

Near National P/C Insurers

Near National P/C Carriers Identified for 2013

By Barry J. Koestler II

The original criteria and objective definition for the Near Nationals 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 our classification system are National, Near National, Super Regional, Regional, State Specialist, Coverage Specialist, Strategic Subsidiary, Risk Retention Group, Surplus Lines Carrier, Reinsurer and companies with less than \$1 million in direct premium written.

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, Regional, or State Specialist.

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

- More than \$1 million of direct premium written in each of at least 35 states at Dec. 31, 2012.
- Policyholders' surplus of at least \$100

million at Dec. 31, 2012.

- \$100 million or more of direct premium at Dec. 31, 2012.
- \$50 million or more of net premium at Dec. 31, 2012.
- No line of business greater or equal to 90 percent of direct premium volume at Dec. 31, 2012.
- No state greater or equal to 90 percent of direct premium volume at Dec. 31, 2012.
- May not be a surplus lines carrier, risk retention group or reinsurer.
- Does not qualify as a National (more than \$1 million of direct premium written in each of at least 45 states, \$250 million or more of surplus, net premium written and direct premium written).

To develop our list of Near Nationals, Demotech reviewed 2,716 individual property/casualty insurance companies and assigned them to a category in the Demotech Company Classification System. Only 53 insurers met the criteria to be designated a Near National.

During our investigation of the companies classified as Near Nationals for 2013, we noted several interesting observations. Of the 53 individual carriers classified as Near Nationals for 2013, 40 were also identified as Near Nationals for 2012 and 2011, and 20 have been Near Nationals since the introduction

of our classification system in 2007. The vast majority, 45 of the 53 companies, are stock companies. All but two of the Near Nationals are members of a property/casualty insurance group, with seven from Travelers Group and six from Liberty Mutual Group. No other group has more than three Near Nationals for 2013.

By count, the 53 Near Nationals comprised 2 percent of the 2,716 carriers that we reviewed; however, they wrote more than 7 percent of the 2012 direct premium reported by the P/C insurance industry. The Near Nationals also represented more than 5 percent of the P/C industry's reported policyholders' surplus at year-end 2012.

Clearly, this level of financial presence demonstrates the importance of the Near Nationals. They are critical to the smooth functioning of the P/C insurance market. The Near Nationals facilitate commerce and trade, and are an important component of the total P/C industry.

In reviewing the 2012 direct premium written by the Near Nationals, there were only eight states in which all 53 Near Nationals wrote at least \$1 million: Arizona, Georgia, Illinois, Minnesota, Missouri, Oklahoma, Pennsylvania and Virginia. The 2012 direct premium written was distributed relatively evenly between auto, commercial multi-peril/other liability, homeowners/property and workers' compensation. See the "Near National Line of Business" chart for distribution detail.

Near Nationals may be small in number; however, the 53 carriers comprising the Near Nationals for 2013 are substantial insurers, critically important to the P/C insurance industry, as demonstrated by their significant market share and impressive balance sheets. The coverages that they write permit consumers and businesses to transfer

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Near National Line of Business DPW Distribution

Line of Business	Near National 12/31/2012 Direct Premiums Written (000s omitted)	Percentage of Near National Total Direct Premium Written
Auto	8,985,252	24.7%
Commercial Multi-Peril/Other Liability	8,898,124	24.5%
Homeowners/Property	7,633,037	21.0%
Workers' Compensation	7,464,479	20.5%
All Other Lines	3,385,473	9.3%
TOTAL	36,366,365	100%

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risk and thereby facilitate the placement of insurance products necessary to support the United States economy with this

remarkably stable group of carriers capable of honoring meritorious claims. ■

Koestler II is the chief ratings officer of Demotech Inc., a financial analysis firm specializing in evaluating the finan-

cial stability of regional and specialty insurers. Demotech, Insurance Journal's official research partner, reviews and evaluates insurers based on their area of focus and execution of their business model rather than solely on financial size. Website: www.demotech.com.

