Property/Casualty Insurance Results: Nine-Months 2020

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Private U.S. property/casualty insurers' net income after taxes declined to $35.1 billion in nine-months 2020 from $48.4 billion in nine-months 2019. Insurers' overall profitability as measured by their annualized rate of return on average policyholders' surplus fell to 5.5% from 8.3% a year earlier, according to ISO, a Verisk (Nasdaq:VRSK) business, and the American Property Casualty Insurance Association (APCIA).[1]

Insurers' combined ratio[2] deteriorated to 98.8% for nine-months 2020 from 97.8% for nine-months 2019, as net underwriting gains[3] declined to $0.3 billion in nine-months 2020 from $5.4 billion a year earlier. Net written premium growth accelerated to 2.9% for nine-months 2020 from 2.7% for nine-months 2019.

Insurers' net investment income declined to $37.2 billion in nine-months 2020 from $40.6 billion a year earlier, and insurers' realized capital gains fell to $3.4 billion from $7.5 billion, resulting in $40.6 billion in net investment gains[4] for nine-months 2020, which is $7.6 billion below the $48.2 billion for nine-months 2019.

The industry started 2020 with an $847.3 billion surplus[5] as of December 31, 2019. The industry's surplus shrank to $771.3 billion in the first quarter of the year, mostly rebounded in the second quarter to $825.0 billion, and reached $863.3 billion as of September 30, 2020.

Insurers' annualized rate of return on average surplus dropped to 5.5% in nine-months 2020 from 8.3% in nine-months 2019, as the combined effects of lower net income after taxes and higher average surplus pushed the annualized nine-months rate of return 1.9 percentage points below its 30-year average.

Underwriting Results

The COVID-19 crisis in the United States was slowly building up since early in the year, and the large-scale disruptions of daily life and economic activities started around the middle of March 2020. Accordingly, the impacts of COVID-19 on underwriting results are visible only in the second and third quarters.

> Nine-months underwriting results worsened considerably in 2020, but the industry still reported a modest underwriting gain.

In the first nine months of 2020, earned premiums grew 2.7% to $475.5 billion, with growth rate slowing down compared to 4.7% in nine-months 2019. Losses and loss adjustment expenses (LLAE) also rose 2.7%, to $335.7 billion, while other underwriting expenses grew 4.1% to $134.5 billion and policyholders' dividends more than tripled to $5.0 billion from $1.6 billion a year earlier.

Authors' Note

Insurers' financial results deteriorated in nine-months 2020 due to the COVID-19 pandemic and a historic catastrophe season. In the first nine months of 2020, net underwriting gains declined to $0.3 billion from $5.4 billion a year earlier and net income after taxes dropped 27.5% to $35.1 billion, compared to a year earlier.

The declines stemmed from a significant increase in the losses and loss adjustment expenses from catastrophes. PCS, a Verisk business, reported that 2020 set a record for the number of catastrophic events in the United States. The United States also recorded one of the largest deteriorations on the Verisk Maplecroft Civil Unrest Index in 2020—dropping from the 91st riskiest jurisdiction in the second quarter to the 34th by the end of the year.

Since the emergence of the pandemic, we continue to work hard, providing updates on the potential effects of COVID-19 in relation to property/casualty insurance.

- For the latest updates and insights from Verisk, visit the **COVID-19 resource page for insurers**.
- For strategies for personal lines insurers in our changing world, visit the **Verisk New Normal web page**.

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As a result, the industry reported a $0.3 billion net underwriting gain, down from the $5.4 billion net underwriting gain for nine-months 2019. The first quarter of 2020 delivered a $6.2-billion underwriting gain, $1.0 billion better than $5.2 billion a year earlier, but the second and third quarters of 2020 washed away the majority of first-quarter gains.

