California Workers' Compensation Institute

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BULLETIN

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California workers' compensation total direct written premium (DWP) rose for the sixth consecutive year in 2015, climbing nearly 8 percent to more than $12.3 billion according to data compiled by the National Association of Insurance Commissioners released by the California Department of Insurance. The new market share data show total California DWP for 2015 was up $909 million from the 2014 level as both average premium rates and covered payroll increased as the state's economy continued its post-recession rebound. After sliding from a record $16.1 billion in 2004 to $6.9 billion in 2009 following the enactment of SB 899, total premium has now increased 78 percent over the last six years, with the 2015 total representing a 10-year high.

As premium volume grew last year, there were some shifts in the rankings of the largest workers' compensation insurer groups, as noted in the table below, which compares the 2014 and 2015 DWP for the 10 largest groups. State Compensation Insurance Fund remained the largest writer in the state, increasing its premium volume by $110 million (or 7.2 percent) to more than $1.6 billion, giving it 13.3 percent of the market in 2015 vs. 13.4 percent in 2014. Berkshire Hathaway held onto the number 2 spot by increasing its premium volume by 17.4 percent to bump its market share up to 10.8 percent, while AmTrust NGH (which acquired Springfield Insurance) and Travelers Group held onto the number 3 and 4 positions. American Assets Group added nearly $141 million in premium to garner 5.5 percent of the market and rise 3 spots into fifth position, just ahead of Hartford Fire & Casualty and Zurich. Chubb, which was acquired by ACE, climbed into the number 8 slot, with a 4.7 percent market share, while AIG, which was the only group in the top 10 to write less premium in 2015 than in 2014, fell from number 7 to number 9 on the list with 4.0 percent of the market, just ahead of Fairfax Financial, which rounded out the top 10 by increasing its premium volume 10.2 percent and increasing its market share to 3.8 percent.

2015 Top 10 Calif Workers' Comp Insurer Groups by Premium Volume	2014 Rank	2015 DWP $(000s)	2014-15 % Change	% Market Share	
				2014	2015
1. State Compensation Insurance Fund	1	$ 1,638,849	+ 7.2	13.4	13.3
2. Berkshire Hathaway Group	2	$ 1,333,631	+17.4	9.9	10.8
3. AmTrust NGH Group*	3	$ 845,706	+20.7	6.3	6.9
4. Travelers Group	4	$ 735,827	+ 3.8	6.2	6.0
5. American Assets Group	8	$ 674,775	+26.4	4.7	5.5
6. Hartford Fire & Casualty Group	5	$ 654,063	+ 5.1	5.4	5.3
7. Zurich Insurance Group	6	$ 636,289	+ 7.7	5.2	5.2
8. Chubb Insurance Group*	10	$ 580,369	+11.9	4.5	4.7
9. American International Group	7	$ 498,923	-12.6	5.0	4.0
10. Fairfax Financial Group	9	$ 468,878	+10.2	3.7	3.8
All Groups		$ 12,334,060	+8.0		

*AmTrust NGH acquired Springfield Insurance, but in 2014, DWP for each group was reported separately, while the combined DWP was reported in 2015. To calculate the change in DWP and market share for AmTrust NGH Group, the 2014 DWP for AmTrust and Springfield were combined and compared to the 2015 DWP reported for AmTrust NGH.

**Chubb has been acquired by ACE and the combined company now operates as the Chubb Insurance Group. In 2014, DWP for each group was reported separately, but in 2015 the combined premium was reported. To calculate the change in DWP and market share for the Chubb Group, the combined 2014 DWP for ACE and Chubb was compared to the 2015 DWP reported for the Chubb Group.

A total of 73 insurer groups, encompassing 224 individual companies, reported writing California workers' compensation business in 2015, though statewide DWP was still primarily concentrated among the 20 largest groups, each of which had at least a 1 percent market share last year, and which combined, accounted for nearly 87 percent of total DWP. In addition to the top 10 groups, which together represented just under two-thirds of statewide premium, the following 10 insurer groups also wrote at least 1 percent of total California workers' compensation premium in 2015.

Other Insurer Groups w/at least 1% of Calif WC 2015 DWP	2014 Rank	2015 DWP $(000s)	2014-15 % Change	% Market Share 2014	2015
11. Employers Holdings Group	10	$400,087	-3.5	3.6	3.2
12. Everest Reinsurance Holdings Group	11	$362,420	+9.3	2.9	2.9
13. American Financial Group	12	$329,636	+6.4	2.7	2.7
14. Old Republic Group	16	$273,135	+9.5	2.2	2.2
15. Farmers Insurance Group	15	$252,765	-0.8	2.2	2.0
16. Liberty Mutual	13	$236,084	-15.3	2.4	1.9
17. WR Berkley Corp Group	19	$231,044	+28.3	1.6	1.9
18. Delek Group	21	$219,683	+35.6	1.4	1.8
19. Meadowbrook Insurance Group	18	$181,832	-0.1	1.6	1.5
20. Arch Insurance Group	22	$161,137	+24.5	1.1	1.3

Among the 20 largest groups, 15 wrote more premium in 2015 than in 2014, and 8 of those reported double-digit percentage increases. Growth of covered payroll should provide a solid underpinning for total premium in 2016, though last week, citing improved medical loss experience under the SB 863 reforms and a competitive workers' compensation market in good financial health, California Insurance Commissioner Jones approved a reduction in the advisory pure premium rates on new and renewal policies effective July 1, 2016. While pure premium rates are only advisory and insurers are free to set their own rates, the rates approved by the commissioner average $2.30 per $100 of covered payroll, 10.4 percent below the industry average filed pure premium rate of $2.57 as of January 1, 2016, which could rein in the growth in aggregate DWP as companies jockey for position in the market in the months ahead.

The Department of Insurance has posted the latest 2015 market share reports for California workers' compensation online at http://www.insurance.ca.gov/01-consumers/120-company/04-mrktshare/ while the May 31 press release announcing the Commissioner's rate decision is posted at www.insurance.ca.gov/0400-news/0100-press-releases/2016/.

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