

BEST'S RATING REPORT



COPPERPOINT MUTUAL GROUP

3030 N. 3rd Street, Phoenix, Arizona, United States 85012-3009

AMB #: 018724

NAIC #: N/A

FEIN #: N/A

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CopperPoint Mutual Ins Company	A-
CopperPoint American Ins Co	A-
CopperPoint Casualty Ins Co	A-
CopperPoint General Ins Co	A-
CopperPoint Indemnity Ins Co	A-
CopperPoint National Ins Co	A-
CopperPoint Premier Ins Co	A-
CopperPoint Western Ins Co	A-
MountainPoint Insurance Co	A-



CopperPoint Mutual Group

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

Associated Ultimate Parent: [014958 - CopperPoint Mutual Insurance Company](#)

A.M. Best Rating Unit: 018724 - CopperPoint Mutual Group

Best's Credit Ratings for Group Members:

Rating Effective Date: January 17, 2018

AMB#	Company	Rating Unit	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
			Rating	Outlook	Action	Rating	Outlook	Action
018724	CopperPoint Mutual Group	<i>Rating Unit</i>						
014958	CopperPoint Mutual Ins Company		A-	Stable	Affirmed	a-	Stable	Affirmed
014225	CopperPoint American Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
013986	CopperPoint Casualty Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
013987	CopperPoint General Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
014226	CopperPoint Indemnity Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
014227	CopperPoint National Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
013813	CopperPoint Premier Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
013988	CopperPoint Western Ins Co		A-	Stable	Affirmed	a-	Stable	Affirmed
022107	MountainPoint Insurance Co		A-	Stable	Affirmed	a-	Stable	Affirmed

Rating Rationale:

Balance Sheet Strength: Strongest

- CopperPoint Mutual Group maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% level.
- CopperPoint Mutual Group maintains modest net and gross underwriting leverage.
- Reinsurance program reduces retentions to manageable levels while protecting policyholder surplus.

Operating Performance: Adequate

- Strong pre-tax operating earnings have outperformed the workers' compensation industry composite by a wide margin over the recent five-year period.
- Operating earnings driven by growth in the level of net investment income, which has more than offset reported underwriting losses.
- Improved underwriting results in recent years reflect ongoing initiatives that management has implemented to restore underwriting profitability.

Business Profile: Limited

- Despite cautious diversification efforts beginning in 2016, CopperPoint Mutual Group has a limited business profile given its concentration within Arizona, operating primarily as a single line, single state writer of workers' compensation.

- CopperPoint operates as the market leader among carriers writing workers' compensation within Arizona.
- Strong brand name recognition operating within the Arizona business community.

Enterprise Risk Management: Appropriate

- Risk management capabilities are considered appropriate for the risk profile of the group, with clearly defined risk tolerances.
- CopperPoint operates within a corporate-wide framework for managing emerging and developed exposures.
- CopperPoint maintains a risk management register that details risk exposures, mitigating actions intended to reduce exposures, as well as providing detail on the direction of the trend in underlying exposures.
- Reinsurance program reduces retentions to manageable levels while protecting policyholder surplus.

Outlook

The outlooks reflect CopperPoint Mutual's level of risk-adjusted capitalization, which is considered to be at the strongest level as measured by Best's Capital Adequacy Model, long-term operating profitability driven by net investment income, and improved reserving patterns.

Average pre-tax return on revenue measures outperform that of the industry composite average by a wide margin when viewed over the long term.

Rating Drivers

Factors that could lead to positive rating actions include an improvement in underwriting performance that can be sustained at a level that materially outperforms that of similarly rated workers' compensation carriers while maintaining a strong level of risk-adjusted capitalization.

Alternatively, negative rating actions may occur should operating results deteriorate due to a weakening in underwriting performance.

