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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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August 2020 • Volume 121 • Issue 8 www.bestreview.com

AM BEST'S MONTHLY INSURANCE MAGAZINE

A WAY FORWARD

As economies begin to reopen after the COVID-19 shutdown, the insurance industry seeks to partner with governments on solutions for future pandemics.

Reinsurance Coverage
Pages 43-57

Best's Review's
Online Archives


The Art & Science of Risk
Underwriting Reimagined
With the pandemic quarantine, traditional fluid-based underwriting protocols have been severely disrupted. As a result, we have seen a massive surge in the demand for electronic health records (EHR) as our clients and partners have worked tirelessly to support the Life insurance industry. SCOR has been exploring EHR evaluation and strategy for the past two years as part of our strategy to reinvent the underwriting process through Underwriting Reimagined.
Contact Richard de Sousa at rdesousa@scor.com for more information.
www.scor.com

Black Swan Assistance

The industry looks ahead to finding long-term solutions to pandemics, and an upturn in reinsurance pricing forces buyers to rethink their strategies. Also watch for discussions in the September issue with industry thought leaders about the pandemic's impact on the industry.

Reinsurers typically take advantage of August to finalize preparations for the annual Rendez-Vous de Septembre conference in Monte Carlo. They've been making the trip for 63 years.

This year is different. Rendez-Vous is just one of a number of major industry events canceled this year due to the coronavirus pandemic. While the industry's key meetings have had to be put on hold, business carries on.

Two key issues on the industry's radar have been the pandemic and the hardening reinsurance markets.

The pandemic will rank as one of the largest insured losses in history, with many issues yet to be sorted out. Evan Greenberg, the CEO of Chubb, described the pandemic as "an unprecedented event of historic proportions," as a "peril that has no bounds" and "in a practical sense has infinite tail for the industry."

The industry has been battling pressure to retroactively cover business interruption claims when it had not collected premium and in many cases had written virus exclusions. Businesses have filed suit and the cases are now in court.

Industry leaders are seeking to take a more proactive stance and develop backstops that could help provide long-term solutions for outlier events, such as pandemics.

August is Reinsurance Awareness Month. Our reinsurance special section looks at some of the pandemic backstop initiatives in the works in the U.K., Europe and United States and we examine developments in the reinsurance market.

In "Pandemic Partnerships," *Best's Review* reports on some public-private partnership backstops and speaks with some of the key influencers behind them. Stephen Catlin, CEO of Convex, discusses how Pandemic Re came together and the conditions he imposed on the steering group, which consists of a number of industry heavyweights. *Best's Review* also examines other initiatives in Europe and the United States.

In the property catastrophe reinsurance market rates have continued to move higher.

Even prior to the pandemic, reinsurance rates have been rising due to loss creep from major catastrophes. But those trends have continued. Kingstone, for instance, announced in July that it was scaling back its purchase of catastrophe reinsurance because of the increase in pricing.

In "A Hard Reality," *Best's Review* examines the reinsurance market conditions and looks at the ramifications for Florida as well as Louisiana Citizens and the Texas Windstorm Insurance Association.

Best's Review's life insurance feature this month takes a look at an unusual problem that has gained attention due to a breach of contract lawsuit against Transamerica Life Insurance. In "An Old and a New Problem," *Best's Review* examines what's known as the age 100 problem in the permanent life insurance world.

Coming up in next month's issue of *Best's Review*, look for our "An Industry Transformed" discussions. Top industry leaders will share their thoughts about the pandemic and its impact on the insurance industry in these discussions, which air on AMBestTV beginning Aug. 17.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

Which insurance legal cases are you watching most closely and why?

Email your answer to *bestreviewcomment@ambest.com*.
Reader responses will be published in a future issue.

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REINSURANCE

Best's Review explores the hardening reinsurance market and industry efforts to address future pandemics.

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CAPTIVES

LIFE INSURANCE

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Cover design by Amy Herczeg.

In Its 35th Year, VCIA's Conference Goes Virtual

July 29–Aug. 4: VIRTUAL. ABA Annual Meeting, "Convening for Justice," American Bar Association.

July 28–Aug. 14: VIRTUAL. NAIC Summer National Meeting. Includes special sessions: hurricane preparedness and COVID-19.

Aug. 3–5: VIRTUAL. 2020 Advanced Sales Forum, "20/20 Vision—Bringing Advanced Sales Into Focus," LIMRA.

Aug. 3–6: VIRTUAL. DMEC Annual Conference, Disability Management Employer Coalition.

Aug. 4–5: VIRTUAL. World Risk and Insurance Economics Congress, ARIA Annual Meeting, American Risk and Insurance Association.

Aug. 5-6: VIRTUAL. Supplemental Health, DI & LTC Conference, LIMRA/LOMA/SOA.

Aug. 11, 18 & 25: VIRTUAL: NAMIC Leadership Development Workshop, National Association of Mutual Insurance Companies.

Aug. 11–13: VIRTUAL. VCIA Annual Conference, Vermont Captive Insurance Association.

Sept. 1–18: VIRTUAL. ITC World Tour, InsureTech Connect.

Sept. 9–12: VIRTUAL. FBA Annual Meeting and Convention. Federal Bar Association.

All events subject to change as organizations monitor developments regarding COVID-19. For a full list of conferences and cancellations, visit *www.bestreview.com/calendar*

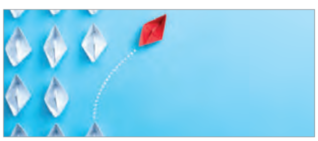
August Is Reinsurance Awareness Month
Best's Review looks at how insurers and reinsurers are working on public-private partnerships and at reinsurance market conditions. Coverage begins on page 43.

Trending Stories from *Best's Review*

1. Heading Off Track
A Pennsylvania long-term care insurer is the newest member of the cohort of insurers that have been ordered into rehabilitation over the years. Improved regulations and risk-based capital standards, however, are significantly slowing down that trend. (May 2020)

2. The Rise of Runoffs
After transforming its reputation and broadening its scope, the run-off market could play an important role in the wake of COVID-19. (May 2020)

3. Without Consent
A deluge of class-action lawsuits involving the use and collection of biometric information is creating new concerns for insurers, including the potential for costly claims settlements and a new swath of directors and officers claims. (April 2020)



4. On the Way Out
With the London Interbank Offered Rate phasing out next year, insurers should welcome the flexibility alternative rates can bring to their financial decisions. (June 2020)

5. The COVID Catastrophe
The global pandemic is on track to be the costliest event in insurance history. It's also a defining moment for the industry. (June 2020)

* Top Best's Review articles from April 23-June 23

LL Global Names Head Of Industry Solutions, CFO

Also, Lockton Capital Markets names CEO, Zurich names senior risk consultant for climate change, SUNZ Holdings names president, and industry veteran dies at 92.

LL Global, the parent company for LIMRA, LOMA and Secure Retirement Institute, has named Mark Singleton as its new head of industry solutions and chief financial officer.

Mark Singleton

As head of LL Global's industry solutions program, Singleton will work with members to identify new ideas to help address common issues, and build and execute the go-to-market strategies. He also will oversee the overall operations for LL Global's conferences and meetings (both virtual and in-person), to ensure consistency and enhanced member value.

Singleton has more than 25 years of financial management, distribution and operational experience. He has held leadership roles in the financial services industry and most recently, was president and chief executive officer of 5Star Life Insurance Co., the life insurance carrier for the Armed Forces Benefit Association. In 2019, Singleton also served as board chair for the Life Insurers Council, an LL Global forum for senior-level life insurance executives, primarily from small-to-medium-sized companies.

"Mark's breadth of knowledge and proven record of building state-of-the art marketing and sales strategies will help LL Global continue its long tradition of supporting its members through cost-effective, shared industry solutions and compelling convening programs," said Gina Birchall, chief operating officer, LL Global.

