

Near National P/C Insurers

Demotech Inc. Identifies 2011 Near National Property/Casualty Insurers

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The original criteria and objective definition for Near National insurance 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 (NAIC).

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, Regional, or State Specialist.

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, 2010;
- Policyholders' surplus of at least \$100 million at Dec. 31, 2010;
- \$100 million or more of direct premium at Dec. 31, 2010;
- \$50 million or more of net premium at Dec. 31, 2010;
- No line of business greater or equal to 90 percent of direct premium volume at Dec. 31, 2010;
- No state greater or equal to 90 percent of direct premium volume at Dec. 31, 2010; and
- May not be a surplus lines carrier,

risk retention group, reinsurer or classified as a National.

To develop this year's list of Near Nationals, Demotech reviewed 2,748 individual property/casualty insurance companies. Only 62 insurers met the criteria to be designated as a Near National.

While investigating the companies classified as Near Nationals for 2011, Demotech noted several interesting observations. Of the 62 individual carriers that were Near Nationals, 54 were stock companies.

All but two of the Near Nationals were members of a P/C insurance group.

Forty-six of the 62 Near Nationals for 2011 were also identified as Near Nationals for 2010 and 2009.

By count, the 62 Near Nationals comprised slightly more than 2 percent of the 2,748 carriers that were reviewed; however, they wrote approximately 8.4 percent of the 2010 direct premium reported by the P/C insurance industry. Near Nationals also represented more than 7.3 percent of the P/C industry's reported policyholders' surplus at year-end 2010.

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

Specifically, more than 13.5 percent of the premium written by Near Nationals was workers' compensation insurance, permitting employers to provide protection for workers. More

than 31 percent of their premium was commercial multi-peril and general liability insurance, permitting businesses to protect their assets and their consumers. Near Nationals also write homeowners insurance, personal and commercial auto, and trucking insurance to protect homes and allow individuals to get to work or move goods and services from point to point. These lines represented over 35 percent of their premium volume. On the business side, Near Nationals write much of the surety coverage and bonds necessary

to initiate construction projects. Other lines of insurance round out the remaining dollar volume.

To summarize, the only thing small about Near Nationals is their

number. The 62 carriers comprising Near Nationals for 2011 are critically important to the P/C insurance industry, as demonstrated by their significant market share and impressive balance sheets. The coverages they 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 in the United States economy. ■

Petrelli is the president and founder, and Koestler II is the chief ratings officer of Demotech Inc., a Columbus, Ohio-based financial analysis and actuarial services company. Demotech, *Insurance Journal's* official research partner, 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.

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Company Name	2011 Demotech Company Classification	2010 Demotech Company Classification	2009 Demotech Company Classification	2008 Demotech Company Classification	2007 Demotech Company Classification
Affiliated FM Insurance Co.	Near National	Near National	Near National	Near National	Near National
American Automobile Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
American Economy Insurance Co.	Near National	Near National	Near National	Near National	Near National
American Family Home Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
American Insurance Co.	Near National	Near National	National	National	National
American National Property & Casualty Co.	Near National	Near National	Near National	Near National	Near National
American Reliable Insurance Co.	Near National	Near National	Regional	Near National	Regional
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	National
Argonaut Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Axis Insurance Co.	Near National	Near National	Near National	Strategic Subsidiary	Strategic Subsidiary
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	Super Regional	Near National	Near National	Super Regional
Cincinnati Insurance Co.	Near National	Near National	Near National	Near National	Near National
Electric Insurance Co.	Near National	Near National	Near National	Near National	Near National
Employers Insurance Co. of Wausau	Near National	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	Super Regional	Super Regional
Farmers Insurance Exchange	Near National	Near National	Near National	Near National	Near National
Federated Mutual Insurance Co.	Near National	Near National	National	National	National
Garrison Property & Casualty Insurance Co.	Near National	Near National	Regional	Regional	Strategic Subsidiary
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	Super Regional	Super Regional	Super Regional	Near National
Hanover Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Hartford Accident & Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Horace Mann Insurance Co.	Near National	Super Regional	Near National	Near National	Near National
IDS Property Casualty Insurance Co.	Near National	Near National	Near National	Near National	Strategic Subsidiary
Indemnity Insurance Co. of North America	Near National	Near National	Near National	Near National	Strategic Subsidiary
Markel Insurance Co.	Near National	Near National	Regional	Near National	Near National
National Interstate Insurance Co.	Near National	Near National	Near National	Near National	Near National
National Surety Corp.	Near National	Near National	Near National	Near National	Near National
Navigators Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
Northland Insurance Co.	Near National	Near National	Near National	Near National	Near National
Ohio Casualty Insurance Co.	Near National	Near National	Near National	Near National	Near National
OneBeacon America Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
Pacific Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Peerless Indemnity Insurance Co.	Near National	Near National	Near National	Strategic Subsidiary	Strategic Subsidiary
Praetorian Insurance Co.	Near National	Near National	Near National	National	Near National
RLI Insurance Co.	Near National	Near National	Near National	Near National	Near National
RSUI Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Safety National Casualty Corp.	Near National	Coverage Specialist	Coverage Specialist	Near National	Near National
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
St. Paul Mercury Insurance Co.	Near National	Regional	Regional	Strategic Subsidiary	Strategic Subsidiary
Star Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Starr Indemnity & Liability Co.	Near National	Super Regional	State Specialist	DPW<\$1MM	Strategic Subsidiary
State National Insurance Co. Inc.	Near National	Near National	Near National	Near National	Regional
Teachers Insurance Co.	Near National	Near National	Regional	Near National	Regional
Tokio Marine & Nichido Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
Travelers Casualty & Surety Co.	Near National	Near National	Near National	Near National	Super Regional
Travelers Casualty Insurance Co. of America	Near National	Near National	Near National	Super Regional	Coverage Specialist
Travelers Indemnity Co. of America	Near National	Near National	Near National	Near National	Near National
Travelers Property Casualty Co. of America	Near National	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary
Truck Insurance Exchange	Near National	Near National	Near National	Super Regional	Super Regional
Twin City Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
United States Fire Insurance Co.	Near National	Near National	National	National	National
Westchester Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
XL Insurance America Inc.	Near National	Near National	Near National	Near National	Near National
XL Specialty Insurance Co.	Near National	Near National	Near National	Strategic Subsidiary	Strategic Subsidiary

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