

BEST'S RATING REPORT

THE BARNSTABLE SINCE 1833

BARNSTABLE GROUP

AMB #: 002978

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

Barnstable County Ins Co

A

Barnstable County Mut Ins Co

A



Best's Credit Rating Effective Date

May 06, 2021

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Barnstable Group

AMB #: 002978

Associated Ultimate Parent: AMB # 000203 - Barnstable County Mutual Insurance Company

Best's Credit Ratings - for the Rating Unit Members

**Financial Strength Rating
(FSR)**

| |
|--------------------------|
| A |
| Excellent |
| Outlook: Negative |
| Action: Affirmed |

**Issuer Credit Rating
(ICR)**

| |
|--------------------------|
| a |
| Excellent |
| Outlook: Negative |
| Action: Affirmed |

Assessment Descriptors

| | |
|----------------------------|--------------------|
| Balance Sheet Strength | Very Strong |
| Operating Performance | Strong |
| Business Profile | Limited |
| Enterprise Risk Management | Appropriate |

Rating Unit - Members

Rating Unit: Barnstable Group | **AMB #:** 002978

AMB # **Rating Unit Members**
002896 Barnstable County Ins Co

AMB # **Rating Unit Members**
000203 Barnstable County Mut Ins Co

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Barnstable Group (Barnstable) maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) at the 99.6% VaR confidence level.
- Surplus growth has been reported in the majority of the past ten years, with the outliers influenced by abnormally severe weather conditions, while unrealized capital losses have generally been offset by realized capital gains.
- Very low underwriting leverage and a proven, conservative reserving philosophy with redundancies reported in each of the past ten years.
- Robust liquidity positions support the group's ability to meet claim obligations in times of increased severity and frequency.

Operating Performance: **Strong**

- The five-year average loss ratio significantly outperforms the personal property composite reflective of management's strict underwriting guidelines and efforts to develop a high quality book of business. This is partially offset by elevated expenses associated with high commission costs in New England and strategically low premium leverage. In total, the combined ratio average modestly outperforms the composite.
- Pretax operating income reported in nine of the past ten years, where underwriting income has been reported in all but two, and net investment income has been relatively consistent year over year. Over the last five years, the amount of pretax operating income has fluctuated with a loss reported in one year.
- The operating ratio has been below 100 in all but one of the last five years, averaging in the high 80s.
- The five-year pretax return on revenue average is above the composite average while the return on equity metrics remain positive but below the composite average. The latter is affected by the comparatively low level of premium written compared to surplus. In an effort to improve revenue in light of the strategic premium position, Barnstable has acquired insurance-related companies to add additional streams of revenue to the enterprise.

Business Profile: **Limited**

- Boutique writer focused on writing homeowners business on Cape Cod and the surrounding coastal counties through well-established relationships with independent agents.
- Carves out a niche market providing products with superior customer and claim services.
- Geographic and product concentrations limit the group's scope of operations, which is partially mitigated by comprehensive catastrophe reinsurance with a relatively high limit.
- Continually monitors quantitative and qualitative characteristics regarding the book of business to align risks with management's appetite and to develop a quality book that performs better than average in most years.

Enterprise Risk Management: **Appropriate**

- Barnstable's enterprise risk management (ERM) capabilities are considered appropriate for the risk profile of the organization.
- ERM policy is developed and administered by senior management and regularly reviewed by the Audit Committee.
- Maintains comprehensive risk identification and tolerance documentation with regular monitoring of key metrics to ensure alignment.
- Elevated tail risk as evidenced by BCAR at the 99.8% VaR, which is somewhat offset by strict underwriting standards, improved building codes and a total insurable value inflation guard. Given the very narrow footprint, the group's risk management techniques, particularly regarding the potential for severe localized events, will continue to be monitored.

Outlook

- The negative outlooks are based on increased volatility in operating performance where key profitability metrics have been weakened in recent years, placing pressure on the strong assessment. Based on the significant geographic concentration of Barnstable's operating footprint, underwriting performance and surplus growth are exposed to fluctuations from weather-related events. This exposure is partially mitigated by extensive concentration analysis and a high quality reinsurance program that provides protection in excess of a 200-year event.

Rating Drivers

- Negative rating action could occur if weather events or other large losses further weaken operating performance and results no longer align with the strong assessment.
- Negative rating action could also occur following significant erosion in surplus and risk-adjusted capitalization that pressures overall balance sheet strength.