—Staff Report

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Zurich Insurance Group Names Senior Risk Consultant for Climate Change

Zurich Insurance Group has named Belinda Bates to the newly created post of senior risk consultant, climate change, in commercial insurance.

Belinda Bates

In her new role on the risk engineering team, Bates will work with Amar Rahman, global natural hazards practice leader, as well as the underwriting teams, to develop and deploy Zurich's climate change resilience services.

Prior to joining Zurich, Bates was a consultant in financial risk management at EY for more than four years.

Global Reinsurance Forum Names Chairman and Vice Chairman

The Global Reinsurance Forum has named Emmanuel Clarke to succeed Kevin O'Donnell as chairman, and Jean-Jacques Henchoz as vice chairman.

Emmanuel Clarke

Clarke, president and chief executive officer at PartnerRe, will be appointed for a two-year term and replaces O'Donnell, CEO of RenaissanceRe, who became chairman in 2018. Henchoz, CEO of Hannover Re, was elected vice chairman.

The Global Reinsurance Forum is composed of 12 global reinsurers; its main objective is to promote a stable, innovative and competitive worldwide reinsurance market. The members of the GRF represent Axa XL, Gen Re, Hannover Re, Lloyd's, Mapfre Re, Munich Re, PartnerRe, RenaissanceRe, RGA, Scor, Swiss Re and Toa Re.

Lockton Capital Markets Names CEO

Lockton Capital Markets has named Ken Pierce as chief executive officer.

Pierce has 30 years of experience as a leader in the insurance and alternative asset management industries. In 2019, Pierce founded and began serving as CEO of Vanpoint Advisors, which originated and structured asset portfolio financing transactions for alternative asset managers, as well as closed block reinsurance, sidecar reinsurance, and surplus notes.

On June 1, the assets of Vanpoint were merged into Lockton Capital Markets.

He also previously served as co-founder of Vanbridge, and held leadership roles at Mayer Brown, Morgan Stanley and Lehman Brothers.

SUNZ Holdings Names President

SUNZ Holdings LLC has named Rick Leonard as president of the company.

Rick Leonard

Leonard has been at SUNZ for almost 10 years, most recently as director of sales and executive vice president. He initially joined as a broker relations executive and was quickly promoted to director.

Leonard's background consists of retail broker experience, field sales, marketing, loss control, and client relations. He has more than 18 years of experience in the insurance industry.

FBL Financial Group Names Chief Investment Officer

FBL Financial Group Inc. named Jeffrey A. Whitehead to succeed Charles T. Happel as chief investment officer.

Jeffrey A. Whitehead

Whitehead was to transition to his new role on June 15 to replace Happel, who is retiring this year. Whitehead will be a member of FBL's management team and have overall responsibility for managing the company's investment policy and strategy.

Whitehead had been with Aegon USA Investment Management for the past 19 years serving as head of insurance asset management and client investment solutions.

QBE North America Names Head Of Newly Created Specialty Insurance Group

QBE North America has named Steve Gransbury as head of its newly created specialty insurance group and Tara Krauss to succeed Gransbury as head of accident and health.

Steve Gransbury

Tara Krauss

In his new role, Gransbury will lead the specialty insurance unit that consists of QBE's accident & health, aviation, and trade credit and surety practices.

Previously, Gransbury had been leading accident & health, the largest of the three businesses. QBE Specialty Insurance is part of QBE North America's Specialty & Commercial organization. Gransbury joined QBE in 2009 when the company acquired SLG Benefits & Insurance LLC, a program management company co-founded by Gransbury. He has over 25 years of experience in the insurance, reinsurance and captive industry.

Krauss has been promoted to replace Gransbury as the leader of QBE Accident & Health. Her most recent role was senior vice president of underwriting operations for accident & health.

Krauss has more than 24 years of experience in the insurance industry. Since joining QBE in 2009, she has held several leadership roles with increasing responsibilities. Prior to joining QBE, Krauss held various underwriting positions with HCC Insurance (formerly LDG) and SLG Benefits & Insurance LLC.

Tokio Marine HCC - Credit Group Names Chairman and President

Tokio Marine HCC - Credit Group has named Mark Reynolds, currently president of Tokio Marine HCC - Credit Group, as chairman. Jerome Swinscoe, currently chief underwriting officer of the same group, will succeed Reynolds as president.

Reynolds and Swinscoe will transition to their new roles on Jan. 1, 2021.

Swinscoe joined Tokio Marine HCC - Credit Group as senior underwriter in 2007 and became chief underwriting officer in 2017. Prior to joining Tokio Marine HCC, he was an underwriter at Catlin Group Ltd. Swinscoe began his insurance career with Marsh in France.

Industry Veteran Jack Bogardus Dies at 92

John "Jack" Bogardus, the former chief executive officer and chairman of broker Alexander & Alexander and co-author of *Spreading the Risks: Insuring the American Experience*, has died from complications of Alzheimer's disease at the age of 92.

John "Jack" Bogardus

Bogardus spent more than 40 years in the insurance industry. He joined Alexander & Alexander—now part of Aon Corp.—as a trainee in 1950 and spent his entire professional career with the firm. He held the positions of vice president, executive vice president, president and chief operating officer, president and CEO, chairman and CEO, chairman of the board, and director, according to the Insurance Risk Management Institute.

Bogardus enlisted in the Navy toward the close of World War II, where he served on the USS Brown. Some years later, during the Korean conflict, he was a commissioned officer and served on the USS Roanoke based out of Norfolk, Virginia, according to his obituary.

Bogardus was the author of articles in various professional journals and co-author with Robert Moore of *Spreading the Risks: Insuring the American Experience* in 2003, according to IRMI.

He served as a director of the Insurance Brokers Association of New York and a director and chairman of the governing committee of the National Association of Insurance Brokers. He was also a member of the U.S. Chamber of Commerce Insurance Committee, and a board member of the American Institute for Chartered Property Casualty Underwriters and of the Insurance Institute of America.

Bogardus is survived by his wife of 70 years, Lela, and four children; six grandchildren and two great grandchildren, according to his obituary. BR

Clarification:

In the July issue, in the article "Making the Jump," Prudential Financial corrected previously provided information including: the name of its term life product to SimplyTerm and also said that in some cases it can issue new policies at times in just one day.

Brand-Building

Nationwide scores a new sponsorship agreement with a professional soccer club and an industry expert offers tips for building a personal brand.

Goal!

NATIONWIDE is teaming up with American professional soccer club Columbus Crew SC in a new multiyear sponsorship agreement that will make the Columbus, Ohio-based insurer the Official Columbus Crew SC Jersey Partner beginning next year.

This year, the Crew, a member of Major League Soccer's Eastern Conference, is partnering with Nationwide Children's Hospital and featuring a special Nationwide Children's jersey for competitions. Beginning in 2021, Crew SC kits will feature the iconic Nationwide logo, and Nationwide Children's Hospital will transition into a community partner role with the team.

SCORE: Columbus Crew SC players, from left, Gyasi Zardes, Jonathan Mensah and Lucas Zelarayan, wear their new jerseys featuring Nationwide and Nationwide Children's Hospital logos.

Photo courtesy of Columbus Crew SC. Photo by Alex Brown.

Jim McCoy, vice president of sponsorships, meetings and events at Nationwide, said the company's partnership with the Crew is a "natural fit" and ties into its mission of "helping and taking care of businesses, individuals and communities in which we live and work."

It does that by helping Nationwide meet its core objectives of building a national brand, driving business, creating partnerships and developing a strong philanthropic tie to the community, he said.

Tips for Building a Personal Brand

Personal branding allows individuals to not only promote themselves but to also distinguish themselves from others and build trust with prospective clients and employers. Following are some key steps to take to create a successful personal brand.

Learning. Someone once said something that's stuck with me for years: "If you're comfortable, you'll become stagnant." To build competencies and experience, which ultimately contribute to building your personal brand, it's important to allow yourself to be uncomfortable and test new things. Always look for something you learned from an experience in order to grow.

