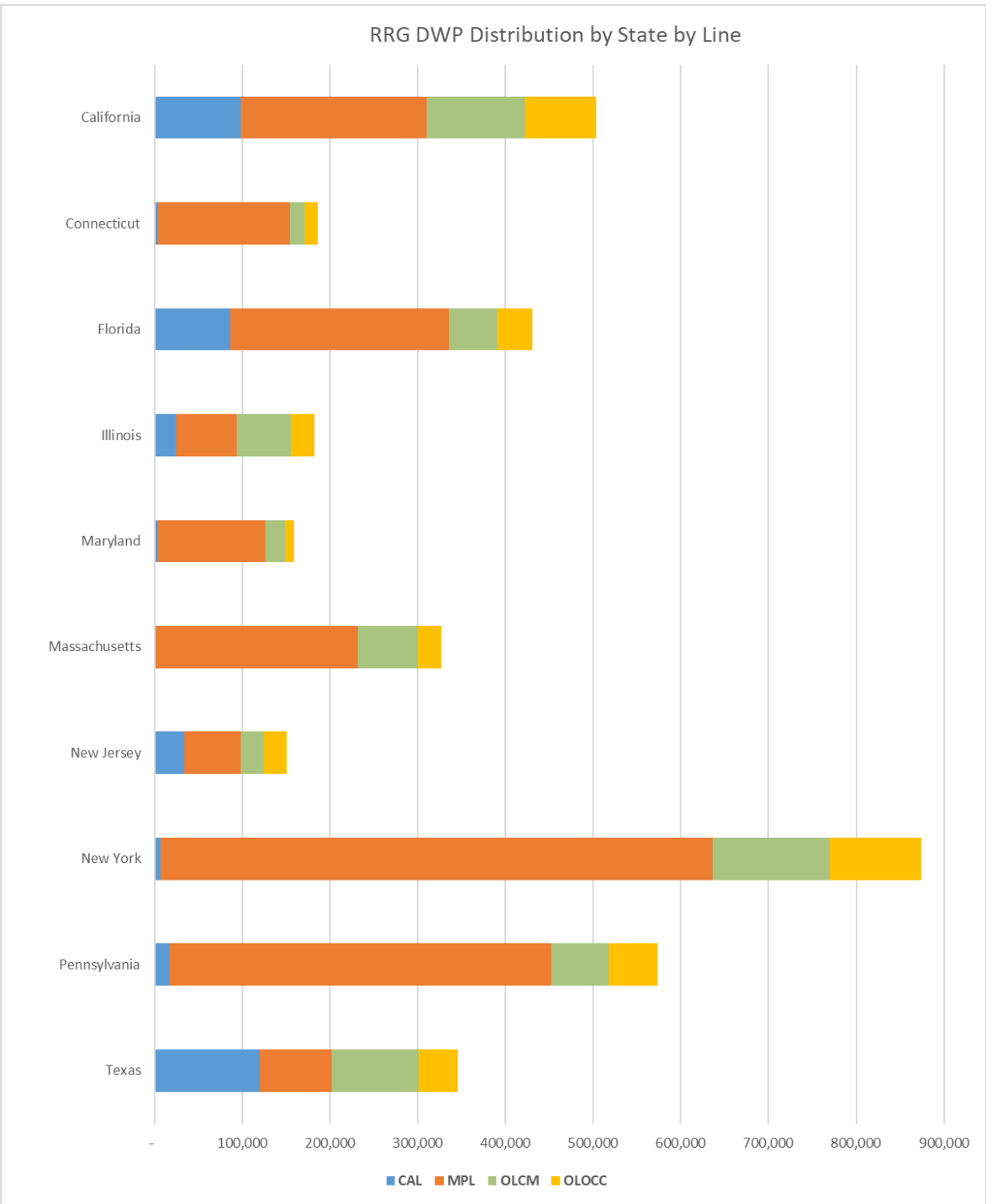
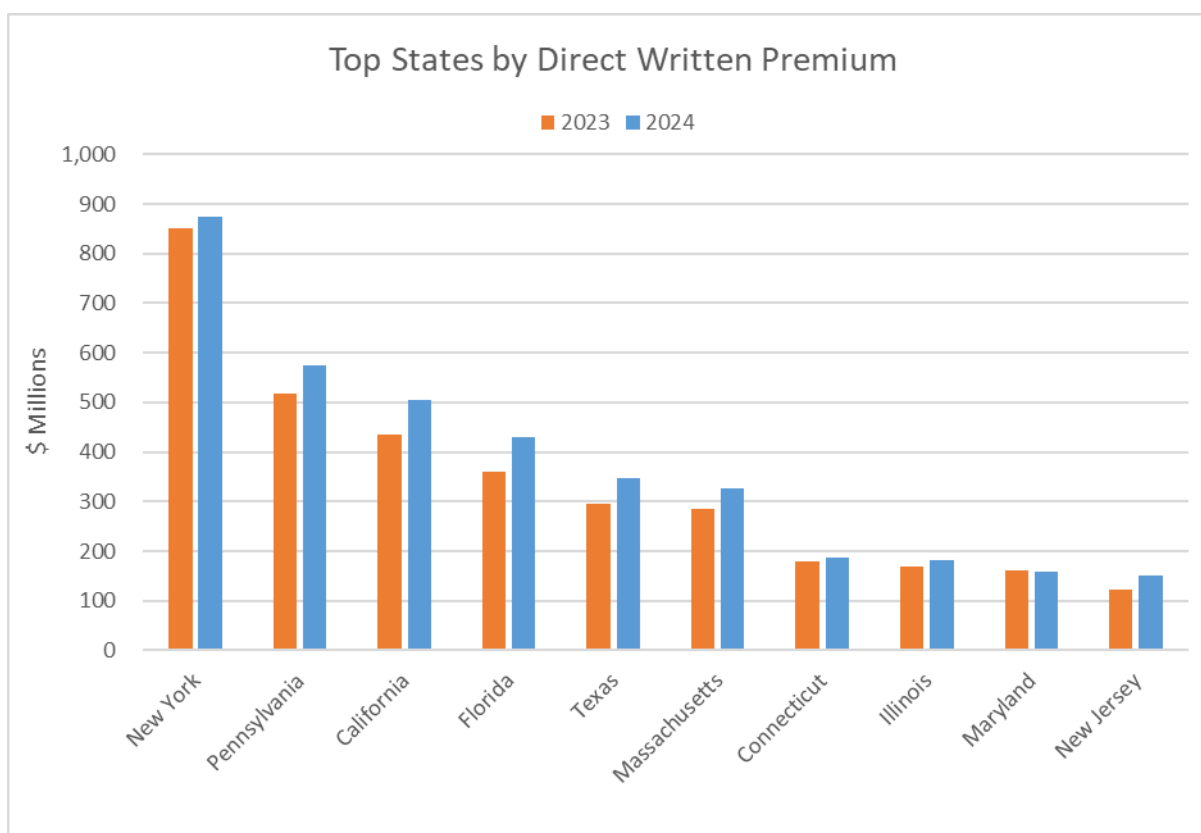
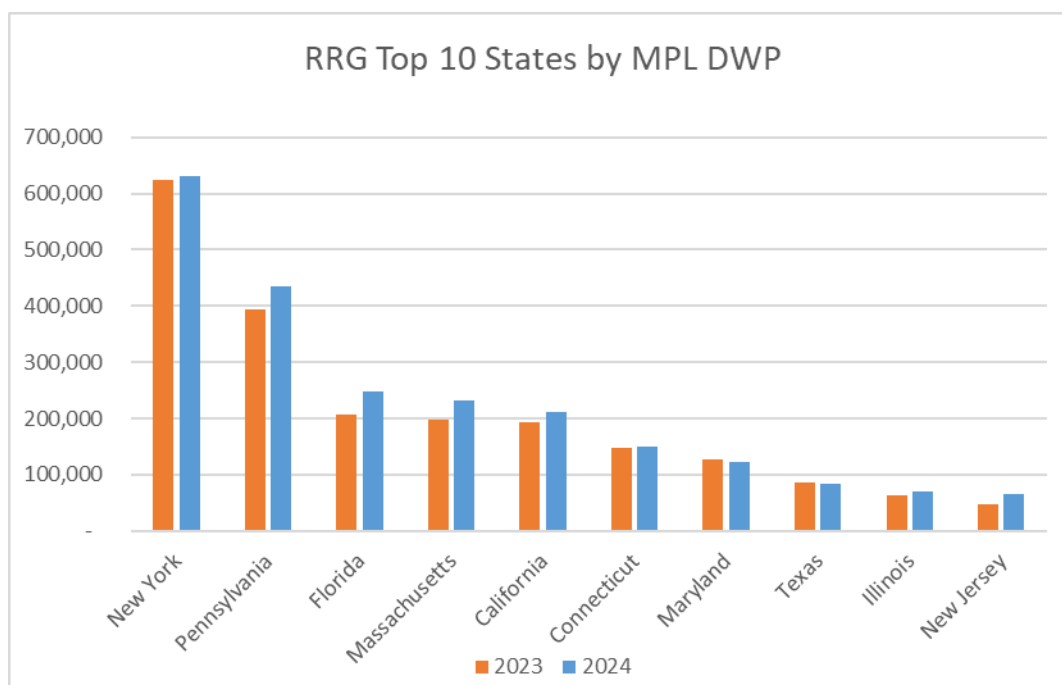


Figure IV.B.2 summarizes total RRG DWP for all lines combined by risk state for the top 10 states. New York, Pennsylvania, California, Florida and Texas have the most RRG premium.

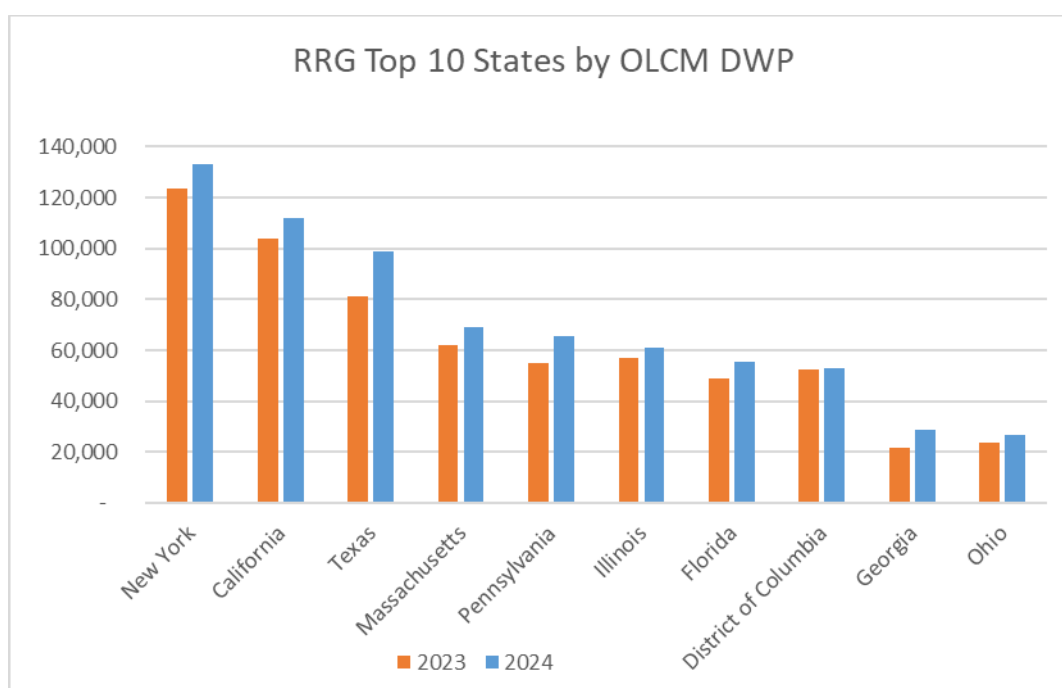
Figure IV.B.2 – RRG Direct Written Premium (000s) by Risk State



As shown in the following graphs, MPL is the largest line of business that RRGs write. The largest RRG DWP risk states for MPL are New York and Pennsylvania.

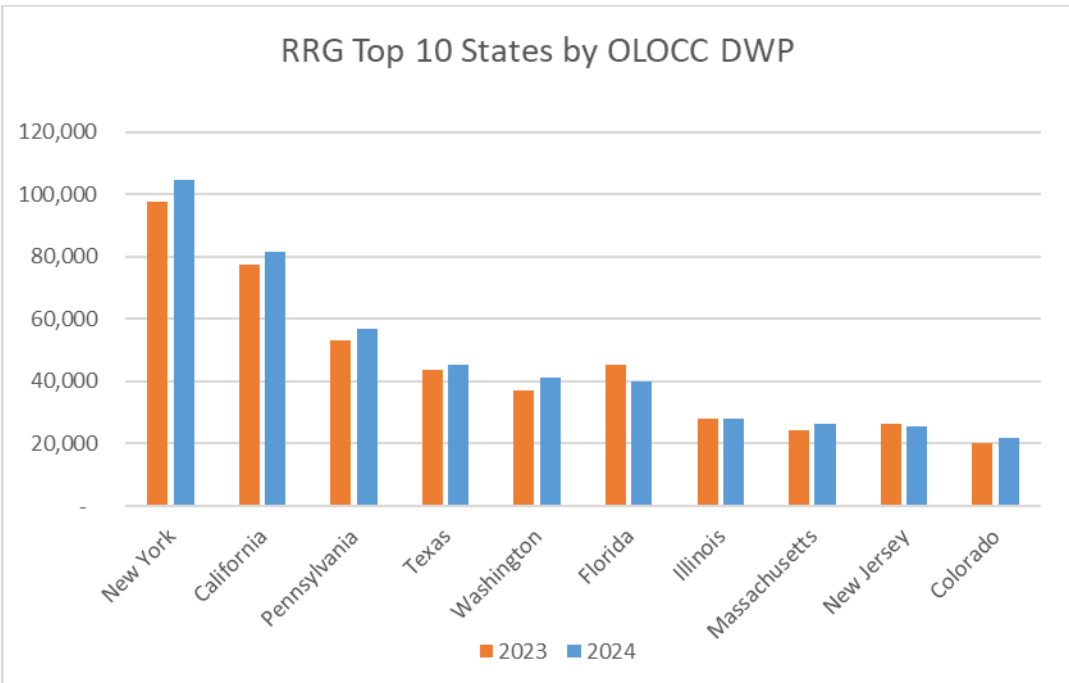
Figure IV.B.3 – MPL DWP by State

The largest RRG DWP risk states for OL CM are New York and California.

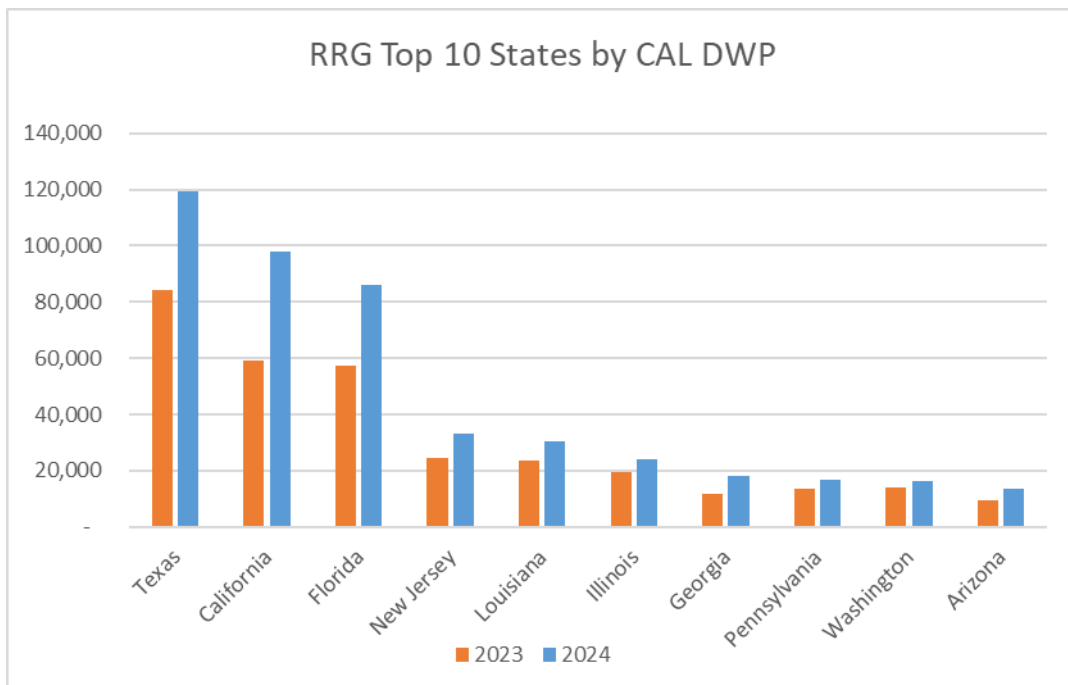
Figure IV.B.4 – OL CM DWP by State

The largest RRG DWP risk states for OL OCC are New York and California. On a combined basis, premium volume for OL CM and OL OCC are significantly less than MPL, writing \$1.82 billion compared to \$2.96 billion in 2024.

Figure IV.B.5 – OL OCC DWP by State

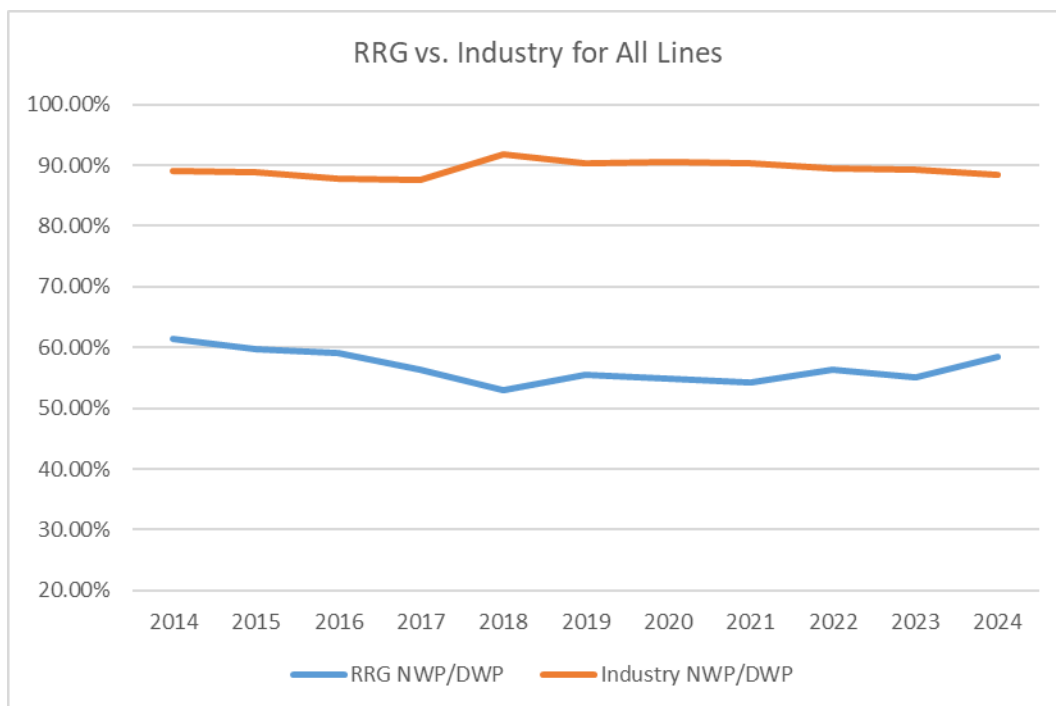


The largest RRG DWP risk states for CAL are Texas, California and Florida. Based on premium volume, CAL is the smallest line of business RRGs write. The top three states each saw significant year-over-year increases in 2024.

Figure IV.B.6 – CAL DWP by State

C. Direct, Ceded, Net

RRGs retain less risk, as measured by the ratio of NWP to DWP, than the industry on an all lines-combined basis.

Figure IV.C.1 – RRG vs. Industry NWP/DWP

RRGs retain less risk than the industry for MPL, but the percentages are relatively stable overall. However, when broken down by industry type, results are much more volatile, as seen in [Figure IV.C.2b](#). Based on industry type, the category of hospitals have remained the most stable over the observation period, while other healthcare facilities tend to rely most heavily on reinsurance compared to other MPL industry types.

