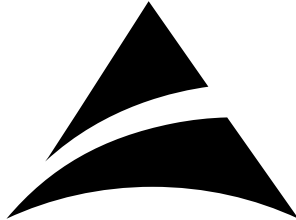




BEST'S COMPANY REPORT



ATLANTIC CHARTER INSURANCE COMPANY

CHARTER INSURANCE GROUP

AMB #: 018396

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

ATLANTIC CHARTER INSURANCE COMPANY

A

Domiciliary Address: 25 New Chardon Street, Boston, Massachusetts 02114-4721 United States

AMB #: 011318

NAIC #: 44326

FEIN #: 04-3104363

Phone: +1-617-488-6500

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Website: www.atlanticcharter.com



Best's Credit Rating Effective Date

September 01, 2023

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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](#).

Charter Insurance Group

AMB #: 018396

Associated Ultimate Parent: AMB # 051303 - Charter Management Company, Inc.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable Action: Affirmed

Assessment Descriptors

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

Rating Unit - Members

Rating Unit: Charter Insurance Group | AMB #: 018396

AMB # Rating Unit Members
 011318 Atlantic Charter Insurance Co
 011956 Endeavour Insurance Company

AMB # Rating Unit Members
 010088 Independence Casualty Ins Co

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Charter Insurance Group (Charter) maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% VaR confidence level.
- Strong liquidity and cash flow measures.
- Overall reserve development has been favorable in recent years but remains variable on an accident year basis.
- Common stock investment leverage is very high compared to the industry.

Operating Performance: **Strong**

- Charter has reported strong pre-tax return on revenue measures that outperform the workers' compensation industry composite by a wide margin over the recent five- and ten-year period.
- Profitable underwriting performance has benefited from significant levels of favorable prior year loss reserve development over the long term.
- As measured by the combined ratio, Charter has reported underwriting results that outperform the industry composite by a wide margin over the long term. Charter maintains a significant advantage in the loss and loss adjustment expense component, which outperforms the industry by a wide margin.

Business Profile: **Limited**

- Domiciled in Boston, Massachusetts, Charter maintains a limited business profile given the concentration of written premium in Massachusetts (88%) with the balance written in Connecticut (8%) and New Hampshire (4%).
- Charter maintains strong brand name recognition as a writer of workers' compensation within Massachusetts, Connecticut and New Hampshire.
- Charter is led by a seasoned management team with significant local and niche market experience.

Enterprise Risk Management: **Appropriate**

- Risk management capabilities are considered appropriate for the risk profile of the group, based on consistently strong performance, which has been achieved through cautious risk taking and conservative reserving.
- Charter adheres to conservative risk selection guidelines that have been well established over a long period of time.

Outlook

- The stable outlooks reflect Charter's balance sheet strength, which is assessed as very strong; the strong pre-tax operating earnings, which outperform the composite peers; and benefits from the pricing flexibility afforded through the various operating companies as needed.

Rating Drivers

- Negative rating actions may occur should the group's risk-adjusted capitalization decline to a level that is no longer supportive of the very strong balance sheet assessment.
- While unlikely over the near term, positive rating actions could occur if the group diversifies earnings without impacting operating margins.

Credit Analysis

Balance Sheet Strength

Charter Insurance Group maintains a very strong balance sheet strength assessment supported by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% level.

Capitalization

Charter's level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio is assessed as strongest, reflective of its improving underwriting leverage measures, the equity embedded within its loss reserves, as well as the minimal use of reinsurance to support operations, partially offset by common stock investment leverage that remains elevated relative to the composite. The group's

Balance Sheet Strength (Continued...)

risk-adjusted capitalization has benefited from sustained favorable reserve development patterns across prior calendar years that have benefited underwriting performance. Surplus also benefited from both realized and unrealized capital gains when viewed over the long term. Despite strong pre-tax operating earnings driven by profitable underwriting results augmented by net investment income during the recent five-year period, surplus growth has been somewhat constrained given the group's practice of paying dividends to its parent holding company, Charter Management Company, Inc. totaling \$74.5 million during the most recent five-year period. Despite the dividend payments, Charter has reported growth in policyholder surplus of 11% over the recent five-year period through 2022.