Networking. Now more than ever, we are being challenged to adapt to new ways of thinking and doing. However, we can't do it alone. Each person adds value as we aspire to a greater good, and that's the purpose behind networking, education, technology and agency management system user groups. When building a personal brand, it's not about one person trying to lead the charge. Instead, it's about getting people together to share their experiences, solve problems and create winning solutions. If you're holding it all to yourself, no one wins.

Serving. Serving on committees and boards and teaching courses boosts professional development. It's like a shot of adrenaline. It's important to always look for new projects, to take on new ways to train your peers and to hopefully achieve the results you're looking for. People are a vital component of your personal brand-building effort.

Kate O'Toole is the operations project manager for Starkweather & Shepley Insurance Brokerage Inc. and an incoming member of the board of Network of Vertafore Users (NetVU).

Lori Chordas is a senior associate editor. She can be reached at *lori.chordas@ambest.com.*

An Industry Transformed

Watch for our series of discussions with top industry leaders about the pandemic and its impact on the insurance industry. These discussions will air on AMBestTV beginning on August 17. They will be presented in the September issue of *Best's Review*.

Digitally Native, Not by Choice: August 17

With little advance warning, insurers have been forced to operate, distribute and respond in an all-digital environment. Those lessons are reshaping operations, sales, product delivery and customer interactions.

Panelists

Bill Pieroni ACORD	Sean Ringstead Chubb	Tanguy Catlin McKinsey	Kate Smith AM Best (moderator)

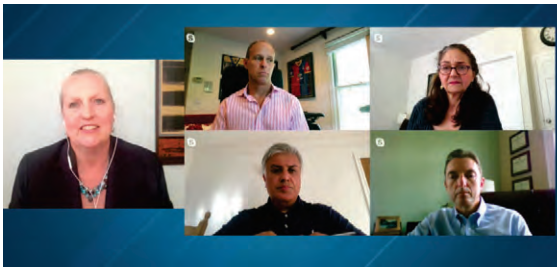
Innovation Now: August 18

Changed personal and business environments demand new products and services. Insurers are finding ways to rapidly create and deploy new coverages, and regulators are exploring new approaches to encourage those innovations.

Panelists

Matt Mosher AM Best Rating Services	Michael Pieciak Insurance Commissioner Vermont	Matt Josefowicz Novarica	Hank Watson Lloyd's	John Weber AM Best (moderator)

Defending Relevancy: August 19



Legal and legislative attempts to force insurers to cover non-contractual business interruption claims have become a key concern for the industry. While insurers routinely exclude coverage for a range of catastrophic risks and outlier events, the downside is an industry that erodes its position as an essential economic backstop. Some in the industry are finding new ways to cover previously shunned risks.

Panelists

Bob Hartwig University of South Carolina	Neil Sprackling Swiss Re	Pina Albo Hamilton	Suki Basi Russell Group	Meg Green AM Best (moderator)

Reaching Beyond the Industry: August 20

Some risks are beyond the scope of private insurers. Risks such as earthquake, hurricanes and terrorism are covered by private-public risk scenarios. Key figures from this high-stakes sector of the risk world explain how political and insurance leaders have found common ground, and where the next large-scale risk safety nets will appear.

Panelists

Barry Gilbert Citizens Property Insurance	Tim Richison California Earthquake Authority (formerly)	Prof. Howard Kunreuther University of Pennsylvania	Lee McDonald AM Best (moderator)

Regulatory Update

Arizona names new regulator; Colorado extends reinsurance program; Vermont RRG liquidated and Florida protects genetic information.

Regulator: Arizona Gov. Doug Ducey has appointed Evan Daniels as the new director of the state Department of Insurance and Financial Institutions.

Daniels currently serves as the unit chief counsel of the technology, innovation and privacy unit at the Office of the Arizona Attorney General, according to a statement from Ducey's office.

In Daniels' current role, he manages the team supporting consumer protection in litigation, investigations and in providing subject matter expertise, it said. That includes oversight of Arizona's first-in-the-nation regulatory "sandbox" for fintech, following the passage of legislation in 2018, it said.

Reinsurance: A reinsurance program used to cut health care premiums on Colorado's individual market got extended another five years under a bill signed by Gov. Jared Polis.

The reinsurance measure creates a new fee on health carriers to fund the state's reinsurance program and provide state subsidies to help low-income consumers, including undocumented individuals, enroll in health insurance plans.

The bill passed the Democrat-controlled legislature in June.

It will impose a 1.15% fee on nonprofit health insurers and a 2.1% fee on for-profit

Lloyd's Exits Three US Admitted Markets

The move is intended to focus the company on nonadmitted, E&S lines.

by David Pilla

In an effort to strengthen its focus on the U.S. reinsurance and excess and surplus insurance markets, Lloyd's said it will give up its admitted licenses in the U.S. Virgin Islands, Kentucky and Illinois.

The move is part of a strategy to focus on its core markets as Lloyd's is the market leader in U.S. reinsurance and E&S, Lloyd's said in a market bulletin.

The licenses to be relinquished collectively represent $215 million, or 1% of its annual U.S. premium income, Lloyd's said.

"Those are the only territories that Lloyd's currently writes admitted business," Lloyd's said in an email. "Lloyd's is strengthening its focus on the U.S. E&S and reinsurance markets, which remains our biggest market in the world."

"This decision was not related to the local markets or the business we write under the licenses, rather it was a recognition that E&S business is a better fit for our underwriters given the market's innovative nature and expertise in emerging risks," Lloyd's said in the market bulletin. "Lloyd's believes that the product flexibility of the E&S space is key to realizing Lloyd's strategic vision."

> "This decision was not related to the local markets or the business we write under the licenses, rather it was a recognition that E&S business is a better fit for our underwriters given the market's innovative nature and expertise in emerging risks."
>
> **Lloyd's**

Lloyd's said the market and its key stakeholders "will need time to make changes to their commercial plans. We are therefore providing a window of 12 months during which new business will continue to be allowed."

After July 1, 2021, no new business or programs will be accepted on the U.S. licensed platforms, Lloyd's said.

"Regarding existing and renewal business, Lloyd's will be working with the regulators in the licensed territories to develop plans to nonrenew this business with as little disruption to the local markets and policyholders as possible," Lloyd's said. "We will issue further and more detailed guidance in due course once arrangements with the regulators have been agreed."

Driven by E&S lines, North America has replaced the United Kingdom and Ireland as the top source of income for the London Market, according to a recent report from the London Market Group and McKinsey.

Market business in the region grew 6% from 2010 to 2018, outpacing the rest of the world. Thirty-six percent of the market's $110 billion of gross written premium originated in the U.S. in 2018, helped by a strong economy and gains in the tech sector and weather-related catastrophe, the report said. BR

David Pilla is news editor, *BestWeek*. He can be reached at *david.pilla@ambest.com*.

Allstate Makes Deal To Acquire National General

Allstate CEO says the acquisition increases personal lines premiums by $4 billion.

by Renée Kiriluk-Hill

Allstate Corp.'s $4 billion deal to acquire National General Holdings Corp. will make it a top-five carrier in the independent agency channel, according to Chairman, President and Chief Executive Officer Tom Wilson.

The company will "take a run right at" an independent-agent competitor expanding more aggressively in home insurance, he said following a presentation showing Progressive as the personal lines market share leader, with 13% of the market.

The pending acquisition is a cash deal, expected to close in early 2021.

"Acquiring National General accelerates Allstate's strategy to increase market share in personal property-liability and significantly expands our independent agent distribution," Wilson said in an earlier statement.

> "Acquiring National General accelerates Allstate's strategy to increase market share in personal property-liability and significantly expands our independent agent distribution."
>
> **Tom Wilson**
> Chairman, President and Chief Executive Officer
> Allstate

"The acquisition increases personal lines premiums by $4 billion and market share by over one percentage point to 10%," he said.

National General's board of directors has approved the deal, which includes a breakup fee of $132.5 million.