Key Financial Indicators**Best's Capital Adequacy Ratio (BCAR) Scores (%)**

| Confidence Level | 95.0 | 99.0 | 99.5 | 99.6 |
|------------------|------|------|------|------|
| BCAR Score | 83.9 | 74.7 | 71.0 | 55.9 |

Source: Best's Capital Adequacy Ratio Model - P/C, US

Year End - December 31**Key Financial Indicators USD (000)**

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------|---------|---------|---------|---------|---------|
| Premiums Written: | | | | | |
| Direct | 31,229 | 29,456 | 29,249 | 29,651 | 29,286 |
| Assumed | 249 | 248 | ... | ... | ... |
| Ceded | 10,401 | 9,756 | 9,512 | 9,479 | 9,957 |
| Net | 21,077 | 19,948 | 19,737 | 20,172 | 19,329 |
| Net Operating Income | 2,813 | 1,105 | 121 | 2,963 | 3,205 |
| Net Income | 3,746 | 2,118 | 1,971 | 4,551 | 7,185 |
| Total Admitted Assets | 135,099 | 118,262 | 111,587 | 114,976 | 106,499 |
| Policyholders' Surplus | 100,239 | 93,874 | 89,086 | 90,821 | 83,303 |

Source: BestLink® - Best's Financial Suite

Year End - December 31**Key Financial Ratios (%)**

| | 2020 | 2019 | 2018 | 2017 | 2016 | Weighted Average |
|---|------|------|-------|------|------|------------------|
| Profitability: | | | | | | |
| Combined Ratio | 82.7 | 99.5 | 109.5 | 85.5 | 94.5 | 94.3 |
| Reserve Development Combined Ratio Impact | -3.7 | -3.9 | -6.6 | -7.6 | -6.0 | -5.6 |
| Net Investment Yield | 0.9 | 1.3 | 1.4 | 1.1 | 1.2 | 1.2 |
| Pre-Tax Operating Return on Net Earned Premiums | 19.2 | 7.3 | -1.7 | 19.9 | 11.3 | 11.2 |
| Net Income Return on Policyholders' Surplus | 3.9 | 2.3 | 2.2 | 5.2 | 8.8 | 4.4 |
| Total Return on Policyholders' Surplus | 7.5 | 7.0 | -1.8 | 9.0 | 3.9 | 5.2 |
| Leverage: | | | | | | |
| Net | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | ... |
| Gross | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | ... |
| Non-affiliated Investment | 39.7 | 36.5 | 30.8 | 34.9 | 36.0 | ... |

Source: BestLink® - Best's Financial Suite

Credit Analysis**Balance Sheet Strength**

Barnstable maintains the strongest level of risk-adjusted capitalization as measured by BCAR at the 99.6 confidence level. Balance sheet strength is supported by strong liquidity positions, very low underwriting leverage and favorable loss reserve development. While the size and scope of the group is limited, substantial capital protection is provided through a comprehensive reinsurance program while maintaining limited reinsurance dependence.

Capitalization

The group's strongest risk-adjusted capitalization reflects low underwriting leverage, historical surplus growth, favorable loss reserve development and substantial protection from catastrophe reinsurance. Net and gross underwriting leverages are low and compare favorably to the personal property composite. Surplus growth has been reported over the most recent 5 year period despite

Balance Sheet Strength (Continued...)

deterioration in 2018 due to historically severe winter weather and unrealized capital losses. Growth has been primarily driven by realized capital gains, net investment income and, to a lesser extent, net underwriting income.

| | Year End - December 31 | | | | |
|--|------------------------|---------------|---------------|---------------|---------------|
| Capital Generation Analysis USD (000) | 2020 | 2019 | 2018 | 2017 | 2016 |
| Beginning Policyholders' Surplus | 93,874 | 89,086 | 90,821 | 83,303 | 79,960 |
| Net Operating Income | 2,813 | 1,105 | 121 | 2,963 | 3,205 |
| Net Realized Capital Gains (Losses) | 933 | 1,012 | 1,850 | 1,588 | 3,980 |
| Net Unrealized Capital Gains (Losses) | 3,563 | 4,243 | -3,578 | 3,297 | -4,002 |
| Other Changes in Capital and Surplus | -945 | -1,573 | -128 | -331 | 161 |
| Net Change in Policyholders' Surplus | 6,365 | 4,787 | -1,734 | 7,517 | 3,344 |
| Ending Policyholders' Surplus | 100,239 | 93,874 | 89,086 | 90,821 | 83,303 |
| Net Change in Policyholders' Surplus (%) | 6.8 | 5.4 | -1.9 | 9.0 | 4.2 |
| Net Change in Policyholders' Surplus (5 yr CAGR) | 4.6 | ... | ... | ... | ... |

