

## US P&C industry accident-and-health business upturn shows signs of acceleration Exclusive

Monday, February 05, 2018

By [Tim Zawacki](#)

Accident-and-health business written by U.S. property-and-casualty insurers represents a relatively limited but, of late, rapidly growing niche thanks to a market entry by one prominent group and a dramatic expansion by another.

S&P Global Market Intelligence's newly revised [U.S. P&C industry projections](#) contemplate growth in direct premiums written of 4.8% in 2017 and 4.7% in 2018, up from original estimates of 4.3% and 4.2%, respectively. Significantly faster-than-expected growth in accident-and-health business was one of the factors leading to the higher projections, though its overall impact was muted since the line accounted for only 1.1% of overall P&C industry direct premiums written in 2016.

The 14.2% projected rate of growth in accident-and-health premiums for 2017 is more than double the original estimate of 6.4%. And the revised 2018 projection of 7.3% is up from the original estimate of 4.8%.

### US P&C industry actual and projected accident-and-health premium volume



Data compiled Jan. 29, 2018, from S&P Global Market Intelligence's statutory insurance data as filed with state insurance regulators by individual entities, relying largely on disclosures made by individual entities on the Insurance Expense Exhibits of annual statements. Actual and projected industry results exclude entities under coverage as state funds and/or residual markets as well as American International Group Inc.'s AIU Insurance Co. subsidiary, which formerly wrote a material amount of business outside of the United States, then transferred it to a non-U.S. affiliate.

P&C = property and casualty; A = actual results; P = projected results

Source: S&P Global Market Intelligence

© 2018. S&P Global Market Intelligence. All rights reserved.

Partly driving the stronger outlook is the fact that [Berkshire Hathaway Inc.](#) has [begun writing](#) certain [Consolidated Health Plans Inc.](#)-administered group student health insurance business on the paper of at least one of its P&C subsidiaries. But the expansion of accident-and-health business written by a U.S. P&C unit of [Swiss Re AG](#) had an even more material impact on the S&P Global Market Intelligence outlook.

## A new start in stop-loss

Swiss Re's [Westport Insurance Corp.](#) saw a bump in accident-and-health writings in 2016, months after its parent closed on the [acquisition](#) of the employer medical stop-loss business of [Independence Holding Co.'s Standard Security Life Insurance Co. of New York](#) in March of that year. The acquired business helped offset declines in Westport's legacy accident-and-health book, which the insurer had been re-underwriting. It turned consistent double-digit year-over-year declines to increases in the double digits in the third quarter of 2016 and the triple digits in the fourth quarter of 2016.

Westport's growth accelerated in the first half of 2017, and it generated accident-and-health direct premiums written of \$184.6 million in the first three quarters of the year, up from only \$37 million in the comparable stretch of 2016. Using results for the second and third quarters of 2017 as an annual run rate, the company's accident-and-health business would increase to \$291.7 million in 2017 from \$67.5 million in full-year 2016.

The timing of the increases appears to reflect the mechanics of the acquisition. Westport initially reinsured the Standard Security Life business and has been renewing the policies onto its paper.

