

RESEARCH & ANALYSIS

Fastest-growing US insurers from 2019 face vastly different reality in 2020

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The onset of COVID-19 has significantly impacted the near-term growth prospects of a wide range of insurance companies and the industry as a whole, but fallout from the pandemic is not the lone source of headwinds for recently high-flying companies.

For the second consecutive time, one of the entities ranked by S&P Global Market Intelligence among the fastest-growing U.S. property and casualty or life and health insurers curtailed sales at the behest of regulators before the end of the calendar year in which it had recorded its outsized expansion.

Just months after American Transportation Group Insurance Risk Retention Group Inc. completed a year in which it grew direct and net premiums written by 307.1% and 276.8%, respectively, the company has been placed into administrative supervision and warned in a regulatory filing that substantial doubt exists about its ability to continue as a going concern. The North Carolina-domiciled commercial auto insurer's expansion ranked fifth- and sixth-highest in 2019 among combined and standalone P&C entities that met criteria established by S&P Global Market Intelligence. It subsequently alleged in a lawsuit, however, that at least some portion of the rapid expansion came as part of a fraudulent scheme by its former managing general agent to write as much business as possible without regard for regulatory limitations.

A year earlier, S&P Global Market Intelligence ranked Global Bankers Insurance Group LLC as the U.S. life industry's fastest-growing entity despite internal and external actions involving certain of its members that had the effect of limiting sales prior to the end of 2018. The group's members were later placed into rehabilitation by regulators in North Carolina and Michigan.

American Transportation Group Insurance was one of five entities to have produced direct premiums written growth of more than 300% in 2019 among entities that generated 2018 direct and net premiums written of at least \$1 million and 2019 net premiums written growth of at least 33%. The year saw the industry's direct premiums written volume increase by 4.5%.

Among life and health companies, annuity writers ranked as the fastest-growing entities as measured by both total direct premiums and annuity considerations and direct first-year and single-premium business. Texas Republic Life Insurance Co., Independent Life Insurance Co. and the SILAC Inc. group ranked among the top three on both bases, limited to those groups and top-tier entities meeting various criteria established by S&P Global Market Intelligence to include measures of business production and retention.

A virtually overnight transition from fast growth to financial distress like American Transportation Group Insurance experienced is not typical, but 2020 has presented unique challenges to the industry. A review of first-quarter direct premiums written growth rates for the fastest-growing insurers from 2019 finds a wide range of outcomes, from continued expansion to dramatic retrenchment. Growth rates for the period among the 10 fastest-growing P&C companies came in anywhere from a decline of 100%, reflecting American Transportation Group Insurance's cessation of writing new or renewal business, to an increase of 269%. For the 10-fastest-growing life entities, the range was from contraction of 89.3% to expansion of 271.6%.

Ultra-low interest rates, surging levels of unemployment, and logistical challenges in sales and underwriting associated with stay-at-home restrictions have presented previously unforeseen risks to business plans, and some companies are better positioned than others to maintain their momentum.

Startups, insurtechs among P&C leaders

The three fastest-growing P&C companies by 2019 direct premiums written were entities that began operating in their current form in 2018.

Fastest-growing US P&C insurers			2019 direct premiums written	
Top 10 ranked by 2019 growth in direct premiums written*				
Combined or top-tier entity	Primary domicile	Primary focus	(\$000)	YOY growth (%)
Ategrity Specialty Insurance Co.	Delaware	Commercial property	95,365	818.52
Cimarron Insurance Co.	Arizona	Workers' compensation	13,276	426.32
Trisura Specialty Insurance Co	Oklahoma	Commercial property	198,893	379.62
Root Insurance Co.	Ohio	Personal lines	451,059	324.04
American Transportation Group Insurance	North Carolina	Commercial property	35,095	307.12
Houston General Insurance Exchange	Texas	Personal lines	7,164	248.84
Western Mutual Insurance Co. of Minnesota	Minnesota	Commercial property	9,707	212.39
Lemonade Insurance Co.	New York	Personal lines	115,704	147.09
BlueShore Insurance Co.	Texas	General liability	5,996	143.64
FBAliance Insurance	Illinois	Personal lines	6,815	137.28
US P&C industry total			708,570,030	4.47