Figure IV.C.2a MPL – RRG vs. Industry NWP/DWP

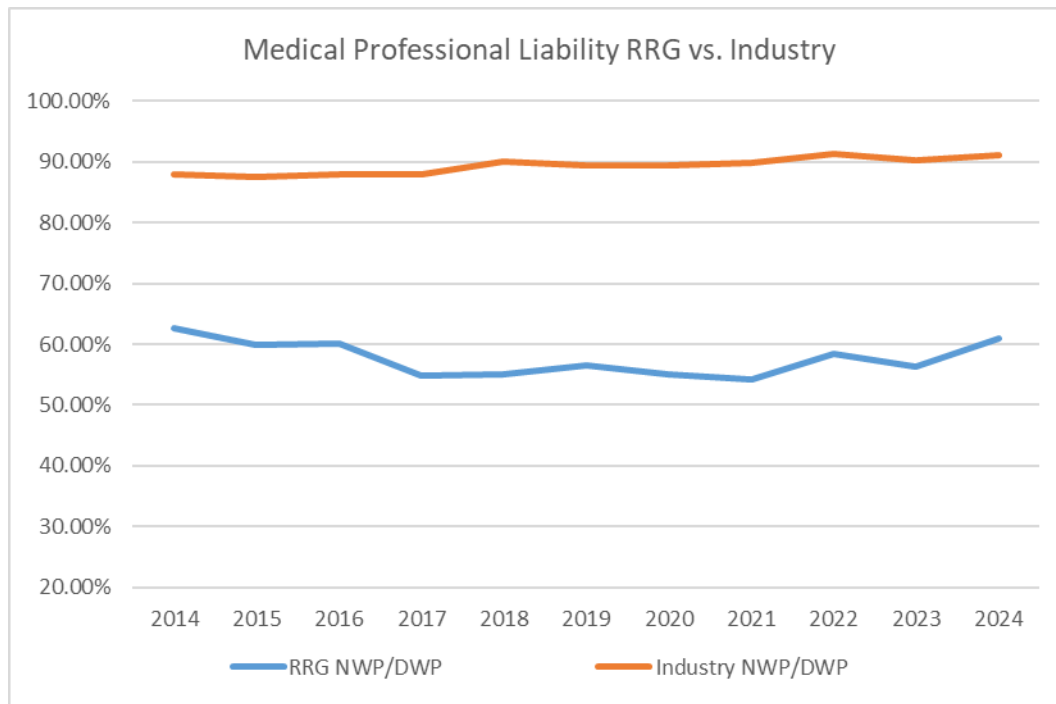
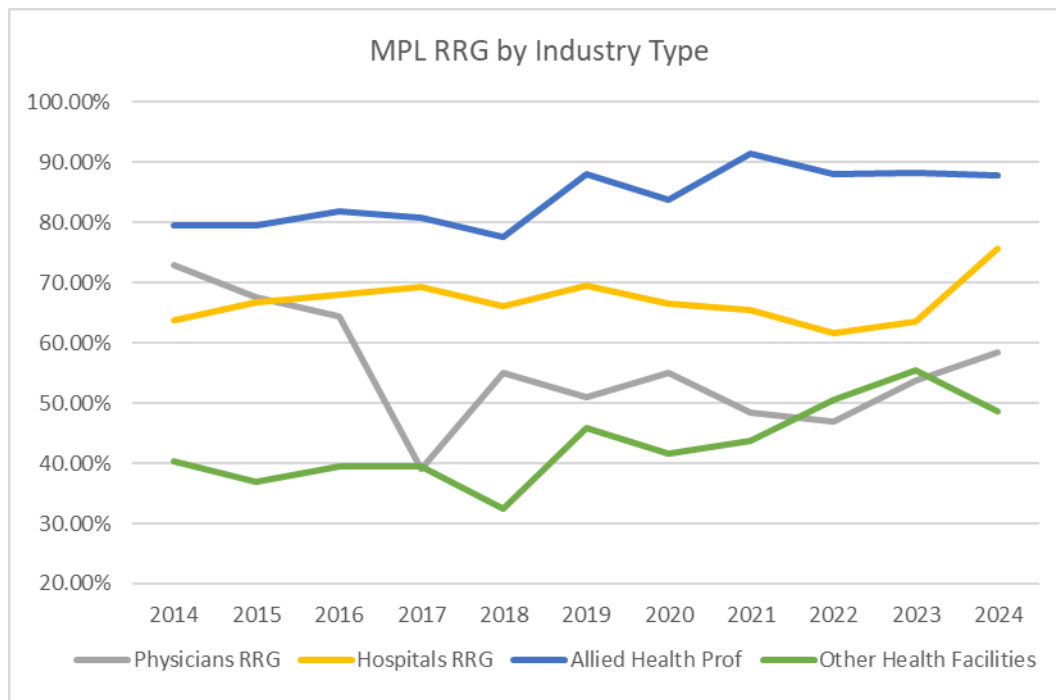
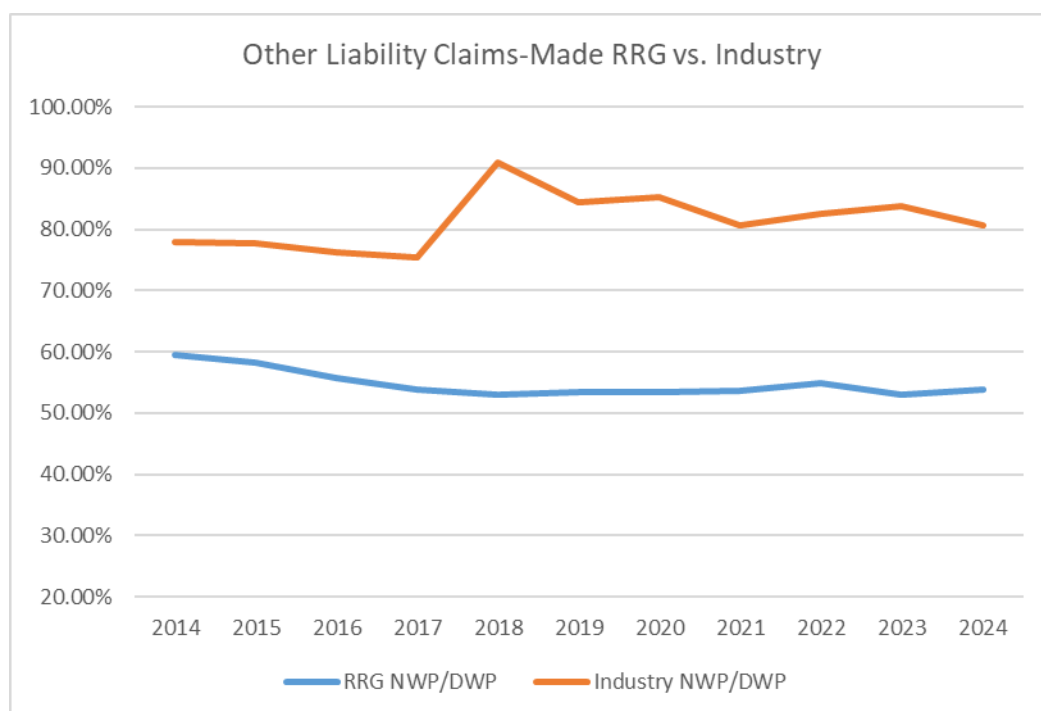


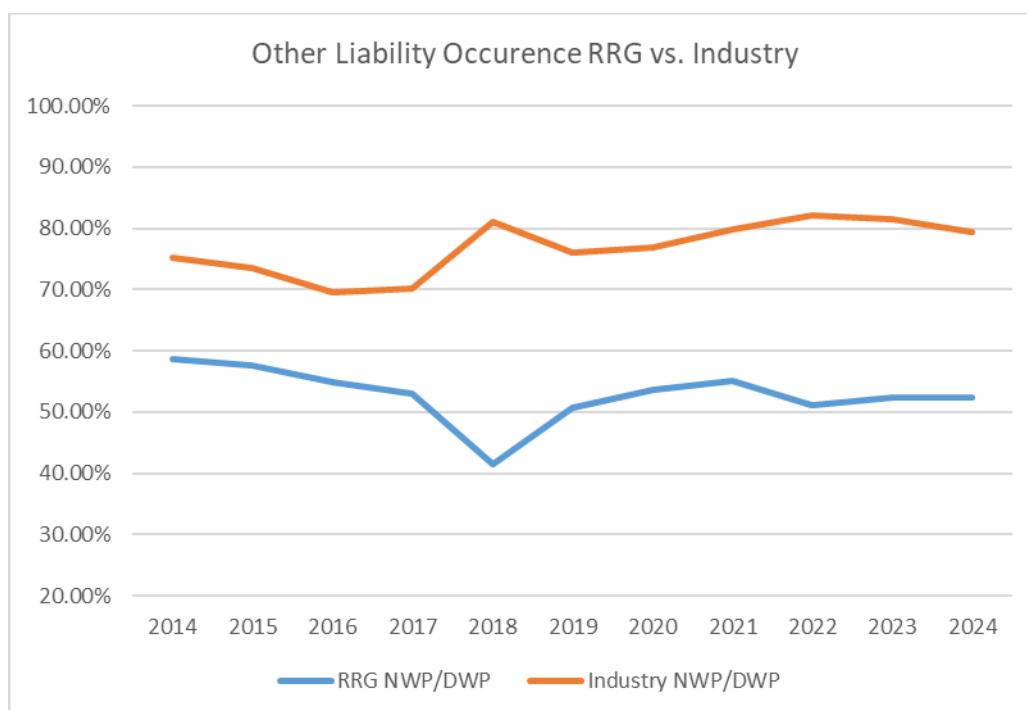
Figure IV.C.2b MPL – RRG by Industry Type NWP/DWP

RRGs retain less risk than the industry for OL CM, but RRGs have started to retain less risk since 2014 and have stabilized around 54% in recent years. The industry retained risk remained relatively stable at 77% for 2014-17, but in 2018 there was more than a 10% increase in retained risk before decreasing back to around 80% now in 2024.

Figure IV.C.3 – OL CM RRG vs. Industry NWP/DWP

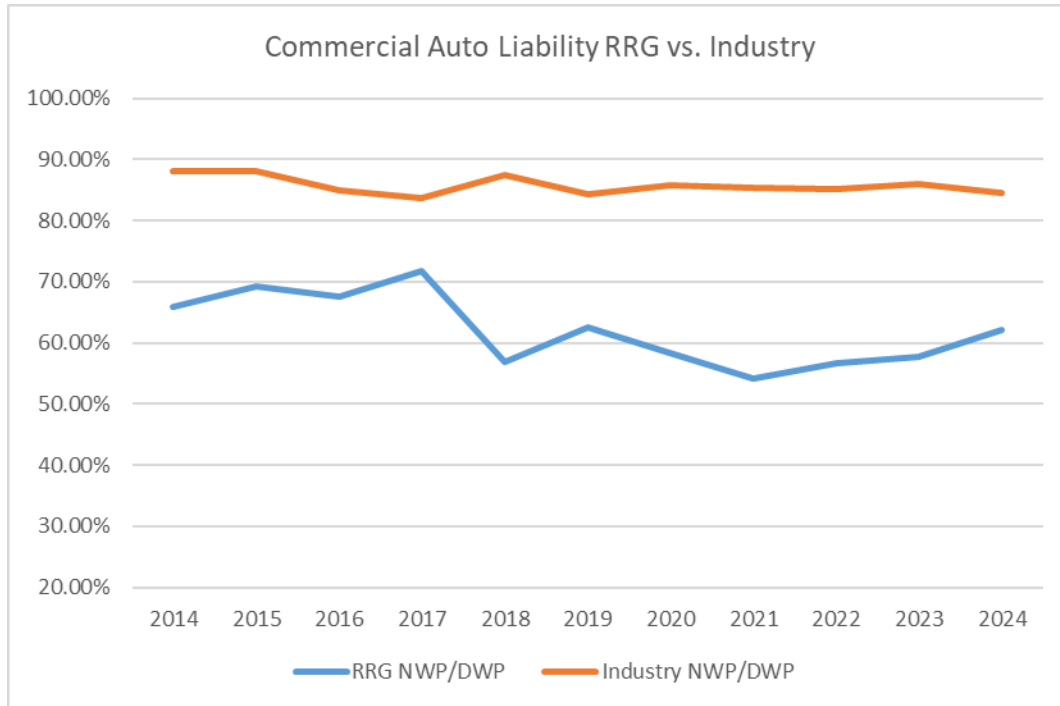
RRGs retain less risk than the industry for OL OCC. Both industry and RRGs decreased 2014-17. In 2018 and 2019, RRGs and the industry exhibited opposite trends. Both have moved in concert with one another since then, however remaining steady at 80% and 53% for industry and RRGs, respectively.

Figure IV.C.4 – OL-OCC RRG vs. Industry NWP/DWP



RRGs retain less risk than the industry for CAL. From 2014-17, the industry decreased its proportion of retained risk, while RRGs increased theirs. Since 2018, the industry has remained relatively flat while RRGs have exhibited more changes and an uptick in the most recent year.

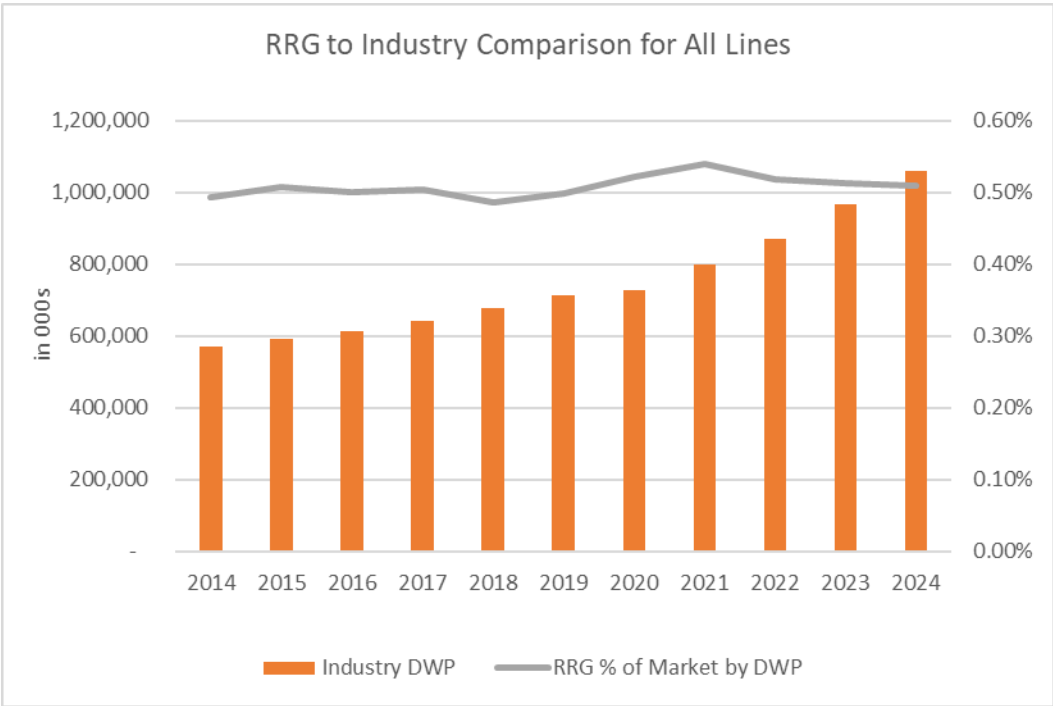
Figure IV.C.5 – CAL - RRG vs. Industry NWP/DWP



D. Overall Market Share (vs. Admitted)

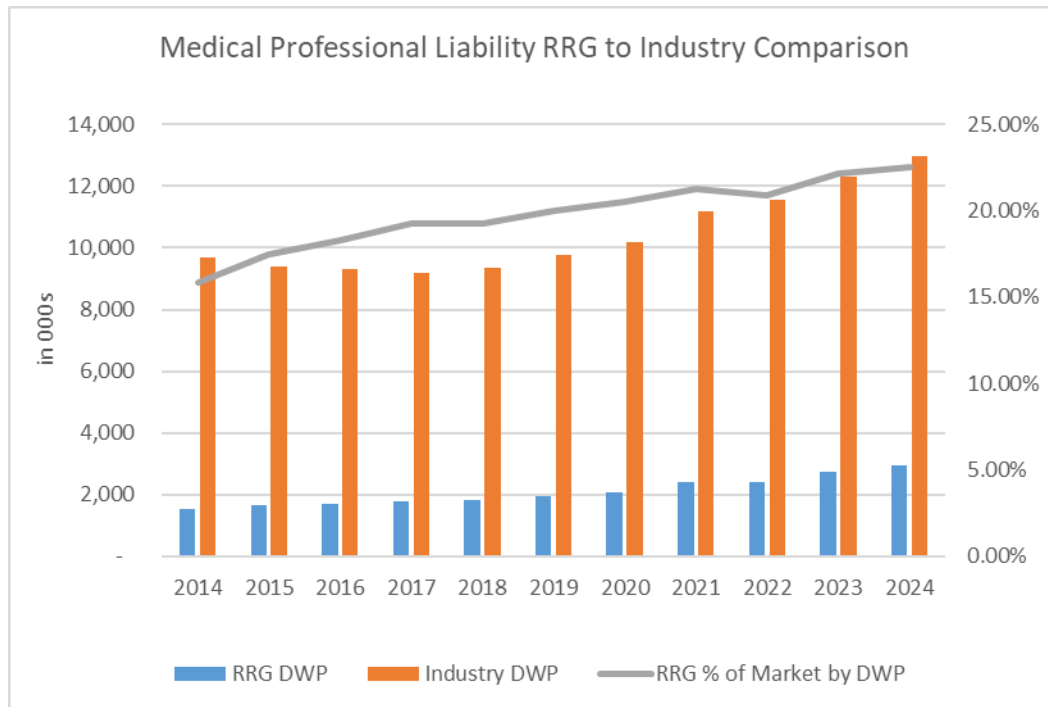
While industry premium has increased since 2014, RRGs have had a steady market share on an all lines-combined basis, though there is a minor downturn in recent years.

Figure IV.D.1 – RRG vs. Industry Market Share – DWP (000s)



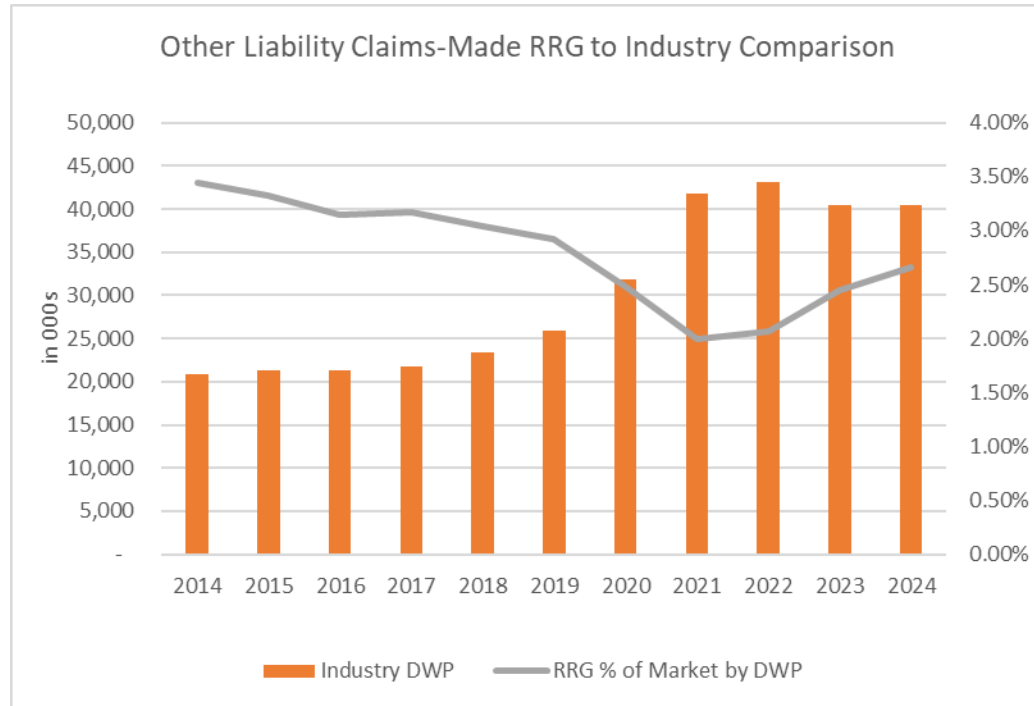
Industry MPL DWP saw premium increase for the seventh year in a row, while RRG MPL DWP has been increasing for over a decade. RRGs have increased their MPL market share since 2014. In terms of market share, MPL is by far the largest line of business for RRGs. As the MPL market begins hardening, we would expect RRG premium and market share to continue to increase as 1) admitted carriers use their company-owned RRGs as a tool to keep market share while maintaining adequate rates; and 2) insureds move to RRGs in response to premium increases.

Figure IV.D.2 – MPL – RRG vs. Industry Market Share



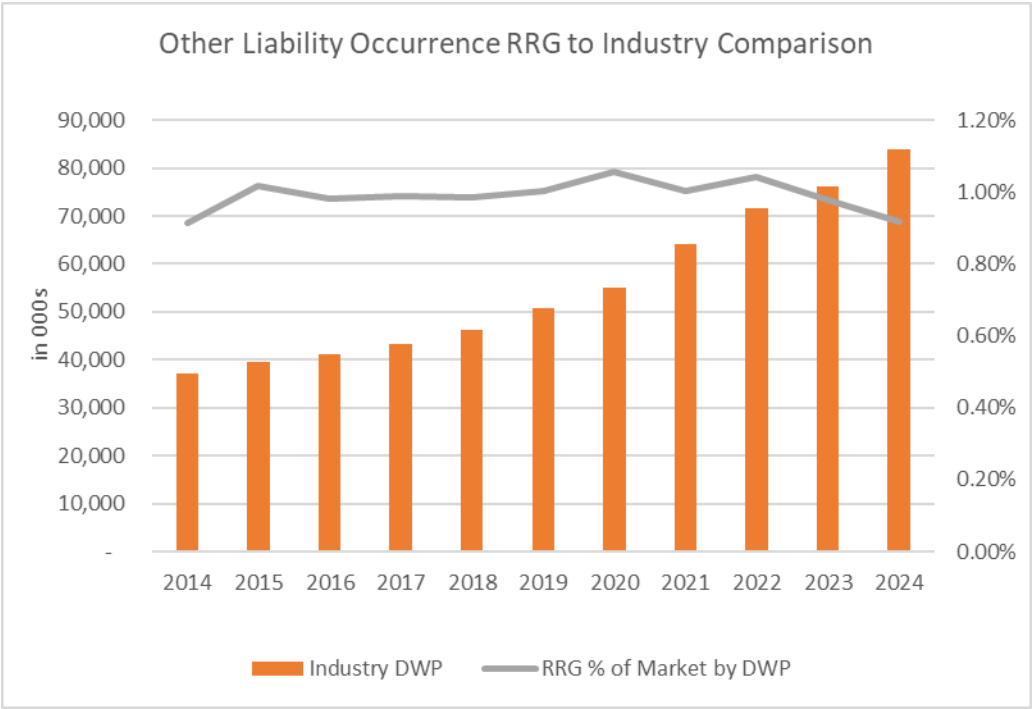
OL CM DWP for the industry increased from 2018-22, while OL CM market share for RRGs decreased over that same period. OL CM market share for RRGs has picked up in recent years, reaching back towards 3% in 2024.

Figure IV.D.3 – OL CM - RRG vs. Industry Market Share



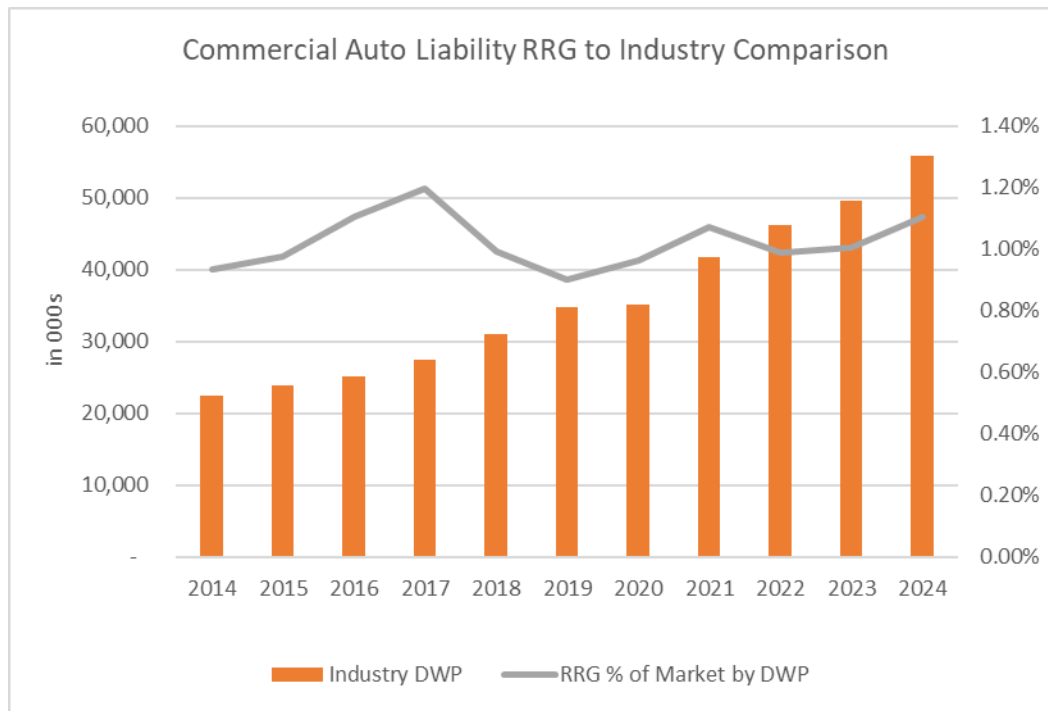
OL OCC DWP for the industry has been increasing since 2014, while OL OCC DWP for RRGs has generally increased, with exception to a small decrease in 2023. The market share for RRGs has been stable over the observation period between 0.90-1.10%.

