Continued….**More than likely, your senior management team and board are paying too little attention to most important area driving about 75% of your insurance company's profitability**

US Property Casualty Industry												
						YEAR						**10-YR. Avg**
	6/30/2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	
Combined Ratio	97.70	98.70	99.10	103.90	100.50	97.80	97.30	96.00	103.10	108.00	102.80	100.45
Underwriting profit	2.30	1.30	0.90	(3.90)	(0.50)	2.20	2.70	4.00	(3.10)	(8.00)	(2.80)	(0.45)
Investment Yield	3.15	3.20	3.24	3.08	3.01	3.18	3.48	3.96	3.85	4.09	4.42	3.51
Annualize total profit	5.45	4.50	4.14	(0.82)	2.51	5.38	6.18	7.96	0.75	(3.91)	1.62	3.07
Investment contribution to profit*	58%	71%	78%	100%	100%	59%	56%	50%	100%	100%	100%	79%
*** or percentage contribution of investments to offset underwriting loss**												
Sources: NAIC US Property & Casualty and Title Insurance Industries 2019 full report and 2020 YTD report												

The data above comes for the 6/30/2020 NAIC report aggregating US PC insurers reported data. The asset side, primarily the investments, is the most important contributor, by far, to the profitability of your insurance company. Clearly, it should not ever be put on cruise control! It ain't broke, so we don't fix it. Well, what if it is broke or more likely, just not operating efficiently and your board just doesn't realize it for lack of due diligence and attention? How much is your insurance company losing, year after year, for not operating with optimal investment efficiency? <u>Meaning are you are getting the greatest return per unit of risk taken in the portfolio?</u> This "opportunity cost", for not optimizing the efficiency of your investment program, can be quantified into dollars, and the numbers will surprise you.

Your board leaves the investment program on cruise control because:

We have an investment manager who usually beats his performance benchmark. That is how we evaluate them.

> Any manager can beat their benchmark simply by:
>
> A) picking an easy benchmark to beat
> B) using securities or techniques (e.g. swaps, hedging, leverage, etc.) that add risk and are not allowed in the benchmark
> C) or, the most common, simply taking much more risk than the benchmark
>
> Proper investment manager evaluations measure the manager's "Skill" using risk-adjusted returns statistics which provide an understanding of the return per unit of risk.

We have some bonds and some stock so we're properly diversified, right?

> Asset allocation decisions account for more than 90% of your long-term investment result. Was yours optimized using an acceptable analytic process? 6 to 8 low/uncorrelated asset classes are typically utilized before diminishing return of diversification set in.

Our investment program is similar to our peers so we must be doing it right?

> Most insurers DO NOT optimized their investment programs and are not knowledgeable enough about investment to determine that they are underperforming

We have bigger or more pressing issues to deal with

Without understanding the opportunity cost, how much money you could be but are not earning, of your current investment program vs an optimized and efficient program, how can you be so sure?

We're loyal to our advisor/providers ?

Well, that's admirable and important but the board has a due diligence responsibility to review the marketplace to determine if they are well served on a periodic basis

CapVisor is an SEC registered investment advisor that works exclusively with insurance companies and overseeing more than $1.25 Billion in client assets. We can help to make your investment program work harder to help grow you company by ensuring the investment program maximizes returns while correlating risk levels with your liabilities (ERM) in the most efficient manner. We can optimize your asset allocation and, in an independent and unbiased manner, advise on the true "skill" set of your current investment manager(s) or find you better ones. Our services pay for themselves in improved performance many times over!

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