

FCCI INSURANCE GROUP

Keys to Financial Success

Selecting the right insurance company is an important financial decision. Here are a few reasons to choose FCCI.

FCCI Insurance Group is rated A- (Excellent) with a Secure and Stable outlook by A.M. Best Company. FCCI's rating is based on a comprehensive quantitative and qualitative analysis of FCCI's balance sheet strength, operating performance, and business profile consisting of 100 key financial tests including:

- **Underwriting leverage** – A.M. Best places FCCI at the high-end of the acceptable range relative to the Best Rating.
- **Capitalization tests** – Best's Capital Adequacy Ratio (BCAR) score of 175.8 for FCCI exceeds A.M. Best's minimum 130 requirement for A- rated companies.
- **Reserve quality** – FCCI continues to conservatively set reserves within recommended actuarial ranges.

BCAR Levels

Implied Balance Sheet Strength Rating

FCCI175.8

Secure:	Minimum BCAR
A++	175
A+	160
A	145
A-	130
B++	115
B+	100

Source: A.M. Best

Additional keys to our financial success include:

- **Our agents.** FCCI's independent agents provide the initial assessment our underwriters need to help control risk.
- **Our underwriting philosophy.** Rather than rely solely on investment income, FCCI seeks to reduce losses and make a fair profit through conscientious risk management.
- **Our claims philosophy.** Properly allocating reserves and paying claims fairly and promptly is FCCI's promise to the policyholder and a vital element of our financial success.
- **Our catastrophe management.** FCCI partners with A+ rated reinsurance companies including GenRe (A++), SwissRe (A+), and MunichRe (A+).

See back for additional information.

Future Outlook

Despite an ailing economy, FCCI recorded net profits in 2008. We believe this is attributable to several factors including our mutual holding structure, our conservative investment philosophy, and our investment in technology—an investment that has resulted in 100% productivity gains since 2002.

In 2009, FCCI is celebrating our 50th anniversary. With a statutory surplus of \$377 million and an investment portfolio of \$1.2 billion, FCCI is proud to be your First Choice in Commercial InsuranceSM – and the First Choice for more than 16,000 policyholders in 14 states.



PROTECTING BUSINESS, PROPERTY AND PEOPLE

Thank you for placing your trust in us.

Additional Information

Underwriting Leverage

Underwriting leverage of an insurance company is important to analyze trends and magnitudes. The factors considered are: types of business written, spread of risk, quality and appropriateness of the reinsurance program, quality and diversification of assets, and adequacy of loss reserves.

Capitalization Tests

Best's Capital Adequacy Ratio (BCAR) compares an insurer's adjusted surplus to the required capital necessary to support its operating and investment risks.

Reserve Quality

Reserve quality is another indicator reviewed by A.M. Best. FCCI does not discount workers' compensation loss and allocated adjustment expense reserves, although many other insurance companies do. FCCI's focus on claims management, enhanced risk selection, and solid underwriting fundamentals create favorable reserving trends. FCCI has recorded favorable development in nine out of 10 prior calendar years by following this practice.

To learn more, go to www.ambest.com/ratings/methodology.

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Our Investment Philosophy

FCCI's claim reserves, surplus, and other free assets are invested in a conservative portfolio. Our invested assets of \$1.2 billion are allocated to stock mutual funds (4.4%) and a diverse blend of government and private bonds and other fixed income securities. The average quality rating of the fixed income investments is AA+. The duration has been brought down to 4.0 to reduce our exposure to market shifts. As of December 31, 2008, our exposure to sub-prime mortgage investments was less than \$2 million and declining.

Our Reinsurance Program

Reinsurance plays an essential role in the risk spreading process and provides insurers with varying degrees of financial stability. A company's reinsurance program should be appropriate relative to its business, its policy limits, its underwriting risks, its catastrophe exposures, and its financial capacity. In addition, a reinsurance program should involve time-risk transfer and include reinsurers of good credit quality, since in the event of a reinsurer's failure to respond to its share of a loss, the company would have to absorb a potential large loss in its entirety. FCCI's reinsurance program involves treaty and facultative reinsurance with several of the top reinsurers in the marketplace.