Best's Rating Report

HIGHMARK®
CASUALTY INSURANCE COMPANY

Pittsburgh, Pennsylvania

Financial Strength
A.M. BEST
A– Excellent

A-

Ultimate Parent:
Highmark Health

HIGHMARK CASUALTY INSURANCE COMPANY

Mailing: P.O. Box 535061, Pittsburgh, PA 15253-5061
Web: www.hmig.com

Tel: 800-328-5433 **Fax: 717-260-7261**
AMB#: 010086 **NAIC#: 35599**
Ultimate Parent#: 033398 **FEIN#: 25-1334623**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A- **Outlook**: Negative
Best's Financial Size Category: VIII

RECENT DEVELOPMENTS

On July 11, 2016, BrickStreet Mutual Insurance Company announced that it would acquire approximately $120 million of workers' compensation premium from HM Insurance Group, Inc. (HM), business written by Highmark Casualty Group (HCG). HCG will continue to write approximately $165 million of medical stop loss and managed care reinsurance lines. In addition, HM's current workers' compensation employees will become BrickStreet employees and remain in Pennsylvania. A.M. Best has commented that the rating and outlooks of the members of HCG remain unchanged following this announcement. The transaction allows HM to sharpen its strategic focus on its core health-related business.

RATING RATIONALE

Rating Rationale: The following rationale assumes the ratings of the life insurance operations of HM Insurance Group, Inc. are extended to Highmark Casualty Insurance Company:

The ratings of the life insurance operations of HM Insurance Group, Inc., a subsidiary of Highmark Inc., have been extended to Highmark Casualty Insurance Company based on its role and strategic importance to these operations, which are under common ownership and utilize common management and distribution channels.

The following text is derived from A.M. Best's Credit Report on Highmark Casualty Group (AMB# 018749).

The ratings of the life insurance operations of HM Insurance Group, Inc., a subsidiary of Highmark Inc. (Highmark), have been extended to Highmark Casualty Insurance Company (Highmark Casualty) and its reinsured affiliate, HM Casualty Insurance Company (HM Casualty), also wholly owned subsidiaries of HM Insurance Group, Inc., based on their role and strategic importance to these operations which are under common ownership and utilize common management and distribution channels. Highmark operates as Highmark Blue Cross Blue Shield and Highmark Blue Shield. Highmark Casualty assumes stop loss premium from HM Life Insurance Company, as well as offers stop loss insurance coverages to self-insured groups directly. The group utilizes common management, distribution and marketing to achieve its strategic goals. The consolidated results in the Highmark Casualty Group report reflect the property/casualty operations of Highmark Casualty and HM Casualty.

The ratings reflect the combined companies' solid overall operating performance, adequate capitalization and sound business strategy that focuses on aggressive claims management and prudent reserving practices. The ratings also recognize the inherent benefits derived as operating subsidiaries of Highmark, as well as Highmark's commitment to support premium growth. Partially offsetting these positive rating factors is that the group's underwriting and overall operating performance, while profitable, has trended lower over the past several years. Also, the group's net investment yield and net investment ratio are low largely reflecting the current low interest rate environment, the relatively short duration of its bond portfolio and above-average cash and short-term investment position.

The ratings further reflect the benefits afforded Highmark Casualty and HM Casualty in utilizing the extensive distribution systems and brand-name recognition of Highmark, one of the ten largest health insurers in the country, to market their key products of excess medical stop loss and managed care to employer groups. Results have benefited from the targeted approach to writing business within the manufacturing, hospitality, service, health care and banking industries.

Positive rating actions could be taken should the ratings of the life insurance operations of HM Insurance Group, Inc., be upgraded, the risk-adjusted capitalization of Highmark Casualty and HM Casualty remain adequate, and the combined companies' operating margins compare favorably with higher-rated peers. Factors that could lead to negative rating actions include a downgrade in the ratings of HM Insurance Group, Inc.'s life operations, a material decline in Highmark Casualty's and HM Casualty's risk-adjusted capitalization, or a deterioration in their combined operating margins.

KEY FINANCIAL INDICATORS ($000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy-holders' Surplus	Comb. Ratio
2011	204,296	28,035	324,202	131,256	89.3
2012	252,971	29,771	344,937	148,453	91.2
2013	290,740	20,033	398,493	160,948	95.6
2014	298,382	7,697	438,967	166,318	100.5
2015	282,923	12,999	457,236	173,143	98.6

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Highmark Casualty Group (AMB# 018749).

