

Closer Look **Salute to Near National Carriers**

Taking Care of Business

Leading Near National P/C Carriers Revealed

By Joseph L. Petrelli

The original criteria and objective definition for the Near National Property/Casualty Carriers was established in the Feb. 12, 2007, issue of *Insurance Journal*. The Demotech Company Classification System categorizes insurers into one of 11 categories based on an analysis of data reported by the companies to the National Association of Insurance Commissioners.

The 11 categories that comprise the system are Nationals, Near Nationals, Super Regionals, Regionals, State Specialists, Coverage Specialists, Strategic Subsidiaries, Risk Retention Groups, Surplus Lines Carriers, Reinsurers and companies with less than \$1 million in direct written premium.

A company can be assigned to only one category in the Demotech Company Classification System. Therefore, a company not designated as a Near National is assigned to another classification, perhaps National, Super Regional or Regional.

To qualify as a Near National, a carrier must pass the following criteria:

- Write more than \$1 million of direct written premium in each of at least 35 states at Dec. 31, 2008.
- Policyholders' surplus of at least \$100 million at Dec. 31, 2008.
- \$100 million or more of direct premium at Dec. 31, 2008.
- \$50 million or more of net premium at Dec. 31, 2008.
- No line of business greater or equal to 90 percent of direct premium volume at Dec. 31, 2008.

- No state greater or equal to 90 percent of direct premium volume at Dec. 31, 2008.
- May not be a surplus lines carrier, risk retention group, reinsurer or classified as a National.

To develop the list of Near Nationals, Demotech reviewed 2,736 individual property/casualty insurance companies. Only 67 insurers met the criteria to be designated as Near Nationals. The 2009 list of Near Nationals is in the chart on page 2.

While investigating the companies classified as Near Nationals for 2009, Demotech noted several interesting observations. Of the 67 individual carriers that are Near Nationals, 61 are stock companies. All but two of the Near Nationals are members of a group. Thirty-nine of the 67 Near Nationals were also on the 2007 and 2008 lists of Near Nationals.

By count, the 67 Near Nationals comprised slightly more than 2 percent of the 2,736 carriers that were reviewed; however, they wrote slightly more than 9 percent of the 2008 direct premium reported by the property/casualty insurance industry. More impressively, the Near Nationals represented nearly 13 percent of the P/C industry's reported surplus at year-end 2008. Clearly, this level of presence demonstrates the importance of the Near Nationals. They are critical to the smooth functioning of the P/C insurance markets. The Near Nationals facilitate commerce and trade, and are an important component of the total P/C industry.

Specifically, 12 percent of the premium written by Near Nationals is workers' compensation insurance, permitting employers



to provide protection for workers. Another 27 percent of their premium is commercial multi-peril and general liability insurance, permitting businesses to protect their assets and their consumers. Near Nationals also write homeowner's insurance, personal and commercial auto, and trucking insurance to protect our homes. These lines represented 41 percent of their premium volume.

On the business side, they write much of the surety coverage and bonds necessary to initiate construction projects. Other lines of insurance round out the remaining dollar volume.

In summary, the only thing small about the Near Nationals is their count. The 67 carriers comprising the Near National Company Classification for 2009 are critically important to the P/C insurance industry. The coverages that these 67 carriers write permit consumers and businesses to transfer risk to this remarkably stable group of carriers and thereby facilitate the placement of insurance products necessary to support growth of the U.S. economy. ■

Petrelli is the president and founder of Demotech Inc., a Columbus, Ohio-based financial analysis and actuarial services company. Demotech provides services to regional insurance companies, title underwriters and specialty insurance markets. Financial Stability Ratings[®] of A or better are accepted by the secondary mortgage marketplace, virtually all mortgage lenders, an increasing number of umbrella insurance markets and some writers of insurance agents' errors and omissions insurance. Web site: www.demotech.com.

