

Lloyd's leapfrogs AIG in surplus lines

Lime Street market share stable, but Lexington falls as Ironshore rises

Despite trimming its top-line the US surplus lines market – which continues to feel pricing pain – at Lloyd's overtook AIG as the leading insurer of non-admitted business on direct premiums written (DPW) in 2010.

Lloyd's cut back DPW by almost five percent last year to \$5.79bn, and actually saw a modest 0.2 point decline in its market share to 18.3 percent, according to recent research.

AIG, however, experienced a much more significant drop-off. The giant insurer, which sells surplus lines insurance through its Chartis and Lexington subsidiaries, reduced its writings by 13 percent to \$5.34bn compared to 2009.

The fall – driven by a 15 percent decline in DPW at market leader Lexington to \$4.55bn – meant that AIG's share of the surplus lines sector dropped 1.8 points from 18.6 percent to 16.8 percent, analysis from AM Best shows.

However, in spite of this reduction in DPW, Lexington remained well out in front

in terms of individual companies' market share with 14.3 percent, as no individual Lloyd's insurer made the top 25 rankings.

Despite scaling back, AIG still wrote more than four times the volume of third-placed Zurich Financial Services North America in the group rankings, with the Swiss-parented insurer enjoying a 3.8 percent share of the US surplus lines market based on DPW of \$1.22bn.

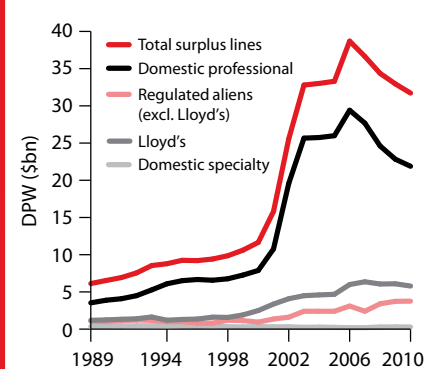
The reduction in top line during the sustained soft market is being driven by increased competition, as admitted carriers are being drawn to the sector by its continued outperformance of the wider P&C industry (see page 19).

AM Best's analysis revealed that out of the top 25 writers of surplus lines business – which collectively write 74 percent of the total – only six increased DPW between 2009 and 2010, as the group's combined writings fell 6 percent.

Among the firms to increase their writings two companies stood out, Ironshore and QBE.

Ironshore is perhaps the most notable in the context of AIG's relative loss of market

Surplus lines market falls for fourth straight year



Source: AM Best

share compared to Lloyd's and the broader market.

The company has seen significant expansion over the last two-and-a-half years – a process kickstarted by the arrival of senior executives from Lexington, led by CEO Kevin Kelley in December 2008.

Lloyd's claims top spot in surplus lines

Rank 2010	Group Name	DPW 2010 (\$)	Market share 2010 (%)	Policyholders' surplus (\$)	DPW 2009 (\$)	Market share 2009 (%)	Change in DPW (%)	Change in market share (% points)	Rank 2009
1	Lloyd's	5,789,000	18.3	28,862,280	6,090,000	18.5	-4.9	-0.2	2 ↑
2	American International Group	5,342,192	16.8	25,720,099	6,142,672	18.6	-13.0	-1.8	1 ↓
3	Zurich Financial Svcs NA Group	1,217,135	3.8	7,428,631	1,372,270	4.2	-11.3	-0.4	3 ↔
4	Nationwide Group	1,168,218	3.7	12,984,679	1,203,790	3.7	-3.0	0.1	4 ↔
5	ACE INA Group	911,312	2.9	5,490,067	874,472	2.7	4.2	0.3	5 ↔
6	WR Berkley Group	831,086	2.6	4,128,416	842,410	2.6	-1.3	0.0	7 ↑
7	Markel Corporation Group	801,858	2.5	1,488,939	842,886	2.6	-4.9	-0.1	6 ↓
8	CNA Insurance Companies	685,568	2.2	10,259,908	704,178	2.1	-2.6	0.1	8 ↔
9	QBE Americas Group	607,936	1.9	2,070,620	527,272	1.6	15.3	0.3	11 ↑
10	Alleghany Insurance Holdings	576,215	1.8	1,603,413	637,904	1.9	-9.7	-0.1	9 ↓
11	Ironshore Ins Group	520,674	1.6	367,693	312,642	1.0	66.5	0.7	21 ↑
12	AXIS Insurance Group	502,640	1.6	1,141,176	525,315	1.6	-4.3	0.0	12 ↔
13	Argo Group	421,342	1.3	841,431	541,226	1.6	-22.2	-0.3	10 ↓
14	Arch Insurance Group	402,871	1.3	870,600	442,227	1.3	-8.9	-0.0	14 ↔
15	Berkshire Hathaway	402,813	1.3	94,390,446	515,549	1.6	-21.9	-0.3	13 ↓
16	Travelers Group	382,887	1.2	19,522,893	402,723	1.2	-4.9	-0.0	15 ↓
17	Munich-American Corp	365,946	1.2	87,296	370,916	1.1	-1.3	0.1	16 ↓
18	Allied World Group	363,765	1.1	1,004,616	359,137	1.1	1.3	0.0	18 ↔
19	Chubb Group of Insurance Cos	337,843	1.1	14,317,263	335,778	1.0	0.6	0.1	20 ↑
20	XL America Group	335,435	1.1	2,273,711	357,033	1.1	-6.0	0.0	19 ↓
21	HCC Insurance Group	316,799	1	1,816,518	365,203	1.1	-13.3	-0.1	17 ↓
22	First Mercury Group	293,638	0.9	262,830	286,517	0.9	2.5	0.0	23 ↑
23	Alterra Capital US Group	271,358	1.3	661,429	NA	NA	NA	NA	NA ↑
24	Assurant Insurance Group	266,349	1.3	1,234,756	NA	NA	NA	NA	NA ↑
25	Allianz of America	256,145	0.8	3,818,069	307,685	0.9	-16.8	-0.1	22 ↓
Subtotal of Top 25		23,371,025	73.70		24,868,016	75.5	-6.0	-1.8	
Total US Surplus Lines Market		31,716,000			32,952,000				

Source: AM Best