Source: BestLink® - Best's Financial Suite

| | Year End - December 31 | | | | |
|-----------------------------------|------------------------|-------------|-------------|-------------|-------------|
| Liquidity Analysis | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Operating Cash Flow USD (000) | 5,354 | 2,178 | -129 | 2,647 | 1,977 |
| Current Liquidity (%) | 289.7 | 394.4 | 413.9 | 406.5 | 394.1 |

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The group maintains an investment portfolio that is weighted towards high quality fixed income and domestic large cap equities. As of 2020, 50.4% of investments were in long-term bonds, 19.1% in common stock, 14.3% in cash and cash equivalents, 2.1% in affiliated investments and 14.1% in other investments. The bond portfolio is comprised of high quality agency, tax-exempt and corporate bonds. The large cap common stock portfolio is equally split between actively and passively managed securities. The passively managed securities are structured to closely track the S&P 500 index. The actively managed portion is used to identify opportunities in other domestic large cap stocks and is overseen by an external advisor. Common stock as a percent of policyholders' surplus is comparable to the composite; however, the risk is partially mitigated by the group's buy and hold approach in large cap dividend paying securities. Other investments have grown as the group has recently purchased an adjusting firm and independent agency.

Barnstable's liquidity position as measured by the quick, current and overall ratios is strong and compares favorably to the composite. This is in part due to the structure of the investment portfolio regarding common stock, cash and cash equivalents.

| | Year End - December 31 | | | | |
|--|------------------------|--------------|--------------|--------------|--------------|
| Composition of Cash and Invested Assets | 2020 | 2019 | 2018 | 2017 | 2016 |
| Total Cash and Invested Assets USD (000) | 119,397 | 110,853 | 104,843 | 107,588 | 99,636 |
| Composition Percentages (%) | | | | | |
| Unaffiliated: | | | | | |
| Cash and Short Term Investments | 14.4 | 13.4 | 18.5 | 14.2 | 12.1 |
| Bonds | 50.6 | 53.5 | 53.1 | 54.2 | 55.1 |
| Stocks | 19.2 | 19.4 | 16.8 | 22.3 | 24.1 |
| Other Invested Assets | 13.1 | 11.4 | 9.2 | 6.8 | 6.0 |
| Total Unaffiliated | 97.2 | 97.7 | 97.6 | 97.5 | 97.3 |
| Investments in Affiliates | 4.2 | 4.4 | 2.6 | 2.6 | 2.9 |
| Non-Admitted | -1.5 | -2.1 | -0.2 | -0.1 | -0.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

| Bonds and Short Term Investments - Distribution by Maturity (%) | Years | | | | | Average (Years) |
|---|-------------|-------------|-------------|------------|------------|-----------------|
| | 0-1 | 1-5 | 5-10 | 10-20 | 20+ | |
| Government Bonds | 2.3 | 11.1 | 0.8 | ... | ... | 2.9 |
| Government Agencies and Municipal Bonds | 9.2 | 25.4 | 21.8 | 1.8 | 0.8 | 4.9 |
| Industrial and Miscellaneous Bonds | 2.3 | 14.4 | 10.2 | 0.2 | ... | 4.6 |
| Total Bonds | 13.7 | 50.8 | 32.8 | 1.9 | 0.8 | 4.5 |

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Loss reserve development has been consistently favorable and reflective of management's conservative reserving philosophy. The property book is short-tailed with claims generally settled within two years. Reserves are set above the actuarial point estimate.

| Loss and Loss Adjustment Expense Reserves and Development - Calendar Year | Year End - December 31 | | | | |
|---|------------------------|-------|-------|--------|--------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Loss and ALAE* Reserves USD (000) | 3,146 | 2,760 | 1,850 | 1,488 | 1,266 |
| Loss and ALAE* Reserves Development USD (000) | ... | -830 | -957 | -1,223 | -1,826 |
| Development to: | | | | | |
| Original Reserves (%) | ... | -23.2 | -34.1 | -45.1 | -59.1 |
| Prior Year End Reserves (%) | ... | ... | ... | ... | ... |
| Prior Year End Surplus (%) | ... | -0.9 | -1.1 | -1.3 | -2.2 |

Source: BestLink® - Best's Financial Suite

* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Direct and Cost Containment Unpaid. Year End LAE balances include Direct and Cost Containment Unpaid only.