2009 Near National P/C Insurers

Company Name	2009 Demotech Company Classification	2008 Demotech Company Classification	2007 Demotech Company Classification
Affiliated FM Insurance Co.	Near National	Near National	Near National
AIG Casualty Co.	Near National	Near National	Super Regional
American Alternative Insurance Corp.	Near National	Strategic Subsidiary	Strategic Subsidiary
American Automobile Insurance Co.	Near National	Near National	Super Regional
American Economy Insurance Co.	Near National	Near National	Near National
American Modern Home Insurance Co.	Near National	Near National	Near National
American National Property & Casualty Co.	Near National	Near National	Near National
American States Insurance Co.	Near National	Near National	Near National
Amex Assurance Co.	Near National	Near National	Near National
Amica Mutual Insurance Co.	Near National	Near National	National
Argonaut Insurance Co.	Near National	Near National	Super Regional
Axis Insurance Co.	Near National	Strategic Subsidiary	Strategic Subsidiary
Balboa Insurance Co.	Near National	National	Near National
BCS Insurance Co.	Near National	Near National	Near National
Carolina Casualty Insurance Co.	Near National	Near National	Near National
Caterpillar Insurance Co.	Near National	Regional	Regional
Charter Oak Fire Insurance Co.	Near National	Near National	Near National
Cincinnati Insurance Co.	Near National	Near National	Near National
Electric Insurance Co.	Near National	Near National	Near National
Employers Insurance of Wausau	Near National	Near National	National
Employers Mutual Casualty Co.	Near National	Near National	Near National
Everest National Insurance Co.	Near National	Super Regional	Super Regional
Farmers Insurance Exchange	Near National	Near National	Near National
General Insurance Co. of America	Near National	Near National	Near National
Great Northern Insurance Co.	Near National	Near National	Near National
Great West Casualty Co.	Near National	Near National	Near National
Greenwich Insurance Co.	Near National	Near National	Near National
Hanover Insurance Co.	Near National	Near National	Super Regional
Hartford Accident & Indemnity Co.	Near National	Near National	Near National
Hartford Insurance Co. of the Midwest	Near National	Near National	Near National
Horace Mann Insurance Co.	Near National	Near National	Near National
IDS Property Casualty Insurance Co.	Near National	Near National	Strategic Subsidiary
Indemnity Insurance Co. of North America	Near National	Near National	Strategic Subsidiary
Lancer Insurance Co.	Near National	Near National	Regional
Metropolitan Property & Casualty Insurance Co.	Near National	Near National	Near National
National Indemnity Co.	Near National	Near National	Near National
National Interstate Insurance Co.	Near National	Near National	Near National
National Liability & Fire Insurance Co.	Near National	Super Regional	Super Regional
National Surety Corp.	Near National	Near National	Near National
Navigators Insurance Co.	Near National	Super Regional	Super Regional
Northland Insurance Co.	Near National	Near National	Near National
Ohio Casualty Insurance Co.	Near National	Near National	Near National
OneBeacon America Insurance Co.	Near National	Super Regional	Super Regional
Pacific Indemnity Co.	Near National	Near National	Near National
Peerless Indemnity Insurance Co.	Near National	Strategic Subsidiary	Strategic Subsidiary
Praetorian Insurance Co.	Near National	National	Near National
Progressive Casualty Insurance Co.	Near National	Near National	National
Property & Casualty Insurance Co. of Hartford	Near National	Strategic Subsidiary	Strategic Subsidiary
QBE Insurance Corp.	Near National	Near National	Near National
RLI Insurance Co.	Near National	Near National	Near National
RSUI Indemnity Co.	Near National	Near National	Near National
Sentry Insurance a Mutual Co.	Near National	Near National	Near National
Sentry Select Insurance Co.	Near National	Near National	Near National
Star Insurance Co.	Near National	Near National	Super Regional
State National Insurance Co. Inc.	Near National	Near National	Regional
Stonington Insurance Co.	Near National	Near National	Regional
Tokio Marine & Nichido Fire Insurance Co.	Near National	Near National	Near National
Travelers Casualty Insurance Co. of America	Near National	Super Regional	Coverage Specialist
Travelers Casualty & Surety Co.	Near National	Near National	Super Regional
Travelers Indemnity Co. of America	Near National	Near National	Near National
Travelers Indemnity Co. of CT	Near National	Near National	Near National
Truck Insurance Exchange	Near National	Super Regional	Super Regional
Twin City Fire Insurance Co.	Near National	Near National	Near National
USAA General Indemnity Co.	Near National	Near National	Near National
Westchester Fire Insurance Co.	Near National	Near National	Near National
XL Insurance America Inc.	Near National	Near National	Near National
XL Specialty Insurance Co.	Near National	Strategic Subsidiary	Strategic Subsidiary

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