

Movin' on Up

Some of the nation's largest homeowners insurers are gaining on or passing their competitors in market rank.

by Bonnie Brewer Cavanaugh

Despite an unprecedented windstorm season and insurers' attempts to scale back operations in storm-prone areas, the national homeowners insurance market saw increases in some individual market shares in 2005. And, some companies experienced big leaps in market rank based on direct premiums written, according to A.M. Best Co. data.

Several of the country's top homeowners insurers swapped market ranks, two newcomers entered the top 25 list and Allstate, the second-largest homeowners insurer, gained nearly a full percentage point of market share on leader State Farm. In addition, two of the top 15 players advanced one rank each, even though both had decreased percentage shares of the market, when compared with 2004 figures.

Allstate went from an 11.7% share of the market in 2004 to 12.5% in 2005, but the company insists it wasn't part of a nationwide plan. "A lot has changed in 2006," said Allstate spokesman Mike Trevino, who added the company's efforts in growing its homeowners market have been "quite the opposite."

"We have intentionally slowed down the growth of our homeowners line in coastal areas around the country and areas that are prone to major catastrophes," Trevino said. Allstate's homeowners business also has shown slight increases in the first and second quarters of 2006. "While we are certainly growing the homeowners line and trying to grow the homeowners line in parts of the country that are not susceptible to major catastrophes, the reality is some of the really popu-

lated areas and growth areas in big states in the country are prone to major catastrophes: New York, California, Florida and Texas. And we are being quite selective for our desires for new business in those states, particularly in coastal areas."

Allstate announced in January it would not take on new homeowners policies in eight coastal counties in New York, including those in New York City and Long Island, and Westchester County. "As a follow-up, we decided to not offer renewals to a percentage of homeowners in those same counties," Trevino said. "In the spring we announced an arrangement we had made with Royal Palm Insurance Co. in Florida to take on 120,000 of our homeowners policies."

Allstate also tightened underwriting guidelines in Texas, Mississippi and Louisiana, "whereby we'd be much more selective about new homeowners business in coastal counties of those states," Trevino said.

So how did Allstate improve its market share while scaling back? Market share can be a relative thing, Trevino cautioned. In Allstate's case, the rather large state of Florida saw some rate increases in 2005, and at the time the company had a "fairly sizable market share" in Florida, "so there might be a tiny bit of influence there."

Market share also can be deceiving in that it's based on premium revenue, not on units, Trevino added. "So a company could appear to be growing share when really all they're doing is raising rates.

You don't have to add on any new policies to the books to have it appear you're gaining share," he said.

Trevino attributed Allstate's market share increases in 2005 and in the first and second quarters of this year to growth in the number of policies in force: "Part of that is a function of the fact that it is not in all states where we are pulling back, only in some of the bigger states. The PIF of the Allstate brand saw 3.4% growth compared to 2004. That's a good growth number for the homeowners business."

As for Allstate's performance for the remainder of 2006, Trevino was cautious. As the company told its stockholders earlier this year, "It's possible that [the homeowners line] may be shrinking because of our intentional actions to slow down in catastrophe-prone areas."

"That's about as much direction as we gave for the year for the homeowners line," Trevino said. Allstate

Key Points

- Allstate, the second-largest homeowners insurer, picked up nearly a full percentage point in market share in 2005 while scaling back its homeowners business in high-risk states.
- The top 25 largest writers of homeowners business include two newcomers: California State Auto Group and Tower Hill Group.
- Two of the top 15 players—Auto-Owners Insurance Group and MetLife Auto & Home Group—advanced one rank each, even though both had decreased percentage shares of the market when compared with 2004 figures.

expected to report third-quarter results for 2006 on Oct. 18.

Meanwhile, State Farm Group easily retained its leading position with a 22.2% market share for 2005, which actually is a slight dip from 2004's market share of 22.37% and 2003's share of 22.38%.