| Loss and Loss Adjustment Expense Reserves and Development - Accident Year | Year End - December 31 | | | | |
|---|------------------------|-------|-------|-------|-------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Original Loss and ALAE Reserves USD (000) | 1,899 | 2,098 | 2,008 | 1,751 | 1,877 |
| Loss and ALAE Reserves Developed thru Latest Year End USD (000) | 1,899 | 1,694 | 1,431 | 1,117 | 910 |
| Development to Original Reserves (%) | ... | -19.3 | -28.7 | -36.2 | -51.5 |
| Accident Year Loss and LAE Ratio (%) | 36.5 | 55.2 | 63.6 | 37.3 | 43.5 |
| Accident Year Combined Ratio (%) | 86.3 | 102.5 | 112.1 | 88.1 | 94.3 |

Source: BestLink® - Best's Financial Suite

Operating Performance

Barnstable has experienced moderate underwriting volatility over the past five years with 2018 negatively impacted by higher frequency and severity of winter events that caused substantial losses across New England. Despite fluctuations, the five-year loss ratio average remains significantly better-than-average, reflective of strict underwriting guidelines and management's careful consideration of risk selection as it hones a high quality book. Risk characteristics reviewed include credit scores, distance to coast, loss history and insurable interest, all while paying special attention to total insured value through a comprehensive inspection program. Favorable loss experience is partly masked by an elevated expense ratio which is influenced by typically high commission costs in New England, recent system upgrades and strategically low premium leverage. Collectively, the loss and expense positions have historically generated sub-100 combined ratios; however, some years have reported comparatively weaker results driven by weather activity and fire losses.

Net investment income has been a reliable stream of revenue for the group and has served to offset or moderate underwriting fluctuations in prior years. As a result of its consistency, net investment income is a significant contributor to pretax operating income. Investment yield is low and compares unfavorably to the composite reflective of the low interest rate environment. Legacy equity positions have been repositioned to improve return. The total return on invested asset ratio has benefited from consistent realized gains.

Operating Performance (Continued...)

Barnstable has reported pretax operating income in 9 of the past 10 years, driven by both underwriting income and net investment income. The outlier was impacted by the aforementioned severe winter weather that yielded a small loss. The five-year average pretax return on revenue has not been consistent but averages exceed that of the composite. Additionally, except for 2018, the group has consistently reported a sub-100 operating ratio, illustrating its ability to generate profit from its core operations.

Year End - December 31

| Operating and Financial Performance Ratios (%) - Company | 2020 | 2019 | 2018 | 2017 | 2016 | Weighted Average |
|---|-------------|-------------|-------------|-------------|-------------|-----------------------------|
| Calendar Year Loss and LAE Ratio | 32.8 | 52.2 | 60.9 | 34.7 | 43.7 | 44.9 |
| Expense and Policyholder Dividend Ratio | 49.9 | 47.3 | 48.5 | 50.8 | 50.8 | 49.5 |
| Combined Ratio | 82.7 | 99.5 | 109.5 | 85.5 | 94.5 | 94.3 |
| Reserve Development Ratio Impact | -3.7 | -3.9 | -6.6 | -7.6 | -6.0 | -5.6 |
| Net Investment Yield | 0.9 | 1.3 | 1.4 | 1.1 | 1.2 | 1.2 |
| Pre-Tax Operating Return on Net Earned Premiums | 19.2 | 7.3 | -1.7 | 19.9 | 11.3 | 11.2 |
| Net Income Return on Policyholders' Surplus | 3.9 | 2.3 | 2.2 | 5.2 | 8.8 | 4.4 |
| Total Return on Policyholders' Surplus | 7.5 | 7.0 | -1.8 | 9.0 | 3.9 | 5.2 |

Source: BestLink® - Best's Financial Suite

Year End - December 31

| Operating and Financial Performance Ratios (%) - Composite | 2020 | 2019 | 2018 | 2017 | 2016 | Weighted Average |
|---|-------------|-------------|-------------|-------------|-------------|-----------------------------|
| Calendar Year Loss and LAE Ratio | 81.0 | 67.3 | 69.7 | 79.8 | 65.0 | 72.6 |
| Expense and Policyholder Dividend Ratio | 29.2 | 29.5 | 30.4 | 29.9 | 30.1 | 29.8 |
| Combined Ratio | 110.2 | 96.8 | 100.1 | 109.7 | 95.1 | 102.4 |
| Reserve Development Ratio Impact | -1.9 | -1.1 | -2.9 | -2.0 | -0.5 | -1.7 |
| Net Investment Yield | 2.4 | 2.6 | 2.4 | 2.3 | 2.3 | 2.4 |
| Pre-Tax Operating Return on Net Earned Premiums | -4.5 | 9.9 | 6.5 | -2.7 | 11.8 | 4.1 |
| Net Income Return on Policyholders' Surplus | -1.5 | 5.5 | 4.0 | -0.2 | 7.0 | 2.9 |
| Total Return on Policyholders' Surplus | -0.1 | 8.6 | 1.9 | 2.9 | 6.9 | 4.0 |

Source: BestLink® - Best's Financial Suite

Industry Composite: Personal Property Composite - BestLink® - Best's Financial Suite

Business Profile

Barnstable's scope of operations is limited by design as a niche homeowners writer on Cape Cod and other coastal counties of Massachusetts, marketing itself as a premier boutique carrier. While this produces geographic and product concentrations, the associated risks are partially mitigated by comprehensive catastrophe reinsurance with a relatively high top limit. Furthermore, firm limitations on distance to coast and flood zones have been established to reduce exposure.