Negative rating actions could also occur should the level of risk-adjusted capitalization decline to a level that is not in line with A.M. Best's expectations, particularly if the resulting performance is below that of similarly rated peers.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Bonds	2,594,734	2,592,568	71.6	72.4
Preferred Stock	2,000	...	0.1	...
Common Stock	455,204	415,127	12.6	11.6
Cash and Short-term Invest	99,827	112,586	2.8	3.1
Real estate, investment	33,937	37,131	0.9	1.0
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	218,671	223,925	6.0	6.3
Investments in Affiliates	707	808	...	...
Real Estate, Offices	...	...	...	...
Total Invested Assets	3,405,080	3,382,145	93.9	94.4
Premium Balances	94,793	98,603	2.6	2.8
Accrued Interest	17,336	16,731	0.5	0.5
All Other Assets	107,178	83,839	3.0	2.3
Total Assets	3,624,386	3,581,319	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Loss and LAE Reserves	2,064,001	2,101,372	56.9	58.7
Unearned Premiums	84,437	81,185	2.3	2.3
Derivatives	...	...	...	...
Conditional Reserve Funds	16,351	20,004	0.5	0.6
All Other Liabilities	107,779	119,950	3.0	3.3
Total Liabilities	2,272,568	2,322,511	62.7	64.9
Surplus notes	...	...	...	...
Capital and Assigned Surplus	23,136	24,916	0.6	0.7
Unassigned Surplus	1,328,682	1,233,892	36.7	34.5
Total Policyholders' Surplus	1,351,818	1,258,808	37.3	35.1
Total Liabilities and Surplus	3,624,386	3,581,319	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 1925

Date Commenced: N/A

Domicile: United States: Arizona

CPMIC is the mutual insurer created when legislation directed the privatization of SCF. SCF was established in 1925, and later took on the trade name "SCF Arizona". CPMIC used "SCF Arizona" as its trade name until early 2014, but transitioned solely to CopperPoint Mutual Insurance Company in 2014.

Prior to the privatization, SCF had been under state oversight since its creation, had been self-funding since 1938, and was exempt from federal corporate income tax. SCF's mission was to provide a ready market of workers' compensation insurance for Arizona's employers at the lowest possible cost. SCF was under the direct supervision of a Governor-appointed Board of Directors. Additionally, the Governor annually appointed the chairman of the Board from among its members.

In 2006, SCF created CopperPoint Premier Insurance Company, a subsidiary insurer offering better pricing for policyholders with larger annual premiums and strong safety records. Because the AZDOI permits a single deviation from filed rates for each insurance company, six additional stock subsidiary insurance companies were established between 2008-2010 to price for risk assumed: CopperPoint American Insurance Company, CopperPoint Western Insurance Company, CopperPoint Indemnity Insurance Company, CopperPoint General Insurance Company, CopperPoint National Insurance Company and CopperPoint Casualty Insurance Company. All new and renewal risks are underwritten and coverage is placed with a company in the group that best matches its risk profile. Risks with better experience are placed in companies with more favorable deviations. Poorer risks are placed in companies with less favorable deviations, or are declined.

In 2010, the Arizona legislature enacted a law privatizing SCF. SCF's Board of Directors formed CPMIC. Effective January 1, 2013, all of the assets and liabilities of SCF vested in CPMIC and SCF ceased to exist. Privatization benefited the state since the state, apart from regulation, had little connection to or influence over SCF operationally or financially but was exposed to legislative costs and economic risks associated with the activities of SCF. Becoming a private mutual company provided CPMIC with governance that is by a Board elected by the company's policyholders, and provided the opportunity to diversify its business model from the one-line, one-state model that SCF's state enabling law had required. Following privatization, the CPMIC board was elected by policyholders in June of 2013 and is subject to an annual election. The organization's President and CEO reports to the Board of Directors and is responsible for daily operations. The President and CEO is also an elected member of the CPMIC Board of Directors. CPMIC is subject to federal corporate income tax. Most employees are located at corporate headquarters in Phoenix. Like all insurance carriers in Arizona, companies within the group are regulated by the AZDOI and the ICA, which administers Arizona workers' compensation laws.

In 2013, CopperPoint Premier Insurance Company entered into a Stock Purchase Agreement to purchase 100% of the common stock of Citation Insurance Company, a California domiciled property and casualty insurer licensed in seven western states. Citation has been inactive since 2000 and prior to close, all of Citation's liabilities were transferred to and assumed by an affiliate of the seller. At closing, Citation's balance sheet contained only investments and capital that supported those investments. The purchase was completed on January 2, 2014 in the amount of \$12.8 million. In March 2014, Citation was re-domiciled to the state of Arizona and renamed MountainPoint Insurance Company.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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