Terrorism is modeled on a deterministic basis. The largest exposures are generated in Tier 3 locations outside of Boston, MA. The largest insured exposure is a Tier 3 location in Holyoke, MA, approximately 94 miles outside of Boston, MA. Charter provides coverage to a number of insureds that are home healthcare workers. While the nature of this line of business provides dispersion of risk as the insured workers are on the road daily which somewhat mitigates the company's exposure. Charter's comprehensive reinsurance program, combined with facultative coverage on certain high exposure risks as needed, combined to reduce the group's net retained exposures to very manageable levels.

Asset Liability Management - Investments

The group maintains a solid liquidity position as evidenced by non-affiliated invested assets which exceed total liabilities by a comfortable margin. The quick liquidity measure has improved in recent years and outperforms the industry composite by a wide margin due primarily to a decline in current liabilities since 2017. The current and overall liquidity measures have also improved during the recent five-year period and significantly outperform the workers' compensation industry composite given the aforementioned reduction in liabilities. Overall liquidity measures have been enhanced by the group's historically sound operating cash flows.

Reserve Adequacy

Charter's strong underwriting performance over the long term has benefited from significant levels of favorable reserve development on a calendar year basis. Increases in severity occurring since 2011 have somewhat reduced the level of favorable calendar development occurring in recent years. Charter reported favorable reserve development for calendar years 2018 through 2022. Conversely the group has reported adverse reserve development on an accident year basis in the same time period. However, it is important to consider that this emergence of adverse development on the most recent accident years reflects conservatism in the loss picks. The group's historically favorable development patterns reflect management's conservative reserving practices, commitment to overall reserve adequacy, and active approach towards claims management.

Charter maintains a comprehensive excess of loss agreement providing protection for its operating companies for the workers' compensation line.

Given management's conservative operating philosophy, cautious premium projections, and historical track record of strong earnings, A.M. Best expects the group will remain capitalized and the strongest level, and that underwriting leverage measures will improve over the near term as premium growth has slowed.

Holding Company Assessment

The holding company assessment is neutral.

Operating Performance

Charter Insurance Group has reported strong operating performance as evidenced by double-digit average pre-tax returns on revenue measures that outperform that of the workers' compensation industry composite by 10.7 points in the recent five -year period and 7.6 points in the recent ten year period. Pre-tax return on revenue measures have improved in recent years reflective of an increase in underwriting profitability.

Viewed on a combined ratio basis, Charter has reported strong underwriting results as evidenced by its average combined ratio that has outperformed the workers' compensation industry composite by a significant margin over both the recent five and ten-year period. The group reported combined ratio of 76.9 in 2022 compared to 74.2 in 2021. The group's strong performance reflects management's disciplined underwriting approach, strong claims handling practices, and expertise within the Massachusetts workers' compensation marketplace. Underwriting results have benefited from consistently favorable prior-year loss reserve development viewed on a calendar year basis over the long term. The group, as well as its peers have been impacted by unfavorable state-mandated rating actions in

Operating Performance (Continued...)

recent years, competitive market conditions within the Massachusetts marketplace, and a weak macroeconomic environment. Despite these challenges, however, Charter has reported strong underwriting performance which has improved throughout the period.

Charter's strong underwriting results also reflect its access to legal counsel (associated through common ownership), which aids in closing claims faster than average. This has proven to be a significant benefit as the group has reported pure loss ratios that have outperformed the peer composite over the recent five-year period. This benefit is partially mitigated by the related costs associated with the LAE component of the proactive claims process. However, access to legal counsel has protected the loss ratio, resulting in a loss and LAE ratio that significantly outperforms the industry composite over the long term.

Charter maintains conservative investment guidelines, with fixed income securities comprising approximately 56% of the investment portfolio. The fixed income portfolio consists of high quality municipal, corporate, and government bonds with an average maturity of less than three years. Despite the sustained low interest rate environment (in 2022) and large dividend payments during the recent five-year period, the reduction in the level of investment income has been impacted by a general decline in the invested asset base throughout the five-year period. While the group has historically maintained higher average common stock leverage relative to the industry composite, investment results have typically generated both realized and unrealized capital gains over the long term.