Figure IV.D.4 – OL-OCC - RRG vs. Industry Market Share



CAL DWP for the industry has been increasing since 2014. Meanwhile, the CAL DWP and market share for RRGs have seen oscillation in the past 11 years. Both CAL DWP and market share for RRGs increased from 2014 until 2017. A decrease in CAL DWP in 2018 led to a decrease in market share for RRGs in 2018 and 2019. However, 2020-21 again saw an increase in both CAL DWP and market share for RRGs. This cycle is largely attributable to high-profile insolvencies, rate increases taken by the market, the pandemic's effects in 2020 and additional RRGs formed in 2021-22. Both RRGs and the industry have seen premium increases since 2022, with RRGs having an uptick in market share in 2024.

Figure IV.D.5 – CAL - RRG vs. Industry Market Share



V. Loss and Loss Adjustment Expense Trends and Benchmarks

Most insurers' primary expenditures are loss and loss adjustment expenses. So, they are also the primary drivers of insurer profitability. This section examines key loss and LAE experience measures.

RRGs have had higher accident-year loss and LAE ratios than the industry over the past 11 years. Calendar year loss and LAE ratios for the industry have been between 68-77% in the past 11 years, with RRGs showing a bit more volatility and being generally higher in recent years. The calendar year loss and LAE ratios for RRGs have generally been between 74-84% for the past nine years with an exception in 2023.

The ratio of loss adjustment expenses to NWP for RRGs has decreased to 25% or lower in seven of the most recent calendar years. The ratio of net DCC to NWP for RRGs has been between 15-26% for the last 11 years, with substantial differences between lines. The ratio of net adjusting and other expenses (A&O) to NWP has been between 2.3-4.0% over the past 11 years, with OL and CAL demonstrating substantial variability.

Another key measure of insurance company volatility is the development on held loss and LAE reserves from one year-end evaluation to the next. The ratio of one-year loss and DCC development each calendar year as a percentage of prior year's surplus is generally favorable for both the industry and RRG writers across most years in our study.

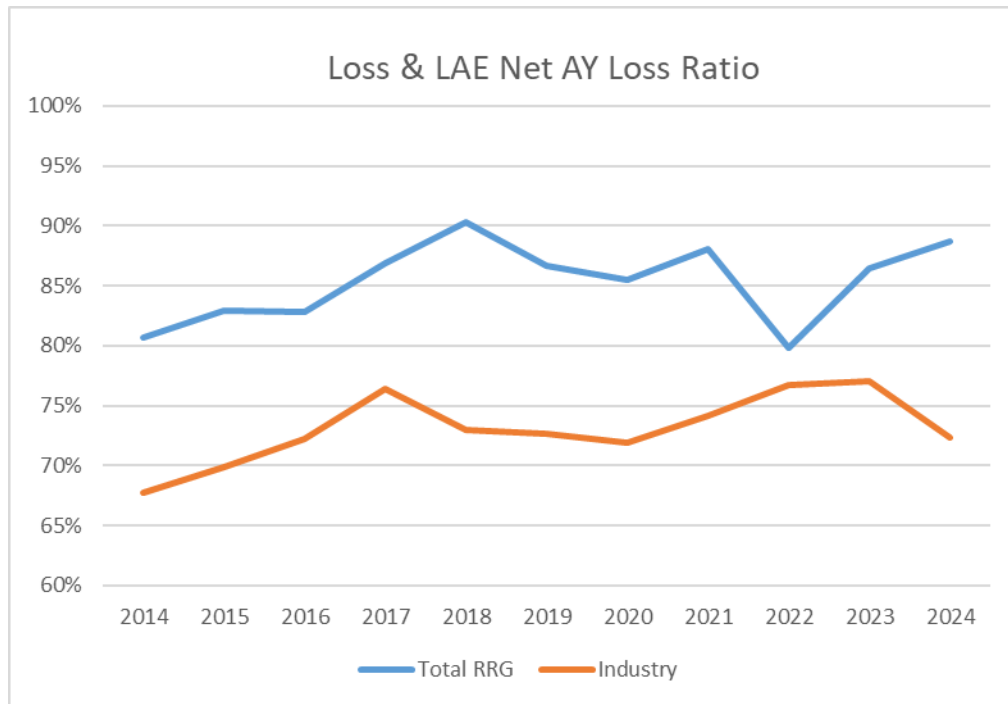
RRG incurred losses tend to develop slower than the admitted market for the MPL CM line of business. RRGs specializing in CAL and OL occurrence have reported incurred loss development factors that are slower than the industry at early maturities, but then become comparable, if not faster, than the industry.

An important factor to note in our 2025 study is the inclusion of a newly reformed RRG, CRICO Reciprocal. This reformed RRG is of particular interest due to its impact on various aggregate loss metrics within the AM Best database for calendar year 2023. Consequently, many of the results presented will have an obvious impression on the reader and should be taken into consideration when drawing conclusions for this calendar year.

A. Loss and Loss Adjustment Expense Ratios

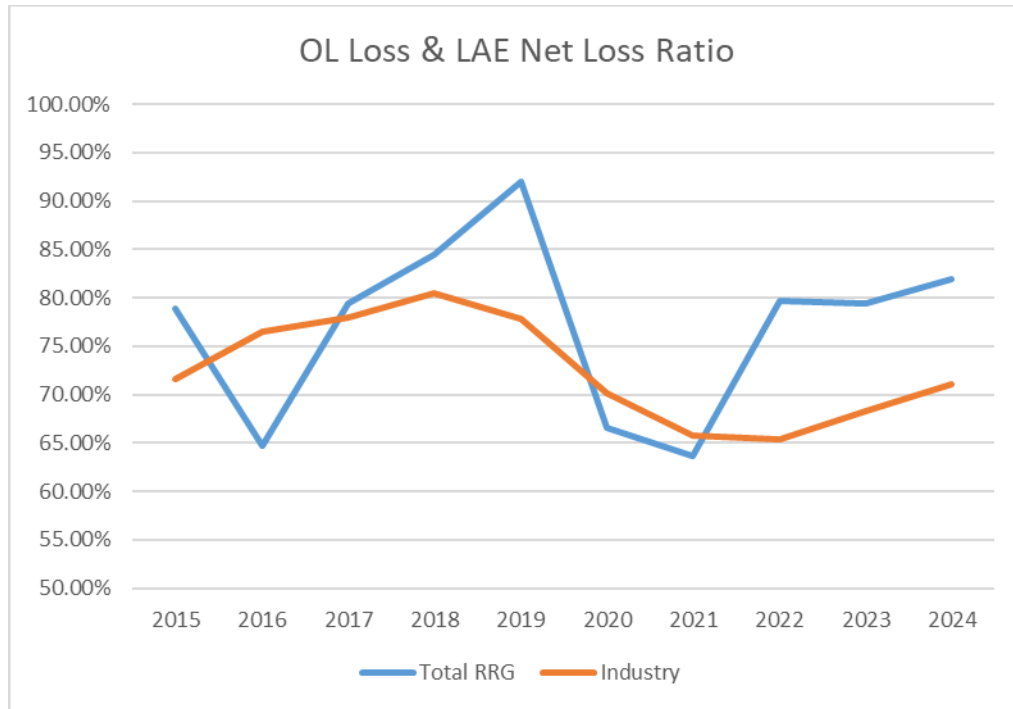
As a percentage of net premium earned (NPE), the all lines-combined, accident year, loss and LAE ratios for the industry have been between 68-77% for the last 11 years and have been above 70% for the past 9 years. RRG loss and LAE ratios have been higher over the past 11 years but followed a similar trend to the industry until 2021. The loss ratios have been between 80-90% for the last 11 years.

Figure V.A.1 – Total Loss & LAE Net AY Loss Ratio



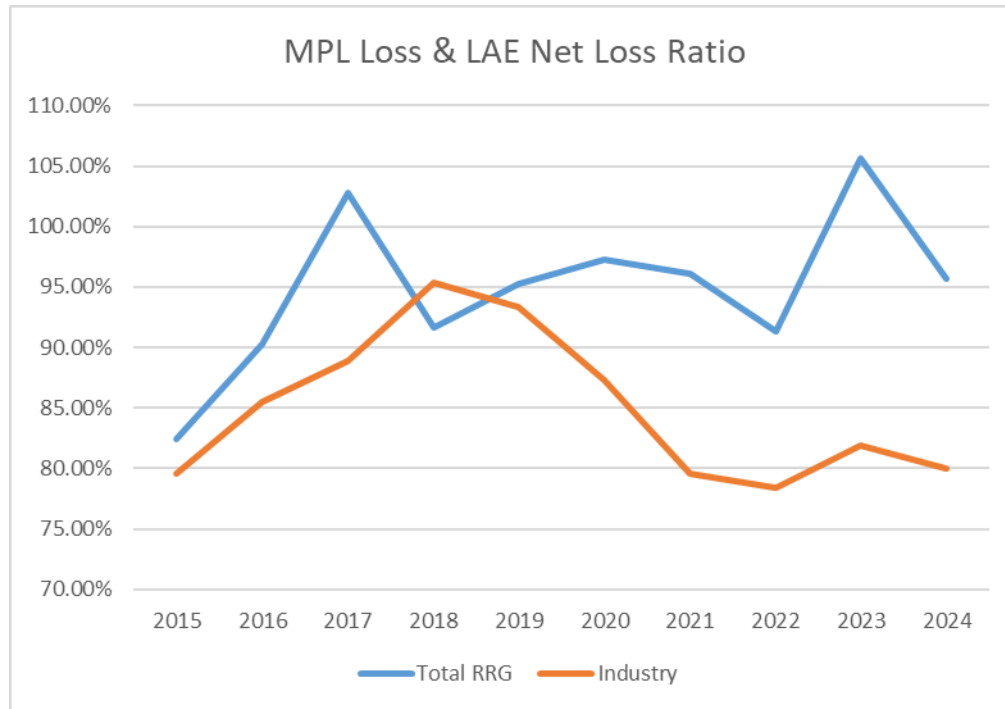
The by-coverage detail is more informative when comparing industry to RRG loss ratios. The OL industry loss ratios generally decreased between accident years 2018-22, while the RRG loss ratios were quite volatile, ranging from a low of 65% in 2016 to over 90% in 2019. Both the industry and RRGs saw an uptick in their 2024 loss ratios.

Figure V.A.2 – OL Loss & LAE Net AY Loss Ratio



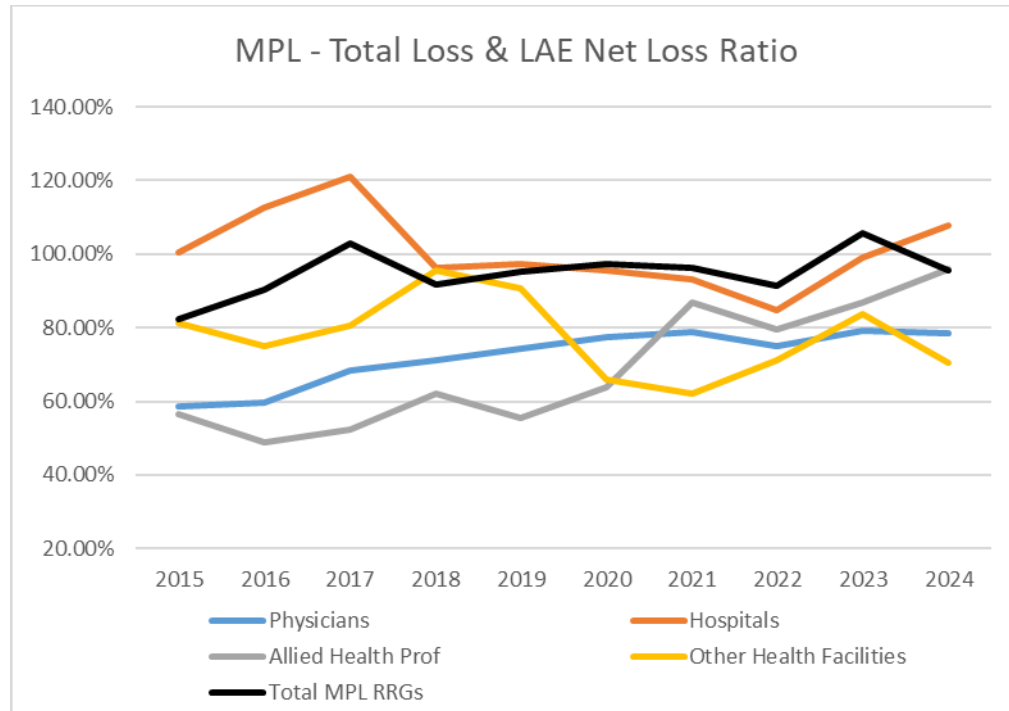
MPL loss ratios for the industry increased between 2015-18 and have decreased until 2022. The MPL loss ratios for RRGs have experienced some volatility, reaching over 100% in 2017 and 2023. With the exception of these accident years, the 2015-20 accident year loss ratios for RRGs were within 10% of the industry loss ratios. This difference has widened in the four most recent years. The spike in 2023 for RRGs is attributable to one reformed RRG, as previously described.

Figure V.A.3a – MPL Loss & LAE Net AY Loss Ratio



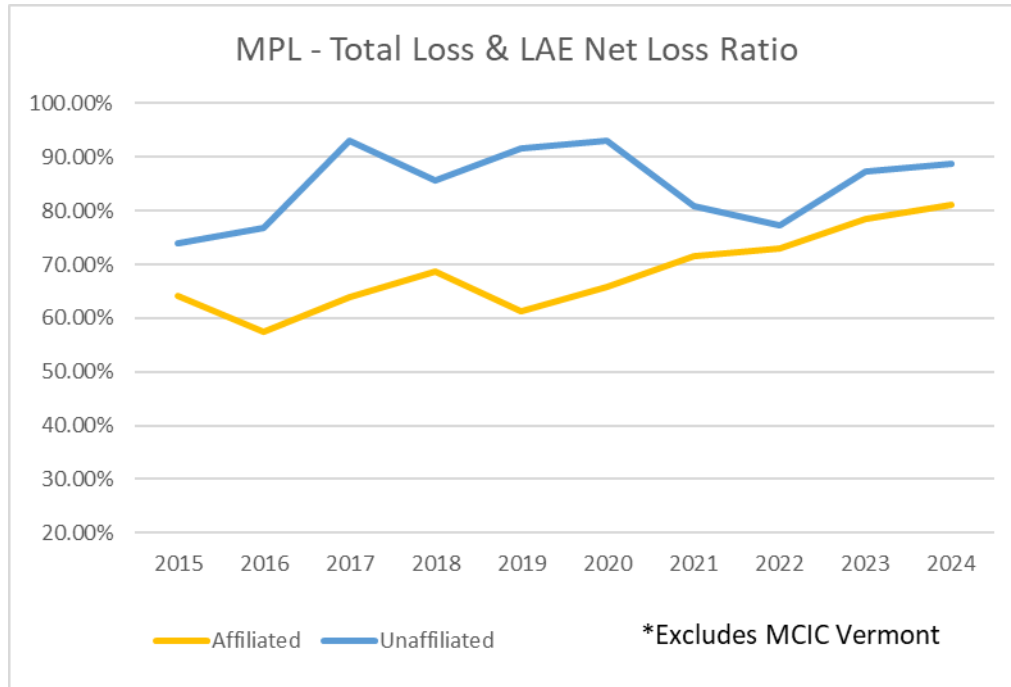
When MPL RRG loss ratios were broken down further by industry type, results were much more volatile. Overall, allied health professional RRGs have seen the largest increase in loss ratios over the 10-year observation period. Loss ratios for hospitals are higher than the other industry types.

Figure V.A.3b – MPL Loss & LAE Net AY Loss Ratio



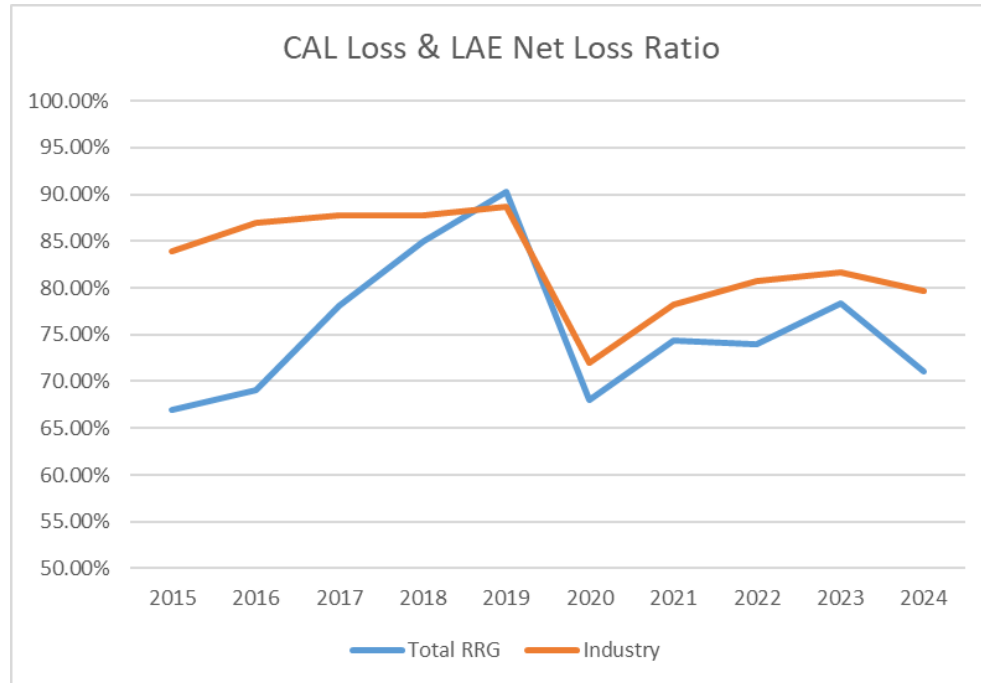
An analysis of net-accident year loss ratios shows that MPL Association-affiliated members have historically had lower loss ratios than their counterparts. However, that difference has diminished in recent years.

Figure V.A.3d – MPL Loss & LAE Net AY Loss Ratio (excludes MCIC Vermont)



For CAL, the industry loss ratios generally increased 2015-19. This was followed by a decrease of over 16 points to approximately 72% in 2020. The 2020 year for both the industry and RRGs is abnormally low, perhaps due to the influence of the COVID-19 pandemic. The industry loss ratio has increased since then, reaching 82% in 2023 before decreasing a small amount in 2024. For RRGs, the loss ratios have been quite erratic, ranging from a low of 67% in 2015 to a high of 90% in 2019. Rate increases obtained by both the admitted market and RRGs may be serving to drive down loss ratios in the most recent years.

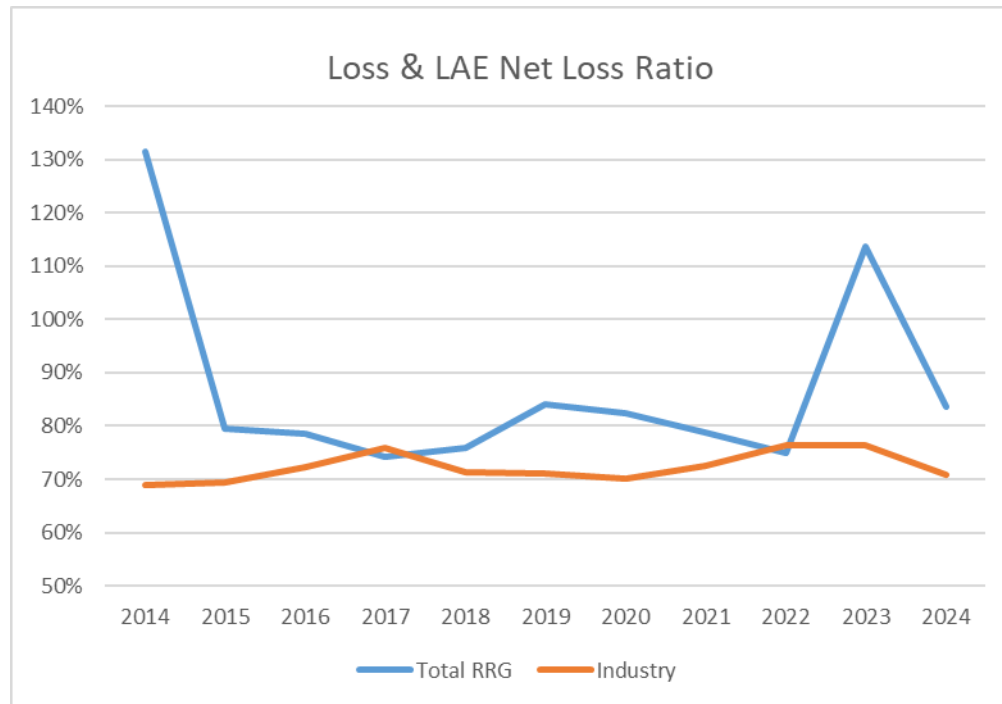
Figure V.A.4 – CAL Loss & LAE Net AY Loss Ratio



B. Calendar-Year Loss and Loss Adjustment Expense Ratios

As a percentage of NPE, the industry's all lines-combined, calendar year, loss and LAE ratios have consistently been between 68-77% for 11 years. RRG loss and LAE ratios were steady from 2015-22 with a notable spike back in 2014. That is attributable to one RRG with over \$1 billion in loss and LAE development and a greater than 500% loss and LAE ratio related to a merger with another insurer. There was another spike in 2023 due to the CRICO reformation.