The main impetus for the deal was to put Allstate "squarely in front" of independent agents with good technology and a broad product portfolio, Wilson said.

It plans a reverse merger of its independent agents business into National General's network. The CEO cited National General's technology platform, agency interfaces and a management team with substantial acquisition experience.

Chief Financial Officer Mario Rizzo called the independent agency channel highly fragmented, with just four insurers holding more than 5% of a nearly $125 billion market at year-end 2019.

Allstate would land behind Nationwide, Travelers and Liberty Mutual, each with 7% of the independent agency market, with a post-acquisition share of 4%. Independent agents wrote about 35% of personal lines business last year and the pace of growth has remained in-line with the overall industry, Rizzo said. The National General acquisition will add 42,300 independent agents to the 10,100 Encompass and Allstate brand independent agents. "We think this provides a significant growth opportunity," Rizzo said. It would also boost Allstate's share in nonstandard automobile, an area where Allstate was once a giant, Wilson said. The company once wrote as much nonstandard as standard auto on a weekly basis, he said, but exited the line in the early 2000s. BR

Renée Kiriluk-Hill is associate editor, *BestWeek*. She can be reached at *renee.kiriluk-hill@ambest.com*.

Regulatory Update

carriers based on premiums collected. The new fees will begin in July 2021, according to a fiscal note attached to the bill. The fees are estimated to generate roughly $94.9 million in revenue the first year, it said.

Liquidation: A Vermont Superior Court judge has approved a request by the Vermont Department of Financial Regulation to issue an order liquidating Global Hawk Insurance Co.

Judge Timothy Tomasi signed the order in June after the department found the company, a risk retention group domiciled in Vermont, was insolvent and that rehabilitation would be futile.

According to the state's petition for liquidation, Global Hawk at the end of 2019 reported assets of $42.7 million, including cash and invested assets of $36.7 million, and liabilities of $34.9 million.

By April 30, the company had 224 open cases and case reserves totaled $11.9 million—a figure 10 times greater than its liquid assets, it said.

Global Hawk's financial condition was even worse, it said, since that figure did not include losses incurred but not yet reported.

Genetic Information: Florida Gov. Ron DeSantis has signed a bill prohibiting insurance companies from using an individual's genetic information to cancel, limit or deny life insurance policies or long-term care coverage.

According to a summary of the measure before it passed, Florida law prohibits health insurers from considering genetic information when issuing policies and when setting premium rates.

The prohibition, however, did not extend to issuers of life, long-term care and disability income insurance policies, it said.

This law now will cover them.

Setting the Right Tone

Insurers must clarify the role insurance can play in recovering from future pandemics.

By Stephen Catlin

I am delighted to have worked in the insurance industry since 1973 and continue to believe that insurance provides tremendous value to society. However, I believe there are certain practices on which the industry could improve.

I have commented on many occasions that insurers and brokers should do a much better job when communicating with the public and with governments, especially regarding the true value that insurance provides. Secondly, it's in the nature of our business to focus on the past, and therefore we often neglect giving adequate thought about the future. Finally, I regret that—when an event occurs that causes extreme human suffering—the insurance industry often views the event primarily in terms of dollars and cents.

Over the years, we have identified a list of potential 'Big Ones,' events that could cause severe financial stress for insurers and reinsurers. These events range from a Category 5 hurricane that strikes at the heart of Miami to a powerful earthquake devastating Los Angeles or Tokyo. Over the past two decades, an extreme act of terrorism was added to the list.

However, until recently, relatively few insurers would have guessed that a pandemic could be the costliest event the industry would face. I believe that neither governments nor insurers had truly contemplated the economic consequences of a pandemic, in part because the financial impact of such an event is extremely difficult to model.

Unfortunately, the coronavirus has amplified some of the things that I believe the industry often does poorly.

It is not my place to comment on whether individual policies provide coverage for potential claims arising from COVID-19. However, I can say that I was dismayed at the defensive nature of some insurers' statements as the crisis began to expand. There always has been widespread public distrust—if not disdain—for the insurance industry, and the comments uttered by some insurers did not help our relationships with governments and our customers.

As I often have said, it's not what you say, but how you say it.

Now that it appears that COVID-19 may be the costliest event in the industry's history, we must begin to think ahead. Will society face pandemics of a similar magnitude in years to come? While I hope

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we will not, I suspect that we will. If so, what should be the role of the insurance industry? Should we simply adopt policy wordings that make it crystal clear that insurance coverage will be of little benefit to policyholders for future losses arising from a pandemic? Or, should we think about how insurers can play a meaningful role in economic recovery while still protecting the industry's capital base?

Projects are under way in several nations to clarify the role that insurance can play—in conjunction with government—if and when a similar crisis develops.

In the United Kingdom, I am chairman of the steering committee of a project dubbed 'Pandemic Re.' Our purpose is to strengthen the U.K.'s economic resilience by devising a mechanism to allow small and medium-sized enterprises (SMEs) to purchase insurance covering losses from future pandemics and, potentially, other catastrophic, difficult-to-insure risks.

To do this, we have formed six working groups—made up of a diverse group of leaders including insurers, reinsurers, brokers, policyholder representatives and a former Cabinet minister—which will explore the best ways to achieve our goal. We then want to share these suggestions with the government, working alongside officials to ensure that the interests of the public and private sectors are aligned.

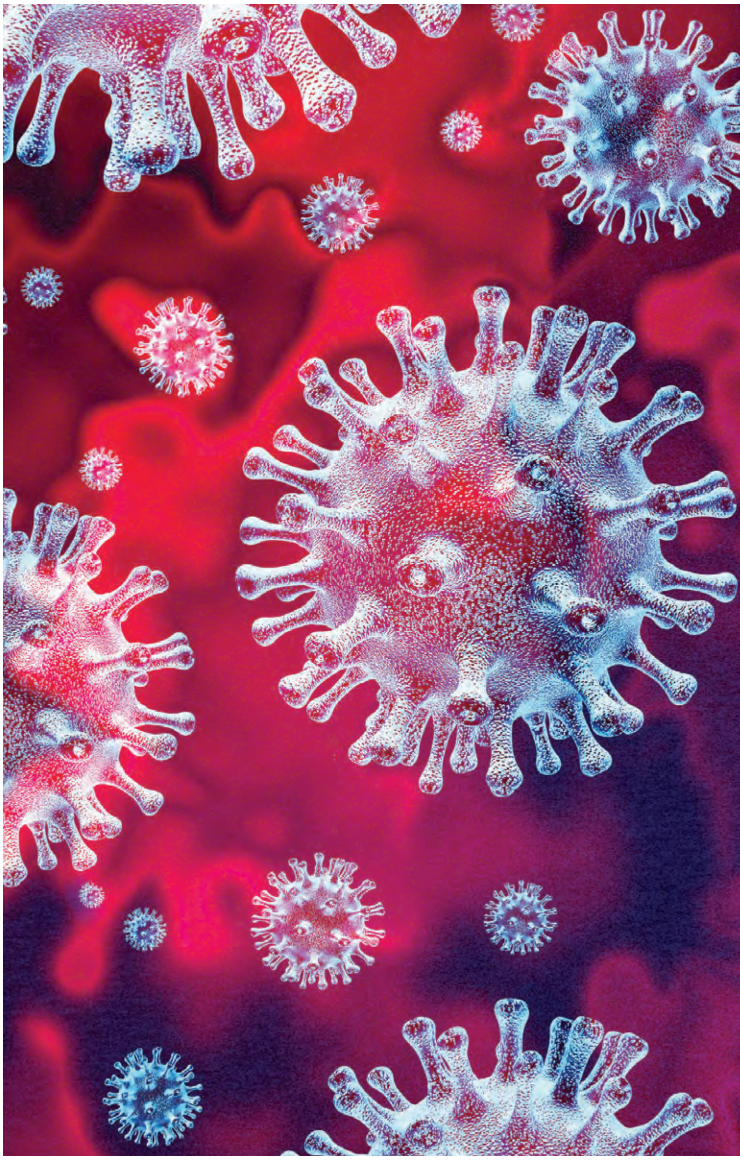
The coronavirus has posed yet another substantial challenge to the insurance industry, and we must now speak with a helpful, considerate, thoughtful and structured voice. The work of industry projects, such as Pandemic Re, to respectfully offer potential solutions to governments will help the insurance industry to play a measured but meaningful role in the economic recoveries from future pandemics. BR

Risk Adviser

Making Waves

COVID-19 reveals a possible future upswell of liabilities for insurers.