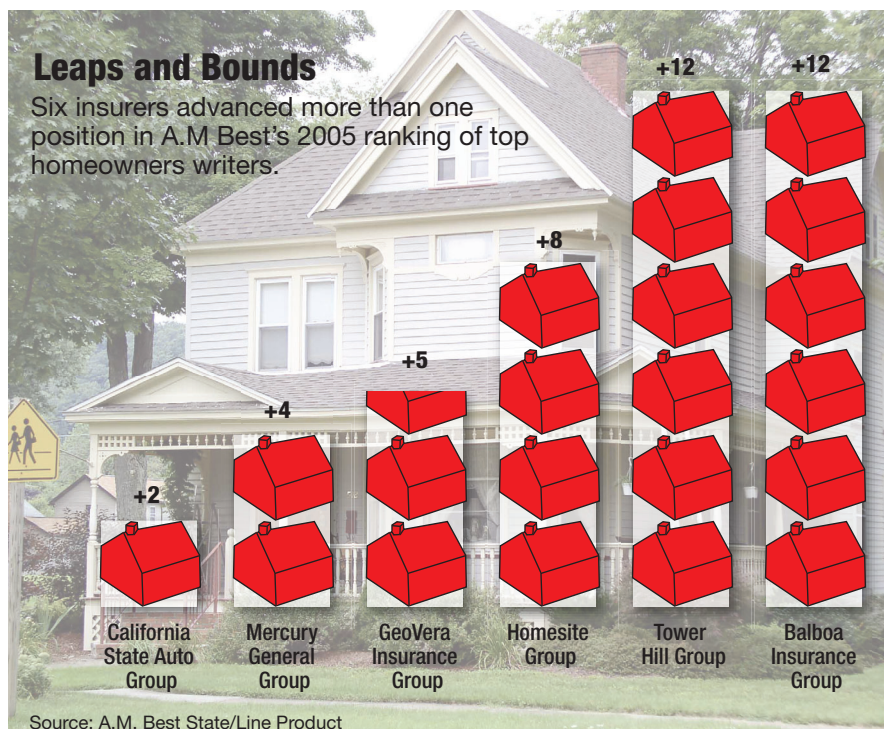
Movement in the Ranks

As for the top 15 homeowners insurers, Auto-Owners Insurance Group and MetLife Auto & Home Group each moved up a notch, as ranked by direct premiums written according to A.M. Best Co. state/line information, due to a two-spot drop by Safeco Insurance Cos., which fell from 11th-largest homeowners insurer to 13th largest. Safeco had a 1.49% market share in 2004 and a 1.37% market share in 2005.

Safeco did not comment on the slight dip, but deferred to the company's 2005 annual report, in which President and Chief Executive Officer Paula Rospud Reynolds noted the company's determination: "In back-to-back years of record industry catastrophes, Safeco turned in back-to-back record net income," Reynolds stated. "Clearly, the company is doing a lot of things right. In the face of increasing competition, we maintained our underwriting discipline and generated profits in every major line of business—auto, home, small commercial and surety. We did not, and will not, sacrifice profits for market share."

Furthermore in 2006, growth in the property and casualty sector has slowed, and Safeco continues to "closely manage" its exposure in areas prone to natural catastrophes, such as the Gulf Coast and the New Madrid and Pacific Coast earthquake zones. "While this has affected our policy-in-force numbers, we are grateful that our geographic diversification led to a positive result for the year," Reynolds added. Safeco's third-quarter figures were set to be released Oct. 31.

Auto-Owners Insurance Group, one of the largest property and casualty insurance companies in Michigan with some 4.1 million personal, commercial and life policies in force, saw a 1.49%



share of the homeowners market in 2004 and just a 1.48% share in 2005, yet still moved up from 12th place to 11th. The company was founded in 1916 and currently does business in 25 states. Its subsidiary companies include Auto-Owners Life Insurance Co., Home-Owners Insurance Co., Owners Insurance Co., Property-Owners Insurance Co. and Southern-Owners Insurance Co.