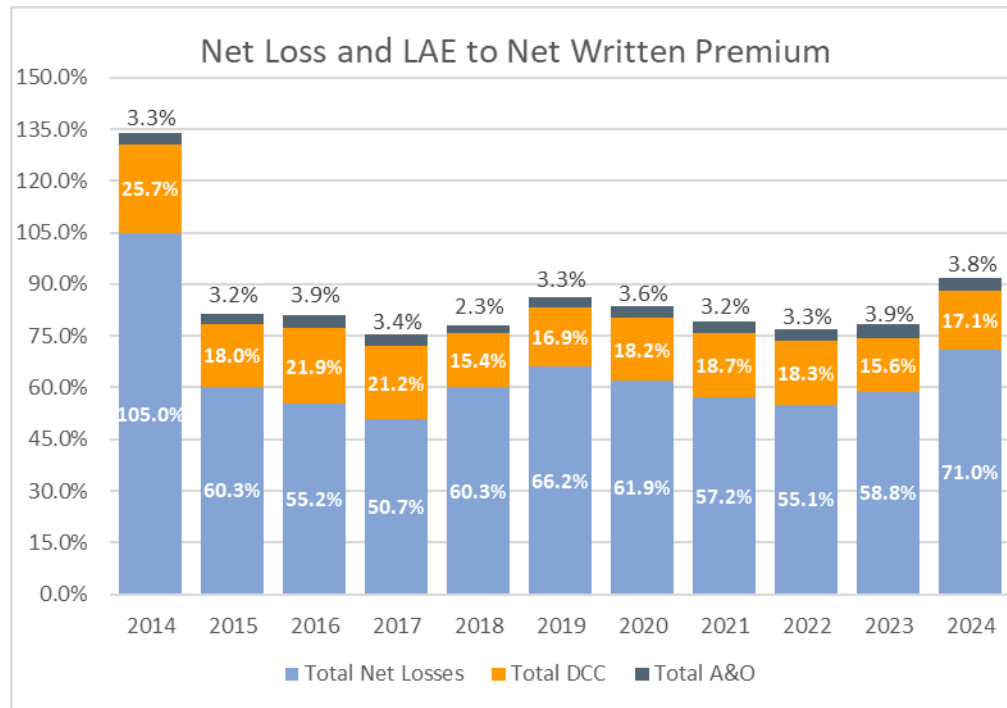
Figure V.B – Loss & LAE Net CY Loss Ratio



C. Loss and Loss Adjustment Expense Composition

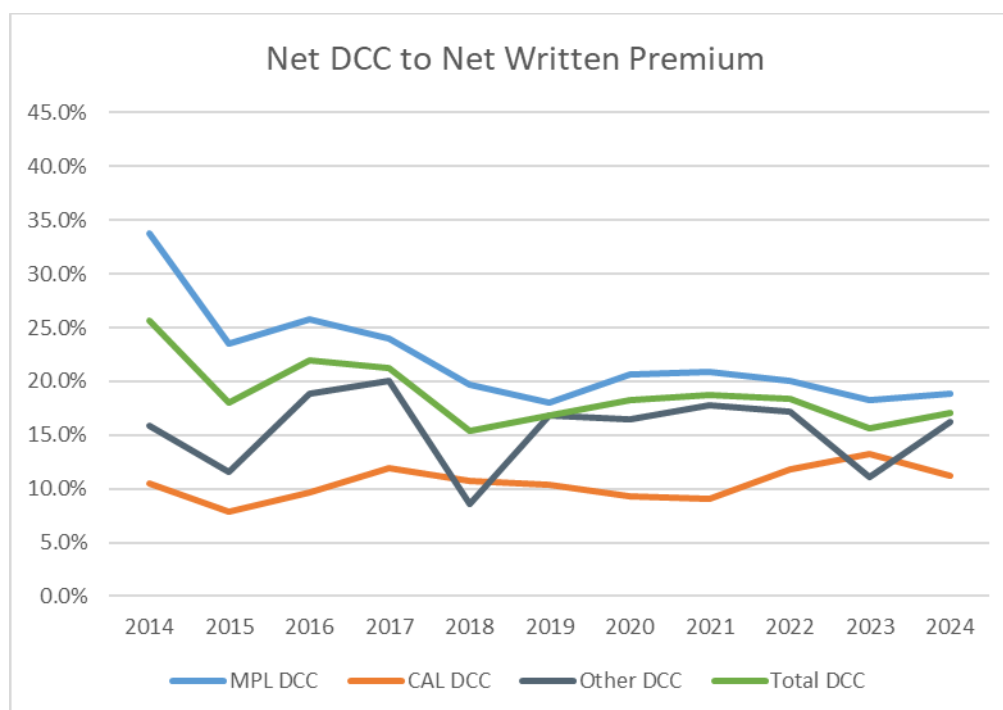
As a percentage of NWP, loss and LAE ratios for RRGs show a small increasing trend between 2014-19 (Figure V.C.1), with an exceptional peak in the 2014 calendar year, previously described. This ratio decreased incrementally starting in 2019 until the most recent year, when an uptick in losses is evident. It is worth noting that ratios for DCC and A&O combined over NWP have decreased to 25% or lower in each out of the past eight calendar years.

Figure V.C.1 – Net Loss and LAE to NWP



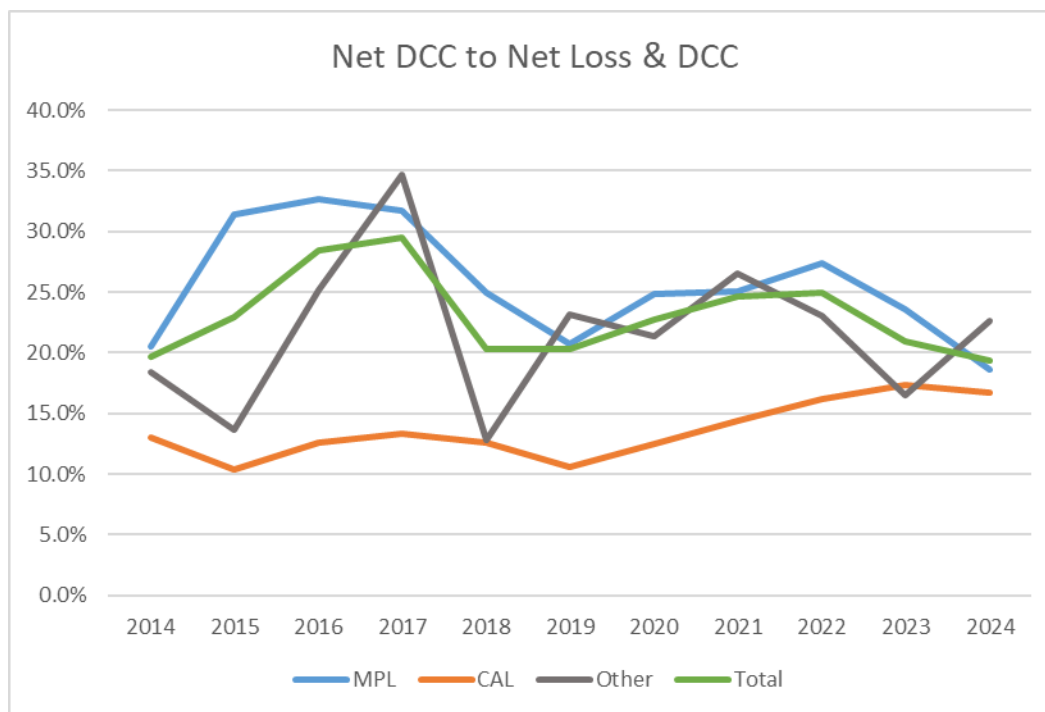
The overall DCC to NWP ratio is generally between 15-30%, but it varies substantially by line. While MPL has the highest ratios, the CAL ratio is generally lower than the other two lines and has increased incrementally since 2020. OL has steadied in recent years, hovering between 16 and 17% since 2019, aside from a downtick in 2023.

Figure V.C.2 – Net DCC to NWP



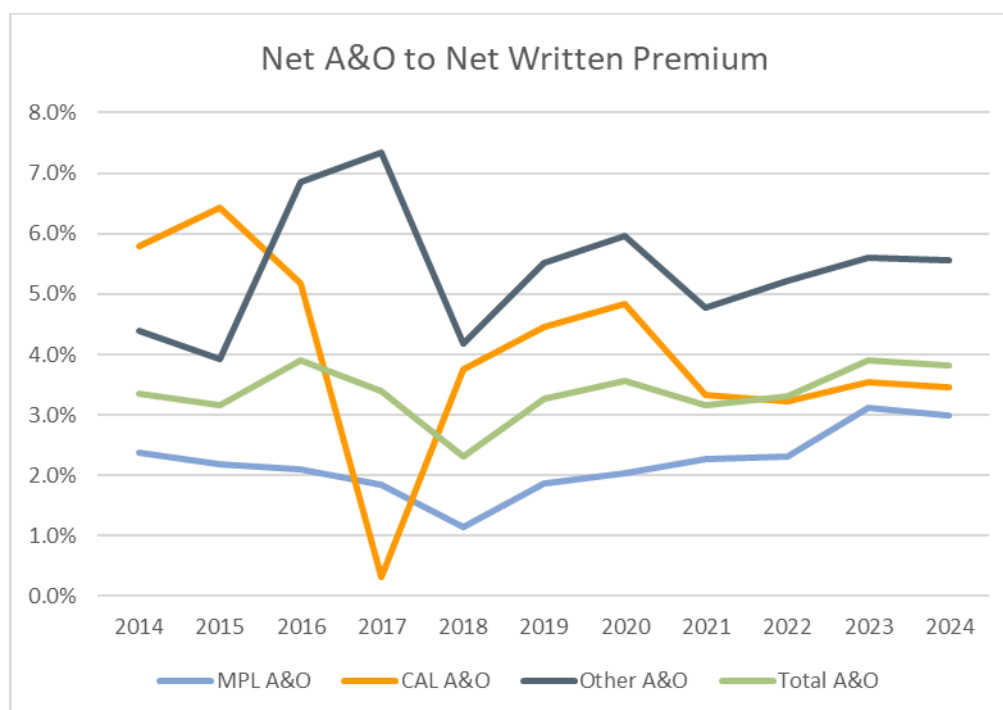
The overall DCC to Loss and DCC ratio has been between 19-30% since 2014, but it varies substantially by line. The CAL ratio is lower than the other two lines and has been between 10-20% since 2014. OL indicates more variability but shows signs of stabilizing in recent years.

Figure V.C.3 – Net DCC to Net Loss & DCC



Aside from a low observation in 2018, the overall ratio of A&O to NWP has been between 3.0% and 4.0% for the past 10 calendar years. The MPL ratio is lower than either of the other two lines. The OL and CAL ratios have demonstrated volatility, while the MPL ratio is more stable. The decrease in 2017 for CAL can be attributed to one RRG.

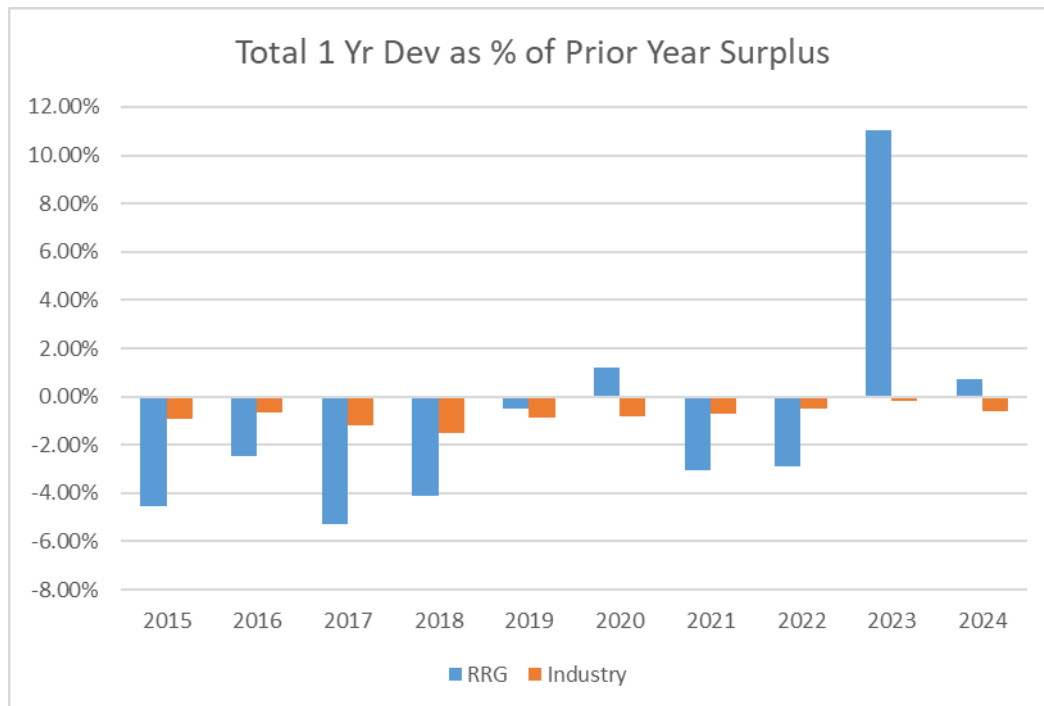
Figure V.C.4 – Net A&O to NWP



D. Adverse Development

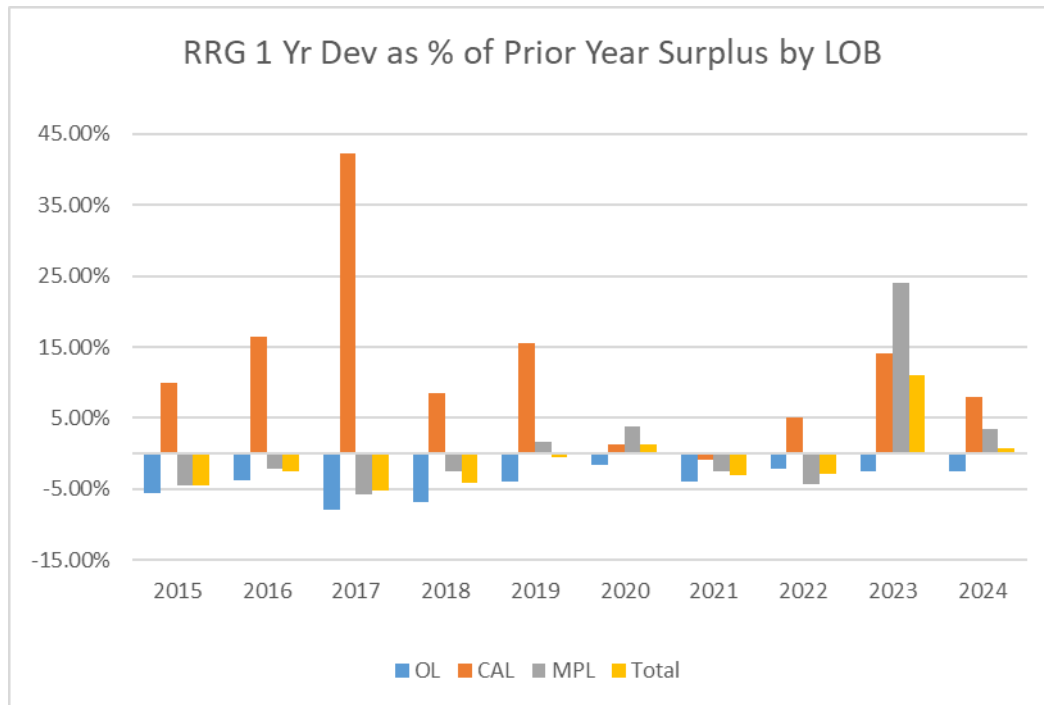
The following charts present the aggregated one-year loss and DCC development in prior accident years for calendar years 2015-24, divided by the surplus at the end of the prior calendar year. Development in prior years has been mostly favorable for industry and RRGs, with a few exceptions for RRGs in recent years. The magnitude of favorable development has been greater for RRGs. The adverse development for RRGs in 2023 is attributable to the reformed RRG, CRICO, as previously mentioned.

Figure V.D.1 – Total RRG to Industry Comparison



For RRGs, prior reserves for OL are showing favorable development for all years in our dataset. CAL continues to show adverse development in recent years. MPL overall reserve development has been favorable across most accident years with the notable exception in 2023. In 2024, the favorable development in OL is effectively cancelling out the adverse development being seen in the CAL and MPL lines as the total adverse development sits under 1%. This can be attributable to the wide array of sub coverages that make up the Other Liability line of business.

Figure V.D.2 – RRG 1 Yr Dev as % of Prior Year Surplus by LOB

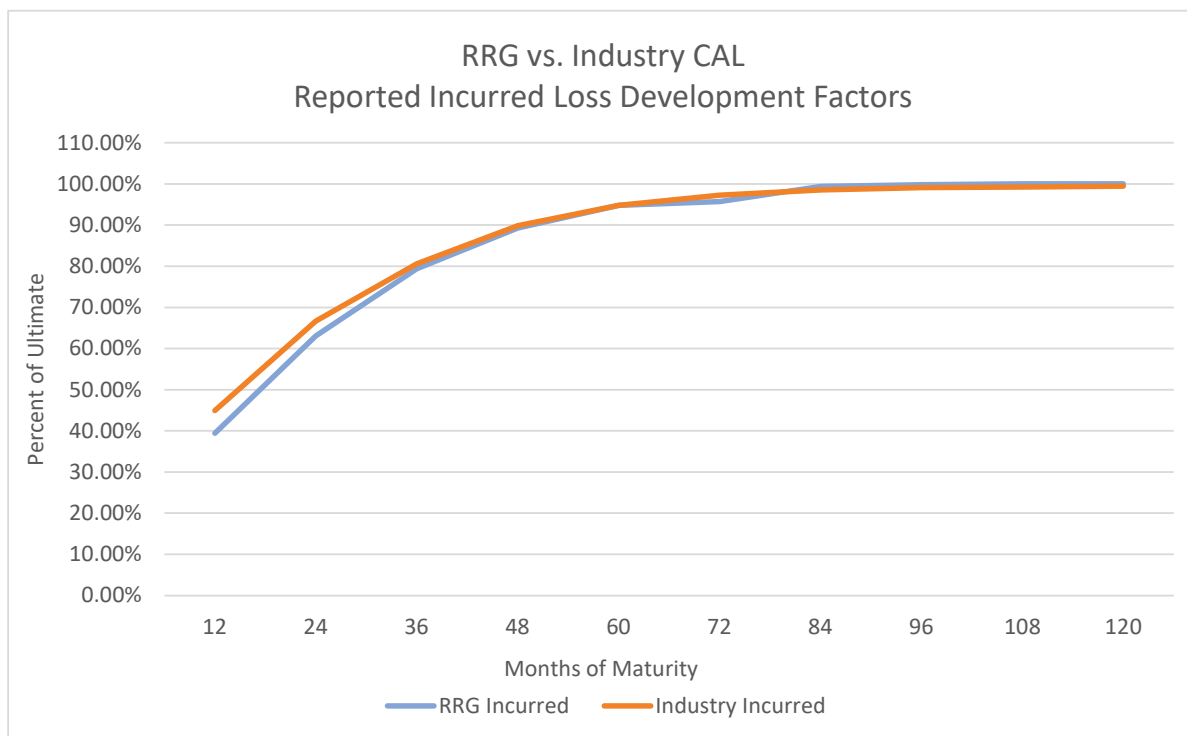


E. Loss Development Patterns

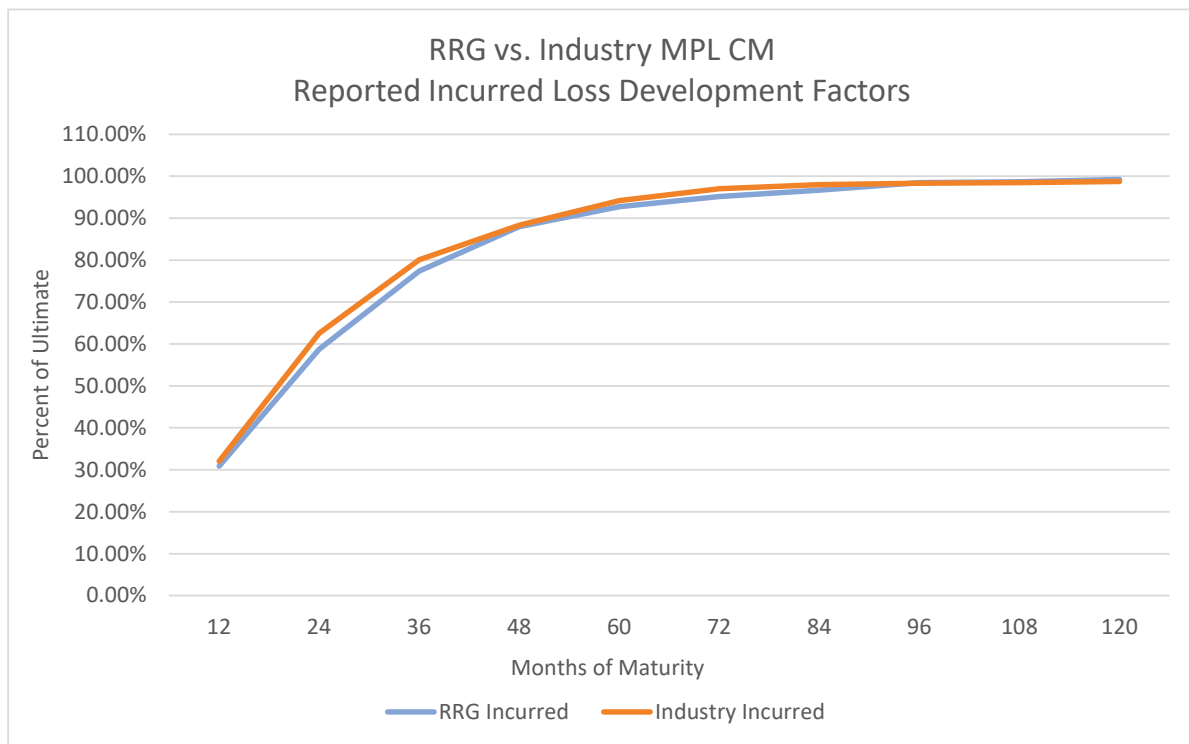
Using our grouping of RRGs specializing in particular coverage lines, we ran data from their annual statements Schedule P – Part 2 analyses and compared their loss development to the industry by line of business. The following incurred loss development patterns are calculated from Schedule P Loss and DCC development triangles.

For RRGs specializing in CAL, their reported incurred loss development is slower than the industry, up to 24 months of maturity. Their development patterns are quite close for accident years 48 months mature or greater.

