WORKERS' COMP EXECUTIVE™
A SEMIMONTHLY PUBLICATION FOR THE WORKERS' COMP EXECUTIVE

Vol. 16 No. 2
www.wcexec.com
February 1, 2006
Reprint

Majestic Insurance Celebrates 20 Years in the Biz

Stellar Claims Control, Conservative Underwriting Keeps Carrier Ahead of the Curve

While many California workers' comp carriers were losing their shirts in the 90s, Majestic Insurance managed to keep its head above water through a combination of conservative underwriting and what John Hernandez, VP of marketing, calls a service-sensitive program. The approach has paid off for the California-domiciled carrier that got its start writing United States Longshore and Harbor Workers Act (USL&H) coverage, for essentially one client, 20 years ago.

> *"In the late 90s and early 2000s, there were a lot of challenges in California, but they've had several years to rewrite their book."*
>
> *—Devin Inskeep, A.M. Best*

In addition to offering a specialty workers' comp product for clients who value their employees, it's also good judgment that's allowed Majestic to persevere during a time of turmoil in the workers' comp market. Hernandez says Majestic didn't start writing workers' comp beyond USL&H until 1999, and he admits that may have been a year too early.

"We really just stayed out of the price wars in 1995 through 1998," Hernandez says. "If an employer is just looking for the lowest price, we're not it."

Although considered a small carrier by comparison to many in the California market—third quarter 2005 direct written premium is at $72.5 million, up from $65.7 the prior year—Majestic is primed for success in a soft market but plans to maintain its hard-market mentality, an approach that has contributed to the profitability of other carriers such as Zenith.

Hernandez says Majestic has added to surplus every year since 1986, avoiding the quicksand other carriers stepped into during the past decade. He only hopes that future clients in this new market still understand the importance of a good program.

"With reforms taking hold and more competition driving prices down, employers will take their eyes off the prize and focus on pricing, not the program being offered," Hernandez says.

Majestic has staked its reputation on its program—a specialty program customized for each client. Both producers and analysts say this is the primary reason for its success and growth, especially when it comes to claims and loss control. For starters, Hernandez says Majestic has a very low indemnity caseload allowing for better handling by examiners. Ultimately, it results in lower costs to employers.

"We had a better claims product than the industry average. Our cases didn't go on as long and were not as costly," Hernandez says.

Goals Exceeded in 2006

According to Hernandez, Majestic has exceeded its goals for January business and has added some new employers who were attracted by its program.

The only shadow for Majestic has been a dip in its A.M. Best rating from an A-(excellent) to a B++ (very good).

"It's still a secure rating…while we added to surplus, the rating agency felt it remained flat," Hernandez says. "The marketplace got a little concerned because it was a downgrade."

Hernandez points out that one thing dragging on Majestic's financial picture is a statutory requirement that all California workers' comp carriers maintain a loss ratio of at least 65 percent over three years. (see story p. 1). Although Majestic's reserves were less than that in the third quarter, surplus is reduced by approximately $6 million and added to reserves to meet the 65 percent requirement.

"They have a B++ rating, which is categorized as 'very good.' It did have its rating lowered from an A- largely because of the impact adverse experience in prior accident years had on its capitalization," says Devin Inskeep, senior financial analyst with A.M. Best.

"In the late 90s and early 2000s, there were a lot of challenges in California, but they've had several years to rewrite their book," Inskeep says, adding that Majestic's current underwriting fundamentals are solid, with strength coming from improved risk selection and pricing.

> *"It's not an adversarial relationship. The company has a philosophy of taking care of injured workers, unless it's a fraudulent claim, and Majestic is very good about that."*
>
> *—Andrew Valdivia, White & Company*

Majestic's surplus is at $38.3 million, but it would be closer to $45 million if it did not have to book to the minimum 65 percent, according to Hernandez. Current year reserves as of September 2005 are $34.5 million.

"Our return on investment has been very good. Our earnings for 2005 have not been finalized, but they're shaping

"Majestic," continued on page 2

"Majestic"
continued from page 1

up nicely and Majestic remains financially sound and solvent," Hernandez says.

According to A.M. Best, Majestic Insurance Company writes 95 percent of its direct business in California, with strong underwriting results expected since 2002.

"We've always looked at employers in a variety of segments. We've always looked at a cross section. What we're really focused on is the quality of the employer," Hernandez points out"

Majestic says it would like to expand its product more in California. Although it's added to surplus every year, it's all organic growth. It's currently pursuing a capital opportunity that may permit a large expansion, but for now it's actively focused on continuing to grow as it can.

"We'd rather see the bottom line grow. We're looking to expand as our surplus grows and allows us to write more premium," says John Sullivan, president of Majestic.

Producers Helping to Grow the Book

"They have excellent growth, and they're looking to write business if it's the right account," says Barbara Carmichael, VP of business services for Jenkins/Athens Insurance Services, adding that she's been working with Majestic for six years. She says she's placed a prominent supermarket chain and a large recreational facility with Majestic.

"They have a definite appetite… They're willing to write a good account in a tough class," she says.

Other producers say that Majestic tries to limit risk by focusing on how well potential insureds treat their employees: Does an employer treat its employees as Majestic would treat its own? It also avoids unstable workforce situations, and too many locations.

"They thoroughly embrace the relationship and back it up by walking through the process with each client," says Andrew Valdivia, president of White & Company in Santa Monica. "It's not an adversarial relationship. The company has a philosophy of taking care of injured workers, unless it's a fraudulent claim, and Majestic is very good about that."

Hernandez says that Majestic doesn't aspire to be the biggest workers' comp carrier in California, just the best for its chosen clients.

"We know when to get off the elevator. We're not going to ride it all the way to the top. We're going to get off at the third or fourth floor," he says. ▲