

## Terra's Superior Ratings

Terra Insurance Company has one of the highest BCAR scores in the nation. As such, A.M. Best rates Terra “A, Excellent” and has assigned it a credit rating of “a+”, the 5<sup>th</sup> highest in the Best rating system of 21 credit rating categories, based on its 2025 BCAR score.

Internationally recognized A.M. Best & Company uses a rating system to express their opinion of an insurer's credit worthiness, financial strength, and ability to meet ongoing obligations to policyholders. A.M. Best assigns a qualitative, a quantitative, and a risk based capital rating to the companies it reviews.

Terra is rated "A,V" by A.M. Best & Company. The qualitative rating of "A" is categorized as "Excellent" by A.M. Best. Terra also has a quantitative rating of "V" - this financial size rating relates only to the size of Terra's capital. Some people wrongly believe that larger quantitative ratings mean a "more stable" insurance carrier. In actuality, these ratings only look at the size of capital and not at exposures or risks to that capital. However, A.M. Best does produce a rating that measures an insurance company's stability and operating performance - and that rating is known as the insurers' BCAR score.

The Best rating system expresses A.M. Best Company's opinion of an insurer's financial strength and ability to meet its ongoing obligations to policyholders. According to A.M. Best, an insurer with an “A” qualitative rating is one that has an excellent ability to meet its ongoing insurance obligations.

BCAR is an important qualitative measure of an insurance company's strength, reliability and ability to meet its financial obligations. BCAR analyzes an insurance company's underwriting, credit and investment risks. Insurance companies in the Best rating system are assigned a score pursuant to the BCAR analysis.

A.M. Best confirmed that for year-end 2016 (the final year that the original BCAR scoring model was in effect), Terra's BCAR score was **637**, and is shown as such in Best's current 2017 rating guide for the original BCAR model. By contrast, no other carrier comes close to Terra according to Best's BCAR analysis. The following shows competing carriers' BCAR scores for 2017, rounded to the nearest whole number:

<b>Terra Insurance Company:</b>	<b>637</b>
Houston Casualty Company:	289
CNA Financial Corp.:	289
RLI Corp.:	287
Hudson Insurance Group:	283
Markel Group Inc.:	235

Admiral Insurance Group:	219
ACE American Insurance Company:	207
AXA XL:	201
Liberty Mutual Group Inc.:	184
American International Group, Inc.:	173
Lexington Insurance Company (an AIG company):	173

As you can see, Terra had (and continues to have) the highest BCAR score of any of its competitors by a significant margin. Given Terra's consistently high BCAR score (for instance, its BCAR score in 2001 was 455), there should be no concern about Terra's financial strength and capital adequacy, and especially, its ability to meet its ongoing obligations.

By contrast, failed competing large insurance companies such as DPIC and Reliance, (which once possessed financial size quantitative ratings of XIV, and qualitative ratings of "A+" and "A-", respectively), never had a BCAR score that exceeded 120 (DPIC's highest BCAR score was 119 and Reliance's highest BCAR score was 86). In fact, both DPIC's and Reliance's BCAR scores hovered well below 100 in the years before their financial collapse (i.e., their BCAR scores were 86.9 and 77.8, respectively). As such, it is evident that a high size rating in and of itself (like a VI to XV) does not make an insurance carrier financially strong. "Bigger" is not necessarily "better".

#### **A.M. Best's New Stochastic Model Ratings**

In addition, Terra's BCAR score using A.M. Best's new stochastic modeling rating system is more than 3 times as great as what A.M. Best considers "excellent". A.M. Best considers any score above 0% to be "good", and scores above 25%, are considered as "excellent." Under this new modeling system, which went into effect in 2017, which is on a scale of 0% to 99%, Terra's current BCAR score is 80.73% based on a confidence level of 99.6%. This high confidence level is also reflected in a new benchmarking study of Terra compared to its complete peer group and its primary 11 competitors. Terra outperformed the entire peer group and all its peers in almost every significant risk category.

In fact, Terra's BCAR score is the highest of all professional liability providers in the U.S. This is evidenced in the table below, which shows A.M. Best's stochastic modeling for BCAR at a 99.6% confidence level, with the most current ratings for each carrier as of July 15, 2025, rounded to the nearest whole number, for Terra its full peer group and its primary 11 competitors:

<b>Terra Insurance Company:</b>	<b>81%</b>
American International Group, Inc.:	59%
RLI Corp.:	54%

Chubb Limited:	45%
CNA Financial Corp.:	43%
W.R. Berkley Corporation:	40%
Houston Casualty Company:	39%
Peer Group Average:	39%
Markel Group Inc.:	36%
Zurich Insurance Group Ltd.:	31%
AXA S.A.:	28%
The Hanover Insurance Group, Inc.:	26%
Liberty Mutual Group Inc.:	24%

In addition, Terra leads professional liability insurers, and the entire industry composite, in most other A.M. Best rating analytics over the last ten years:

<u>10-Year Averages</u>	<u><b>Terra</b></u>	<u>Composite</u>	<u>Industry</u>
Combined Ratio	72.6	98.7	99.9
Loss and LAE Ratio	12.4	69.1	72.7
Pre-tax operating income ROR	31.8	12.1	8.6
Total ROR	26.9	10.8	13.3
Operating Ratio*	68.2	87.0	90.8
Pre-tax operating income ROE	12.4	10.4	6.4
Total ROE	10.5	9.3	10.0
Accident Year Combined Ratio	71.5	98.4	100.2

\*A.M. Best's Operating Ratio measures a company's overall operating profitability from investment and underwriting activity, and excludes other income, capital gains and income tax liability. The smaller the result or lower the number, the more efficient the company is at generating revenue versus expenses.

Terra's stellar AM Best operating metrics, its reinsurance support, its reinsurance structure, and its unrivaled financial success (it has reported 149 calendar quarters of profitability), makes it a very secure and reliable professional liability insurer for design professionals