Net written premiums rose $13.9 billion to $495.3 billion in nine-months 2020 from $481.3 billion in nine-months 2019. Net written premium growth accelerated to 2.9% from 2.7% for nine-months 2019, but the 2019 growth rate was affected by unusually high premiums in first-quarter 2018. The growth pattern in the premiums varied considerably on a quarter-to-quarter basis both in 2019 and in 2020. The first-quarter written premiums grew by 6.2% in 2020 after declining 1.1% in 2019, the second-quarter written premiums declined by 0.4% in 2020 after growing 3.1% in 2019, and the third-quarter written premiums grew 3.0% in 2020 after growing 6.2% in 2019.

To assess the underlying direct premium growth, ISO compiled direct and net written premiums for a large cohort of insurers whose data was available for the first, second, and third quarters of 2018, 2019, and 2020. This cohort represents more than 95% of total net written premium for the industry. Aggregated net written premium for these insurers grew 2.7% in nine-months 2019 and then 2.9% in nine-months 2020, while direct written premium grew approximately 4.8% in nine-months 2019 and then 2.3% in nine-months 2020. The weak direct nine-month premium growth in 2020 reflects decline in the second quarter and partial recovery in the third: the direct written premiums grew 4.6% in the first quarter of 2020, dropped 0.2% in the second quarter, and grew 2.6% in the third.

The events associated with COVID-19 slowed down or even stopped many everyday activities for a significant period of time[6], affecting insurance premiums in multiple ways. For those commercial policies where the premium is driven by sales or similar activity-based exposure base, and subject to audit, the premiums will eventually reflect the reduced activity, with the timing and magnitude of premium adjustments varying depending on policy dates and individual contract details. Additionally, as the changes in the economy and the measures taken to fight the pandemic led consumers and businesses to defer or cancel large purchases and capital investments, the insurance expenditures usually associated with such transactions were also deferred or cancelled.

Automobile insurers took steps to account for the reduced driving activity and some commercial lines insurers provided similar support to small commercial (auto and non-auto) accounts, where policy premiums were fixed at inception. These actions included policyholder dividends, prospective rate reductions, and partial returns of premiums—as direct cash payments or as premium credits on renewal—to current policyholders. Some insurers supported policyholders experiencing financial hardship by waiving fees and continuing to provide coverage despite non-payments of premiums. The specific implementation and accounting treatment of insurers' actions varied across the insurers due to differences in their legal, regulatory, and operational constraints. ISO analyzed the disclosures available in statutory statements and insurers' announcements of "premium relief" and other actions taken to reflect the changes in driving patterns and to lessen the financial burden on the policyholders during the pandemic. Based on this analysis, the overall premium relief provided to insureds as a combination of rate reduction at renewals, premium credits, and policyholder dividends as reflected in the statutory statements as of 9/30/2020 was approximately $11.0 billion. ISO estimates that insurers booked $3.6 billion in dedicated policyholder dividends and recorded $1.2 billion of premium returns as underwriting expenses, while the bulk of premium relief actions impacted written premiums. The above amounts do not account for any prospective rate reductions relative to the rates that would be in force if not for COVID-19 effects, as these amounts can't be reliably estimated from the publicly available information.

The 2.7% increase in LLAE in nine-months 2020 coincides with earned premium growth rate and compares with the 5.5% increase a year earlier. Private U.S. insurers' LLAE from catastrophes more than doubled to $47.1 billion for nine-months 2020 from $21.5 billion a year earlier. Net LLAE for losses other than catastrophes declined $16.9 billion, or 5.5%, to $288.5 billion in nine-months 2020 from $305.5 billion in nine-months 2019.

Private U.S. insurers' net LLAE includes both their domestic and foreign catastrophic losses.[7] However, U.S. insurers' $47.1 billion in net LLAE from catastrophes in nine-months 2020 is primarily attributable to catastrophes that struck the United States. Though estimating U.S. insurers' LLAE from catastrophes elsewhere around the globe is difficult, the available information suggests that U.S. insurers' LLAE arising from such events was not large in either nine-months 2020 or in nine-months 2019.

