California Workers' Compensation Institute

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BULLETIN

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California workers' compensation covered payroll rose last year, but the average premium rate charged to employers fell 10 percent, so total direct written premium (DWP) in the system declined by $192 million to $12.77 billion, 1.5 percent less than in 2016, according to the latest data from the National Association of Insurance Commissioners (NAIC) released by the California Department of Insurance (CDI).

The slight drop in total DWP noted in CDI's 2017 California Property and Casualty Market Share Report marks the first year-to-year reduction in aggregate premium since 2009. After bottoming out at that point, post-recession growth in the state's economy fueled big gains in employment and covered payroll, which in turn helped propel total DWP up from $6.9 billion in 2009 to a 10-year high of $12.96 billion in 2016. From 2015 to 2017, however, the average charged premium rate per $100 of covered payroll declined from $2.96 to $2.46 (-16.9 percent), so even with the strong economy, the trend for total DWP has been down, with further reductions likely as Insurance Commissioner Dave Jones just approved a 10.3 percent reduction in the advisory pure premium rates for new and renewal policies that take effect on or after July 1.

The updated rankings of insurer groups by premium volume show a few notable shifts among the largest workers' comp writers in California between 2016 and 2017. Berkshire Hathaway surpassed State Compensation Insurance Fund to become the largest workers' comp insurer in the state, writing $1.42 billion in DWP in 2017, which was up 1 percent from 2016, increasing its market share to 11.2 percent, while State Fund's DWP fell 15.6 percent, so its market share dropped to 10.7 percent. After registering the biggest increase in DWP among all carriers in 2016, AmTrust NGH Group reduced its premium volume by $221 million last year, but still remained the third largest insurer group with a 7.1 percent market share, while ICW Group/Assets Inc Group held onto the fourth spot after posting a 1.1 percent reduction in its DWP last year. Hartford Fire & Casualty moved up two notches to fifth place by adding $50 million in premium volume, increasing its market share to 5.6 percent, jumping ahead of Travelers Group, which moved to the number 6 spot with a 5.4 percent market share after writing 2.9 percent less premium last year, and Zurich Insurance Group, which wrote 3.4 percent less premium in 2017, nudging its market share down from 5.2 to 5.1 percent. Chubb Insurance Group saw a 3.8 percent drop in its premium volume, but held on to the number 8 spot with 5.0 percent of statewide DWP, followed by Fairfax Financial which reduced its premium volume 4.8 percent but retained the number 9 ranking with 3.7 percent of the market. Employers Holdings Group rounded out the top 10 list, moving up a spot after increasing its total premium by $26.7 million (6.8 percent), which bumped its market share up to 3.3 percent.

2017 Top 10 Calif Workers' Comp Insurer Groups by Premium Volume	2016 Rank	2017 DWP $(000s)	2016-17 % Change	% Market Share	
				2016	2017
1. Berkshire Hathaway Group	2	$ 1,424,739	+ 1.0	10.9	11.2
2. State Compensation Insurance Fund	1	$ 1,360,106	-15.6	12.4	10.7
3. AmTrust NGH Group	3	$ 901,125	-19.7	8.7	7.1
4. ICW Group/Assets Inc Group	4	$ 765,530	-1.1	6.0	6.0
5. Hartford Fire & Casualty Group	7	$ 720,647	+ 7.5	5.2	5.6
6. Travelers Group	5	$ 686,683	- 2.9	5.5	5.4
7. Zurich Insurance Group	6	$ 655,144	- 3.4	5.2	5.1
8. Chubb Insurance Group	8	$ 635,224	- 3.8	5.1	5.0
9. Fairfax Financial Group	9	$ 472,848	- 4.8	3.8	3.7
10. Employers Holdings Group	11	$ 419,987	+ 6.8	3.0	3.3
All Groups		$ 12,770,441	- 1.5		

A total of 71 insurer groups, encompassing 219 individual companies, reported California workers' compensation direct written premium in 2017, with 23 of those groups garnering at least a 1 percent market share. In addition to the top 10 groups, the following list shows the 13 other insurer groups that had at least a 1 percent market share last year.

Other Insurer Groups w/at least 1% of Calif WC 2017 DWP	2016 Rank	2017 DWP $(000s)	2016-17 % Change	% Market Share 2016	% Market Share 2017
11. American International Group	10	$353,166	-19.0	3.4	2.8
12. Everest Reinsurance Holdings Group	12	$352,166	+2.5	2.7	2.8
13. WR Berkley Corp Group	14	$342,897	+17.5	2.3	2.7
14. American Financial Group	13	$313,071	-3.4	2.5	2.5
15. Old Republic Group	16	$273,190	+0.2	2.1	2.1
16. Liberty Mutual Group	15	$270,934	-4.1	2.2	2.1
17. Farmers Insurance Group	17	$244,077	-8.5	2.1	1.9
18. Arch Insurance Group	18	$232,827	+17.3	1.5	1.8
19. Markel Corp Group	26	$179,396	+91.1	0.7	1.4
20. James River Group	34	$179,079	+280.1	0.4	1.4
21. AmeriTrust Group Inc. Group	19	$176,795	-5.1	1.4	1.4
22. BCBS of Michigan Group	21	$167,324	+37.6	0.9	1.3
23. Copperpoint Group	20	$164,617	+17.9	1.1	1.3

The market remained heavily concentrated among the large groups, with the top 10 groups alone accounting for 63.1 percent of statewide premium, and the 23 groups that had at least a 1 percent market share accounting for 86.9 percent of total DWP in 2017. Eleven of the 23 largest groups wrote more premium in 2017 than in 2016, and five of those showed double-digit percentage increases in their premium volume, with James River Group registering the biggest percentage gain, nearly tripling its premium volume, and gaining a full percentage point in its market share.

Whether the slight decline in total workers' compensation premium noted in 2017 marks the beginning of a new trend remains to be seen. While the recent approval of a 10.3 percent rate reduction signals a desire to keep premiums low, those rates are only advisory and insurers are free to set their own rates. At the same time, the impact of any rate reductions on total DWP may be offset to some extent by growth in covered payroll, which will be affected by several factors, including the strength of the California economy and the job market; increases in the minimum wage scheduled to take effect over the next five years; and the extent to which the recent Supreme Court decision in the Dynamex case which tightened the standards for classifying workers as independent contractors may bring new covered employees into the system.

The Department of Insurance has posted the California workers' compensation market share reports for 2017 and prior years on its website at http://www.insurance.ca.gov/01-consumers/120-company/04-mrktshare/.

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