Top 10 ranked by 2019 growth in net premiums written*			2019 net premiums written	
Combined or top-tier entity	Primary domicile	Primary focus	(\$000)	YOY growth (%)
Continuing Care Risk Retention Group Inc.	Vermont	Medical malpractice	7,298	575.33
Trisura Specialty Insurance Co	Oklahoma	Commercial property	10,799	449.14
Cimarron Insurance Co.	Arizona	Workers' compensation	11,491	441.73
Palomar Specialty Insurance Co	Oregon	Commercial property	140,364	404.24
Root Insurance Co.	Ohio	Personal lines	331,841	351.17
American Transportation Group Insurance	North Carolina	Commercial property	25,984	276.78
Houston General Insurance Exchange	Texas	Personal lines	6,605	261.22
Western Mutual Insurance Co. of Minnesota	Minnesota	Commercial property	7,708	210.02
Capitol Preferred Insurance Co	Florida	Personal lines	57,088	188.37
BlueShore Insurance Co.	TX	Commercial General Liability	5,970	172.89
US P&C industry total			638,820,756	3.32

Data compiled May 29, 2020.
 RRG = risk-retention group
 Results are limited to entities that meet one of the following criteria: groups that filed combined annual statutory statements in 2019, standalone entities that filed annual statutory statements in 2019 and are not part of a SNL P&C group; or standalone entities that are part of an SNL P&C group by virtue of an acquisition that closed during or after 2019.
 * Quantitative criteria for inclusion in the ranking are as follows: 1) 2018 direct and net premiums written of at least \$1 million; 2) 2019 direct premiums written growth of at least 33%; and 3) 2019 net premiums written growth of at least 33%.
 Source: S&P Global Market Intelligence
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Ategrity Specialty Insurance Co. was licensed in 2018 and offers a range of commercial general liability and property coverages on an excess-and-surplus lines basis for targeted classes that include lodging, artisan contractors, churches, office buildings, grocery stores, apartments and restaurants. Cimarron Insurance Co. Inc., formerly ProSelect National Insurance Co., was recapitalized and relaunched with a focus on workers' compensation coverage in 2018 after being sold as essentially a clean shell. Trisura Specialty Insurance Co., a surplus lines company that began binding business in early 2018, focuses on partnering with a core basis of established program administrators and ceding much of the associated risk to highly rated international reinsurers.

Two high-profile insurtech companies ranked among the 10 fastest-growing P&C companies by direct premiums written. Both Root Insurance Co. and Lemonade Insurance Co. cited geographic expansion as a driver of their 2019 growth of 324% and 147.1%, respectively. Direct premiums written equaled or exceeded \$1 million at Root in 27 states in 2019, up from 17 in 2018. The number of states in which Lemonade accomplished that feat in 2019 doubled to 16.

Reinsurance-related changes led two carriers to ascend the ranks of the fastest-growing P&C insurers by net premiums written. Continuing Care Risk Retention Group Inc.'s 575.3% growth in that measure greatly exceeded its 68.7% expansion in direct volume. This reflected the impact of a true-up in ceded premiums in 2018. Palomar Specialty

Insurance Co.'s 404.2% growth in net premiums written vastly exceeded its 52.2% expansion in direct business as the company on July 1, 2019, suspended a quota-share agreement through which 35% of its net earthquake premium had been ceded to a Bermuda affiliate.

Annuity writers expand, contract in changing market

The annuity business of Texas Republic Life, the fastest-growing U.S. life insurer on the basis of total direct premiums and considerations, expanded at such a rapid clip that its "sales significantly outpaced our ability to secure quality investments," according to the 2019 Form 10-K for parent Texas Republic Capital Corp.

Fastest-growing US life insurers			2019 total-filed direct premiums	
Ranked by 2019 growth in total-filed life, annuity and accident and health direct premiums and considerations*				
Life group/top-tier entity	Primary domicile	Primary focus	(\$000)	YOY growth (%)
Texas Republic Life Insurance Co.	Texas	Annuity	14,807	570.22
Independent Life Insurance Co.	Texas	Annuity	67,454	442.30
SILAC Inc.	Utah	Annuity	1,492,090	338.00
Investors Preferred Life Insurance Co.	South Dakota	Individual life	71,300	232.81
American Savings Life Insurance Co.	Arizona	Annuity	6,522	163.31
Investors Heritage Life Insurance Co	Kentucky	Annuity	275,250	161.63
First Trinity Financial	Oklahoma**	Annuity	186,721	149.12
Advantage Capital Partners LLC	Utah	Annuity	1,098,098	105.21
Calton Holdings LLC	Arizona	Annuity	116,221	94.20
iA Financial	Texas	Individual life	315,582	69.72
US life industry total			760,621,543	3.74