By Bob Reville



COVID-19 is an emerging liability catastrophe which is only slowly revealing its contours, but we are beginning to see the outline of the first wave of cases. There have been 165 complaints filed in state and federal courts across a range of industries from health care to meatpacking. As time progresses, and narratives of responsibility for the actions evolve, later waves may emerge. As with any liability catastrophe, insurers will need to track the early litigation while also managing exposure to potential later waves.

The industry with the largest number of filed cases so far (55) is deep-sea passenger transport such as Carnival and Norwegian Cruise Lines, including both personal injury and securities cases. We expect to see cross-line clash like this in other highly impacted industries as well. Since cruise line outbreaks were early and have stopped, we do not expect this industry to stay at the top. The second-largest number of cases is against nursing homes and assisted living facilities, which have so far seen at least 40 cases filed by residents. With over 50,000 nursing home deaths nationally, we expect this number to grow significantly.

We can look to past liability catastrophes to help anticipate the outline of later waves. In asbestos, the first wave was workers' compensation, the second was product liability, and the third included "take-home asbestos" where children or spouses of workers sued for illnesses caused by asbestos fibers taken home from work.

We see "take-home COVID-19" as a significant risk in coming months due to occupational transmission along with very high rates of intrafamily transmission. We estimate that 8% to 11% of COVID-19 deaths were family members of workers in essential industries who acquired COVID-19 at work. The potential defendant industries include construction, retail, health care and meat production. This represents a significant liability insurance risk which, while not yet present in the court data, requires exposure management.

Even greater risks may ultimately emerge. COVID-19 has been a fiscal catastrophe for

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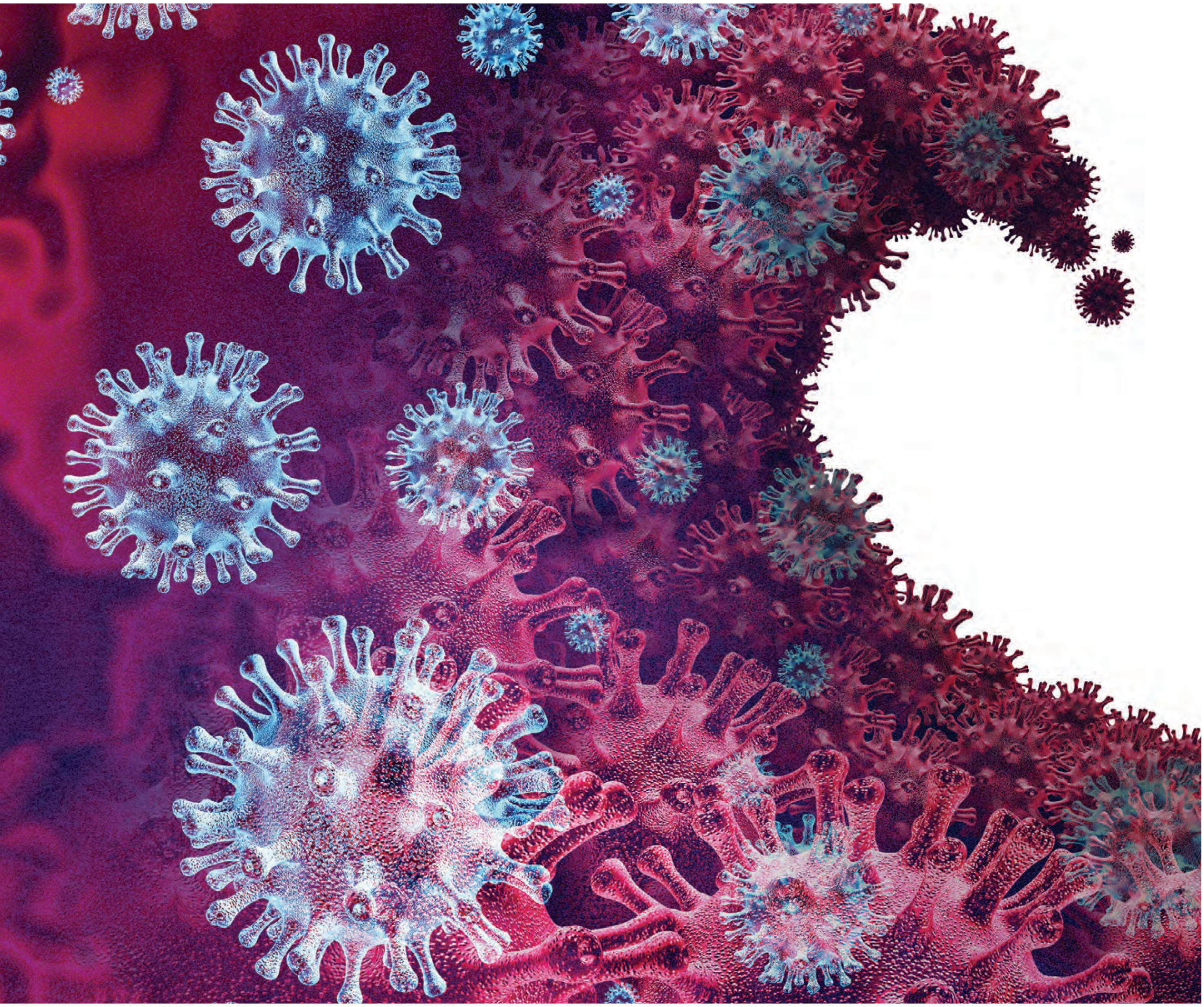

local and state governments both from public health expenditures and lost tax revenue. With the litigation precedents of tobacco and opioids, a later wave of COVID-19 litigation could seek reimbursement for the public health expenditures targeting industries that the governments may deem as having been responsible.

While the specific causes of action or defendant industries are unclear at this stage, based on media reports and scientific articles, we have been developing scenarios for litigation against airlines for introduction of the pandemic, and against processed food manufacturers for driving health risks (such as diabetes and obesity) that increase the vulnerability to COVID-19 in the population. While both scenarios seem unlikely today, they have precedents and parallels in prior litigation that make it unwise to ignore the risk.

Finally, nobody knows if the pandemic is nearly over or still early in its course, but the responsibilities of corporations to their employees, their families and to the community at large are becoming increasingly clear. When companies are the source of community outbreaks and intrafamily spread, corporate policies around reopening offices, sick pay, providing masks, or offering future vaccinations may be a factor in future liability. Insurers may avoid this risk with exclusions, or may embrace the opportunity to help their clients reopen by underwriting the risk, perhaps with innovative new products, and managing aggregations. BR

Technology

Silver Lining

New compliance regulations are spurring insurers to build frameworks for a strategic ROI.

By Tim King

Aflac expects to spend $60 million through 2021 in order to comply with Long Duration Targeted Improvements accounting standards. In addition to LDTI (or similarly, IFRS 17 outside the U.S.,) two other regulatory trends include consumer data privacy protections and sales practices standards. The potentially significant price tag of compliance leaves carriers asking: If there are required investments in technology and business processes to comply with, how can we repurpose those investments for strategic impact in other areas?

Strategic return on investment in the context of compliance presumes that the cost to comply with a given regulation is relatively fixed (e.g. the investment) and that the strategic return is manifested in noncompliance-related improvements, such as increased sales or reduced overhead. To benefit from this strategic ROI, insurers must recognize that the underlying data and related analytics used for compliance is also helpful for improving customer-facing and internal business processes.