PCS, a Verisk business, reported that 2020 set a record for the number of U.S. catastrophic events. The 2020 catastrophes included 19 events with at least $1.0 billion in direct insured losses in the United States (17 in the first nine months), including the first riot and civil disorder event to exceed that threshold.

The United States also recorded one of the largest deteriorations on the Verisk Maplecroft Civil Unrest Index in 2020—dropping from the 91st riskiest jurisdiction in the second quarter to the 34th by the end of the year. The index assesses the risk of disruption to business caused by civil unrest and includes a spectrum of incidents, from protests to violent mass demonstrations and rioting.

Reflecting the differences between written premium growth, earned premium growth, and the growth in LLAE and other costs of providing insurance, the combined ratio deteriorated by 1.0 percentage points to 98.8% in nine-months 2020 from 97.8% in nine-months 2019, consistent with the decline in underwriting gains.

Underwriting results benefited from $7.3 billion in favorable development of LLAE reserves in nine-months 2020, based on new information and updated estimates for the ultimate cost of claims from prior accident years. The $7.3 billion of favorable reserve development in nine-months 2020 followed $6.7 billion of favorable development in nine-months 2019. Reserve development includes the changes in LLAE attributable to the catastrophes of the preceding years. In 2020, several insurers reported favorable reserve development of the LLAE attributable to the California wildfires of 2017-2018 as the insurers' settlement with PG&E Corporation became effective in July 2020. Based on the limited public information currently available, ISO estimated that the contribution of PG&E recoveries to the favorable reserve development in nine-months 2020 exceeded $2.0 billion. Overall, favorable development reduced the combined ratio by 1.5 percentage points in nine-months 2020 and by 1.4 percentage points in nine-months 2019.

Excluding the development of LLAE reserves, LLAE grew $9.4 billion, or 2.8%, to $343.0 billion in nine-months 2020 from $333.6 billion in nine-months 2019. Excluding catastrophes and the development of LLAE reserves, LLAE declined $19.0 billion, or 6.1%, to $293.8 billion in nine-months 2020 from $312.9 billion a year earlier. The combined ratio deteriorated 1.0 percentage point in nine-months 2020. If LLAE reserve development and catastrophe LLAE in nine-months 2020 had been at the same level as in nine-months 2019, the combined ratio would have improved by 4.7 percentage points.

The $0.3 billion net gain on underwriting in nine-months 2020 amounted to 0.1% of the $475.5 billion in net premiums earned during the period. The $5.4 billion net gain on underwriting in nine-months 2019 amounted to 1.2% of the $463.1 billion in net premiums earned during that period.

While overall net written premium growth rate in nine-months 2020 quickened to 2.9% from 2.7% a year earlier, and the combined ratio deteriorated to 98.8% from 97.8%, the dynamics varied across industry segments.

Net written premium growth for insurers writing mostly personal lines dropped to 0.9% in nine-months 2020 from 4.0% a year earlier. Excluding mortgage and financial guaranty insurers, net written premium growth for insurers writing predominantly commercial lines accelerated to 5.9% in nine-months 2020 from 1.1% in nine-months 2019. Premium growth for insurers writing more balanced books of business declined to 1.8% in nine-months 2020 from 3.2% in nine-months 2019. Premium growth in 2019 was suppressed, especially in commercial lines, by significant changes in reinsurance arrangements in 2018.

Underwriting profitability as measured by the combined ratio improved for personal lines insurers and worsened for other segments. Excluding mortgage and financial guaranty insurers, commercial lines insurers' combined ratio deteriorated 3.7 percentage points to 100.8% in nine-months 2020. Personal lines insurers' combined ratio improved 1.8 percentage points to 95.7%, and balanced insurers' combined ratio deteriorated 0.6 percentage points to 101.7% in nine-months 2020.