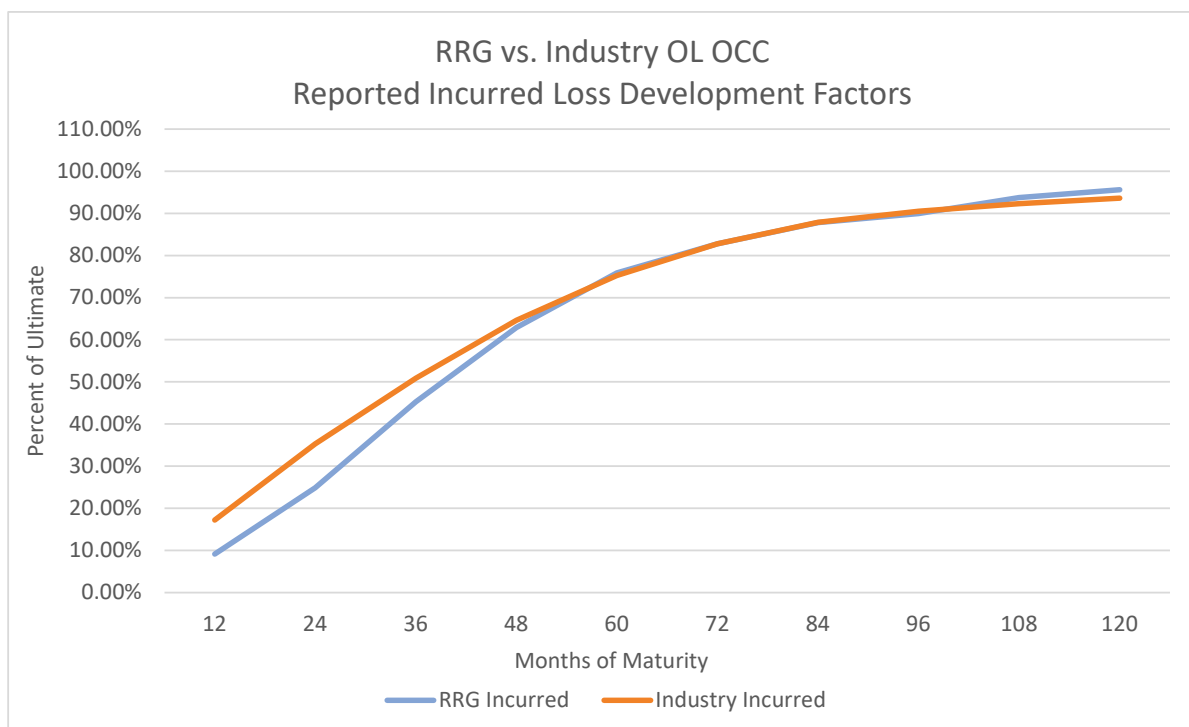
Figure V.E.1 – RRG vs. Industry CAL



For RRGs specializing in MPL CM, reported incurred loss development is slightly slower than the industry. Based on bulk and IBNR reserves, the total P/C industry has an implied tail factor of 1.2%, whereas the RRG cohort has an implied tail factor around 0.8%. This means that after 120 months of maturity, the RRGs financial statements budget IBNR reserves of about 0.8% of their reported incurred losses. We continue to see reserve strengthening in some of the more mature development intervals.

Figure V.E.2 – RRG vs. Industry MPL CM

RRGs specializing in OL OCC have reported incurred loss development factors that are slower than the industry until 48 months of maturity. The implied tail factors based on annual statement are a fraction faster for RRGs.

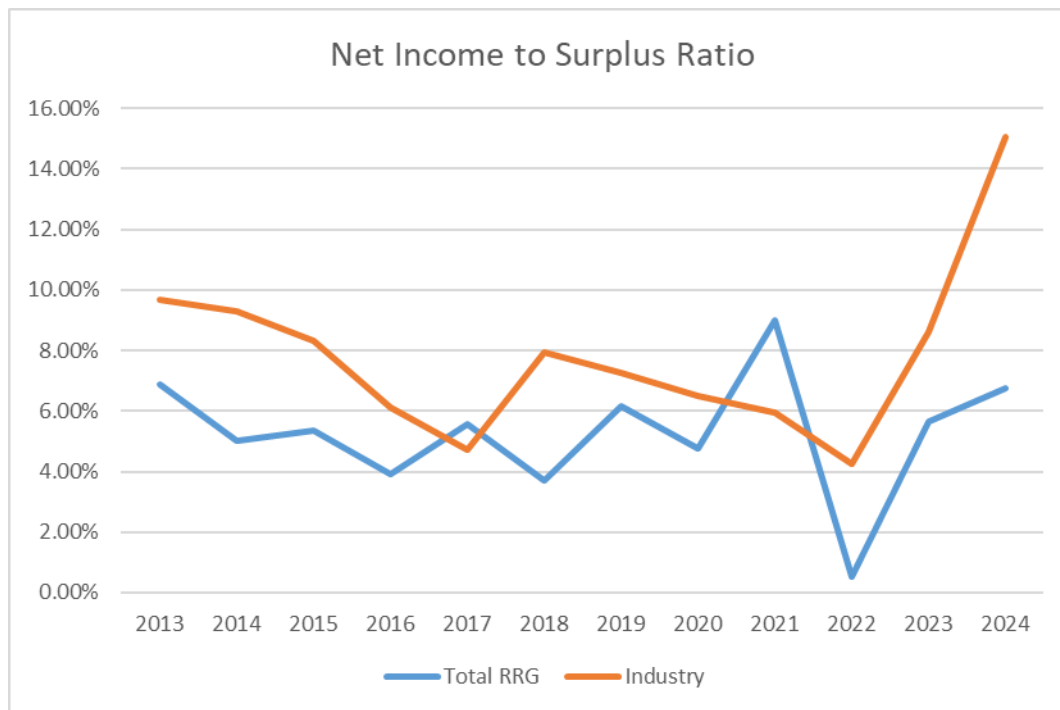
Figure V.E.3 – RRG vs. Industry OL OCC

VI. Overall Operating Results

A review of several overall operating measures reveals key findings. Net income has been positive for the 11 calendar years prior to 2024 for the industry and RRGs. Underwriting net income decreased drastically in 2022 for RRGs but rebounded in 2023. Many RRGs use GAAP as their accounting basis. The reductions in net income as bonds marked to market caused a much bigger decrease compared to the industry, which predominantly uses SAP. The ratio of underwriting income to surplus has been cyclical in nature, with RRGs often running opposite of the industry. For RRGs, it is worth noting the underwriting loss in seven out of the last 11 years. RRGs accident year trade basis combined ratios have been equal to or over 100% since 2014. The industry accident year combined ratios have also been cyclical and slightly lower than the RRG accident year combined ratio since 2014 with 2022 as an exception. The calendar year combined ratios for RRGs have averaged 103% for the past seven calendar years.

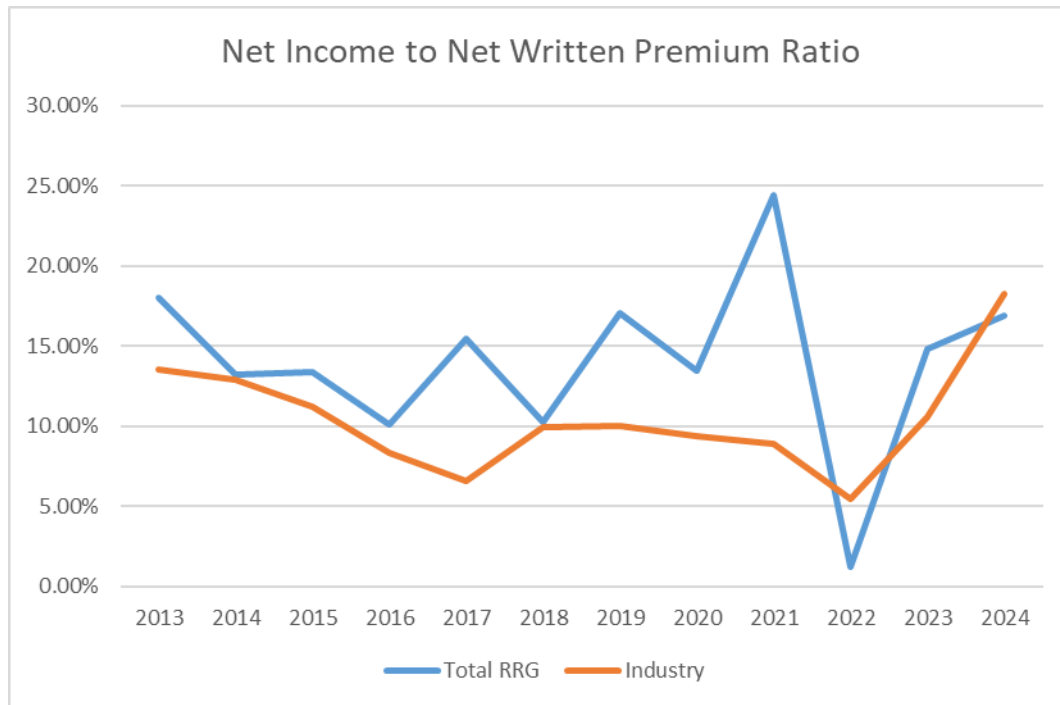
A. Net Income

RRGs net income to surplus ratio steadily decreased between 2013 and 2016, showing volatility in more recent years, including a large increase in 2021. That increase is mainly attributable to one company, which saw a large change in net income in 2021. As seen in [Figure VI.A.1](#) below, the industry ratio was lower than RRGs in most cases since 2013. For the industry, changes in this ratio are largely driven by changes in net income. Overall, the ratio seems affected by the results in Section VII, as the net income to surplus ratio is lower for RRGs during the years in which RRGs are better capitalized. RRGs had little net income in 2022, with a ratio of net income to surplus under 1%. After further research, we found that more than 47% of RRGs had negative net income in 2022. Calendar year 2023 saw an uptick in net income to surplus ratio, with RRGs returning to 5.7%--comparable to their long-term average as seen in the chart below. The ratio increased further to 6.8% in 2024.

Figure VI.A.1 – Net Income to Surplus Ratio

The net income to NWP ratio for RRGs steadily decreased between 2013 and 2016, with increases in 2017, 2019 and 2021. Similar to the section above, reduction in net income in 2022 substantially reduced this ratio in 2022. As seen in [Figure VI.A.2](#), the industry ratio remained lower than RRGs for the period reviewed—with the exceptions of 2022 and 2024. The 2023 year saw both ratios increase with net income increasing substantially for the industry and RRGs. Between 2013 and 2016, the industry's decreased—similar to RRGs—but again started to diverge in 2017.

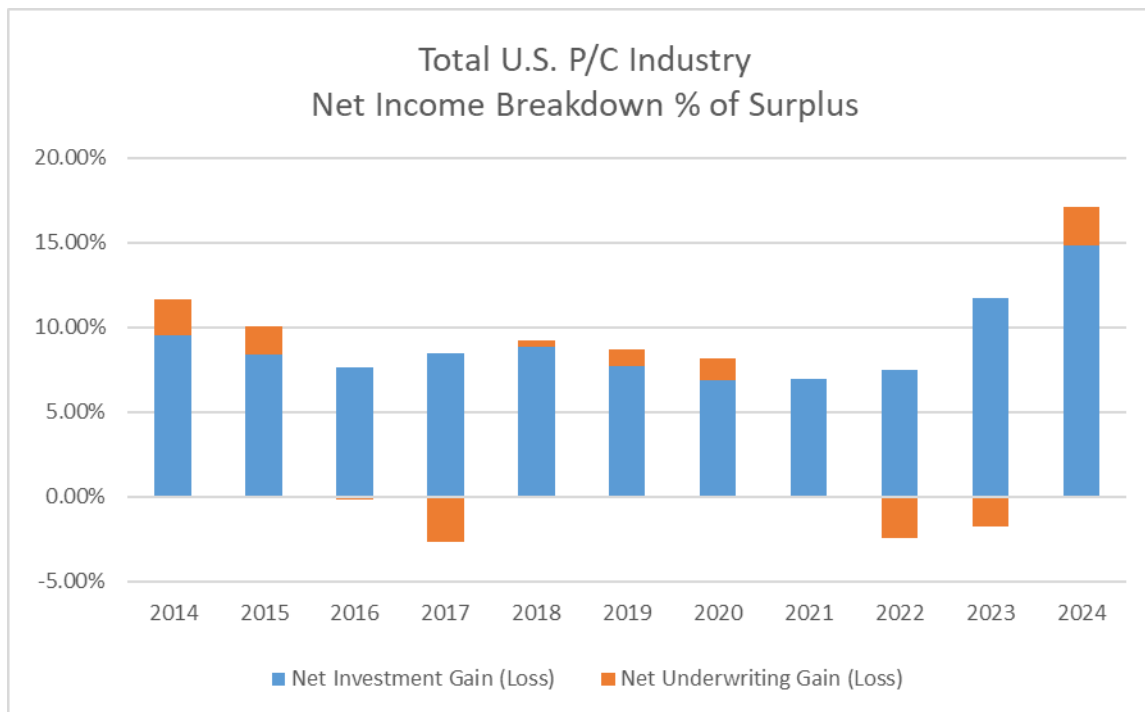
Figure VI.A.2 - Net Income to Net Written Premium Ratio



B. Composition of Net Income – Underwriting vs. Investment Income

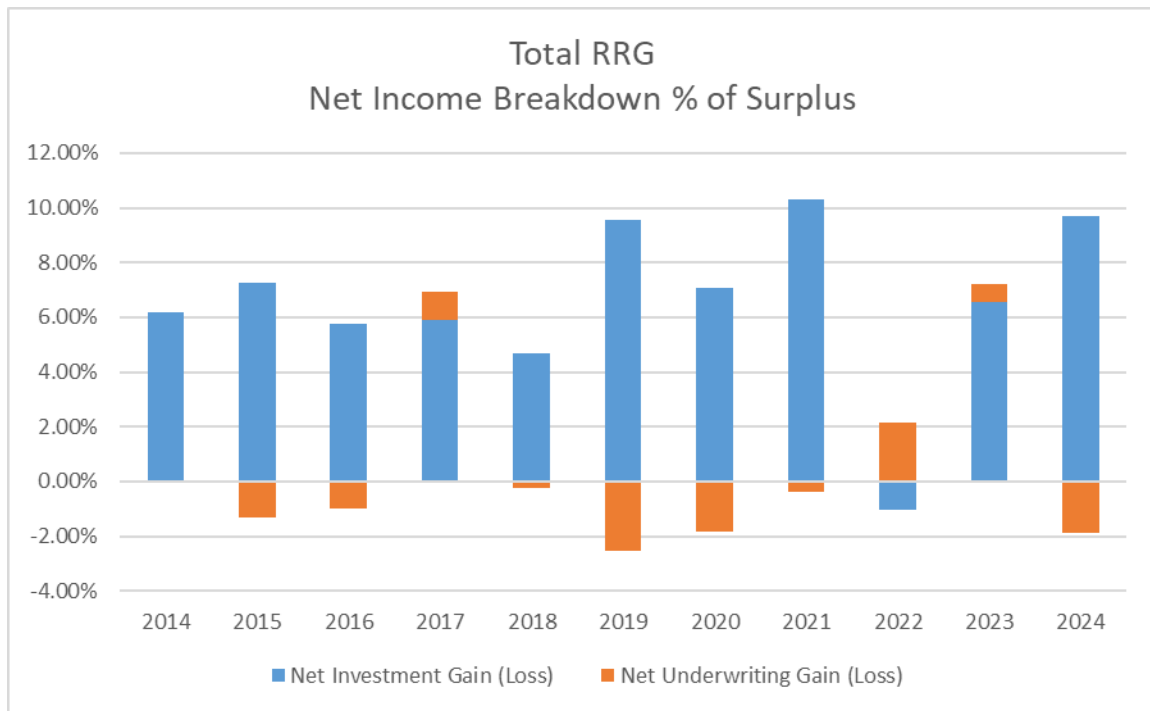
The industry's net investment gain (loss) remained steady at 7-10% of surplus between 2014 and 2022 before surpassing 10% in following two years. This is due to a substantial increase in investment income relative to the much smaller increase in surplus between the years. Net underwriting gain (loss) has cycled through highs and lows, as shown in [Figure VI.B.1](#).

Figure VI.B.1 – Total U.S. P/C Industry Net Income Breakdown



RRG net investment gain (loss) was relatively steady between 4-7% as a percent of surplus between 2014 and 2018 but increased to between 7-10% from 2019 through 2021. For the first time in 10 years, RRGs had a net investment loss in 2022. The investment gain rebounded in 2023 at approximately 6.5% of surplus increasing to about 10% in 2024. Net underwriting gain (loss) continues to follow a cycle opposite that of the industry. While the industry was experiencing negative net underwriting income, RRGs were positive, as shown in 2017, 2022, and 2023. A similar reversal of RRG results compared to industry results can be seen in 2014–15, 2018–20 and 2024.

Figure VI.B.2 – Total RRG Net Income Breakdown



RRGs underwriting loss in seven of the last 11 years is worth noting. RRGs primarily writing CAL drive this result with significant negative underwriting income in several years since 2014. It is worth noting that CAL has seen a significant improvement in underwriting loss starting in 2020 compared to the prior four years. For RRGs writing OL and MPL lines of business, fewer years experienced underwriting losses, and the investment income was always large enough to offset those losses.

Figure VI.B.3 – OL RRGs Net Income Breakdown

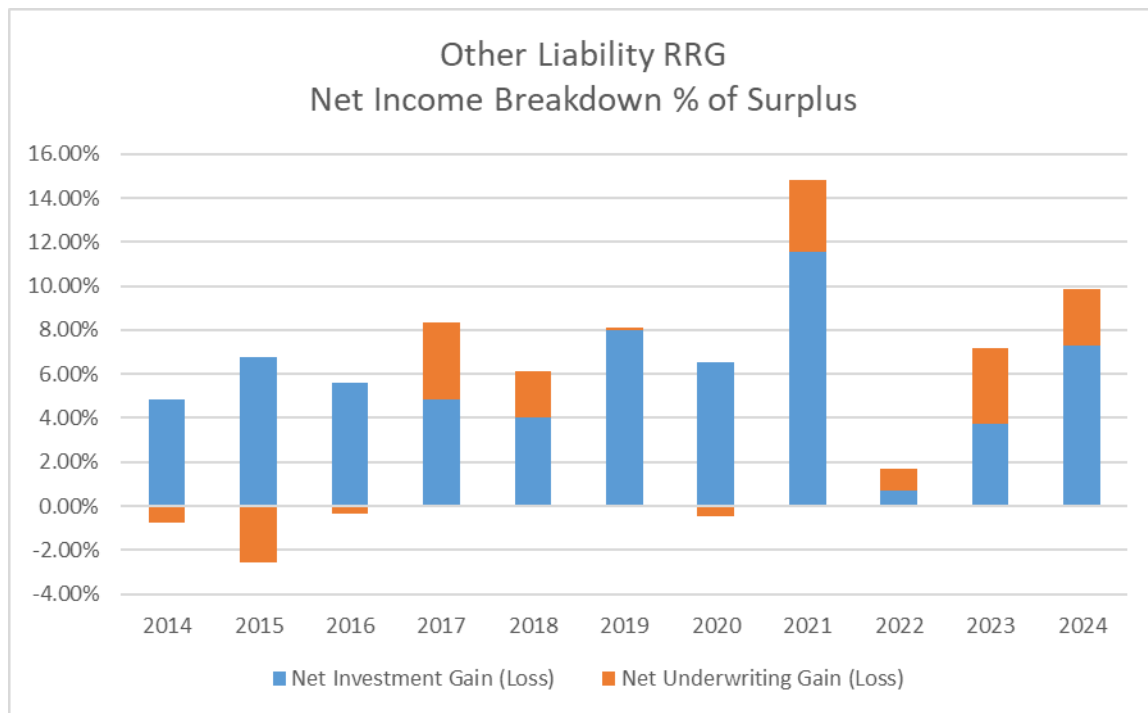


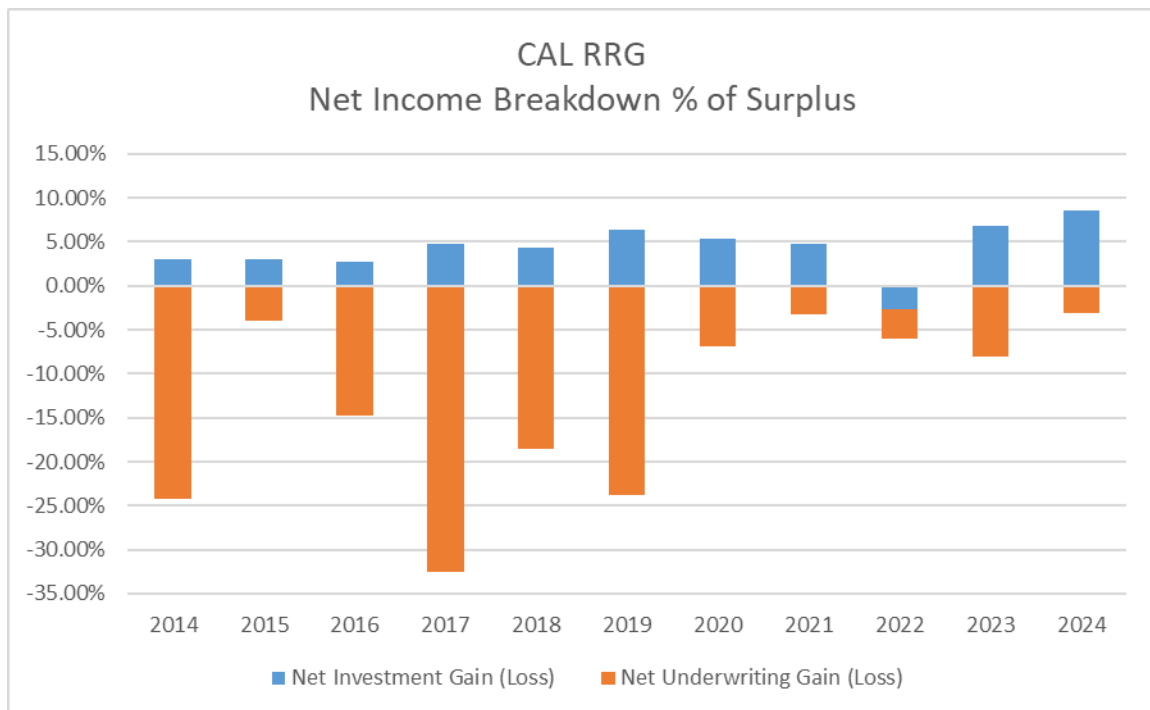
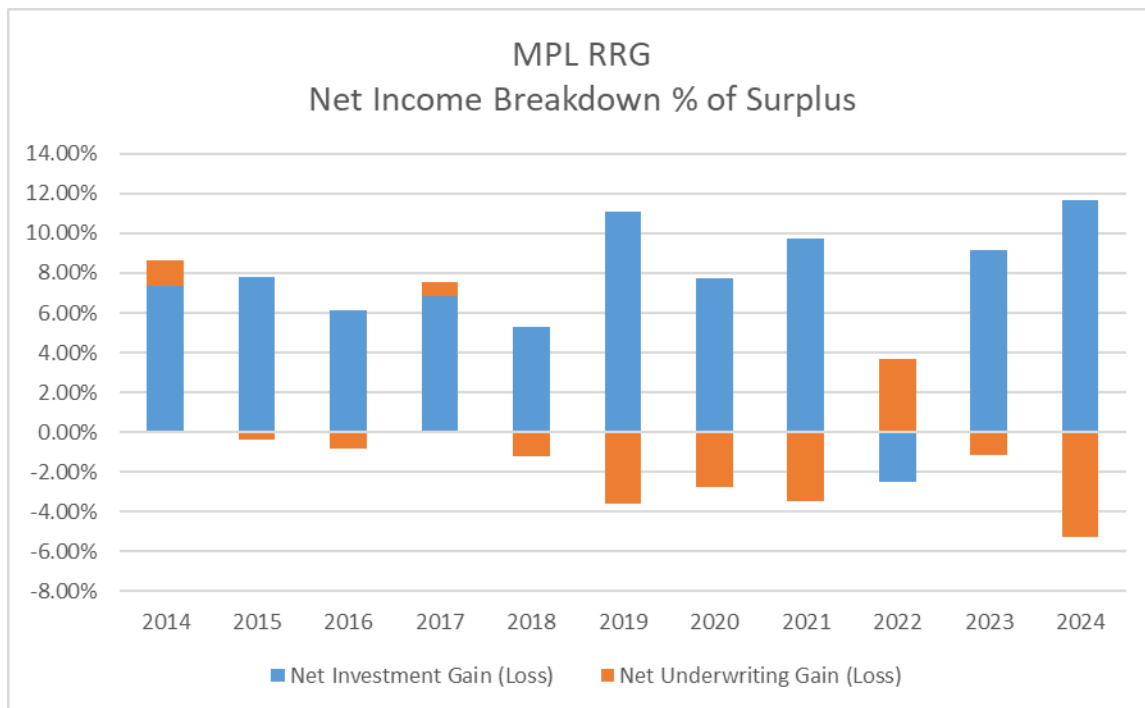
Figure VI.B.4 – CAL RRGs Net Income Breakdown

