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STUDENT OF THE INDUSTRY PARTING SHOT

Who Are the A++ Insurers Anyway?

By Paul Buse, President of Big I Advantage®

Recently I noted in conversation that several insurers being discussed in the same sentence are rated "A++" by A.M. Best Company and I said I was pretty certain that was less than 5% of all insurers. Specifically, that is, their financial strength rating is A++ as rated by A.M. Best. A.M. Best describes this rating on their website as "Assigned to insurance companies that have, in our opinion [that is, A.M. Best Company] a superior ability to meet their ongoing insurance obligations."

It turns out I was wrong. When I ran the report close to publication deadline for this Student of the Industry column, there were 137 insurance companies out of 3,826 so that is 3.6% of all insurance companies. That is, less than 5%. These insurers do represent, however, a much bigger portion of all Direct Written Premium (DPW) in 2016 at 28.3%. They are also much more concentrated in personal lines than the average in the industry and if you look at the insurer groups, that becomes clear as the names are all major players in personal lines.

2016-Line of Business-Direct Written Premium	Insurers Rated A++	All Insurers
DPW - Private Pass Auto Liab	30.3%	19.0%
DPW - Auto Physical Damage	21.3%	13.5%
DPW - Homeowners MultiPeril	15.9%	10.7%
DPW - Workers' Compensation	5.4%	7.5%
DPW - Com'l MultiPeril	5.5%	5.5%
Total Premium in Top Five LOBs	78.5%	56.2%

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Source: A.M. Best Company Bestlink Advantage 2.0. Results are inclusive of the companies that are members in the AMB Group Name with written premiums in 2016: Auto-Owners Insurance Group, Berkshire Hathaway Insurance Group, Chubb INA Group, Munich-American Holding Corp Companies, State Farm Group, Tokio Marine US PC Group, Travelers Group, and USAA Group.

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