The framework to accomplish this has three components:

- Analysis of regulation fundamentals.
- Categorization of the underlying data requirements.
- Analytics-driven process improvements that can be realized through fulfillment of the aforementioned data requirements.

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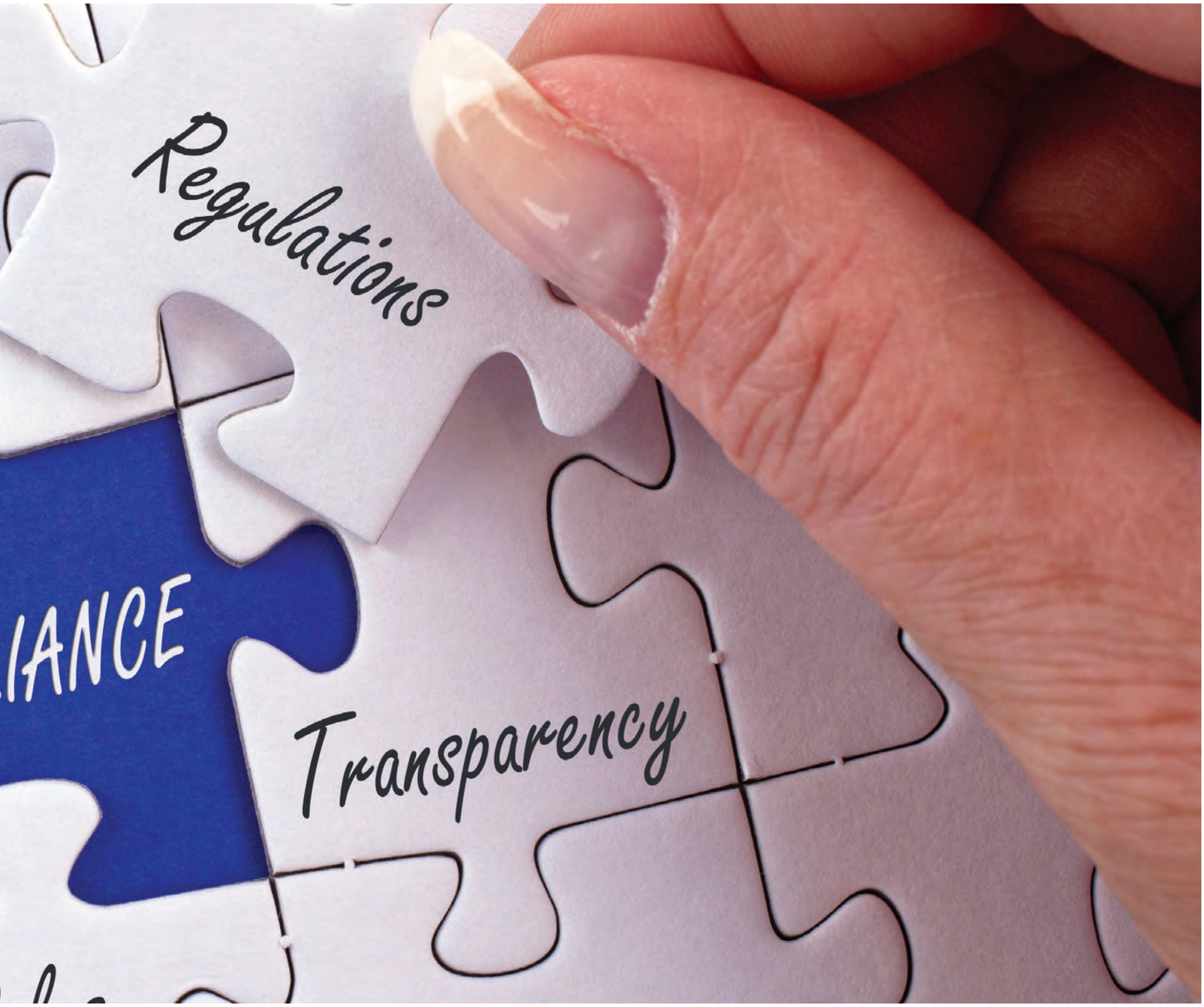
While the three categories of regulation vary from a business perspective, there are similar recurring data needs behind the stated objectives. All require the synthesis of data across multiple phases of the insurance value chain. For accounting regulations, this means marrying claims, premium and demographic data to project cash flows. Right-to-be-forgotten mandates require access to consumer data generated from any touch point with a customer. Monitoring of sales tactics necessitates the blending of consumer net worth and risk tolerance information with details of products sold.

Similar commonalities exist for speed and/or frequency of access to data. New accounting regulations stipulate more frequent cash flow projections. The California Consumer Privacy Act requires a 45-day



response time to each individual request. Life and annuities sales teams must accelerate assessment of "best interest" to not miss sales opportunities. From a granularity standpoint, all three regulations require policy level mobilization of data.

Regardless of the business case, a broad spectrum of business processes can benefit from investments made in the name of compliance. The marketing and sales functions require greater granularity of historical customer interactions needed to understand all historical interactions. Speed is key to differentiate and hyperpersonalize the purchasing and servicing experience.

Underwriting faces massive data complexity to supplement human judgment in large account underwriting. A want-it-now mentality in personal lines underpins the need for timeliness. Granularity of customer data, both internal and external, is paramount for hypersegmenting risks. Equipped with more agile access to highly granular claims data, claims teams are better positioned to detect fraud, identify subrogation opportunities and inform claim triage.

To realize strategic ROI on activities otherwise forced upon insurers by new regulations, carriers must view compliance as an opportunity to derive strategic value by improving customer experience, driving revenues and making smarter pricing and underwriting decisions.

Insurers who align the broad data needs of revenue-generating and customer-facing C-suite stakeholders with compliance-driven investments in technology will be best positioned to deliver the most total value. BR

Regulatory/Law

Reinsurance & BI Claims

Reinsurers need to evaluate their obligations, especially if legislation is passed expanding their exposure.

By **Peter McNamara**

Statewide closure orders across the United States already have spawned numerous lawsuits throughout the country by policyholders seeking coverage for losses resulting from state-mandated closures of their businesses.

The policyholders often assert that their revenue losses are compensable under business interruption coverage commonly provided by commercial property policies. Typically, the coverage form states that the insurer "will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss."

The claims arise in a variety of contexts, including loss of income resulting from orders limiting restaurants to takeout service and, as some states begin to reopen, limitations on seating capacity, as well as business interruption or expense resulting from disruptions involving key suppliers to customers. While "business interruption" no doubt has occurred on a widespread basis throughout the country, significant coverage issues often are presented by such claims.

The analysis of the potential ramifications of such claims to reinsurers starts, as always, with the relevant contract terms, including follow-the-fortunes/follow-the-settlements and original-conditions provisions, which generally are intended to align reinsurance coverage with that of the underlying policy. Such provisions will need to be carefully considered by reinsurers in evaluating their obligations, particularly if legislation expanding their cedents' exposure to business interruption losses is enacted.

Although many property policies do not define "direct physical loss" for business interruption coverage, courts generally have required that the insured premises sustain some demonstrable physical damage. Insureds may argue that a finding of the presence of COVID-19 at the insured premises entitles them to coverage for their business interruption losses. Even assuming that position can be established, some courts have held that there is no physical harm where the functionality of the insured premises can be restored by cleaning or sanitizing. Issues also

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are presented as to the length of time a business closure due to the presence of COVID-19 in the premises would be covered.

Recognizing the limitations in business interruption coverage in the context of COVID-19 claims, legislation is being considered at both the state and federal level intended to effectively compel coverage for claims arising from the pandemic. Legislation proposed in several states would require insurers to pay for business interruption regardless of whether there is physical property damage, or an applicable exclusion. The insurance industry is opposing those proposals.