Direct premiums and losses[8] show significant variation of underwriting results across lines of business. For the available consistent company sample, direct written premiums for Fire and Allied lines increased 10.6% in nine-months 2020, but the direct pure loss ratio deteriorated to 76.1% from 66.0% a year earlier. Direct written premiums for General Liability (Other Liability and Products Liability combined) grew 11.4% while the direct pure loss ratio deteriorated slightly to 59.9% from 59.6% a year earlier. At the same time, direct written premiums for Homeowners grew 5.5%, but the direct pure loss ratio deteriorated to 70.4% from 60.6% as direct losses grew 22.2%. Direct written premiums for private passenger automobile liability premiums dropped 1.5% but the corresponding direct pure loss ratio improved to 57.2% from 66.5% a year earlier, as the direct losses dropped 14.4%. However, the direct pure loss ratio does not reflect the premium refunds recorded as underwriting expenses, nor the dedicated policyholder dividends. For all automobile lines combined, direct written premiums dropped 0.6% and direct pure loss ratio improved to 56.6% from 65.0%. Direct written premiums for Workers' Compensation dropped 8.3%, and direct pure loss ratio deteriorated slightly to 47.9% in nine-months 2020 from 47.8% a year earlier.

Investment Results

Insurers' net investment income—primarily dividends from stocks and interest on bonds—declined 8.4% to $37.2 billion in nine-months 2020 from $40.6 billion in nine-months 2019. Insurers' realized capital gains on investments fell to $3.4 billion in nine-months 2020 from $7.5 billion for nine-months 2019. Combining net investment income and realized capital gains, overall net investment gains decreased $7.6 billion, or 15.7%, to $40.6 billion in nine-months 2020 from $48.2 billion a year earlier.

Insurers' net investment income declined 8.4%, while average cash and invested assets for nine-months 2020 grew 8.6% compared with nine-months 2019. The annualized yield on insurers' investments in nine-months 2020 was 2.7%, down from 3.2% a year earlier, and below the 3.3% average annualized quarterly yield for the last ten years. From 1960 to 2019, insurers' annual investment yield averaged 4.9% but ranged from as low as 2.8% in 1961 to as high as 8.2% in 1984 and 1985. In recent years, investment yields have trended downward, and annual yields have not exceeded 4.0% since 4.2% recorded in 2008. On a full-year basis, insurers' annual investment yield steadily declined from 4.6% for 2005 to 3.2% for both 2014 and 2015 and to 3.1% in 2016 and 2017. In 2018, investment yield rose to 3.4%, but the bulk of the increase was due to one-time money transfers from subsidiaries outside the U.S. property/casualty universe, rather than from sustainable increases in investment profitability. Consistent with the long-term trend, the 2019 yield of 3.2% was 0.3 percentage points below the average annual yield for the preceding ten years from 2009 to 2018.

Combining the $3.4 billion in realized capital gains in nine-months 2020 with the $4.2 billion in unrealized capital losses[9] during the same period, insurers posted $0.8 billion in overall capital losses for nine-months 2020—a $58.8 billion deterioration from nine-months 2019. Over the past 30 years, insurers' total capital gains have averaged $3.7 billion per quarter but have ranged from as high as $45.7 billion in fourth-quarter 2017 to as low as negative $83.1 billion in first-quarter 2020.

Pretax Operating Income

Pretax operating income[10] fell $9.7 billion to $37.7 billion for nine-months 2020 from $47.4 billion for nine-months 2019. The decline in operating income was the combined result of the $5.1 billion decline in net gains on underwriting, the $1.1 billion reduction in miscellaneous other income, and the $3.4 billion decrease in net investment income.

Net Income after Taxes

Combining operating income, realized capital gains (losses), and federal and foreign income taxes, the insurance industry's net income after taxes fell $13.3 billion to $35.1 billion for nine-months 2020 from $48.4 billion for nine-months 2019. Nine-months 2020 net income after taxes exceeds the $34.8 billion average nine-month income for the last ten years by $0.3 billion or 0.8%. However, industry surplus has grown significantly over the last ten years and just reached a new record-high level as of 9/30/2020. While the income was close to ten-year average, the surplus as of 9/30/2020 exceeds the ten-year average surplus as of 9/30 by 24.2%, resulting in below-average return on average surplus.