Despite ongoing competitive market conditions, challenging macroeconomic conditions and the low interest rate environment, A.M. Best anticipates that Charter Insurance Group will report strong overall earnings over the mid-term.

Business Profile

Charter Insurance Group (Charter) is comprised of Atlantic Charter Insurance Company, Endeavour Insurance Company and Independence Casualty Insurance Company. Each company is domiciled in the state of Massachusetts and is a wholly owned subsidiary of Charter Management Company, Inc. Management has developed significant expertise in the underwriting and claims management of workers' compensation insurance in the Commonwealth of Massachusetts. Management's niche focus was initially on the health care industry; however, operations expanded in the early 1990s to include auto dealers, the plastics industry, light manufacturers, tool and die, and other select markets. In addition, the group maintains some premium diversification in New Hampshire.

Business is marketed in Massachusetts, Connecticut, and New Hampshire through a select group of agents and brokers. In 2023, Charter was licensed in Rhode Island. Charter focuses on a partnership approach with its clients, with an emphasis on loss control and risk management techniques, including a statewide medical provider network, in-house utilization review, licensed registered nurses, case managers, on-site loss control training, claim procedure manuals and physical plant engineering. The group also has experienced staff to advise clients on matters concerning wrongful discharge, discrimination, harassment, and ADA compliance.

Prior to January 1, 1999, the group participated in the Massachusetts Workers' Compensation Assigned Risk Pool (Pool) and shared in the total premium, loss, and expense experience of the Pool. Effective January 1, 1999, Charter opted out of the Pool and instead became a voluntary direct assignment carrier (VDAC) to the Pool. The VDAC program allows companies to take their equivalent share of the Pool in the form of specific policies assigned to them rather than accepting a percentage share of the Pool's overall results.

Enterprise Risk Management

Due to its size the group does not have a formalized ERM program or independent chief risk officer. The principals of the organization are involved in the operations on a daily basis, the companies adhere to a very conservative overall operating strategy. The group employs traditional risk management techniques focused on such areas as underwriting, investments, liquidity, credit, operational and strategic risks which have resulted in solid underwriting and operating performance over the long term across various market cycles.

Reinsurance Summary

The group maintains an excess of loss agreement providing protection for its operating companies for workers' compensation business excess of a \$500,000 retention up to \$30 million. The reinsurance program is placed with Swiss Reinsurance America Corporation. In addition, the group has an all peril terrorism facultative cover for select large risks underwritten by QBE reinsurance Corp..

Environmental, Social & Governance

Charter Insurance Group continues to monitor regulations and other ESG requirements, however, to date, the group has not had any specific ESG-only required reporting.

Financial Statements

	6-Months		Year End - December 31			
	2023		2022		2021	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	33,002	17.9	25,738	16.2	21,786	12.4
Bonds	80,312	43.4	82,174	51.6	94,487	53.8
Preferred and Common Stock	45,777	24.8	38,731	24.3	48,066	27.4
Other Invested Assets	...	...	634	0.4	635	0.4
Total Cash and Invested Assets	159,091	86.1	147,276	92.5	164,973	93.9
Premium Balances	24,526	13.3	9,939	6.2	8,847	5.0
Other Assets	1,224	0.7	2,070	1.3	1,800	1.0
Total Assets	184,841	100.0	159,284	100.0	175,620	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	36,753	19.9	26,390	16.6	32,949	18.8
Net IBNR Loss Reserves*	26,027	14.1	24,575	15.4	25,540	14.5
Net LAE Reserves	...	...	13,183	8.3	14,610	8.3
Total Net Loss and LAE Reserves	62,780	34.0	64,148	40.3	73,099	41.6
Net Unearned Premiums	32,838	17.8	16,753	10.5	16,537	9.4
Other Liabilities	3,065	1.7	3,343	2.1	5,201	3.0
Total Liabilities	98,683	53.4	84,244	52.9	94,836	54.0
Capital Stock	2,300	1.2	2,300	1.4	2,300	1.3
Paid-In and Contributed Surplus	9,200	5.0	9,200	5.8	9,200	5.2
Unassigned Surplus	74,658	40.4	63,540	39.9	69,283	39.5
Total Policyholders' Surplus	86,158	46.6	75,040	47.1	80,783	46.0
Total Liabilities and Surplus	184,841	100.0	159,284	100.0	175,620	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Charter Insurance Group