MetLife Auto and Home Group saw a market share decrease from 1.42% in 2004 to 1.41% in 2005, yet moved up from 13th place to 12th. The company has more than 875,000 group policies in force and more than 2,100 participants.

One carrier entered the top 20 for the first time. California State Auto Group, one of that state's top five carriers in market share for both private passenger auto and homeowners coverages, moved up two slots in 2005 to be the 20th-largest homeowners insurer nationwide. The company went from a 0.66% market share in 2004 to a 0.72% market share in 2005.

The group's growth over the past five years is attributed to rate increases for its homeowners and private passenger auto lines of business; policy growth recently driven by expansion into new states; and the introduction

of new products, according to an A.M. Best company report. The group recorded 2005 direct written homeowners premiums of \$409,066,000 versus 2004 direct written homeowners premiums of \$352,183,000. California State Auto Group is affiliated with the California State Automobile Association, an arm of the American Automobile Association in Northern California, Nevada and Utah, plus the CSAA's two wholly-owned subsidiaries: Western United Insurance Co. and ACA Insurance Co. It also is a member of the California Earthquake Authority.

Giant Leaps

The top 25 list for 2005 includes newcomer Tower Hill Insurance Group Inc., which moved from the 36th position to 25th, with a 0.5% market share in 2005 versus a 0.34% share in 2004. (It had a 0.23% market share in 2003.) The group recorded direct written premiums in its 2005 homeowners line of \$285,914,000. The Gainesville, Fla.-based group is among the top five writers of homeowners multiperil in Florida, with a 5.8% market share in that state.

Don Matz, president of Tower Hill Insurance Group, attributed the company's growth in 2005 to its acquisition of Omega Insurance Co. in May of that

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year. "We've been the MGA for Omega since 1987 and we finally made it official," Matz said. "That was the impetus for growth, on top of normal growth in our companies."

"Most of the organic growth has been new policy growth [in 2005]," Matz added. The group's companies include Tower Hill Holdings, Tower Hill Prime Insurance Co., Tower Hill Select Insurance Co., Omega Insurance Co., Tomoka Re Holdings Inc., and Tower Hill Preferred Insurance Co.

But the group's growth for 2006 thus far has been due to "exponential growth of premium increases here in Florida," Matz added. At the end of June, the company had direct premiums written of \$205,139,000 versus direct premiums written of \$168,546,000 for the same period in 2005, according to an A.M. Best company report.

Unitrin Inc. easily maintained its position as the 24th-largest writer of homeowners insurance in the country in 2005, with a 0.52% market share, the same as in 2004—but a jump from its 0.33% market share in 2003. The company attributed that growth to its acquisition of the personal lines book of business from Kemper Insurance/Lumbermans in 2002; the transaction was a renewal rights deal and as such, the premium was rewritten in the group's companies during the 2002-2004 time period, a company spokesman said.

Unitrin's Property and Casualty Insurance Group includes Unitrin Kemper Auto & Home, Unitrin Specialty, Unitrin Business Insurance and Unitrin Direct. The companies provide automobile, homeowners, commercial multiperil, fire, casualty, workers' compensation, and other types of property and casualty insurance to individuals and businesses. Unitrin Kemper Auto & Home provides personal automobile, homeowners, inland marine, boat owners, dwelling fire and personal umbrella insurance in 39 states, through more than 2,000 independent agents. Its premier product, Package Plus, is a combined automobile-and-homeowners insurance policy.

More Climbers

Irvine, Calif.-based Balboa Insurance Group Inc. took a significant jump in market share, from 0.25% in 2004, to a 0.39% share in 2005, propelling the group from its position as the 46th-largest homeowners insurer to the 34th-largest nationwide. Balboa Insurance Group is a subsidiary of mortgage banking specialist Countrywide Financial; the group provides life, liability and property insurance through its subsidiaries: Balboa Life & Casualty Insurers, Balboa Insurance, Balboa Life Insurance, Meritplan Insurance, Newport Insurance, and Balboa Lloyds. In July, Meritplan was approved for a 45.2% homeowners rate increase to resume writing business for its 550 or so customers in Louisiana.