Figure VI.B.5 – MPL RRGs Net Income Breakdown

We further analyzed net income and net underwriting results for MPL for the following policy types: physicians, hospitals, allied health professionals and other healthcare facilities (most notably senior care facilities) which are analyzed separately from hospitals. Physicians had negative underwriting results in 2019-21, as seen in [Figure VI.B.6](#). Meanwhile, hospitals had negative underwriting results in 2014-21, but with higher investment returns, as seen in [Figure VI.B.7](#). In 2022, both physicians and hospitals had positive underwriting gains offset by negative investment returns. In 2023, physicians experienced a positive return in both underwriting and investment while the returns for hospitals reverted to the same trend seen prior to 2019. 2024 saw physicians continue to have positive underwriting results while hospitals had under 7% as a percentage of net income. Meanwhile, positive investment gains continued for allied health professionals for several years (as seen in [Figure VI.B.8](#)), while underwriting returns for other healthcare facilities soared in 2023 ([Figure VI.B.9](#)). Similar to hospitals, both allied health professionals and other healthcare facilities experienced negative underwriting returns in 2024.

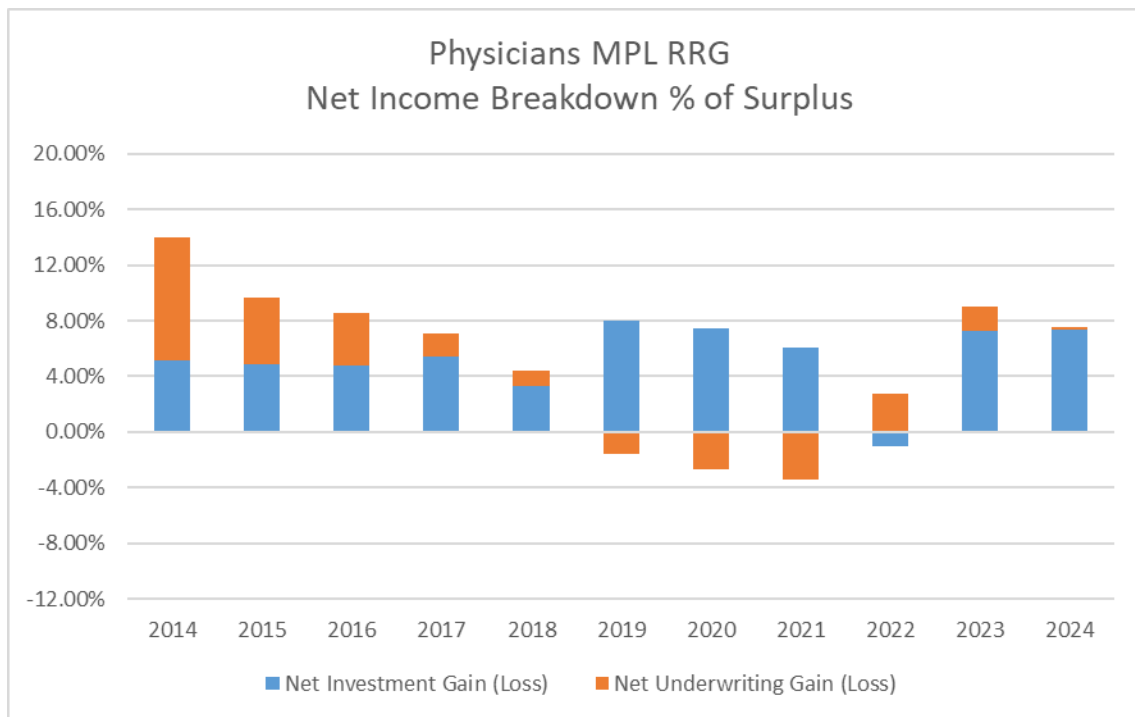
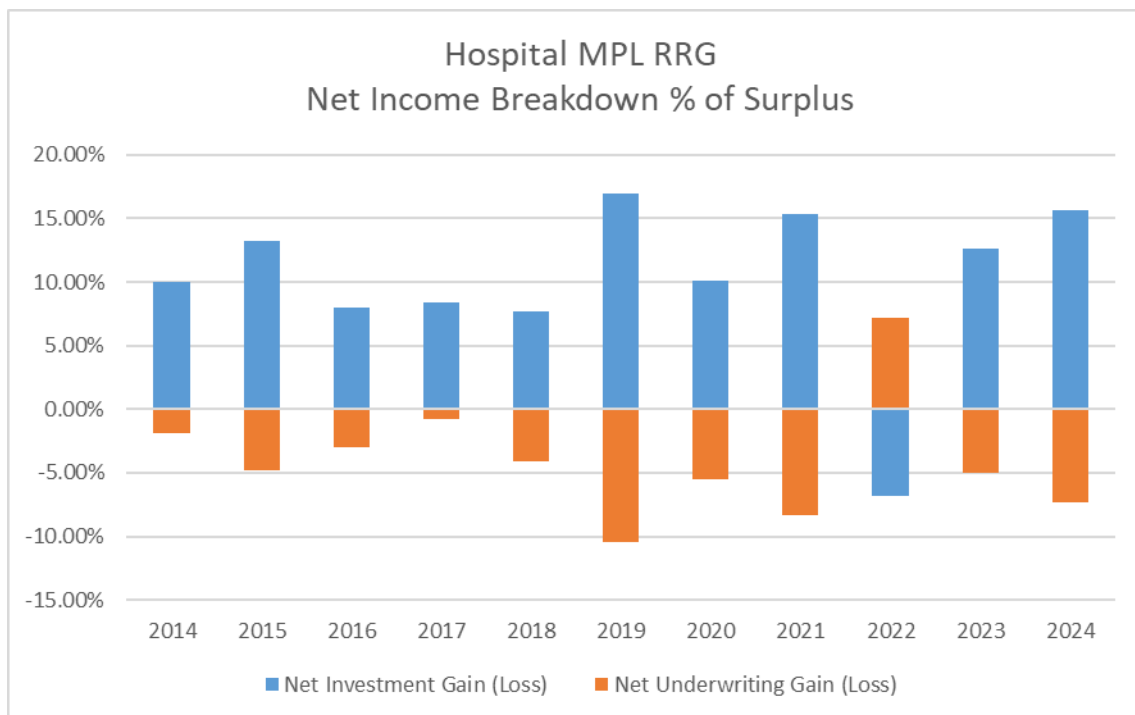
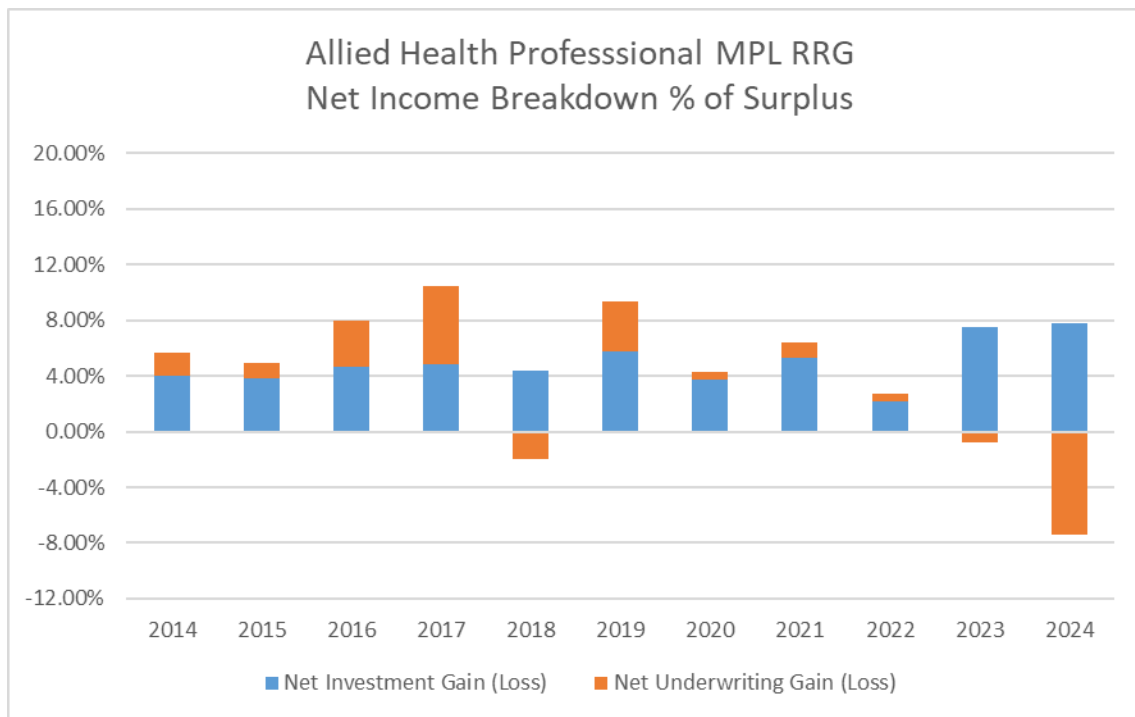
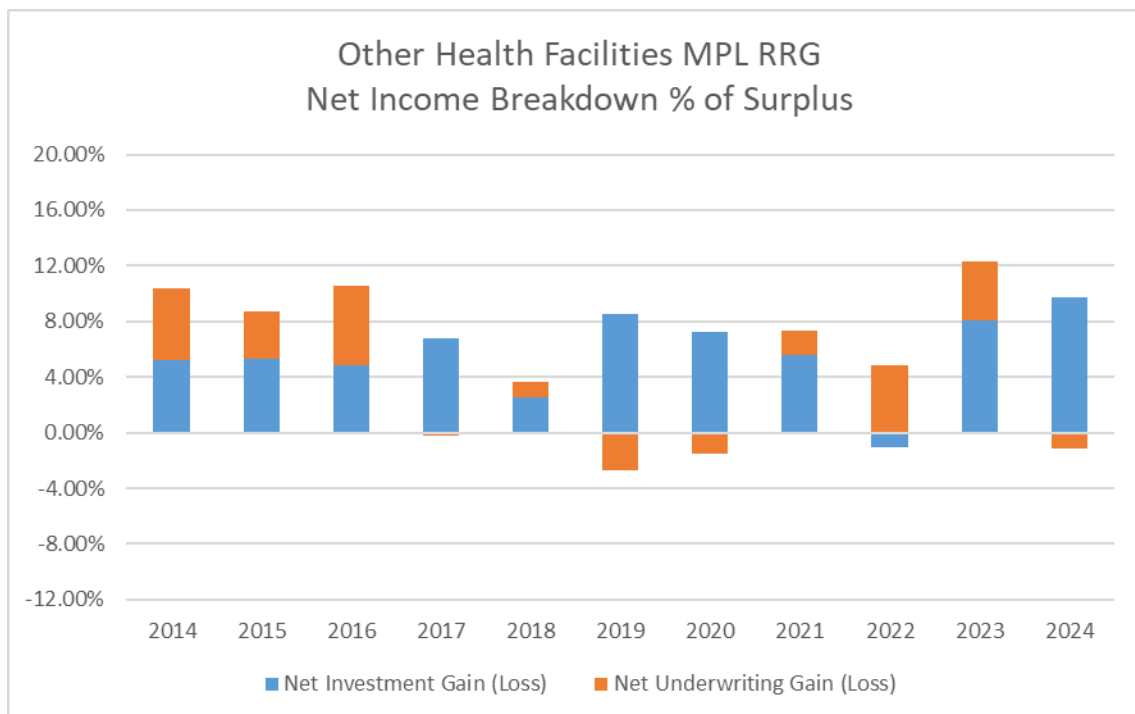
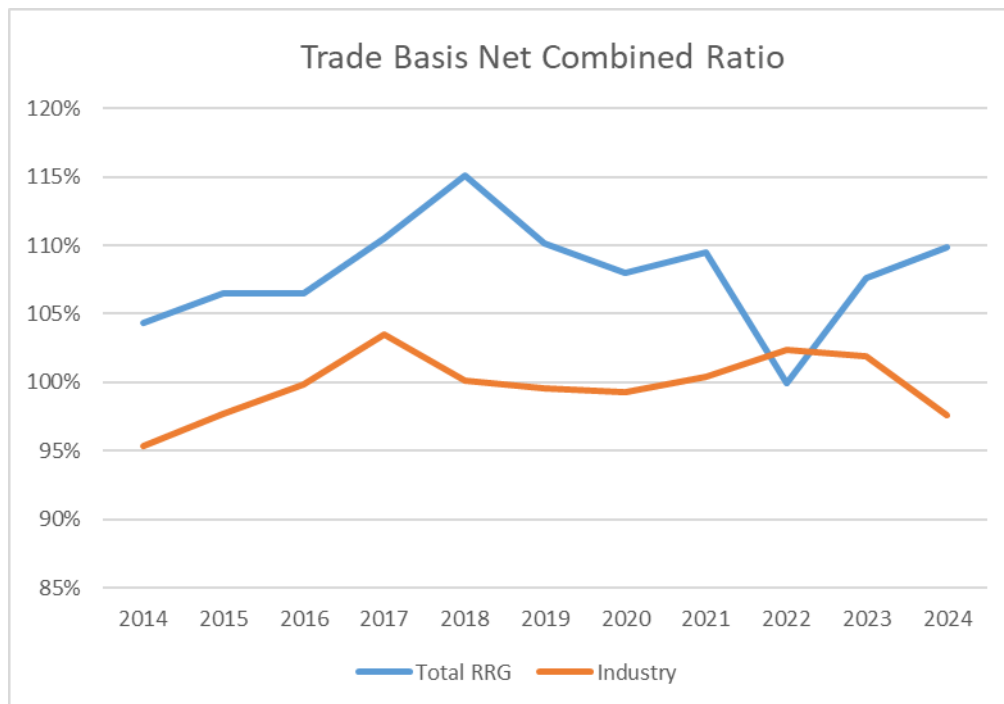
Figure VI.B.6 – Physicians MPL RRGs Net Income Breakdown**Figure VI.B.7 – Hospitals MPL RRGs Net Income Breakdown**

Figure VI.B.8 – Allied Health Professionals MPL RRGs Net Income Breakdown**Figure VI.B.9 – Other Healthcare Facilities MPL RRGs Net Income Breakdown**

C. Accident-Year Combined Ratio

Trade basis net combined ratios were constructed using a ratio of net accident year loss and loss adjustment expense/net earned premium and adding underwriting expenses over net written premium for the applicable calendar year. This was done using A.M. Best's aggregate industry and RRG writers' data. The industry and RRG combined ratios demonstrate somewhat cyclical patterns. The industry accident year combined ratio was lower than RRG ratios in 2014-21 accident years but ended up lower than the U.S. P/C Industry in 2022. The RRG ratio was 104% in 2014 and has since remained between 104-115% with the exception of 2022.

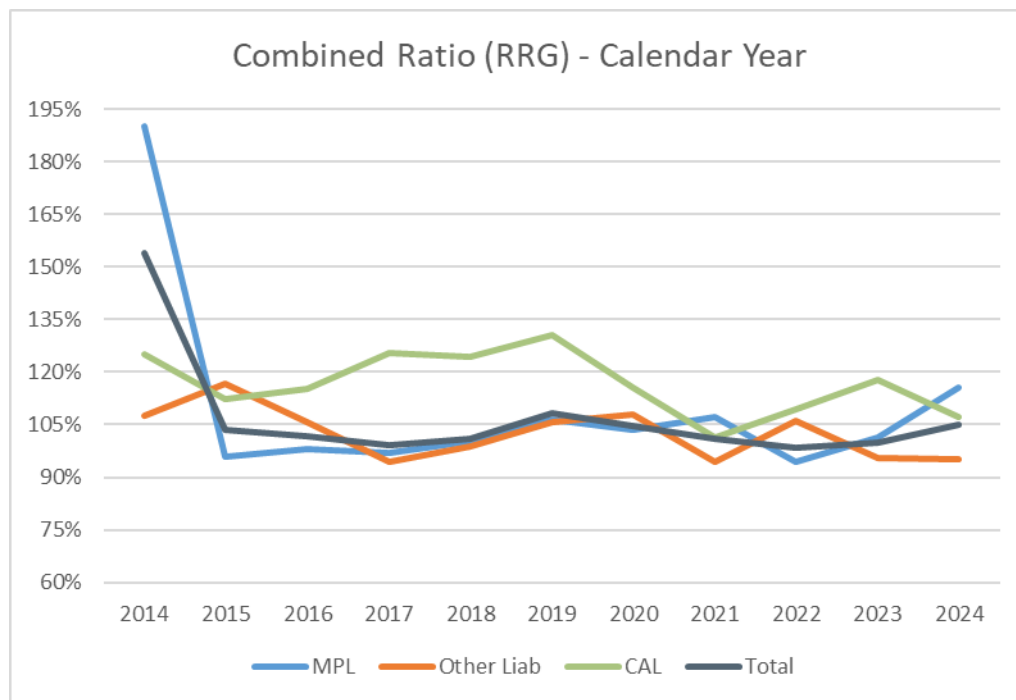
Figure VI.C – Trade Basis Net Combined Ratio



D. Calendar-Year Combined Ratio

Trade basis net combined ratios were also constructed using a ratio of net calendar year loss and loss adjustment expense to net earned premium and adding a ratio of underwriting expenses to net written premium for the applicable calendar year. The total combined ratio for RRGs sharply increased in 2014 calendar years but decreased to approximately 100% in 2016-18. In 2019, the combined ratio increased to 108% with upticks in all three major lines of business. The total combined ratio decreased to approximately 105% in 2024. As seen in [Figure VI.D](#), MPL contributed to an increase in 2014, due to a substantial restatement of liabilities related to an RRG's merger with another insurer. The combined ratios for MPL, in general, increased 2015-21. The 2022 MPL combined ratios decreased to 94% and increased to 101% and 116% in the next two years. CAL remained between 112% and 126% until 2019. The combined ratio in 2023 for CAL increased to 118%, after improving in 2021 and 2022 from the 130% combined ratio high in 2019. In 2024 the combined ratio for CAL decreased to 107%. OL is also worth noting, as that combined ratio decreased to 96% and 95% in 2023 and 2024, respectively.