State legislatures, however, previously have passed laws expanding the scope of coverage in response to other disasters. Although such legislation presents a number of issues, including constitutional issues, the possibility that such legislation may be enacted cannot be dismissed. Any such expansion in coverage likely will have ramifications to the reinsurance industry.

Absent the enactment of legislation altering the scope of the coverage, payments for COVID-19 business interruption claims that clearly are not covered generally are not reinsured. Thus, if losses are paid in response to pressure from regulators, reinsurers may be within their rights—business considerations aside—to deny insurers' claims.

Claim payments that are mandated legislatively, however, put the insurers' reinsurance claims payments in an unsettled area. Reinsurers need to closely monitor proposed legislation and regulatory initiatives that potentially may impact the scope of their obligations to their cedents. BR

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BEST'S REVIEW®

ISSUES & ANSWERS:

CAPTIVE DOMICILES & SERVICES

A service provider shares smarter and more innovative ways to mitigate captive risk.

Interviewed Inside:

Rob Walling
Pinnacle Actuarial Resources

View past Issues & Answers sections at
www.bestreview.com/issuesanswersarchive.asp

The Case for ERM

Rob Walling, principal and consulting actuary for Pinnacle Actuarial Resources, said that in this economic climate actuaries should be asking their captive insurance clients a lot more questions. “They’re going to be requesting more data, and they’re going to be looking at the data differently than they would in a year that didn’t have substantial external changes,” he said. The following are excerpts of an interview.

What impact is the global COVID-19 pandemic having on captive insurers?

It’s forcing almost every captive to be much more thoughtful in evaluating their insurance program and to consider revising their coverage retentions, and coverages. We’re seeing so many different coverages being impacted by COVID and the insurance markets themselves are also having an effect. So it’s a very dynamic period in that there’s no captive that’s just renewing at expiring.

Has the economic downturn highlighted the need for enterprise risk management (ERM) for captives?

Not so much the economic downturn, per se, but the cyclical turn in the insurance market, the hardening of the insurance market. We’re seeing reinsurance rates go up substantially. That was occurring even before COVID came to roost in the U.S. But now, the additional claims associated with COVID are exacerbating the problem. The economic conditions in the insurance market and in the reinsurance market are really highlighting the need for ERM. You’re faced with a situation where you’ve got to decide between a 50% increase in your property insurance premiums or moving some of that coverage into a captive. A lot of the ERM that’s going on right now is really assessing the economic risks that keep you up nights and rethinking how you design your overall risk financing program between your captive and the commercial policies you buy.

Is the role of the actuary more critical during times of economic uncertainty?

There’s an opportunity for an actuary to play a greater role. Whether the actuary steps up to that challenge remains to be seen, but there’s certainly an opportunity. A situation like the current crisis is begging for data, and it’s very challenging from a data perspective. There’s not a lot in the actuarial toolkit that makes looking at the historical data and using it to accurately project what 2020 is going to look like an easy or routine process.

PINNACLE
ACTUARIAL RESOURCES

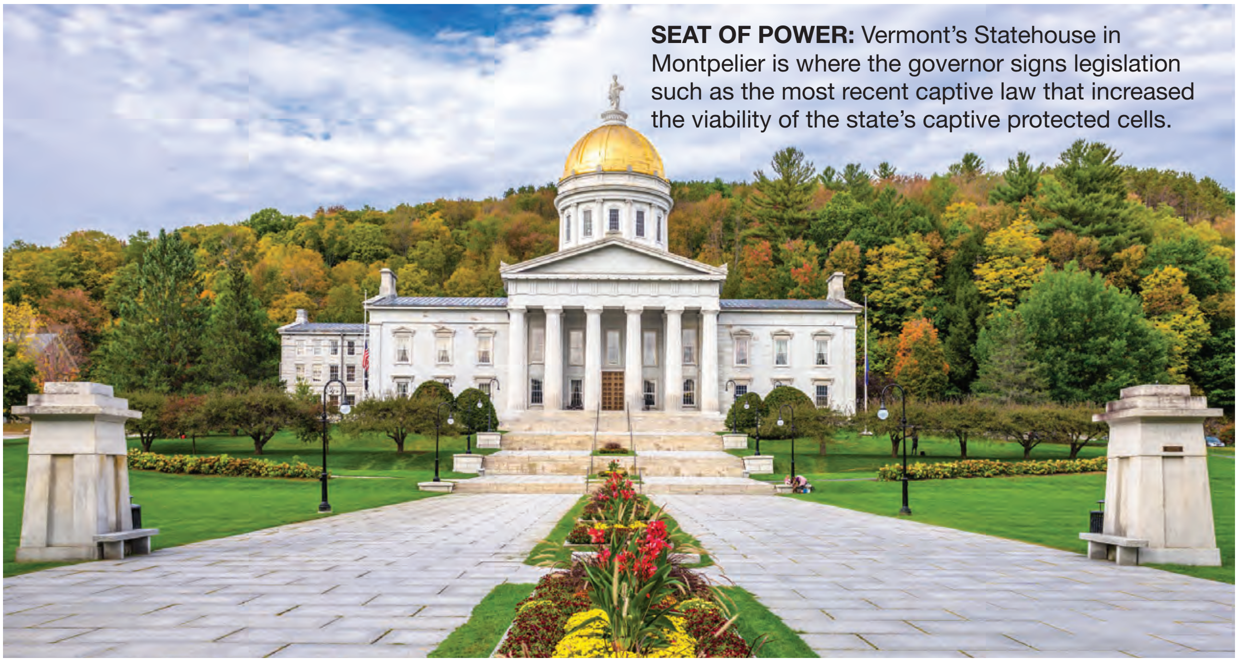
Rob Walling
Principal and Consulting Actuary
Pinnacle Actuarial Resources

“The current economic climate has given captive insurers an opportunity to look at ERM through new eyes and with new information.”

Go to the Issues & Answers section at *bestreview.com* to watch an interview with Rob Walling.

What advice are you giving to captive managers that you weren’t giving them a year ago at this time?

It’s really important to be very intentional when we’re going through these very dynamic periods. So, the more time that you can have for evaluating the insurance program, really understanding where your coverage gaps might be, having a thorough understanding about what the commercial markets are going to be doing with your renewals all go into the process of making sure that your overall risk financing program is well-designed. Making sure that your coverage gaps that you’ve either known about for a time or identified through the COVID experience are being addressed, and making sure you’re making the right financing decision between financing and exposure in a captive versus keeping it in the commercial insurance market.



SEAT OF POWER: Vermont's Statehouse in Montpelier is where the governor signs legislation such as the most recent captive law that increased the viability of the state's captive protected cells.

Captive Update

Vermont governor signs new captive bill to reduce minimum capital threshold, increase flexibility.

by Frank Klimko

Gov. Phil Scott has signed legislation to streamline Vermont's captive insurance laws, reducing the minimum core capital for a sponsored cell from $250,000 to $100,000, and allowing the creation of separate accounts within a cell of a sponsored captive.

The law is intended to increase efficiencies while adding flexibility to regulatory policy and procedures, the governor said in a statement.

The law seeks to increase the viability of Vermont's captive protected cells, which are alternative risk-transfer mechanisms that often operate like a stand-alone captive.

"One of the key changes recognizes the importance of cells in the captive industry, and makes it clear that a cell can operate—and should be regulated—much the same as an individual captive," Deputy Commissioner of Captive Insurance David Provost said in a statement.

The law allows cells to form separate accounts within a given cell of a sponsored captive. So-called cell captives—or a protected cell company—wall off each insured's assets. The provisions mirror those applicable to stand-alone captives and extend the protections of statutory clarity, according to a statement from Scott's office.

In addition to reducing the minimum core capital threshold, the law gives additional investment flexibility to sponsored captive companies. Sponsored captives may be set up by an insurance industry-related entity to be used by its clients. The sponsor contributes to the captive's core capital.

The new law also will simplify captive disclosure requirements, align state law with the National Association of Insurance Commissioners' statutory accreditation standards for risk retention groups and allow dormant captives to remain intact at a minimum capital level so they may be reactivated in the future, the statement said.