Operations

Date Incorporated: November 19, 1990

Domiciled: Massachusetts, United States

Business Type: Property/Casualty

Organization Type: Stock

Marketing Type: Broker

Last Update

December 18, 2023

Identifiers

AMB #: 018396

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: [051303 Charter Management Company, Inc.](#)

AMB#: [011318 Atlantic Charter 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.

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: September 01, 2023

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 018396 - Charter Insurance Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
011318	Atlantic Charter Insurance Co	A	a
011956	Endeavour Insurance Company	A	a
010088	Independence Casualty Ins Co	A	a

Management

Atlantic Charter Insurance Company, Endeavour Insurance Company, and Independence Casualty Insurance Company are wholly owned subsidiaries of Charter Management Company, Inc., which is owned by Linda J. Sallop (68.0%) and Mitchel I. Weisman (32.0%).

Ms. Sallop, who serves as president and chief executive officer, has governed the affairs of Atlantic Charter since inception and has more than twenty years of insurance experience. Ms. Sallop also serves as owner and chief executive officer of the Nathan Sallop Insurance Agency. Mr. Weisman, who serves as executive vice president, has been active in the field of workers' compensation claims and defense since the mid-1970s. Mr. Weisman is an attorney specializing in workers' compensation defense law, and is also the president of the law firm Sallop & Weisman, P.C., which serves as defense counsel for the group.

Administrative, underwriting and claims services are provided through a management agreement with its parent, Charter Management Company, for cost.

History

Atlantic Charter Insurance Company was incorporated under the laws of Massachusetts on November 19, 1990, and commenced business on January 1, 1991. Endeavour Insurance Company was incorporated under the laws of Massachusetts on July 2, 1996. Independence Casualty Insurance Company was incorporated under the laws of Massachusetts on May 7, 2004.

On December 31, 1999, Atlantic Charter assumed all of the workers' compensation business of First Return Insurance Company, a subsidiary of Harvard Pilgrim Health Care.

State Rate Filings

Summary of Approved Filings

The table below shows the number of approved filings in the last five years. For more information, please refer to [Best's State Rate Filings - 018396 - Charter Insurance Group](#)

Major Line

	2023	2022	2021	2020	2019
Workers Compensation	2	2	1	1	1
Total	2	2	1	1	1

Source: Best's State Rate Filings

Atlantic Charter Insurance Company

Operations

Date Incorporated: November 19, 1990 | **Date Commenced:** January 01, 1991

Domiciled: Massachusetts, United States

Licensed: (Current since 11/27/2018). The company is licensed in Connecticut, Massachusetts and New Hampshire.

Business Type: Property/Casualty
Organization Type: Stock
Marketing Type: Broker
Best's Financial Size Category: VII (USD 50 Million to Less than 100 Million)

Last Update

December 18, 2023

Identifiers

AMB #: 011318
NAIC #: 44326
FEIN #: 04-3104363

Contact Information

Domiciliary Address:
 25 New Chardon Street, Boston,
 Massachusetts 02114-4721
 United States

Web: www.atlanticcharter.com
Phone: +1-617-488-6500
Fax: +1-617-488-6501

Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Best's Credit Ratings

Best's Credit Rating History

AM Best has assigned ratings on this company since 1995. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings					Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Affiliation	Outlook	Action	Rating	Outlook	Action
Current -							
Sep 1, 2023	A	g (Group Rating)	Stable	Affirmed	a	Stable	Affirmed
Aug 23, 2022	A	g (Group Rating)	Stable	Affirmed	a	Stable	Affirmed
Aug 19, 2021	A	g (Group Rating)	Stable	Affirmed	a	Stable	Affirmed
Aug 19, 2020	A	g (Group Rating)	Stable	Affirmed	a	Stable	Affirmed
Jul 12, 2019	A	g (Group Rating)	Stable	Affirmed	a	Stable	Affirmed

Management

The company is a wholly owned subsidiary of Charter Management Company, Inc., which is owned by Linda J. Sallop (13.6%) and Mitchel I. Weisman (32.0%) and Linda J Sallop Irrevocable Trust 2004 (54.4%).