Mercury General Group moved up four slots, from 40th to 36th. The group consists of nine companies led by Mercury Casualty Co. and Mercury Insurance Co.; American Mercury Insurance Group consists of three companies led by American Mercury Insurance Co. Founded in 1961, Mercury General's direct premiums written for homeowners insurance in 2005 were \$199,647,000. The group reported policies in force in the California homeowners market of 242,000 in 2005 versus 215,000 in 2004; and in its Florida homeowners market, PIF of 15,000 for 2005 versus 16,000 in 2004. The group expects to release third-quarter earnings Nov. 6.

Homesite Group moved up eight spaces, from 50th place to 42nd, with a 0.29% market share in 2005, up from 0.18% in 2004 (and 0.12% in 2003). Based in Boston, the group comprises nine property/casualty insurance companies writing homeowners, condominium and renters insurance policies in 45 states. The Homesite Group of Companies is controlled by Homesite Group Inc., a holding company owned by James M. Stone, the Plymouth Rock Company Inc. and other institutional and individual investors.

The company does much of its business in New Jersey, where 2005 direct premiums written totaled

\$29,578,000 and in Michigan, \$26,888,000. The rest of the company's business comes from California with 2005 direct premiums written of \$16,181,000; Pennsylvania, with \$10,739,000; Arizona, with \$6,759,000; and in the 40 remaining states and the District of Columbia, \$75,158,000, according to an A.M. Best company report. On March 31, Homesite Insurance announced it had launched a new product for renters insurance, Homesite Renters Express, in California, Colorado, Illinois, Missouri, New Jersey and Ohio. And in 2005, Homesite received a six-year, 70% tax credit (worth \$609,000) for its intent to open a call center in Akron, Ohio, that would create 200 jobs there.

GeoVera Insurance Group moved up five places, from 48th to 43rd. The Fairfield, Calif.-based group had a 0.29% share of the homeowners market in 2005, up from 0.24% in 2004, according to A.M. Best Co. report. The group concentrates its underwriting on providing catastrophe coverage in high-risk areas, primarily California, Florida and Texas. Its business mix is 60% non-admitted homeowners coverages and 40% residential earthquake coverages, with a more concentrated underwriting focus expected in the next few years in the non-admitted homeowners market.

The group is made up of three United States-based insurance companies: GeoVera Insurance Co. and Pacific Select Property Insurance Co., which sell only earthquake insurance; USF&G Specialty Insurance Co., which sells homeowners insurance; and a newly-formed, Bermuda-based reinsurance company, GeoVera Re Ltd. All are owned by a Bermuda-based holding company. The three U.S.-based companies, formerly CATRisk, were acquired in November 2005 from St. Paul Travelers Cos. by private equity investors Friedman Fleischer & Lowe LLC and Hellman & Friedman LLC. **BR**



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Movers & Shakers

The nationwide homeowners ranking has been shaken up by several insurers among its top 50.

**Allstate Corp.**

A.M. Best Company # 00008
(Allstate Insurance Group)

Distribution: Exclusive

agencies, independent financial professionals
Principal products: Allstate sells 13 major lines of insurance including auto, property, life and commercial. The company also offers retirement and investment products and banking services.

Headquarters: Northbrook, Ill.

Founded: 1931

Public or private: Public since 1993

Chairman and Chief Executive Officer:

Edward M. Liddy retires at year end. Thomas J. Wilson, president and chief operating officer, ascends to Liddy's posts at year end.