Figure VI.D – Combined Ratio (RRGs)

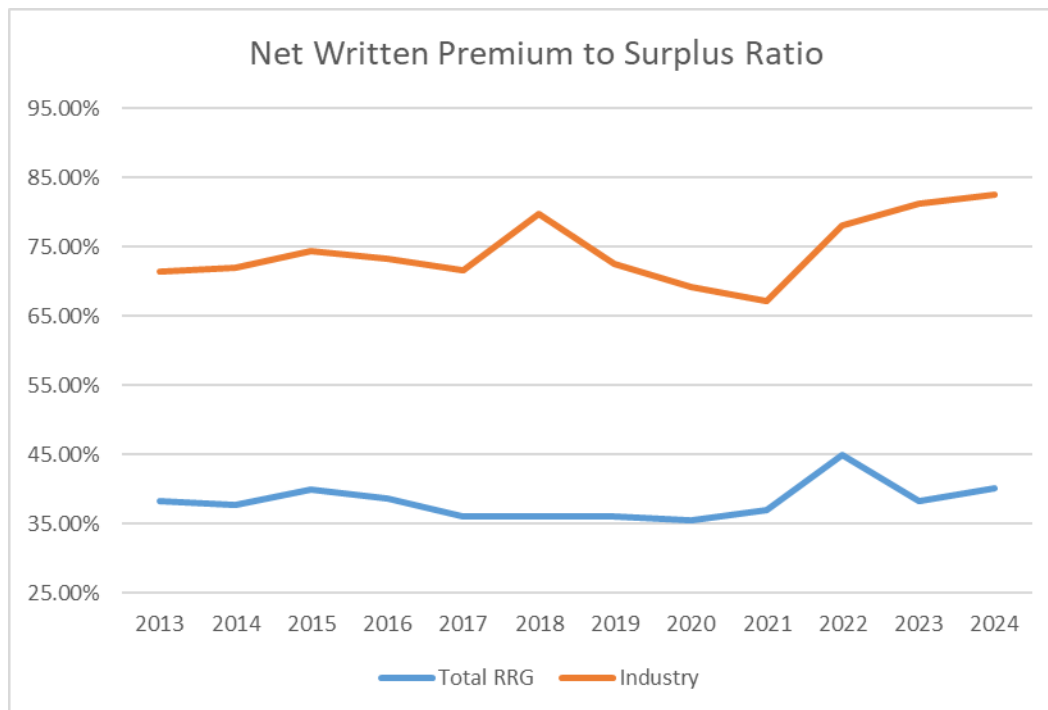


VII. Capitalization

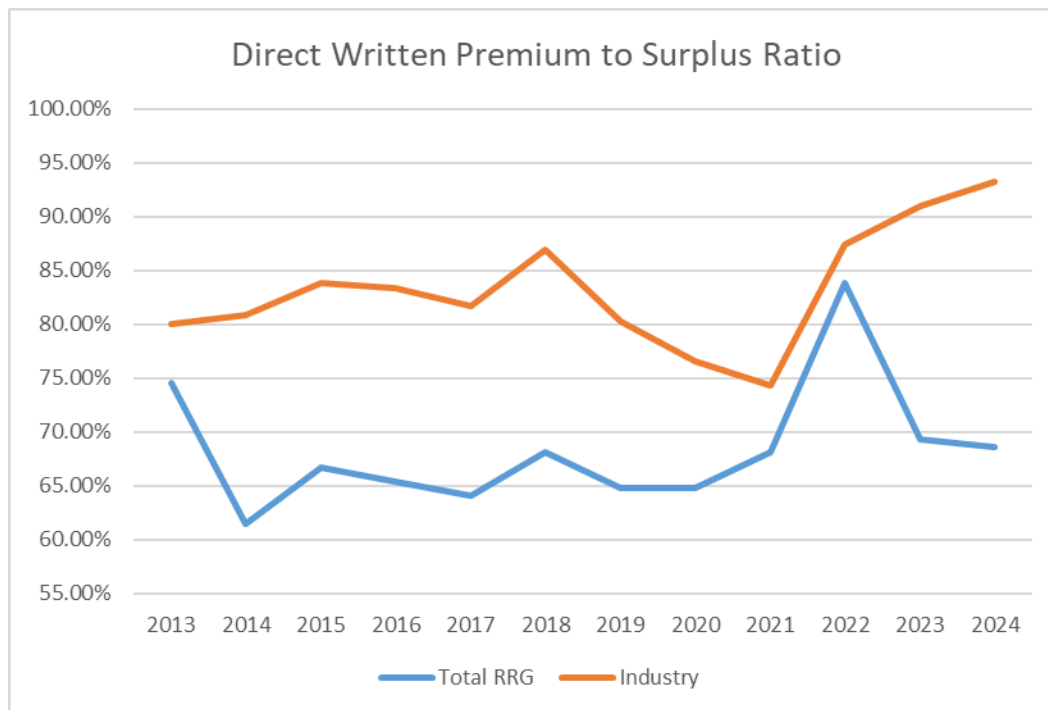
This section will examine several of the key metrics for assessing the capitalization level of insurance companies, including RRGs. Up until the 2022 year, the ratio of NWP to surplus for the total U.S. P/C industry has been generally decreasing, suggesting stronger overall capitalization. The ratio for RRGs has been fairly flat over the same time period. In 2022, there was an increase in the ratios for both RRGs and the industry largely attributable to reductions in surplus. Ratios for 2024 saw a small uptick from 2023 with the industry having the highest ratio observed in the past 12 years. The ratio for RRGs is substantially smaller when compared to the total U.S. P/C industry. The ratio of adjusted capital to authorized control level RBC ratio has averaged about 4.60 for CAL writers for the past seven calendar years. MPL writers' RBC ratios had been steadily declining since the 2020 calendar year but had an uptick in 2024. OL writers' RBC ratios increased between 2015 and 2021 and remained flat in 2022. This ratios for all three lines increased in 2024. Leverage ratios for both the insurance industry and RRGs saw notable increases in 2022 with the insurance industry near 1.98 and RRGs at approximately 1.71. In 2023, the industry increased slightly and RRGs decreased to 1.58. Unlike 2022, when overall surplus for both RRGs and the industry was declining, there were increases in surplus for the industry and RRGs, just not as great a magnitude. The ratios showed minimal change between 2023 and 2024.

A. Premium to Surplus

The industry ratio of NWP to surplus generally decreased between 2013 and 2021 with the exception of the 2018 calendar year. For RRGs, the ratio was fairly flat between 2013 and 2021 but like the industry, it saw a sharp increase in 2022. This was due to reductions in surplus across both the industry and RRGs alongside a continued increase in NWP. In 2023, the industry ratio continued to increase to 81% while the RRGs decreased to 41%. The ratios for both the industry and RRGs had a small uptick in 2024 with the industry having the highest observed ration in the past 12 years.

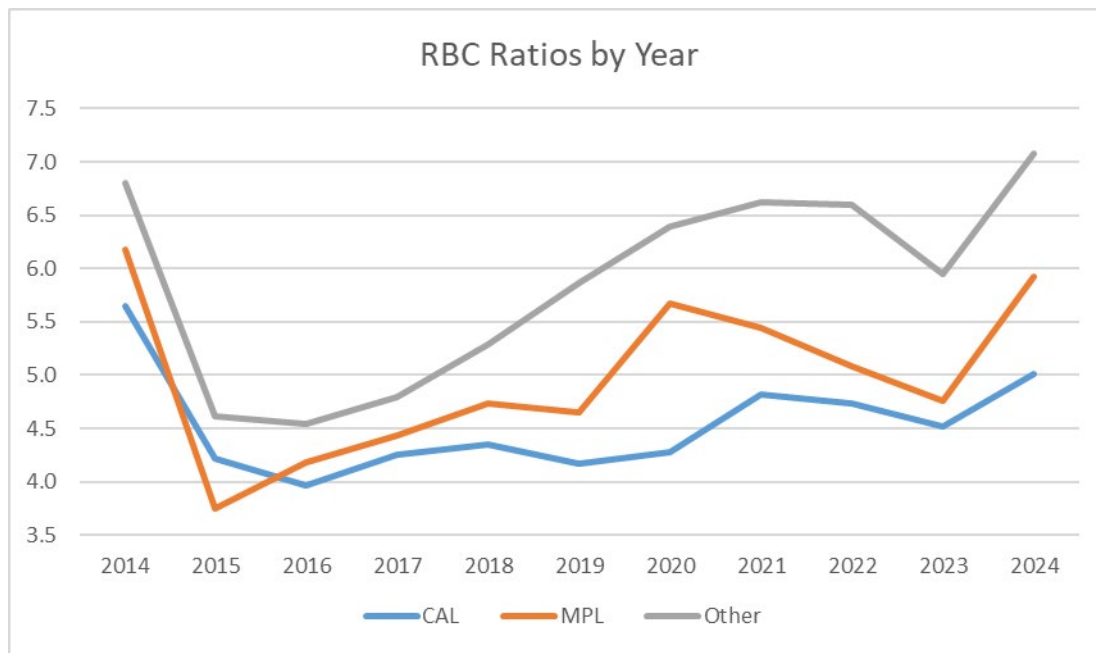
Figure VII.A.1 – Net Written Premium to Surplus Ratio

The ratio of DWP to surplus generally decreased for the industry and RRGs up until 2021. We can see that industry and RRG writers have much closer ratios on a direct basis compared to net. 2018 shows an uptick for the industry on a direct and net basis, and on a direct basis for RRGs writers. For each, there was a decrease in surplus along with an increase in writings. The ratios between RRGs and the industry started to narrow, beginning in 2019. In 2022, as in 2018, the industry and RRGs both experienced a decrease in surplus and increased writing resulting in DWP to surplus ratios of more than 80%. In both 2023 and 2024, the industry ratio continued to increase as DWP increased approximately 10% each year while surplus increased by between 6% and 7%. For RRGs, the ratio has decreased since 2022 as the increases in DWP are substantially less than the increases in surplus.

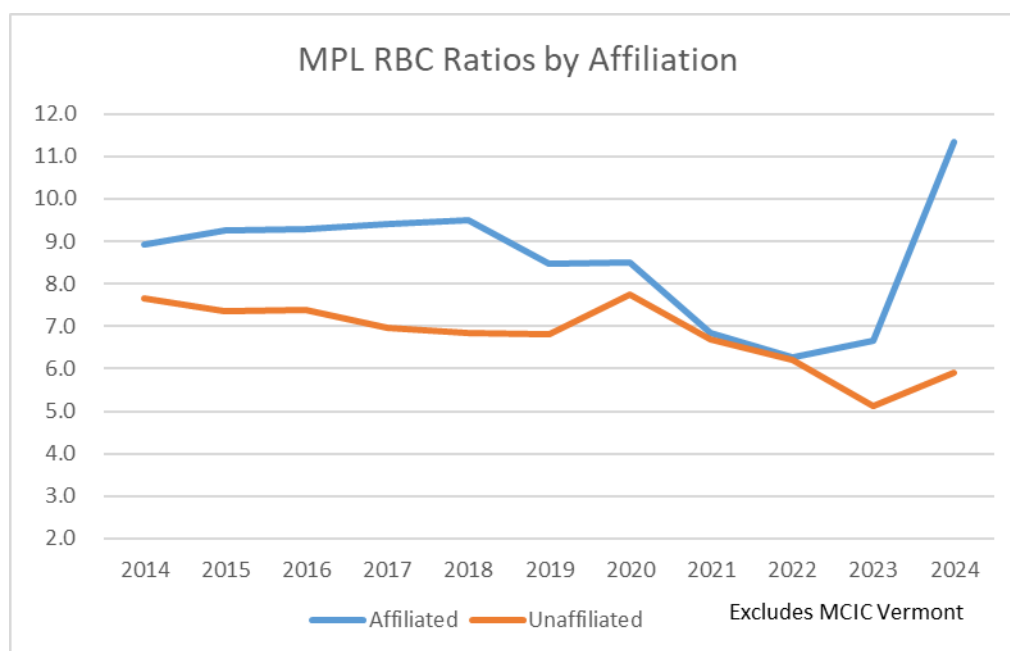
Figure VII.A.2 – Direct Written Premium to Surplus Ratio

B. Risk-Based Capital

The ratio of adjusted capital to authorized control level (frequently known as RBC ratios) vary depending on the underlining line of business. MPL RRG writers saw their RBC ratios plummet in 2015 then steadily increased until 2020. The ratio for MPL decreased from 5.7 to 4.8 over the three following years increasing to 5.9 in 2024. RRGs that specialized in writing commercial auto liability saw their RBC ratios rapidly decrease between 2014 and 2016, as seen in [Figure VII.B.1](#). Upon our inspection of the raw data, much of the CAL movement is due to new RRGs specializing in writing CAL. CAL ratios were fairly flat between 2015 and 2020 but have increased in the most recent four years. This is mainly due to strengthening of adjusted capital among some larger RRGs writing CAL. The RBC ratios for OL writers consistently increased between 2015 and 2021 before flattening in 2022. All three sublines had decreases in 2023 followed by increases in 2024.

Figure VII.B.1 – RBC Ratios by Year

Another item of interest for the MPL Association affiliation study was capitalization. Our analysis revealed a pronounced difference in RBC ratios between MPL Association-affiliated and unaffiliated companies from 2014-19. The magnitude of this difference serves as confirmation to what was theorized by the authors, as these affiliated companies are largely owned by parent companies who have much more capital at their disposal. This gap diminished between 2020 and 2022 but has begun to widen in recent years. As seen below, the ratios of the two groups generally move in concert with one another, with exception in 2023.

Figure VII.B.2 – MPL RBC Ratios by Affiliation (excludes MCIC Vermont)

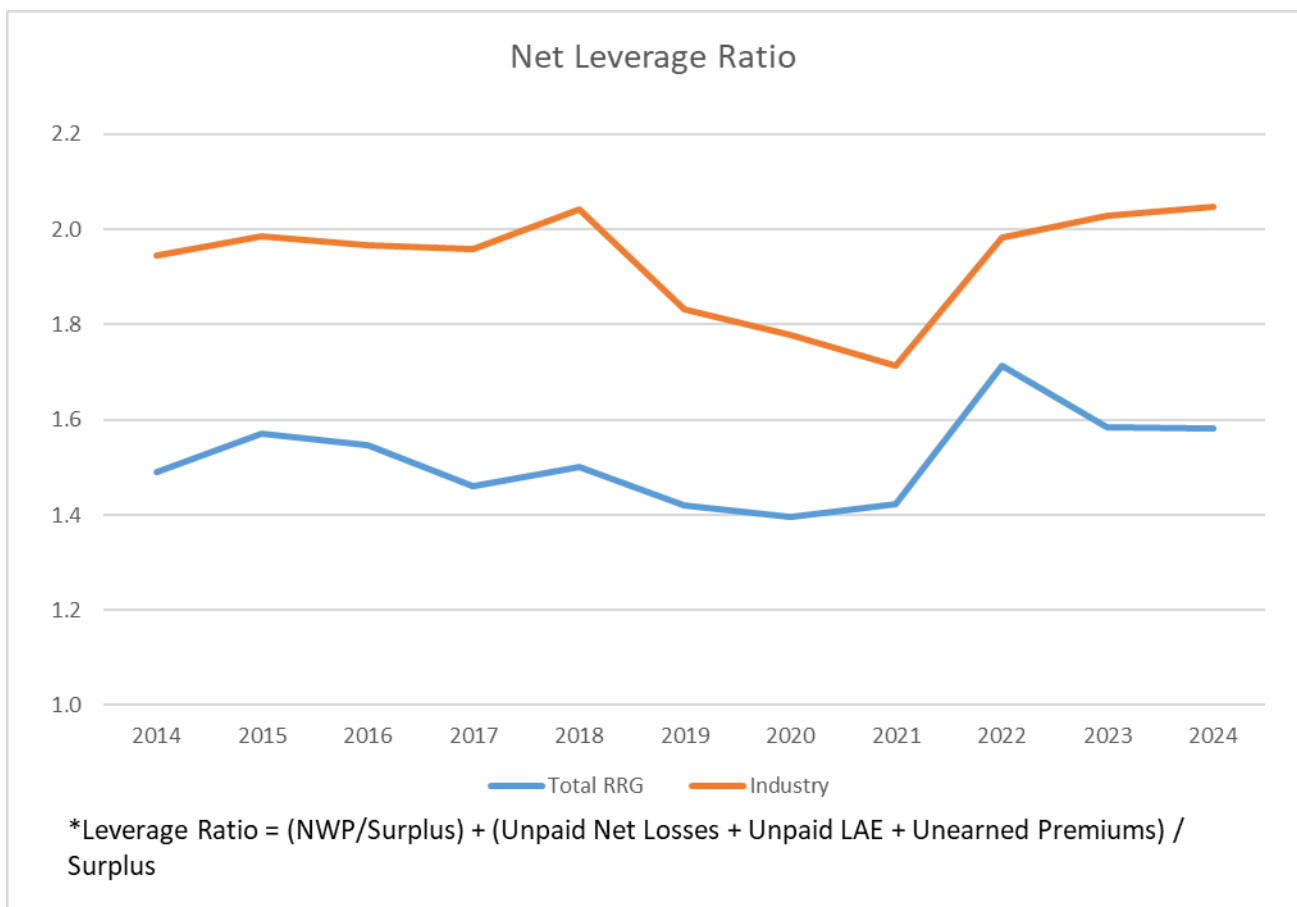
C. Leverage Ratio

The net leverage ratio is defined as the ratio of:

$$\frac{(\text{Net Written Premium} + \text{Net Unpaid Losses} + \text{Net Unpaid LAE} + \text{Unearned Premiums})}{\text{Surplus}}$$

The net leverage ratio for the industry decreased between 2015 and 2021 while remaining relatively flat for RRGs. At the end of the 2014 calendar year, the ratio for RRGs was 1.49, while the industry ratio was 1.95. The 2024 observation has the ratio for RRGs at 1.58 and 2.05 for the industry. The increase in the net leverage ratios observed in 2022 for both RRGs and the industry relate to a decrease in surplus with increases in losses and net writings. The net leverage ratios for the industry have been higher for RRGs in the 11 years we observed.

Figure VII.C – Net Leverage Ratio



VIII. Underwriting Expenses

In addition to expenses associated with claims settlement, RRGs have expenses related to insurance policy underwriting. These expenses can affect an RRG's profitability to the extent that they are increasing over time or vary above industry norm for a single RRG. This section examines several key underwriting expense measures and explores the differences by state for the financial exam fees embedded in the numbers.

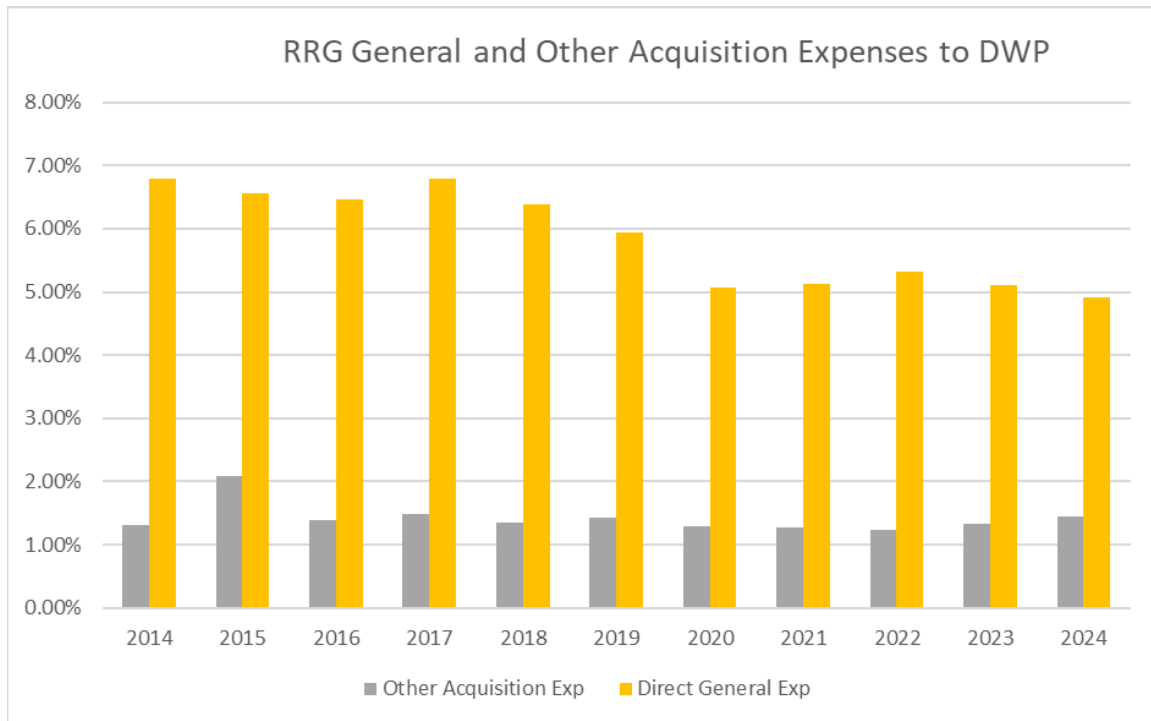
Other acquisition expenses have generally been approximately 1.2 to 1.5% of written premium, while general expenses have been decreasing from approximately 6.8 to 4.9% in 2024 but vary considerably when split by line of business. Overall expenses for RRGs vary by line of business, with CAL having a higher and more variable expense ratio than RRGs writing OL or MPL.

Another significant consideration related to expenses is the state of domicile and the impact of state-specific regulatory fees. Among the domiciliary fees we examined were those for required financial exams every three years within a company's domiciliary state. We have found that these financial exam fees can vary widely across states. This is an important consideration when selecting a domicile. Based on our analysis, average financial exam fees for RRGs in 2024 were \$27,233. These exam fees as a percentage of held loss and LAE reserves is 0.08%, down from 0.09% in last year's study. Exam fees as a percentage of surplus also amounted to 0.08%.

A. General and Other Acquisition Expenses

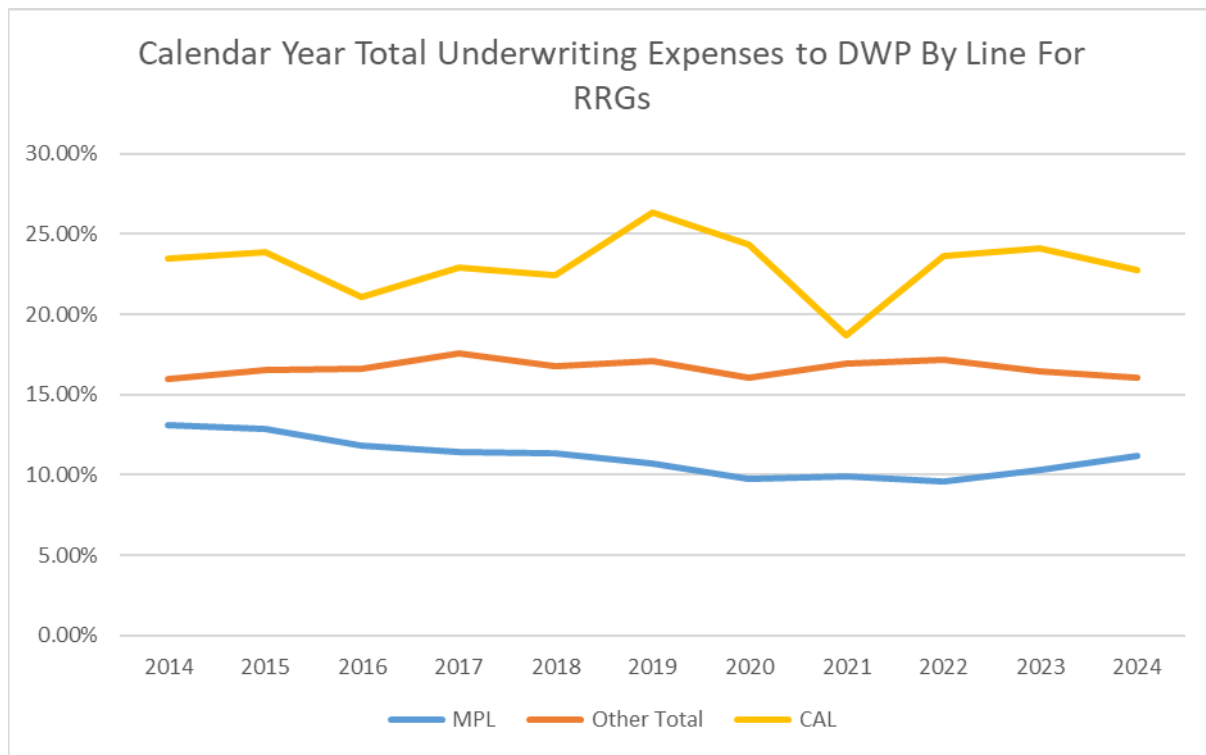
RRG general and other acquisition expenses have shown variability over the last 11 calendar years. General expenses have seen an overall decreasing trend from 6.8% in 2014 to 4.9% in 2024. It is worth noting these expenses vary considerably when split by line of business. Meanwhile, other acquisition expenses have generally been around 1.2% to 1.5% of written premium but have been as high as 2.1% in 2015.