Barnstable focuses on identifying desirable risks based on several characteristics and providing superior customer and claim services. Strict underwriting guidelines relate to credit scores, loss history and insurable interest. Management strives to develop a book of business that performs better than average and continually monitors risk aggregation and profiles to shed undesirable business. Management creates a competitive advantage with an elevated customer experience through loss control and payment benefits, as well as attentive claims services. With over 175 years of operation comes extensive knowledge regarding local, market and regulatory insurance issues. Products are distributed through a network of long-standing independent agencies. The organization has been making strides to enrich the enterprise through the addition of insurance-related services by way of a wholly-owned independent adjusting firm and independent agency.

Business Profile (Continued...)

| Premium Composition and Growth | Year End - December 31 | | | | | 5 Year CAGR |
|--|------------------------|--------|--------|--------|--------|-------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Direct Premiums Written USD (000) | 31,229 | 29,456 | 29,249 | 29,651 | 29,286 | ... |
| % Change | 6.0 | 0.7 | -1.4 | 1.2 | 1.1 | 1.5 |
| Reinsurance Premiums Assumed USD (000) | 249 | 248 | ... | ... | ... | ... |
| % Change | 0.4 | ... | ... | ... | ... | ... |
| Reinsurance Premiums Ceded USD (000) | 10,401 | 9,756 | 9,512 | 9,479 | 9,957 | ... |
| % Change | 6.6 | 2.6 | 0.3 | -4.8 | -2.3 | 0.4 |
| Net Premiums Written USD (000) | 21,077 | 19,948 | 19,737 | 20,172 | 19,329 | ... |
| % Change | 5.7 | 1.1 | -2.2 | 4.4 | 3.0 | 2.4 |

Source: BestLink® - Best's Financial Suite

| 2020 By Line Business | Direct Premiums Written | | Reinsurance Premiums Assumed | | Reinsurance Premiums Ceded | | Net Premiums Written | | Business Retention |
|-----------------------|-------------------------|-------|------------------------------|-------|----------------------------|-------|----------------------|-------|--------------------|
| | USD (000) | % | USD (000) | % | USD (000) | % | USD (000) | % | % |
| Homeowners | 28,851 | 92.4 | ... | ... | 9,132 | 87.8 | 19,719 | 93.6 | 68.3 |
| Allied Lines | 1,084 | 3.5 | ... | ... | 339 | 3.3 | 745 | 3.5 | 68.8 |
| Other Liab Occurrence | 725 | 2.3 | ... | ... | 502 | 4.8 | 222 | 1.1 | 30.7 |
| Fire | 570 | 1.8 | ... | ... | 178 | 1.7 | 392 | 1.9 | 68.8 |
| Top 5 | 31,229 | 100.0 | ... | ... | 10,151 | 97.6 | 21,078 | 100.0 | 67.5 |
| All Other | ... | ... | 249 | 100.0 | 250 | 2.4 | -1 | ... | -0.5 |
| Total | 31,229 | 100.0 | 249 | 100.0 | 10,401 | 100.0 | 21,077 | 100.0 | 67.0 |

Source: BestLink® - Best's Financial Suite

| Geographic Breakdown by Direct Premiums Written USD (000) | Year End - December 31 | | | | |
|---|------------------------|--------|--------|--------|--------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Massachusetts | 31,229 | 29,456 | 29,249 | 29,651 | 29,286 |
| Top 5 States | 31,229 | 29,456 | 29,249 | 29,651 | 29,286 |
| Total | 31,229 | 29,456 | 29,249 | 29,651 | 29,286 |
| Geographic Concentration Index | 1.00 | ... | ... | ... | ... |

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Barnstable's ERM program is viewed as appropriate for the risk profile. Management has put together a comprehensive and measurable ERM program. The ERM policy is reviewed and approved by an Audit Committee, which is then administered by senior management. Additionally, the ERM policy is presented to the full Board of Directors for their review on an annual basis. The policy identifies the importance of and steps to effective risk assessment and evaluation. Risks are documented and reviewed regularly. A risk assessment document identifies risks, describes the risk management approach and assesses risks based on probability and severity. Many areas of risk are discussed including catastrophe, reinsurance, credit, underwriting, regulatory, market, liquidity, brand, and IT risks. Catastrophe risk is heightened by the group's geographic and product concentrations, which are partially mitigated by comprehensive reinsurance. A risk tolerance document describes measurable limits that reflect management's risk appetite.