Administrative, underwriting and claims services are provided through a management agreement with its parent, Charter Management Company, for cost.

Officers

President: Linda J. Sallop
Vice President and Secretary: Mitchel I. Weisman
Treasurer: Joseph N. Russo

Directors

David A. Bakst
Julianne M. Bowler
William J. Kearney
Robert P. Medwid
John C. Riley
Linda J. Sallop
Mitchel I. Weisman

History

Atlantic Charter Insurance Company was incorporated under the laws of Massachusetts on November 19, 1990 and commenced business on January 1, 1991.

Initial capitalization included \$1.1 million of capital stock and \$4.4M of gross paid in and contributed surplus for a total capitalization of \$5.5 million. The company has 200,000 authorized shares; 55,000 outstanding.

Professional Service Providers

Investment Managers, Advisors, Brokers/Dealers:

- New England Asset Management (Unaffiliated Firm)
- Catherine McGaully, Portfolio Manager (Internal Employee)
- Linda Sallop, President (Internal Employee)

Principal Law Firm: Morrison Mahoney, LLP

Visit [Best's Insurance Professional Resources](#) to search for additional Attorneys, Adjusters, and Expert Service Providers with experience serving the insurance industry.

State Rate Filings

Director of State Rate Filings: Joseph Russo | Treasurer

Summary of Approved Filings

The table below shows the number of approved filings in the last five years. For more information, please refer to [Best's State Rate Filings - 011318 - Atlantic Charter Insurance Company](#)

Major Line

	2023	2022	2021	2020	2019
Workers Compensation	2	2	1	1	1
Total	2	2	1	1	1

Source: Best's State Rate Filings

Financial Statements

Financial Statements reflected were compiled from the most recent company-filed statement available in BestLink - Best's Statement File – P/C, US.

Currency: US Dollars

	9-Months		Year End - December 31			
	2023		2022		2021	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	39,059	23.6	21,712	14.7	19,463	11.9
Bonds	66,143	40.0	74,270	50.4	85,091	52.0
Preferred and Common Stock	44,518	26.9	38,731	26.3	48,066	29.3
Other Invested Assets	750	0.5	634	0.4	635	0.4
Total Cash and Invested Assets	150,470	90.9	135,347	91.9	153,254	93.6
Premium Balances	14,162	8.6	9,939	6.7	8,847	5.4
Other Assets	816	0.5	1,988	1.4	1,683	1.0
Total Assets	165,447	100.0	147,274	100.0	163,784	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	38,344	23.2	26,390	17.9	32,949	20.1
Net IBNR Loss Reserves*	23,405	14.1	24,575	16.7	25,540	15.6
Net LAE Reserves	...	...	13,183	9.0	14,610	8.9
Total Net Loss and LAE Reserves	61,749	37.3	64,148	43.6	73,099	44.6
Net Unearned Premiums	23,872	14.4	16,753	11.4	16,537	10.1
Other Liabilities	2,952	1.8	3,316	2.3	5,186	3.2
Total Liabilities	88,574	53.5	84,216	57.2	94,821	57.9
Capital Stock	1,100	0.7	1,100	0.7	1,100	0.7
Paid-In and Contributed Surplus	4,400	2.7	4,400	3.0	4,400	2.7
Unassigned Surplus	71,374	43.1	57,558	39.1	63,463	38.7
Total Policyholders' Surplus	76,874	46.5	63,058	42.8	68,963	42.1
Total Liabilities and Surplus	165,447	100.0	147,274	100.0	163,784	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

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.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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