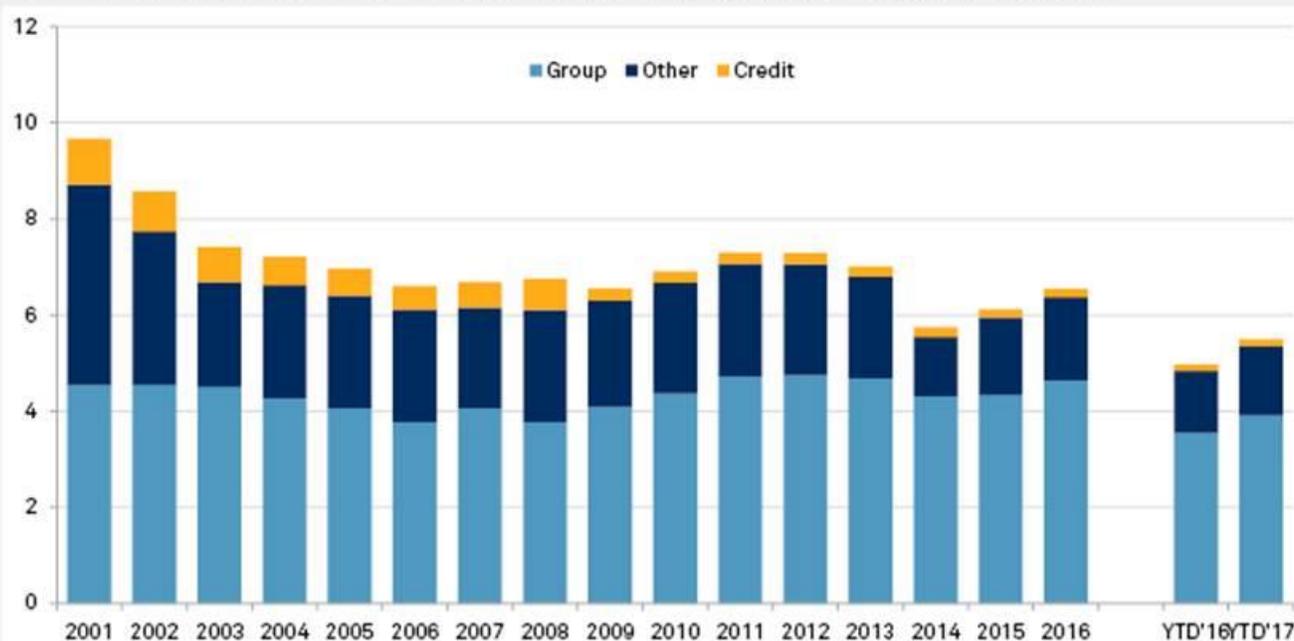
For the first nine months of 2017, U.S. P&C insurers reported \$5.49 billion in accident-and-health direct premiums written. The resulting increase of 10.5% from the year-earlier period was the largest the industry had generated in the business through the first three quarters of a year since 2008. The growth rate would have been approximately half as high when excluding the additional business volume that Berkshire and Swiss Re produced.

## Growth accelerates

The rise in accident-and-health premiums even prior to the recent uptick in activity for these two groups carried some historical significance of its own.

Accident-and-health direct premiums written for the first three quarters of the year hit a low of \$4.58 billion in 2014 before rebounding in the comparable periods of the subsequent three years. Excluding [American International Group Inc.'s AIU Insurance Co.](#), a U.S.-domiciled unit that wrote business primarily in Japan prior to 2013, premium volume for the first three quarters of a year had totaled \$5.55 billion as recently as 2012 and exceeded \$7 billion in both 2001 and 2002.

**US P&C industry accident-and-health direct premiums written by line (\$B)**



Data compiled Jan. 29, 2018, from S&P Global Market Intelligence's statutory insurance data as filed with state insurance regulators by individual entities, based on disclosures made on Part 1B of annual statements and Part 2 of quarterly statements. Excludes American International Group Inc.'s AIU Insurance Co. subsidiary, which formerly wrote a material amount of business outside of the United States, then transferred it to a non-U.S. affiliate.

P&C = property and casualty; YTD = year-to-date through Sept. 30

Source: S&P Global Market Intelligence

© 2018. S&P Global Market Intelligence. All rights reserved.

Downward-trending levels of credit and individual accident-and-health premium writings have been offset in part by rising group accident-and-health business volumes over the longer term. Premiums from credit and “other” (which includes individual) accident-and-health business increased by 8.95% and 11%, respectively, during the first three quarters of 2017. But they each remained well below their years-earlier peaks.

Until recently, premiums associated with credit-related insurance products had been steadily decreasing over time across the P&C and life industries based on factors such as changes in the regulatory environment and lower consumer demand. Other accident-and-health business also remains well below levels achieved in the early- and mid-2000s. [CNA Financial Corp.](#)'s 2002 [transfer](#) of the administrator of the National Postal Mail Handlers Union's benefits plan to a non-P&C entity may have been the most impactful development in the downturn. Former CNA unit [Niagara Fire Insurance Co.](#) accounted for more than half of the P&C industry's other accident-and-health business during the first three quarters of 2001.

The \$3.91 billion in group accident-and-health premiums written during the first three quarters of 2017, meanwhile, marked the highest amount recorded by the P&C industry in a comparable period in at least the last 17 years. It also accounted for a majority of the overall accident-and-health writings by the P&C industry.

The year-over-year growth rate in group accident-and-health direct premiums written of 13.8% in the third quarter of 2017 marked the fastest rate of expansion for the P&C industry in any reporting period since 2009. To the extent Berkshire and Swiss Re continue producing business at their more-recent levels, the industry's results for the fourth quarter of 2017 and first quarter of 2018 should be poised to show a continuation of that strong growth.