2013 Near National P/C Insurers

Company Name	2013 Demotech Company Classification	2012 Demotech Company Classification	2011 Demotech Company Classification	2010 Demotech Company Classification	2009 Demotech Company Classification
American Family Home Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
American National Property and Casualty Co.	Near National	Near National	Near National	Near National	Near National
American States Insurance Co.	Near National	Near National	Near National	Near National	Near National
AMEX Assurance Co.	Near National	Near National	Near National	Near National	Near National
Amica Mutual Insurance Co.	Near National	Near National	Near National	Near National	Near National
Argonaut Insurance Co.	Near National	Near National	Near National	Near National	Near National
AXIS Insurance Co.	Near National	Near National	Near National	Near National	Near National
BCS Insurance Co.	Near National	Near National	Near National	Near National	Near National
Charter Oak Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
Chartis Property Casualty Co.	Near National	Near National	Near National	Super Regional	Near National
Darwin National Assurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Electric Insurance Co.	Near National	Near National	Near National	Near National	Near National
Employers Insurance Co. of Wausau	Near National	Near National	Near National	National	Near National
Employers Mutual Casualty Co.	Near National	Near National	Near National	Near National	Near National
Everest National Insurance Co.	Near National	Near National	Near National	Near National	Near National
Federated Mutual Insurance Co.	Near National	Near National	Near National	Near National	National
Great West Casualty Co.	Near National	Near National	Near National	Near National	Near National
Greenwich Insurance Co.	Near National	Near National	Near National	Near National	Near National
GuideOne Mutual Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
Hartford Accident and Indemnity Co.	Near National	Near National	Near National	Near National	Near National
IDS Property Casualty Insurance Co.	Near National	Near National	Near National	Near National	Near National
Liberty Insurance Corp.	Near National	Near National	National	National	National
LM Insurance Corp.	Near National	Near National	Super Regional	Strategic Subsidiary	Strategic Subsidiary
National Interstate Insurance Co.	Near National	Near National	Near National	Near National	Near National
Navigators Insurance Co.	Near National	Near National	Near National	Near National	Near National
Northland Insurance Co.	Near National	Near National	Near National	Near National	Near National
Occidental Fire and Casualty Co. of N.C.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Ohio Casualty Insurance Co.	Near National	Near National	Near National	Near National	Near National
Pacific Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Peerless Indemnity Insurance Co.	Near National	Near National	Near National	Near National	Near National
Pennsylvania Lumbermens Mutual Ins. Co.	Near National	Super Regional	Super Regional	Super Regional	Regional
Pennsylvania Manufacturers' Assoc. Ins. Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Praetorian Insurance Co.	Near National	Near National	Near National	Near National	Near National
Safety National Casualty Corp.	Near National	Near National	Near National	Coverage Specialist	Coverage Specialist
Sentry Insurance a Mutual Co.	Near National	Near National	Near National	Near National	Near National
Sentry Select Insurance Co.	Near National	Near National	Near National	Near National	Near National
Sompo Japan Insurance Co. of America	Near National	Super Regional	Super Regional	Super Regional	Super Regional
SPARTA Insurance Co.	Near National	Near National	Super Regional	Super Regional	Regional
St. Paul Mercury Insurance Co.	Near National	Near National	Near National	Regional	Regional
Stonebridge Casualty Insurance Co.	Near National	Regional	Super Regional	Super Regional	Super Regional
Teachers Insurance Co.	Near National	Near National	Near National	Near National	Regional
Tokio Marine & Nichido Fire Ins. Co. (U.S.)	Near National	Near National	Near National	Near National	Near National
Travelers Casualty and Surety Co.	Near National	Near National	Near National	Near National	Near National
Travelers Home and Marine Insurance Co.	Near National	Near National	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary
Travelers Indemnity Co. of America	Near National	Near National	Near National	Near National	Near National
Travelers Property Casualty Co. of America	Near National	Near National	Near National	Strategic Subsidiary	Strategic Subsidiary
Truck Insurance Exchange	Near National	Near National	Near National	Near National	Near National
Twin City Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
U.S. Specialty Insurance Co.	Near National	National	National	National	National
United States Liability Insurance Co.	Near National	Coverage Specialist	Coverage Specialist	Coverage Specialist	Coverage Specialist
Wesco Insurance Co.	Near National	Regional	Regional	Regional	Regional
XL Insurance America Inc.	Near National	Near National	Near National	Near National	Near National
XL Specialty Insurance Co.	Near National	Near National	Near National	Near National	Near National

Data Source: The National Association of Insurance Commissioners, Kansas City, Missouri, by permission. Information derived from an SNL product. The NAIC and SNL do not endorse any analysis or conclusion based upon the use of its data.