Policyholders' Surplus

Policyholders' surplus rose $16.0 billion to a new record-high $863.3 billion as of September 30, 2020, from $847.3 billion as of December 31, 2019. Additions to surplus in nine-months 2020 included $35.1 billion in net income after taxes, $2.5 billion in net capital inflow, and $1.7 billion in miscellaneous credits to surplus. Deductions from surplus consisted of $19.1 billion in dividends to shareholders and $4.2 billion in unrealized capital losses on investments (not included in net income).

The $16.0 billion increase in surplus for nine-months 2020 is the net result of a $76.0 billion decline in surplus in the first quarter, followed by a $53.7 billion recovery in the second quarter and a $38.3 billion increase in the third quarter of 2020. The sharp decline and subsequent increases in surplus were mostly due to moves in the stock market: a significant downturn in first-quarter 2020 at the peak of the investors' concerns associated with the COVID-19 pandemic and the subsequent rally in second and third-quarter 2020. With insurers' investments in publicly traded common stocks mostly valued according to their market price, stock market ups and downs usually generate unrealized capital gains and losses for the industry, respectively. The $46.1 billion in unrealized capital gains in second-quarter 2020, followed by $34.0 billion in unrealized capital gains in third-quarter 2020, almost fully offset the $84.2 billion in unrealized capital losses in first-quarter 2020.

Insurers had $4.2 billion in unrealized capital losses in nine-months 2020, a $54.6 billion swing from $50.4 billion in unrealized capital gains a year earlier. The net $2.5 billion of capital inflow in nine-months 2020 compares with $1.8 billion of capital outflow a year earlier. Dividends to shareholder declined $4.6 billion, or 19.5%, to $19.1 billion in nine-months 2020 from $23.7 billion in nine-months 2019. There were $1.7 billion in miscellaneous credits to surplus in nine-months 2020, a $5.5 billion improvement from $3.8 billion in miscellaneous charges against surplus in nine-months 2019.

Using 12-month trailing premiums, the premium-to-surplus ratio dropped to 0.75 as of September 30, 2020, from 0.77 as of September 30, 2019. The ratio of loss and loss adjustment expense reserves to surplus was 0.80 as of September 30, 2020, same as a year earlier. These ratios remain low compared with their historical levels because surplus grew more rapidly than premiums or reserves. For example, over the 20 years ending 2019, the average premium-to-surplus ratio was 0.89, and the LLAE-reserves-to-surplus ratio was 1.03.

> Insurers' surplus increased to a new record as stock markets recovered from major losses in first-quarter 2020.

Third-Quarter Results

The property/casualty insurance industry's consolidated net income after taxes declined to $10.9 billion in third-quarter 2020 from $15.4 billion in third-quarter 2019. Property/casualty insurers' annualized rate of return on average surplus declined to 5.1% in third-quarter 2020 from 7.6% a year earlier.

The $10.9 billion in net income after taxes for the insurance industry in third-quarter 2020 was a net result of $7.6 billion in pretax operating income, $4.8 billion in realized capital gains on investments, and $1.5 billion in federal and foreign income taxes.

The industry's $7.6 billion in pretax operating income for third-quarter 2020 was $6.4 billion below the $14.1 billion a year earlier. The industry's third-quarter 2020 pretax operating income was the net result of $4.3 billion in underwriting losses, $11.7 billion in net investment income, and $0.3 billion in miscellaneous other income. The third-quarter underwriting results dropped $4.3 billion, investment income declined $1.9 billion, and miscellaneous other income declined $0.2 billion.

Net LLAE from catastrophes included in private U.S. insurers' financial results in third-quarter 2020 jumped to $22.4 billion from $7.7 billion in third-quarter 2019. The contribution of catastrophe LLAE to the third-quarter combined ratio reached 13.8 percentage points in 2020 after just 4.8 percentage points in 2019.

