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AM Best Downgrades Credit Ratings of Loudoun Mutual Insurance Company

OLDWICK, N.J., January 14, 2021—AM Best has downgraded the Financial Strength Rating to A- (Excellent) from A (Excellent) and the Long-Term Issuer Credit Rating to "a-" from "a" of Loudoun Mutual Insurance Company (Loudoun) (Waterford, VA). The outlook of these Credit Ratings (ratings) has been revised to stable from negative.

The ratings reflect Loudoun's balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

The rating downgrades reflect deterioration in underwriting results that has resulted in operating performance that no longer supports the strong assessment. Loudoun's underwriting performance has been impacted unfavorably in recent years by significant and frequent weather events, increased building costs and severe fire losses. Underwriting results have been further pressured by the company's elevated expense ratio relative to its composite, driven by higher commissions and system conversion costs. While several initiatives have been implemented to improve performance including targeted rate increases, weather loss mitigation strategies and increased use of inspections and advanced analytics, volatility in underwriting results remains elevated.

Loudoun's balance sheet strength reflects the strongest level of risk-adjusted capitalization, as measured

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by Best's Capital Adequacy Ratio (BCAR), and a high quality investment portfolio with solid liquidity, partially offset by elevated common stock leverage and volatility in loss reserve development. The limited business profile assessment reflects Loudoun's property-based risk exposure and geographic concentration in Virginia, which exposes the company to weather-related events. AM Best views the company's ERM practices as appropriate for its risk profile. The ERM program includes a long established risk awareness culture that is built on strong corporate governance, which is actively supported by the board and senior management.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.

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