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## **WORKERS' COMPENSATION INSURANCE COMPANIES**

### **THIRD QUARTER PROFITS CONTINUE TO CLIMB:**

#### *Denial of Care and Compensation Enriches Insurers*

SACRAMENTO - Third quarter results are in for most insurance companies, and profits continue to increase. This data generally shows nationwide results, and third quarter figures were affected by the unprecedented four hurricanes that devastated Florida in August and September. Looking beyond the catastrophic hurricane losses, however, most insurance companies showed sharply higher profits. And available data clearly indicates that the results in California workers' compensation insurance are among the most profitable.

Zenith National Insurance Company, with California workers' compensation insurance representing almost two-thirds of its business, reported 2004 third quarter net income of \$25.4 million, up 57% over the \$16.1 million in 2003. Even more remarkable, income from workers' compensation operations – this represents premium income after subtracting claim costs and expenses – grew from \$16.4 million in the first 9 months of 2003 to \$71.4 million in 2004, an increase of 335%! Zenith had a combined ratio (the ratio of premiums to claim costs plus expenses) of 89.2% in the first 9 months of 2004, compared to a ratio of 96.8% in 2003.

Other insurers reported large profit increases in the third quarter of 2004. The Everest Re Group reported a 32.0% increase in net income for the first 9 months of 2004 compared to 2003. AIG saw its third quarter 2004 net income (excluding hurricane losses) increase by 16.5 percent to \$3.06 billion. For the first nine months of 2004, AIG's net income was a record \$8.09 billion, up 22.3% from last year. Excluding hurricane losses, AIG had a 92.76% combined ratio for the first 9 months of 2004. The American Financial Group had catastrophe losses in Florida and also sold a subsidiary, both of which affected its results. Nevertheless, American Financial reported that profits in its insurance business continued to grow, increasing more than 36% in the first 9 months of 2004 to \$148.8 million. American Financial reported its combined ratio for California workers' compensation business was 91.5% for the first 9 months of 2004, and was just 89.7% during the third quarter. According to the President of American Financial, "Our California Workers' Compensation business continues to report strong premium growth and underwriting profits."

For Liberty Mutual, net income rose 67% during the first 9 months of 2004. The 9-month combined ratio for 2004 was 93.2%, excluding hurricane losses, a decrease of 3.0% from 2003. Net income for the first 9 months of 2004 for the St. Paul Travelers Group reported net income, excluding hurricane losses, grew by almost 75%. For the Zurich group, net income grew by 35% during the first 9 months of 2004 to almost \$2 billion.

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“After injured workers’ benefits were cut by more than \$5 billion last year, most insurers did nothing but pocket record profits. The latest round of cuts again reduced benefits to injured workers but allowed unlimited profits for insurance companies. Insurance companies are continuing to gouge California employers. The cuts from injured workers are going directly into insurance companies’ bank accounts,” said David Schwartz, President-Elect of the California Applicants’ Attorneys Association (CAAA). “The governor and the legislature have taken away benefits from injured workers, benefits that are already too low. You can keep on cutting injured workers’ benefits down to zero, and without regulation insurance companies may not reduce premiums by a single dollar.”

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