

Near National P/C Insurers

Near National P/C Carriers Identified for 2014

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,



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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 evaluated as of Dec. 31, 2013:

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

- \$100 million or more of direct premium.
- \$50 million or more of net premium.
- No line of business greater or equal to 90 percent of direct premium volume.
- No state greater or equal to 90 percent of direct premium volume.
- 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 2,676 individual property/casualty insurance companies and assigned them to a category in the Demotech Company Classification System. Only 51 insurers met the criteria to be designated a Near National.

During our investigation of the companies classified as Near Nationals for 2014, we noted several interesting observations.

Of the 51 individual carriers classified as Near Nationals for 2014, 30 were also identified as Near Nationals for 2013 and 2012, and 14 have been Near Nationals since the introduction of our classification system in 2007.

The majority, 44 of the 51 companies, are stock companies.

All but one of the Near Nationals are members of a property/casualty insurance group, with six from Travelers Group and three from XL America Group. No other

group has more than two Near Nationals for 2014.

By count, the 51 Near Nationals comprised 2 percent of the 2,676 carriers that we reviewed; however, they wrote approximately 7 percent of the 2013 direct premium reported by the P/C insurance industry. The Near Nationals also represented more than 4.5 percent of the P/C industry's reported policyholders' surplus at year-end 2013. 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 2013 direct premium written by the Near Nationals, there were only eight states in which all 51 Near Nationals wrote at least \$1 million: Arizona, Georgia, Illinois, Indiana, Minnesota, Missouri, Pennsylvania and Virginia.

The 2013 direct premium written was distributed relatively evenly between auto, commercial multi-peril/other liability, homeowners/property and workers' compensation. (See the corresponding chart below for line of business distribution detail.)

Near Nationals may be small in number; however, the 51 carriers comprising the Near Nationals for 2014 are substantial insurers, critically important to the P/C insurance industry, as demonstrated by

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Near National Line of Business Distribution

Line of Business	Near National 2013 Direct Premium Written (000s omitted)	Percentage of Near National Total Direct Premium Written
Auto	8,798,825	23.6%
Commercial Multi-Peril/Other Liability	8,557,152	23.0%
Homeowners/Property	7,577,593	20.3%
Workers Compensation	7,984,898	21.4%
All Other Lines	4,329,553	11.6%
TOTAL	37,248,023	100.0%

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their significant market share and impressive balance sheets. The coverages that they write permit consumers and businesses to transfer risk and thereby facilitate the placement of insurance products necessary to support the American economy with this

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

Koestler II is the chief ratings officer of Demotech Inc., Insurance Journal's official research partner. Demotech is a financial analysis firm specializing in evaluating the financial stability of regional and

specialty insurers. Demotech's philosophy is to review and evaluate insurers based on their area of focus and execution of their business model rather than solely on financial size. This philosophy was the catalyst for the Demotech Company Classification System, developed and published in Insurance Journal. Website: www.demotech.com.

2014 Near National P/C Insurers

Company Name	2014 Demotech Company Classification	2013 Demotech Company Classification	2012 Demotech Company Classification	2011 Demotech Company Classification	2010 Demotech Company Classification
Affiliated FM Insurance Co.	Near National	National	National	Near National	Near National
AIG Property Casualty Co.	Near National	Near National	Near National	Near National	Super Regional
American National Property and Casualty 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
BCS Insurance Co.	Near National	Near National	Near National	Near National	Near National
Berkshire Hathaway Homestate Insurance Co.	Near National	Super Regional	Strategic Subsidiary	Strategic Subsidiary	Super Regional
Brotherhood Mutual Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Charter Oak Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
Darwin National Assurance Co.	Near National	Near National	Super Regional	Super Regional	Super Regional
Employers Insurance Co. of Wausau	Near National	Near National	Near National	Near National	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	Near National
Federated Service Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
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	Near National	Super Regional
Horace Mann Insurance Co.	Near National	Super Regional	Super Regional	Near National	Super Regional
Hudson Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
IDS Property Casualty Insurance Co.	Near National	Near National	Near National	Near National	Near National
Indemnity Insurance Co. of North America	Near National	Strategic Subsidiary	Regional	Near National	Near National
National Interstate Insurance Co.	Near National	Near National	Near National	Near National	Near National
New York Marine and General Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Northland Insurance Co.	Near National	Near National	Near National	Near National	Near National
Occidental Fire and Casualty Co. of North Carolina	Near National	Near National	Super Regional	Super Regional	Super Regional
Pacific Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Pennsylvania Manufacturers' Association Insurance Co.	Near National	Near National	Super Regional	Super Regional	Super Regional
Praetorian Insurance Co.	Near National	Near National	Near National	Near National	Near National
Protective Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
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	Near National	Super Regional	Super Regional	Super Regional
SPARTA Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
Star Insurance Co.	Near National	National	Near National	Near National	Near National
Stonebridge Casualty Insurance Co.	Near National	Near National	Regional	Super Regional	Super Regional
Teachers Insurance Co.	Near National	Near National	Near National	Near National	Near National
Technology Insurance Co., Inc.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Tokio Marine America Insurance Co.	Near National	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary
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	Near National	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	Near National	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	Near National	National	National	National
United States Liability Insurance Co.	Near National	Near National	Coverage Specialist	Coverage Specialist	Coverage Specialist
Wesco Insurance Co.	Near National	Near National	Regional	Regional	Regional
Westchester Fire Insurance Co.	Near National	National	National	Strategic Subsidiary	Strategic Subsidiary
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, Mo., 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.