Barnstable leans on two guiding principles to help mitigate risk: maintaining sufficient capital and adhering to strict risk selection standards. Management identifies the minimum capital required as an ideal percentage of catastrophe reinsurance and surplus to total insured value, which is specifically reflected in the risk tolerance statements. Furthermore, through identification and filtering of numerous risk characteristics, management aims to build a quality book that performs better than average. The group is constantly refining the book to ensure a population of desirable risks.

While the tail risk is evident based on the BCAR score at the 99.8 VaR, Barnstable does not believe the catastrophe models truly capture the quality of its individual risks nor the change in building codes that occurred in 2008. Management focuses on developing a book with the most ideal policies in order to effectively sustain all storms. Strategic efforts to limit exposure, the TIV inflation guard and focus on growing capital are actions the group believes will help improve tail exposure. Furthermore, based on probabilistic hurricane models, characteristic models and deterministic studies, management maintains a strategic Capital to TIV ratio

Enterprise Risk Management (Continued...)

commensurate of the expected penetration from a single-storm, worst-case scenario. Given the very narrow footprint, AM Best will continue to evaluate the group's risk management techniques, particularly in protection against severe localized events.

Reinsurance Summary

Catastrophes represent a significant risk that Barnstable must account for. Aside from careful risk selection and exposure management, the group utilizes comprehensive reinsurance with a robust top limit to mitigate the risk and protect the balance sheet. The program provides ground up coverage of \$318.5M on top of a \$11.5M retention which benefits from the underlying excess of loss program. Coverage exceeds the expected gross loss from a 200 year event. The estimated pretax net probable maximum loss from a 100 year event is roughly 12% of policyholders' surplus. Barnstable also maintains general excess of loss and pro rata facultative reinsurance which limits the retention for larger risks, basket coverage and an umbrella program.

Financial Statements

| | Year End - December 31 | | | |
|--|------------------------|--------------|------------------|--------------|
| | 2020 | | 2019 | |
| Balance Sheet | USD (000) | % | USD (000) | % |
| Cash and Short Term Investments | 17,150 | 12.7 | 14,806 | 12.5 |
| Bonds | 60,407 | 44.7 | 59,340 | 50.2 |
| Preferred and Common Stock | 22,925 | 17.0 | 21,540 | 18.2 |
| Other Invested Assets | 18,914 | 14.0 | 15,166 | 12.8 |
| Total Cash and Invested Assets | 119,397 | 88.4 | 110,853 | 93.7 |
| Premium Balances | 4,620 | 3.4 | 4,029 | 3.4 |
| Other Assets | 11,082 | 8.2 | 3,380 | 2.9 |
| Total Assets | 135,099 | 100.0 | 118,262 | 100.0 |
| Loss and Loss Adjustment Expense Reserves: | | | | |
| Net Reported Loss Reserves | 2,168 | 1.6 | 2,512 | 2.1 |
| Net IBNR Loss Reserves | 952 | 0.7 | 1,002 | 0.8 |
| Net LAE Reserves | 1,504 | 1.1 | 1,365 | 1.2 |
| Total Net Loss and LAE Reserves | 4,623 | 3.4 | 4,879 | 4.1 |
| Net Unearned Premiums | 16,435 | 12.2 | 15,380 | 13.0 |
| Other Liabilities | 13,803 | 10.2 | 4,130 | 3.5 |
| Total Liabilities | 34,861 | 25.8 | 24,389 | 20.6 |
| Unassigned Surplus | 87,895 | 65.1 | 84,246 | 71.2 |
| Other Surplus | 12,344 | 9.1 | 9,628 | 8.1 |
| Total Policyholders' Surplus | 100,239 | 74.2 | 93,874 | 79.4 |
| Total Liabilities and Surplus | 135,099 | 100.0 | 118,262 | 100.0 |