Third-quarter 2020 net losses on underwriting amounted to 2.7% of the $162.9 billion in premiums earned during the period, while the third-quarter 2019 ratio of net gains on underwriting to earned premiums was 0.0%. The industry's combined ratio deteriorated to 101.3% in third-quarter 2020 from 98.8% in third-quarter 2019. Over the last 30 years, the third-quarter combined ratio averaged 104.1% but reached as high as 122.8% in 1992 and as low as 90.6% in 2006.

Net written premiums rose $5.0 billion, or 3.0%, to $171.3 billion in third-quarter 2020 from $166.2 billion in third-quarter 2019. The overall trend has been for quarterly written premiums to rise, and indeed there have been increases in 40 of the past 42 quarters. The only decline after the Great Recession and before the pandemic-affected second quarter of 2020 occurred in the first quarter of 2019. That decline in written premiums was due to an unusually high comparison base, triggered by changes in reinsurance utilization in 2018.

Net earned premiums grew 2.3% to $162.9 billion in third-quarter 2020 from $159.2 billion in third-quarter 2019. LLAE increased 6.1% to $121.5 billion in third-quarter 2020 from $114.5 billion in third-quarter 2019. The reported results for third-quarter 2020 benefited from $2.8 billion in favorable LLAE reserve development, compared with $0.9 billion of favorable LLAE reserve development in third-quarter 2019. The increase in favorable reserve development in 2020 is significantly due to the insurers' settlement with PG&E Corporation. Excluding catastrophes and reserve development, LLAE dropped 7.4% to $99.9 billion from $107.9 billion in third-quarter 2019.

The industry's net investment income declined to $11.7 billion in third-quarter 2020 from $13.6 billion in third-quarter 2019. Miscellaneous other income declined to $0.3 billion in third-quarter 2020 from $0.5 billion in third-quarter 2019.

Realized capital gains on investments increased to $4.8 billion in third-quarter 2020 from $3.2 billion in third-quarter 2019. Combining net investment income and realized capital gains, net investment gains decreased 1.9%, to $16.4 billion in third-quarter 2020 from $16.8 billion a year earlier.

Insurers posted $34.0 billion in unrealized capital gains on investments in third-quarter 2020, a $24.8 billion rise from $9.2 billion of unrealized capital gains a year earlier. Combining realized and unrealized amounts, the insurance industry posted $38.7 billion in overall capital gains in third-quarter 2020, a $26.4 billion rise from the $12.3 billion in overall capital gains on investments in third-quarter 2019.

The key operating results for the industry are summarized in the table on page 6.

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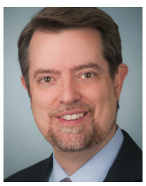