Ranked by 2019 growth in direct first-year and single premiums and considerations*			2019 first year/ single direct premiums	
Life group/top-tier entity	Primary domicile	Primary focus	(\$000)	YOY growth (%)
SILAC Inc.	Utah	Annuity	1,306,287	828.71
Texas Republic Life Insurance Co.	Texas	Annuity	14,588	603.38
Independent Life Insurance Co.	Texas	Annuity	67,454	442.30
Savings Bank Mutual Life Insurance Co. of Massachusetts	Massachusetts	Life and annuities	239,042	338.29
Investors Preferred Life Insurance Co.	South Dakota	Individual life	71,300	232.81
First Trinity Financial	Oklahoma**	Annuity	165,033	196.29
Investors Heritage Life Insurance Co	Kentucky	Annuity	261,577	187.64
American Savings Life Insurance Co.	Arizona	Annuity	6,360	174.34
Advantage Capital Partners LLC	Utah	Annuity	981,961	135.66
SECU Life Insurance Co.	North Carolina	Life and annuities	11,224	112.25
US life industry total			304,070,929	4.86

Data compiled May 27, 2020.
Results are limited to entities that filed 2019 annual statements with the NAIC. Group consolidations present the entity as it exists, including the impact of completed mergers and acquisitions. Entities that commenced business in 2019 are excluded.
* Rankings reflect life groups or top-tier life entities that meet the following criteria: 1) 2018 direct premiums and considerations, net premiums and considerations and direct first-year and single premiums of at least \$1 million, apiece; 2) 2019 direct premiums and considerations growth of at least 25%; 3) 2019 direct first-year and single premiums growth of at least 25%; and 4) growth of at least 25% in net premiums and considerations.
** Reflects domiciliary state of largest group member.
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The company offers single-premium deferred annuities as well as certain whole life and universal life products. Its direct first-year and single premiums and considerations of \$14.6 million in 2019 marked an increase of 603.4% from 2018 levels. With single-premium annuities accounting for the overwhelming majority of its business, Texas Republic Life's total direct premiums and considerations surged by 570.2%. On the basis of first-year and single premiums, a measure of new business production, only the SILAC group produced a larger increase at 828.7%.

SILAC, which is led by former Conseco Inc. CEO Stephen Hilbert, acquired Equitable Life & Casualty Insurance Co. in 2017. That company in 2019 introduced a new fixed indexed annuity with durations of seven, 10 and 14 years and

competitive interest rates to complement its existing multiyear guaranteed annuity product. It also expanded distribution.

Other annuity providers that ranked among the 10 fastest-growing life insurers also benefited from recent product releases. Investors Heritage Life Insurance Co. launched a single-premium multiyear guaranteed annuity in late 2018 that produced significant growth in 2019. Sentinel Security Life Insurance Co. helped drive growth at the Advantage Capital Partners LLC group through its 2018 rollout of fixed and fixed indexed annuities. The company, which has been diversifying from its previous focus on final expense life insurance, also increased the crediting rate on its multiyear guaranteed annuity product in 2018, fueling 2019 expansion. Savings Bank Mutual Life Insurance Co. of Massachusetts attributed its rapid growth in 2019 to the success of an annuity product it developed in conjunction with a broker.

Independent Life Insurance Co., which ranked No. 3 in terms of growth in first-year and single premiums and No. 2 in total direct premiums, generated significant volume of fixed, single-premium structured annuities during its first full year of operation.

A variety of challenges related to the pandemic could impact volumes in the structured settlement market beginning in the second quarter of 2020, Independent Life cautioned, citing delays in mediations and court dates. The company continues to expect an increase in its annuity considerations of between 25% and 40% in full year 2020 as activity picks up later in the summer, but that would be well short of the 442.3% and 271.6% expansions it experienced in 2019 and the first quarter of 2020.

Texas Republic Life took action to slow its production in late 2019 and early 2020 as it dropped its annuity crediting rates. Still, the company's direct premiums rose by 78.2% in the first quarter. At the other end of the spectrum, Investors Heritage, First Trinity Financial Corp. and American Savings Life Insurance Co., which ranked among the 10 fastest-growing life insurers in 2019, reported year-over-year declines in their first quarter direct premiums of well into the double digits, but did not discuss reasons for the drops in their quarterly statements.

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