Figure VIII.A – RRG General and Other Acquisition Expenses to DWP



B. Overall Underwriting Expense Ratio Trends

The overall expense ratios for MPL RRGs have been between 10-14% of DWP for 11 calendar years but have decreased since 2014. The expense ratios for RRGs writing OL have been very steady between approximately 16-18% of DWP. RRGs specializing in CAL have much more observed variability and higher expense costs relative to the other lines, ranging from around 19-26% depending on the year.

Figure VIII.B – RRG CY Total Underwriting Expenses to DWP

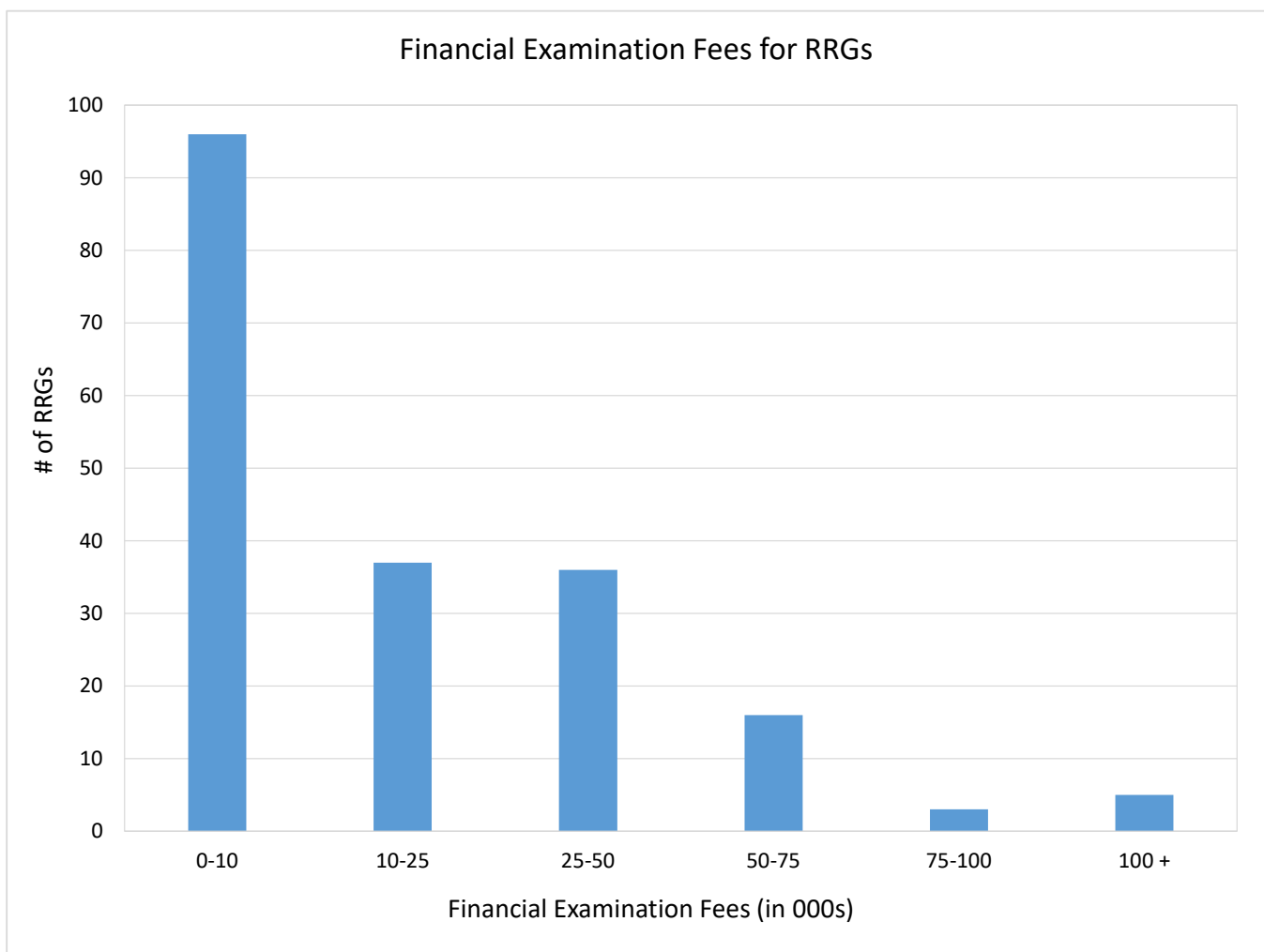
C. Financial Exam Costs

The NAIC requires that RRGs file financial statements in a highly detailed format. One element of the format is an itemized expense breakdown, including data that nearly isolates financial examination costs.

To compile financial examination costs, Pinnacle gathered data from the “Total Insurance Department Licenses and Fees” category of Part 3 of the Underwriting and Investment Exhibit by RRG, along with domiciliary state. In addition to financial examinations, this expense category also includes other smaller expense items, such as agents’ licenses, certificates of authority, compliance deposits and filing fees. These categories tend to remain relatively constant year-to-year. We analyzed 11 years of financial statement data from 2014-24 to isolate financial examination costs, which only affect one or two years from the discrete, smaller, ongoing annual fees. We removed some RRGs that had not had exams during this time to normalize the data. We also captured current year written premium, net held loss and LAE reserves and surplus to normalize the results to reflect that there are some very large RRGs with understandably larger financial examination costs. In the final data, 193 RRGs remained. We also excluded domiciles with a single RRG from the by-domicile analysis to prevent sharing company-specific data.

The average estimated fees associated with the financial examinations of the RRGs included in our analysis were around \$27,233, compared to \$29,815 in a similar study Pinnacle conducted in 2024. The largest financial examination fee cost identified was about \$1,129,500, down from \$1,561,000 in 2024. On average, financial exam costs represented approximately 0.08% of surplus (down from 0.09% in 2024) and 0.08% of held loss and LAE reserves (down from 0.09%). There was a significant dispersion in the financial exam costs by RRG. Fewer than half (49.7%) of RRGs had financial exam costs of less than \$10,000, while 19.2% had costs between \$10,000-25,000. Another 18.7% had financial exams that cost \$25,000-50,000. Twenty-four of the selected RRGs had financial exams that cost more than \$50,000, up from 22 in 2024. This information is summarized in [Figure VIII.C.1](#).

Figure VIII.C.1 – Financial Examination Fees for RRGs



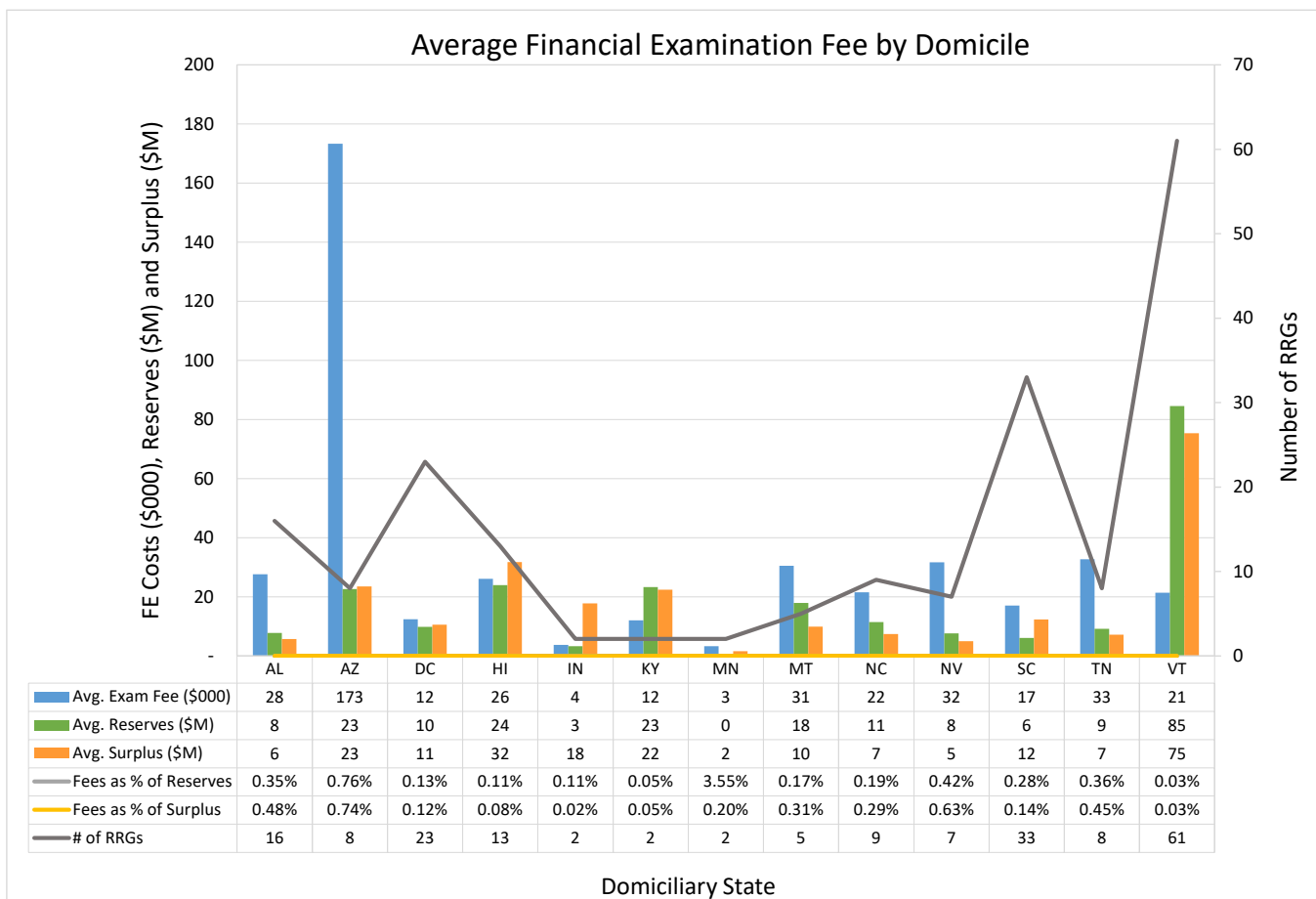
Additional analysis by state of domicile reveals interesting insights. Vermont remains the largest RRG domicile, with 61 RRGs included in our analysis. South Carolina, D.C., Alabama and Hawaii complete the top five with more than 10 RRGs each. Excluding states with one RRG, Vermont is

also the domicile with the largest RRGs, with average written premium, loss reserves and surplus per RRG typically more than double any other domicile.

There are also substantial differences in average financial examination costs by domicile.

Arizona, Tennessee and Nevada have the highest average financial exam costs for RRGs. Arizona has three RRGs with financial exam costs over \$100,000, and Nevada and Vermont each have one RRG with financial exam costs over \$100,000. Indiana, Minnesota, D.C. and Kentucky have the lowest average exam costs. Vermont's costs were consistent with the overall average, which is remarkable given its greater than average RRG size. As a result, Vermont's average exam costs (as a percentage of surplus and reserves) are among the lowest of any domicile. The following chart illustrates the variability in average exam fees, and as a percentage of both policyholder surplus and held loss and LAE reserves by domicile.

Figure VIII.C.2 – Average Financial Examination Fees by Domicile



Many (but not all) states use a variety of approaches to balance appropriate cost controls and regulatory rigor. These procedures include:

- Allowing actuarial peer reviews rather than full independent actuarial analyses, in some instances

- Setting up competitive bid processes to establish a pool of financial examination service providers, rather than relying on a single provider
- Using staff examiners instead of independent contractors
- Establishing financial examination fee parameters, budgets and caps prior to the beginning of an examination

This review of RRG financial examination costs highlights that there are material differences by domicile and should be considered when choosing a domicile.

In the insurance industry, there have been rumors and anecdotes of instances in which specific financial examination costs were unreasonable at face value. The data in this analysis suggests these rumors may have some factual support. There are five RRGs in our data with financial exam costs of over \$100,000, four of which have less than \$10 million in annual premium.

One of the important ways an RRG passes savings on to its owners is by controlling expenses. This opportunity can turn into a material risk in domiciles where financial examination fees do not have a clear link to an RRG's size and complexity. Competitive bidding processes for service providers, use of state staff and project budgets can also provide owners with the confidence that financial exam costs will be reasonable and reflected in company budgets. To avoid the risk of unanticipated regulatory costs, owners should ensure they understand how their selected domicile deals with financial examination fees.

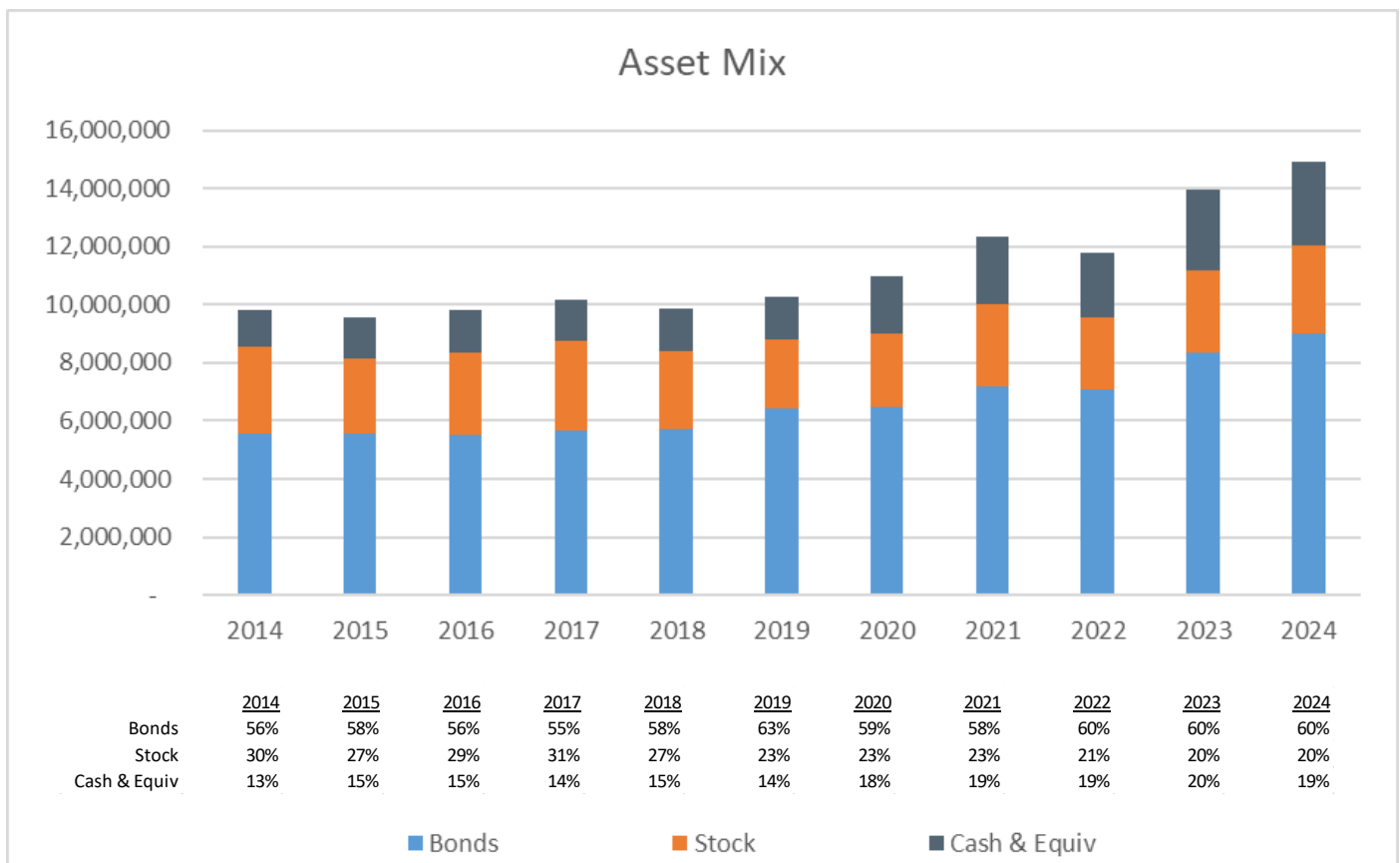
IX. Investment Results

Beyond underwriting operations and income, investments and investment income are important secondary components of insurance company operations. This section examines RRG asset mix and operating results. There has been noticeable asset growth in RRGs since 2019. In 2020 there was a distributional shift with an uptick in the amount invested in cash and equivalents, investment dispersal remaining consistent since.

A. Asset Composition

The asset mix for RRGs is primarily in bonds, accounting for a steady 60% of the investment composition. Stocks comprised 30% of the overall asset in 2014 but decreased marginally to approximately 20% starting now in 2024. This decrease has yielded as subsequent increase in amounts invested in cash and equivalents over the same period. It is worth noting that the overall amount of assets for RRGs continues to increase over the analyzed period.

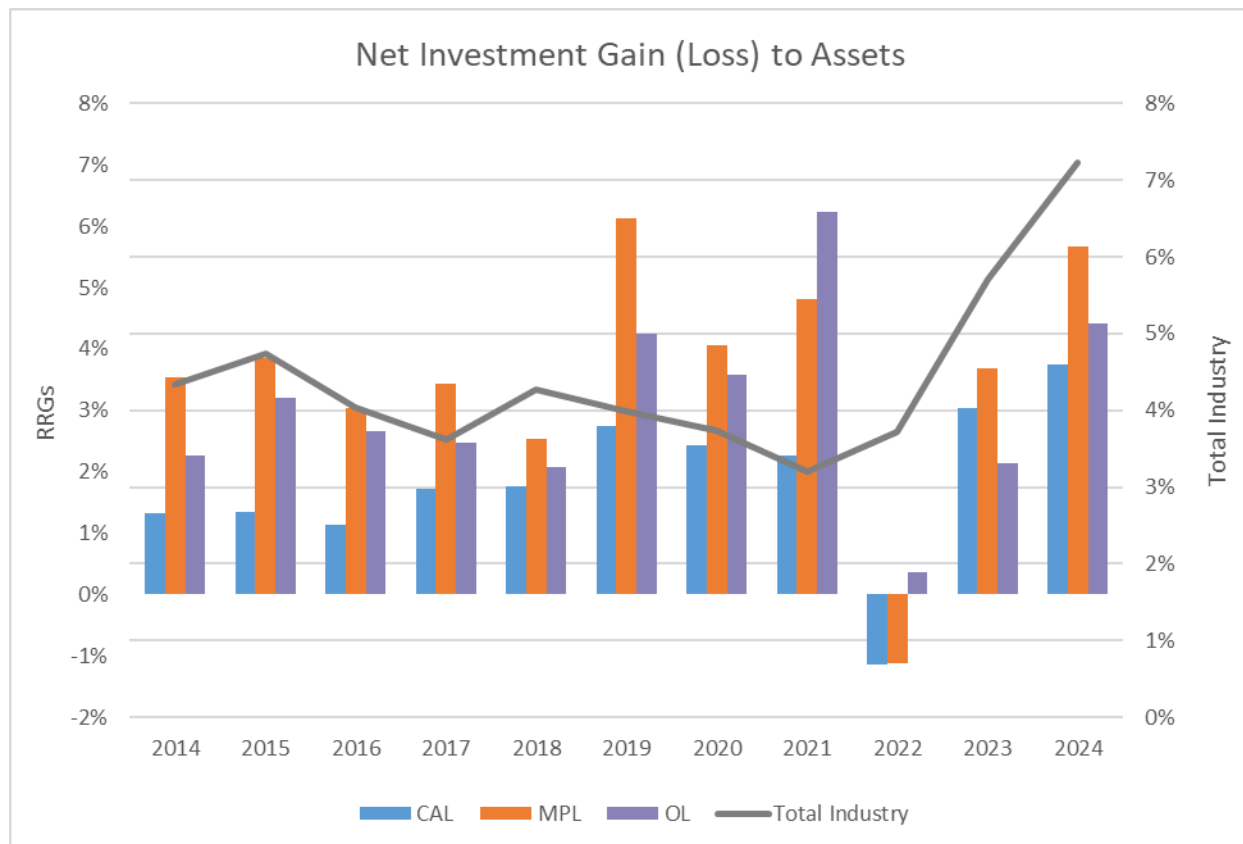
Figure IX.A – RRG Asset Mix



B. Investment Gain (Loss)

RRGs writing primarily MPL have had the largest investment gains. Those writing CAL have seen investment gains, though they are small and relatively flat. When compared to the industry, RRGs writing primarily MPL follow a similar pattern, with the exception of 2019-21, which posted significant gains for both MPL and OL. For 2022, RRGs primarily writing CAL and MPL had investment losses, while OL had slight gains. The industry, on the other hand, experienced a slight increase in investment gains for 2022 relative to 2021. All three major RRG lines as well as the industry saw positive returns in 2024.

Figure IX.B – Investment Gain/Loss to Assets for RRGs CAL, MPL, OL vs. Total U.S. P/C Industry



X. Reliances and Limitations

Throughout our analysis, we have relied on industry annual statement data, using data products from the A.M. Best Company.

We have employed techniques and assumptions that we believe are appropriate, and we believe the conclusions presented herein are reasonable given the information currently available. However, it should be recognized that future loss emergence might deviate, perhaps substantially, from our estimates.

A substantial source of uncertainty relates to the emergence of the COVID-19 pandemic and its ongoing impact. This uncertainty could impact the projection of unpaid claim estimates in several different ways including, but not limited to:

- Claim reporting patterns and the risk of longer claim durations as claims handling and settlement are impacted
- Changes in exposure to specific coverages
- Material changes in underlying loss exposures as COVID-19 impacts businesses
- Potential legal disputes regarding the applicability of specific coverages to COVID-19-related claims, and
- Changes associated with ongoing medical care of current claimants due to the virus for lines of business with a medical coverage component.

Some of these uncertainties may affect the settlement of claims that had occurred prior to COVID-19 being declared a pandemic. The COVID-19 pandemic may have a material impact on our reserve estimates as its effects emerge over time.

This report does not express any opinions or recommendations with respect to accounting, legal, taxation, or any items reported in any statements filed and/or representations made by A.M. Best. The sole purpose of this report is to present information with respect to RRGs as of December 31, 2023.

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