Source: BestLink® - Best's Financial Suite

| | Year End - December 31 | |
|-------------------------------------|-------------------------------|--------------|
| Income Statement USD (000) | 2020 | 2019 |
| Net Premiums Earned | 20,022 | 19,790 |
| Net Losses and LAE Incurred: | | |
| Current Accident Year | 7,300 | 11,096 |
| Prior Accident Years | -733 | -767 |
| Underwriting Expenses Incurred | 10,508 | 9,442 |
| Net Underwriting Income | 2,947 | 18 |
| Net Investment Income | 1,011 | 1,444 |
| Other Income (Expense) | -115 | -16 |
| Pre-Tax Operating Income | 3,843 | 1,446 |
| Income Taxes Incurred | 1,030 | 341 |
| Net Operating Income | 2,813 | 1,105 |
| Net Realized Capital Gains (Losses) | 933 | 1,012 |
| Net Income | 3,746 | 2,118 |

Source: BestLink® - Best's Financial Suite

| | Year End - December 31 | |
|--|-------------------------------|-------------|
| Statement of Operating Cash Flows USD (000) | 2020 | 2019 |
| Net Premiums Collected | 20,801 | 19,647 |
| Net Losses Paid | 4,406 | 6,782 |
| Expenses Paid | 11,836 | 11,785 |
| Net Underwriting Cash Flow | 4,558 | 1,080 |
| Net Investment Income | 1,733 | 2,041 |
| Other Income (Expense) | -115 | -16 |
| Income Taxes Paid (Recovered) | 822 | 927 |
| Net Operating Cash Flow | 5,354 | 2,178 |

Source: BestLink® - Best's Financial Suite

Last Update

May 06, 2021

Identifiers**AMB #:** 002978

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: [000203 Barnstable County Mutual Insurance Company](#).

AMB#: [000203 Barnstable County Mutual Insurance Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Barnstable Group**Operations****Date Incorporated:** March 02, 1833**Domiciled:** Massachusetts, United States**Business Type:** Property/Casualty**Organization Type:** Mutual**Marketing Type:** Independent Agency**Best's Credit Ratings****Rating Relationship**

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: May 06, 2021

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 002978 - Barnstable Group](#).

| AMB# | Rating Unit Members | Best's Credit Ratings | |
|--------|------------------------------|---------------------------|--------------------------------|
| | | Financial Strength Rating | Long-Term Issuer Credit Rating |
| 002896 | Barnstable County Ins Co | A | a |
| 000203 | Barnstable County Mut Ins Co | A | a |

Corporate Structure**Associated Ultimate Parent:** AMB # 000203 - Barnstable County Mutual Insurance Company

Based on AM Best's analysis, AMB# 000203 Barnstable County Mutual Insurance Company is the Associated Ultimate Parent to this group. Its current data structure is based on the corporate structure for the associated ultimate parent and the non-legal entities such as data records and AM Best Groups. Access current [Data Structure](#) in BestLink.

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent AM Best consolidated statements available in BestLink - Best's Statement File - P/C, US. Access [Quantitative Analytical Report \(QAR\) Annual](#)

Currency: US Dollars

Balance Sheet Highlights

Year End - December 31

Ceded Reinsurance Analysis

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------------------|--------|--------|--------|--------|--------|
| Barnstable Group | | | | | |
| Ceded Reinsurance USD (000) | 11,233 | 10,529 | 10,334 | 10,344 | 10,384 |
| Business Retention (%) | 67.0 | 67.2 | 67.5 | 68.0 | 66.0 |
| Reinsurance Recoverables to PHS (%) | 0.8 | 0.8 | 0.9 | 1.0 | 0.5 |
| Ceded Reinsurance to PHS (%) | 11.2 | 11.2 | 11.6 | 11.4 | 12.5 |
| Personal Property Composite | | | | | |
| Business Retention (%) | 52.0 | 53.2 | 53.5 | 55.1 | 57.1 |
| Reinsurance Recoverables to PHS (%) | 20.8 | 18.3 | 20.1 | 20.0 | 13.7 |
| Ceded Reinsurance to PHS (%) | 46.0 | 40.8 | 41.6 | 40.9 | 34.3 |

Source: BestLink® - Best's Financial Suite

| | Paid & Unpaid Losses | Incurred but not reported (IBNR) losses | Unearned premiums | Other Recoverables | Total Reinsurance Recoverables |
|--|----------------------|---|-------------------|--------------------|--------------------------------|
|--|----------------------|---|-------------------|--------------------|--------------------------------|

2020 Reinsurance Recoverables USD (000)

| | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|
| US Insurers | 87 | 177 | 298 | ... | 562 |
| Pools/Associations | 32 | ... | 132 | ... | 163 |
| Other Non-US | 39 | 22 | 48 | ... | 109 |
| Total (excluding US Affiliates) | 158 | 199 | 478 | ... | 834 |
| Grand Total | 157 | 200 | 476 | ... | 834 |

