California Workers' Compensation Institute

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BULLETIN

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California workers' compensation insurers wrote $12.96 billion in direct written premium (DWP) last year – an increase of $628 million, or 5.1 percent from the prior year according to new data from the National Association of Insurance Commissioners (NAIC) released by the California Department of Insurance (CDI).

The increase noted in the CDI's 2016 California Property and Casualty Market Share Report means California's total DWP has now risen for seven consecutive years as the state's economy has continued its post-recession rebound. Employment and covered payroll fell sharply during the economic downturn that hit the state a decade ago, which helped spur the decline in DWP from a record $16.1 billion in 2004 to $6.9 billion in 2009 – a move that also coincided with the enactment of SB 899. But steady improvement in the job market since then has driven covered payroll back up, and the latest increase in DWP means total premium has now risen 88 percent since bottoming out, hitting a 10-year high in 2016.

While last year's 5.1 percent increase in aggregate premium was less than the 8.0 percent jump in 2015, there were some significant changes in premium volume among the largest workers' compensation writers that led to some shifts in the rankings of the 10 largest insurer groups. State Compensation Insurance Fund remained the largest insurer in the state, with $1.61 billion in DWP, though that was 1.6 percent less than in 2015, so its market share fell to 12.4 percent last year. Berkshire Hathaway retained the second spot by increasing its premium volume by $77 million, so its market share edged up to 10.9 percent, while AmTrust NGH Group solidified its hold on the number three spot by adding $276 million in DWP – the biggest increase in premium volume among all groups last year – bumping its market share up to 8.7 percent. American Asset Group ranked fourth after adding nearly $99 million in premium volume, increasing its market share to 6.0 percent, while Travelers Group dropped to the number 5 spot with a 5.5 percent market share after writing 3.9 percent less premium last year. Zurich Insurance Group added nearly $42 million in total DWP to retain 5.2 percent of the market, which moved it up a notch to the 6th position, just ahead of Hartford Fire & Casualty which increased its total premium by $16.5 million (2.5 percent), and also netted 5.2 percent of the market. Chubb Insurance Group held on to the number 8 spot by adding nearly $80 million to its premium total, bumping its market share up to 5.1 percent, followed by Fairfax Financial which moved up to the number nine spot and held on to its 3.8 percent market share after writing nearly $28 million more in premium in 2016. American International Group reduced its total DWP volume by about $63 million and its market share to 3.4 percent last year, but still remained among the top 10 insurer groups in the state.

2016 Top 10 Calif Workers' Comp Insurer Groups by Premium Volume	2015 Rank	2016 DWP $(000s)	2015-16 % Change	% Market Share	
				2015	2016
1. State Compensation Insurance Fund	1	$ 1,612,050	- 1.6	13.3	12.4
2. Berkshire Hathaway Group	2	$ 1,410,855	+5.8	10.8	10.9
3. AmTrust NGH Group	3	$ 1,122,275	+32.7	6.9	8.7
4. American Assets Group	5	$ 773,735	+14.7	5.5	6.0
5. Travelers Group	4	$ 707,255	- 3.9	6.0	5.5
6. Zurich Insurance Group	7	$ 677,856	+ 6.5	5.2	5.2
7. Hartford Fire & Casualty Group	6	$ 670,534	+ 2.5	5.3	5.2
8. Chubb Insurance Group	8	$ 660,349	+13.8	4.7	5.1
9. Fairfax Financial Group	10	$ 496,492	+ 5.9	3.8	3.8
10. American International Group	9	$ 435,845	-12.6	4.0	3.4
All Groups		$ 12,962,450	+5.1		

Although 72 insurer groups, encompassing 226 individual companies, reported California workers' compensation direct written premium in 2016, the majority of statewide DWP remained concentrated among the 20 largest groups, each of which had at least a 1 percent market share. Together, these 20 groups accounted for 86.9 percent of total DWP in 2016. In addition to the top 10 groups, which together represented 2/3 of statewide premium, the following 10 insurer groups also wrote at least 1 percent of statewide premium last year.

Other Insurer Groups w/at least 1% of Calif WC 2016 DWP	2016 Rank	2016 DWP $(000s)	2015-16 % Change	% Market Share 2015	2016
11. Employers Holdings Group	11	$393,292	-1.7	3.2	3.0
12. Everest Reinsurance Holdings Group	12	$343,634	-5.2	2.9	2.7
13. American Financial Group	13	$324,028	-1.7	2.7	2.5
14. WR Berkley Corp Group	17	$291,763	+26.3	1.9	2.3
15. Liberty Mutual	16	$282,371	+19.6	1.9	2.2
16. Old Republic Group	14	$273,308	+0.1	2.2	2.1
17. Farmers Insurance Group	15	$266,789	+5.5	2.0	2.1
18. Arch Insurance Group	20	$198,458	+23.2	1.3	1.5
19. Meadowbrook Insurance Group	19	$186,337	+2.5	1.5	1.4
20. Alleghany Group	22	$139,599	+35.6	0.8	1.1

Among the 20 largest groups, 14 wrote more premium in 2016 than in 2015, and 7 of those reported double-digit percentage increases.

The current employment outlook in California appears strong, so covered payroll is not expected to decline in 2017, though earlier this month the Workers' Compensation Insurance Rating Bureau proposed that the insurance commissioner adopt rate reductions that would lower the average pure premium rate to $2.02 for new and renewal policies effective July 1, 2017. That proposed rate is 16.5 percent lower than the corresponding industry average filed pure premium rate of $2.42 as of January 1, 2017 and 7.8 percent lower than the Insurance Commissioner's approved average January 1, 2017 advisory pure premium rate of $2.19. Even if covered payroll continues to increase, such a reduction could slow the growth in total DWP, although though those rates are only advisory and insurers are free to set their own rates.

The Department of Insurance has posted the 2016 market share reports for California workers' compensation online at http://www.insurance.ca.gov/01-consumers/120-company/04-mrktshare/.

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