Operating as the property and casualty platform for the organization, this group writes employer stop loss and managed care products primarily in Pennsylvania. In 2015, employer stop loss and managed care lines accounted for approximately 57% and 1% of Highmark Casualty Group's net writings, though effective July 1, 2016, they account for all of the group's net writings with the sale of its workers' compensation renewal rights to BrickStreet Mutual Insurance Company. The employer stop loss and managed care business is produced primarily through brokers and "Preferred" third-party administrators (TPAs). Employer stop loss enables employers to control the escalating costs of providing employee benefits by reducing the severity and uncertainty of losses associated with covering medical risks. Beginning in September 2010, Highmark Casualty began to assume stop loss business produced by its life affiliate, HM Life Insurance Company, which largely accounted for the group's substantial premium growth in 2011 and, to a lesser degree, in more recent years.

Territory: The company is licensed in AL, FL, GA, ID, IL, IN, KS, KY, MD, MI, MS, MO, NV, NJ, NM, NC, OR, PA, SC, TX, UT, VA, WA and WV.

Best's Rating Report

2015 BY-LINE BUSINESS ($000)

Product Line	—DPW— ($000)	—DPW— (%)	Reinsurance —Prem Assumed— ($000)	Reinsurance —Prem Assumed— (%)
Group A & H	116,245	81.0	107,139	53.4
Workers' Comp	27,237	19.0	93,630	46.6
All Other	...	...	...	...
Total	143,482	100.0	200,769	100.0

Product Line	Reinsurance —Prem Ceded— ($000)	Reinsurance —Prem Ceded— (%)	—NPW— ($000)	—NPW— (%)	Business Retention (%)
Group A & H	57,235	93.3	166,149	58.7	99.8
Workers' Comp	3,965	6.5	116,902	41.3	96.7
All Other	128	0.2	-128	0.0	...
Total	61,328	100.0	282,923	100.0	98.4

HISTORY

The company was incorporated on June 22, 1977, under the laws of the Commonwealth of Pennsylvania as Consumer Service Casualty Insurance Company. It commenced business on February 16, 1978. Effective December 22, 1993, the name was changed to Trans-General Casualty Insurance Company, Inc. The current title of Highmark Casualty Insurance Company was adopted on April 1, 1999. Paid-up capital totals $2,500,000, consisting of 250,000 common shares issued at a par value of $10 per share. All authorized shares are outstanding.

MANAGEMENT

Highmark Casualty Insurance Company (HCIC) is a wholly owned subsidiary of HM Insurance Group (HM), a downstream subsidiary of Highmark Inc. and ultimate parent, Highmark Health. Highmark Inc. was incorporated in the Commonwealth of Pennsylvania and is an independent licensee of the Blue Cross and Blue Shield Association. Other direct subsidiaries of HM include HM Life Insurance Company (HMLIC), HM Life Insurance Company of New York (HMLNY), and HM Casualty Insurance Company. Highmark Inc. was created in 1996 through the consolidation of HM's former parent, Veritus Inc. (which conducted business as Blue Cross of Western Pennsylvania) and The Medical Service Association of Pennsylvania (which conducted business as Pennsylvania Blue Shield).

Officers: Chief Executive Officer, Frederick G. Merkel; President and Chief Operating Officer, Matthew J. Rhenish; Senior Vice President, Treasurer and Chief Financial Officer, Daniel J. Wright (Subsidiary Business); Senior Vice Presidents, Elizabeth A. Midtlien, Domenic Palmieri, Matthew P. Piroch, Gregory A. Wilden; Secretary and General Counsel, Edward A. Bittner, Jr.

Directors: John Robert Baum, PhD, Anthony Nicholas Benevento, William Dennis Cronin, Denise Ann Doyle, David Michael Matter, Frederick G. Merkel, Donald Peter Napier, William John Stallkamp.

Balance Sheet
Admitted Assets ($000)

	YE 2015	%
Bonds	$301,405	65.9
Cash & short-term invest	82,809	18.1
Other non-affil inv asset	26,180	5.7
Total invested assets	$410,393	89.8
Premium balances	32,895	7.2
Accrued interest	2,788	0.6
All other assets	11,159	2.4
Total assets	$457,236	100.0

Liabilities & Surplus ($000)

Loss & LAE reserves	$221,382	48.4
Unearned premiums	22,620	4.9
All other liabilities	40,092	8.8
Total liabilities	$284,094	62.1
Surplus notes	10,000	2.2
Capital & assigned surplus	13,750	3.0
Unassigned surplus	149,393	32.7
Total policyholders' surplus	$173,143	37.9
Total liabilities & surplus	$457,236	100.0

Best's Rating Report

Why is this *Best's®* *Rating Report* important to you?

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899.

A Best's Financial Strength Rating (FSR) is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does 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. An FSR 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.

The company information appearing in this pamphlet is an extract from the complete AMB Credit Report. You may obtain the complete report by contacting Customer Service at +1(908)439-2200 or customer_service@ambest.com. Please reference the company's identification number (AMB#) listed on this rating report.

For the latest Best's Financial Strength Ratings along with their definitions and A.M. Best's Terms of Use, please visit **www.ambest.com**.