Source: BestLink® - Best's Financial Suite

Asset Liability Management | Investments

Year End - December 31

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

Bond Portfolio

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Bonds & Short Term Investments USD(000) | 60,772 | 59,795 | 56,624 | 58,525 | 57,948 |
|---|--------|--------|--------|--------|--------|

By Issuer (%)

Unaffiliated Bonds:

| | | | | | |
|--|------|------|------|------|------|
| US Government | 13.6 | 14.1 | 10.5 | 13.7 | 14.3 |
| Foreign - All other | 1.7 | 1.8 | 1.6 | 0.9 | 0.9 |
| State, Municipal & Special Revenue | 59.2 | 56.2 | 58.1 | 60.7 | 69.3 |
| Industrial and Misc, Hybrid and SVO Identified | 25.4 | 27.9 | 29.8 | 24.7 | 15.5 |

Bonds and Short Term Investments By Private vs Public (%)

| | | | | | |
|----------------|------|-------|-------|-------|-------|
| Private issues | 0.1 | ... | ... | ... | ... |
| Public issues | 99.9 | 100.0 | 100.0 | 100.0 | 100.0 |

Bonds and Short Term Investments By Quality (%)

| | | | | | |
|--|------|------|------|------|------|
| Class 1 | 85.9 | 86.4 | 86.0 | 87.0 | 92.1 |
| Class 2 | 13.3 | 13.3 | 13.7 | 12.3 | 7.9 |
| Class 3 | 0.8 | 0.3 | 0.3 | 0.7 | ... |
| Below Investment Grade (NAIC 3-6) | 0.8 | 0.3 | 0.3 | 0.7 | ... |
| Below Investment Grade - % of Policyholders' Surplus | 0.5 | 0.2 | 0.2 | 0.4 | ... |

Source: BestLink® - Best's Financial Suite

Year End - December 31

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

Stock Portfolio

| | | | | | |
|-----------------|--------|--------|--------|--------|--------|
| Stocks USD(000) | 22,925 | 21,540 | 17,576 | 24,004 | 24,005 |
|-----------------|--------|--------|--------|--------|--------|

By Type (%)

| | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Unaffiliated Common | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
|---------------------|-------|-------|-------|-------|-------|

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

| | Year End - December 31 | | | | |
|------------------------------|------------------------|-------|-------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| By Line - Net Loss Ratio (%) | | | | | |
| Homeowners | 21.3 | 37.3 | 49.4 | 22.9 | 28.6 |
| Allied Lines | 1.9 | 47.4 | 35.4 | 4.6 | 38.6 |
| Fire | 14.1 | 63.0 | 1.4 | 8.0 | 82.2 |
| Other Liab | -6.5 | 5.4 | -27.6 | 21.8 | 59.7 |
| Crop Hail | ... | ... | ... | ... | ... |
| All Other | -99.9 | -99.9 | ... | ... | ... |
| Total | 20.1 | 37.8 | 46.5 | 21.6 | 31.3 |

Source: BestLink® - Best's Financial Suite

| Year End - December 31 | | | | | |
|------------------------------------|------|------|------|------|------|
| Geographic - Direct Loss Ratio (%) | 2020 | 2019 | 2018 | 2017 | 2016 |
| Massachusetts | 13.3 | 26.2 | 33.5 | 16.6 | 22.4 |
| Total | 13.3 | 26.2 | 33.5 | 16.6 | 22.4 |

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence

| | Year End - December 31 | | | | |
|-----------------------------------|------------------------|--------|--------|--------|--------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| By Line Breakdown - NPW USD (000) | | | | | |
| Homeowners | 19,719 | 18,513 | 18,178 | 18,420 | 17,453 |
| Allied Lines | 745 | 788 | 856 | 954 | 985 |
| Fire | 392 | 406 | 437 | 491 | 520 |
| Other Liab | 222 | 237 | 266 | 307 | 371 |
| Crop Hail | ... | ... | ... | ... | ... |
| All Other | -1 | 4 | ... | ... | ... |
| Total | 21,077 | 19,948 | 19,737 | 20,172 | 19,329 |

Source: BestLink® - Best's Financial Suite

| | Year End - December 31 | | |
|----------------------------|------------------------|-------|-------|
| | 2020 | 2019 | 2018 |
| By Line Reserves USD (000) | | | |
| Homeowners | 4,184 | 4,263 | 3,355 |
| Other Liab | 280 | 337 | 362 |
| Allied Lines | 111 | 192 | 126 |
| Fire | 44 | 79 | 53 |
| Inland Marine | 4 | 8 | ... |
| Total | 4,623 | 4,879 | 3,897 |

Source: BestLink® - Best's Financial Suite

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

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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