Employees: Nearly 70,000

2005 net income: \$1,625,609,000

**Tower Hill Insurance Group**

A.M. Best Company # 18636

Distribution: Independent agents

Principal products: Tower Hill

provides insurance products for Florida, including homeowners, mobile homeowners, dwelling fire, condominium, renters, automobile, umbrella and flood insurance coverage.

Headquarters: Gainesville, Fla.

Founded: 1972

Public or private: Private

Employees: More than 400

CEO and Treasurer: William J. Shively

2005 net income: -\$2,234,000

California State Auto Group

A.M. Best Company # 18460

Distribution: Captive and independent agents
Principal products: The group primarily writes private passenger automobile and homeowners coverages, as well as travel, membership and auto services.

Headquarters: San Francisco

Founded: 1907; the company has been writing homeowners insurance since 1974.

Public or private: Private

Employees: More than 6,000

CEO: James Pouliot

2005 net income: \$276,110,000

Auto-Owners Insurance**Auto-Owners Insurance Group**

A.M. Best Company # 04354

Distribution: Independent agents

Principal products: Life insurance,

homeowners, auto and commercial business

Headquarters: Lansing, Mich.

Founded: 1916; the company has been selling general casualty since 1940.

Public or private: Public

Employees: 3,270

CEO: R.L. Looyenga

2005 net income: \$610,795,000

GeoVera Insurance Group

A.M. Best Company # 25045



Distribution: Agents and brokers

Principal products: Homeowners and earthquake insurance

Headquarters: Fairfield, Calif.

Founded: 1993

Public or private: Private

Employees: 130 at headquarters

President and CEO: Kevin Nish

2005 net income: \$12,595,000

Mercury General Group

A.M. Best Company # 04524



Distribution: Independent agents and brokers

Principal products: Personal auto, homeowners, commercial

auto liability, auto warranty, commercial multiperil

Headquarters: Los Angeles

Founded: 1961

Public or private: Public

Employees: About 3,000

Founder, Chairman and CEO: George Joseph

2005 net income: \$253,810,000

UNITRIN

Unitrin Inc.

A.M. Best Company # 05948

Distribution: Independent agents

Principal products: Life/health insurance, property/casualty insurance and consumer finance businesses. The P/C group provides auto, homeowners, fire, commercial multiperil, workers' compensation.

Headquarters: Chicago

Founded: 1990

Public or private: Public

Employees: 8,200

President and CEO: Donald G. Southwell

2005 net income: \$107,105,000



Balboa Insurance Group Inc.

A.M. Best Company # 04062

Distribution: Nationwide sales force and the Internet.

Principal products: Lender-placed property and auto risks, homeowners, and other credit-related insurance products

Headquarters: Irvine, Calif.

Founded: 1999

Public or private: Private

Employees: 1,834

Senior Managing Director, President and

CEO: Robert V. James

2005 net income: \$6,637,000

Homesite Group

A.M. Best Company # 18488

Distribution: Call centers, licensed agents and producers and the Internet

Principal products: Homeowners and related insurance coverages

Headquarters: Boston

Founded: 1997

Public or private: Private

Employees: 41

President: Charles Kline

2005 net income: -\$10,959,000

**MetLife Auto and Home Group**

A.M. Best Company # 18552

Distribution:

Work-site program, independent agents, MetLife career agents and direct marketing

Principal products: Personal automobile, homeowners and related lines of insurance

Headquarters: Warwick, R.I.

Founded: 1863

Public or private: Public

Employees: More than 9,000

Chairman, President and CEO: C. Robert Henrikson

2005 net income: \$344,700,000

**Safeco Insurance Cos.**

A.M. Best Company # 00078

Distribution: Some

10,200 independent agents

Principal products:

Personal auto, homeowners, commercial multiperil, commercial-auto liability

Headquarters: Seattle

Founded: 1923

Public or private: Public

Employees: 9,181

Chairman and CEO: Paula Rosput Reynolds

2005 net income: \$779,847,000



Sources: A.M. Best company reports, company Web sites, Hoover's