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1. This study defines the U.S. property/casualty insurance industry as all private property/casualty insurers domiciled in the United States, including excess and surplus insurers and domestic insurers owned by foreign parents but excluding state funds for workers compensation and other residual market carriers. The figures are consolidated estimates based on reports accounting for at least 96% of all business written by U.S. property/casualty insurers. All figures are net of reinsurance unless otherwise noted and occasionally may not balance due to rounding.
2. Combined ratio, defined as the sum of loss ratio, expense ratio, and dividend ratio, is a key measure of losses and other underwriting expenses per dollar of premium. The loss ratio is the ratio of losses and loss adjustment expenses (LLAE) to earned premiums; the expense ratio is the ratio of other underwriting expenses to written premiums; and the dividend ratio is the ratio of policyholders' dividends to earned premiums.
3. Underwriting gains (or losses) equal earned premiums minus LLAE, other underwriting expenses, and dividends to policyholders.
4. Net investment gains equal the sum of net investment income and realized capital gains (or losses) on investments.
5. Policyholders' surplus is insurers' net worth measured according to Statutory Accounting Principles.
6. The timing and specifics of COVID-19 effects vary significantly by location and the kind of activity. The gross domestic product (GDP) adjusted for seasonality and inflation can be used as a broad-based measure of economic activity. Using the GDP values reported by the U.S. Bureau of Economic Analysis on 12/22/2020, GDP has declined 1.3% in the first quarter of 2020 and declined 9.0% in the second quarter, but grew 7.5% in the third, recovering a significant portion of the losses, but still remaining below pre-COVID-levels.
7. Net LLAE from catastrophes also includes revisions to LLAE from catastrophes that occurred during prior periods but excludes LLAE covered by the National Flood Insurance Program, residual market insurers, and foreign insurers and reinsurers.
8. In their quarterly statutory statements, insurers report direct written premiums, direct earned premiums, and direct losses incurred by line of business. That permits to assess premium growth and pure loss ratios (ratios of losses to earned premiums), but not the combined ratios. These exhibits do not separate automobile physical damage into private passenger and commercial, commercial multiple peril into non-liability and liability, and allied lines into five components available on the annual statements.
9. Unrealized capital gains or losses contribute directly to surplus change, but they do not affect net income.
10. Pretax operating income is the sum of net gains or losses on underwriting, net investment income, and miscellaneous other income.

Nine-Months 2020: BY THE NUMBERS

$863.3 billion
Industry surplus, up from $825.0 billion on June 30,2020, and from $847.3 billion at year-end 2019

$35.1 billion
Net income after taxes, down from $48.4 billion in nine-months 2019

$495.3 billion
Net written premium, after $481.3 billion in nine-months 2019

98.8%
Combined ratio, after 97.8% for nine-months 2019

$0.3 billion
Net underwriting gain, after $5.4 billion underwriting gain for nine-months 2019

2.7%
Annualized investment yield, down from 3.2% a year earlier

$0.8 billion
Total capital losses, after $58.0 billion in total capital gains in nine-months 2019

Operating Results for 2020 and 2019 ($ Millions)

Nine-Months	**2020**	**2019**
Net Written Premiums	$495,257	$481,313
Percent Change (%)	2.9	2.7
Net Earned Premiums	475,488	463,137
Percent Change (%)	2.7	4.7
Incurred Losses & Loss Adjustment Expenses	335,671	326,957
Percent Change (%)	2.7	5.5
Statutory Underwriting Gains (Losses)	5,298	6,946
Policyholders' Dividends	5,045	1,552
Net Underwriting Gains (Losses)	253	5,394
Pretax Operating Income	37,729	47,416
Net Investment Income Earned	37,219	40,645
Net Realized Capital Gains (Losses)	3,372	7,532
Net Investment Gains	40,591	48,177
Net Income (Loss) after Taxes	35,101	48,416
Percent Change (%)	-27.5	-2.0
Surplus (Consolidated)	863,268	811,665
Loss & Loss Adjustment Expense Reserves	691,724	649,182
Combined Ratio, Post-Dividends (%)	98.8	97.8

Third Quarter	**2020**	**2019**
Net Written Premiums	$171,264	$166,228
Percent Change (%)	3.0	6.2
Net Earned Premiums	162,886	159,166
Percent Change (%)	2.3	6.3
Incurred Losses & Loss Adjustment Expenses	121,465	114,469
Percent Change (%)	6.1	5.2
Statutory Underwriting Gains (Losses)	(3,681)	476
Policyholders' Dividends	645	468
Net Underwriting Gains (Losses)	(4,326)	8
Pretax Operating Income	7,619	14,062
Net Investment Income Earned	11,687	13,577
Net Realized Capital Gains (Losses)	4,760	3,185
Net Investment Gains	16,446	16,762
Net Income (Loss) after Taxes	10,860	15,412
Percent Change (%)	-29.5	-0.1
Surplus (Consolidated)	863,268	811,665
Loss & Loss Adjustment Expense Reserves	691,724	649,182
Combined Ratio, Post-Dividends (%)	101.3	98.8

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