Richard Smith, president of the Vermont Captive Insurance Association, said the new law will help the industry.

"Even in the midst of a pandemic where the attention of the governor and legislature is rightly focused on the health and welfare of its citizens," Smith said, "Vermont's state leaders came through and passed a bill that updates and strengthens Vermont's captive insurance statutes."

The state has roughly 600 licensed captives, Provost recently said. Vermont captives wrote $22.6 billion in premiums in 2019, he said. BR

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An Old and a New Problem

As the number of Americans reaching the age of 100 grows, a small but noteworthy problem rears its head. In many cases, life policies issued before the early 2000s mature at the century mark and the industry is left to figure out how to address the issue.

by Terrence Dopp

James Bainbridge, a Philadelphia attorney with 15 years of experience in insurance law who has represented all facets of the insurance world, was vaguely aware of the age 100 issue in permanent life insurance when the trust set up by Gary Lebbin first contacted him about representing it in a suit against Transamerica Life Insurance Co.

Bainbridge came across this issue several years ago while writing for a trade group, the Association for Advanced Life Underwriting. He'd also discussed the issue with Joseph M. Belth, a professor emeritus of insurance at Indiana University, who'd been

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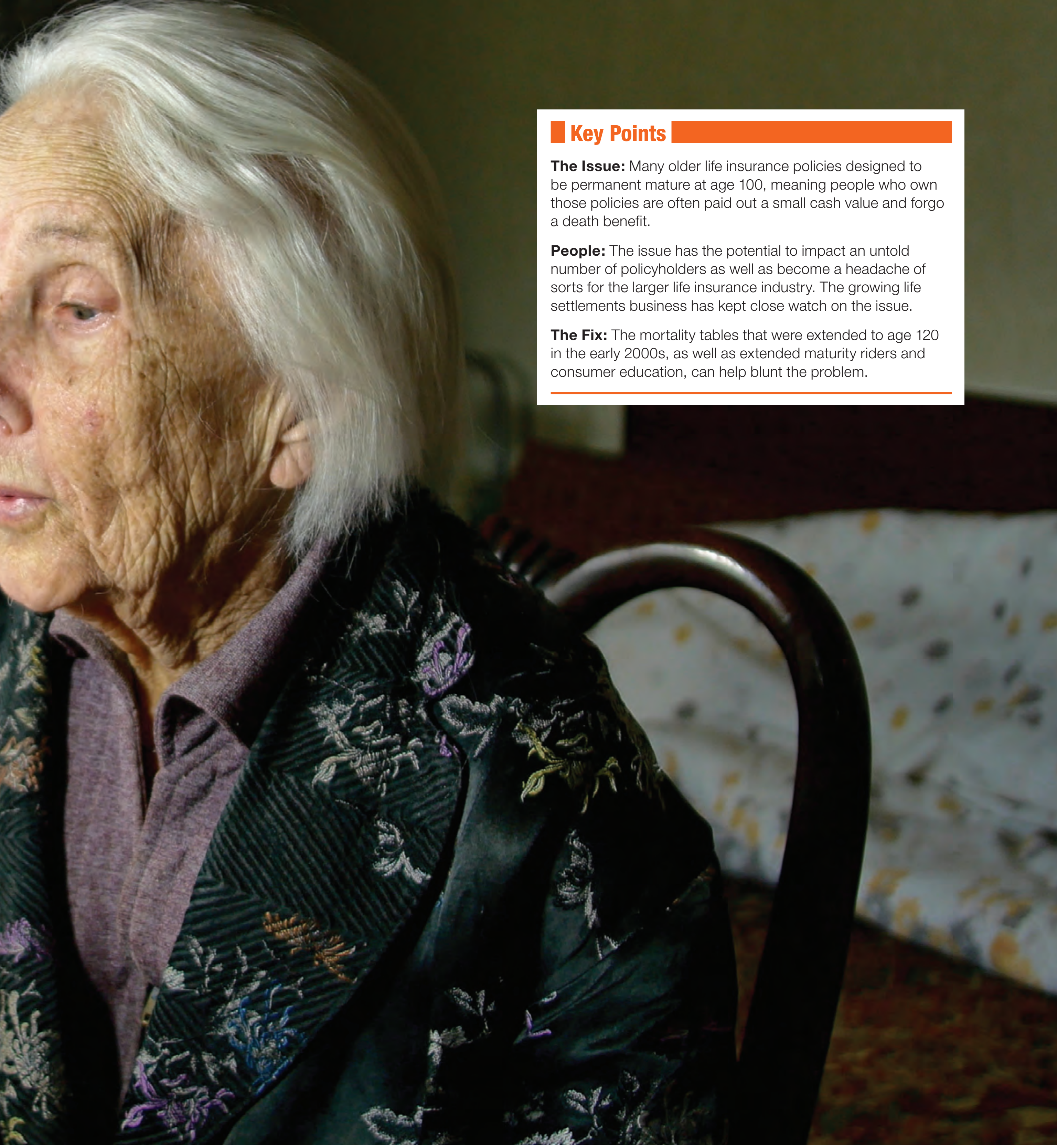

Key Points

The Issue: Many older life insurance policies designed to be permanent mature at age 100, meaning people who own those policies are often paid out a small cash value and forgo a death benefit.

People: The issue has the potential to impact an untold number of policyholders as well as become a headache of sorts for the larger life insurance industry. The growing life settlements business has kept close watch on the issue.

The Fix: The mortality tables that were extended to age 120 in the early 2000s, as well as extended maturity riders and consumer education, can help blunt the problem.

warning of the issue since the early 2000s. While many companies have offered extended maturity riders and taken steps to correct the situation, others such as Transamerica have turned to litigation to avoid such actions, he said.

Lebbin had purchased whole life policies for himself and his wife from Transamerica. When he reached 100, the company said he'd reached the maturity age and was set to receive the cash value of the policy rather than a tax-free and higher death benefit.

"I do believe it's a case of first impression," Bainbridge, founder and owner of The Bainbridge Law Firm, said, referring to a novel legal action that sets precedent. "The Court's decision finding language in Transamerica's universal life insurance

"This is in one sense a new problem, or relatively recent, and in another sense it's a very old problem."

Steven Weisbart
Insurance Information Institute

policies in question incomprehensible will have implications for elderly insureds and their families who have had or will have their policies terminated at or near age 100."

The so-called age 100 issue is a small but fascinating problem in the permanent life insurance world that for the companies is proving more of a headache than a cataclysm in the making.

The number of Americans age 100 or more has grown steadily in recent decades, according to the U.S. Census Bureau. In the 1980 count, the agency registered 32,194 people who reached that milestone or a statistical 1.42 people out of 10,000.

The 85-and-over population is projected to more than double from 6.5 million in 2017 to 14.4 million in 2040 (a 123% increase), according to the *2018 Profile of Older Americans*, a report from the Administration for Community Living, which includes the Administration on Aging, an operating division of the U.S. Department of Health and Human Services. Also, there were 86,248 persons age 100 and over in 2017 (0.2% of the total age 65-and-over population).

For the small subset of these folks who hold an in-force permanent or whole life policy written prior to the change in the extended mortality tables in the early 2000s, reaching 100 can mean hitting the terminal age of their policies. Because it was so rare in the past, policies were issued with that age as a hard wall at which the (lower as a rule) cash value of the policy was paid out and the death benefit canceled.

"This is in one sense a new problem, or relatively recent, and in another sense it's a very old problem," said Steven Weisbart, senior vice president and chief economist at the Insurance Information Institute. "Numerically, I don't believe it's a large problem in terms of number of people affected, but for anyone who is in that category, it's an issue."

The III focuses on creating and releasing information designed to help insurance consumers. It's made up of 60 insurance carriers and the group doesn't sell insurance or lobby.

In the early 2000s, the Commissioners Standard Ordinary Table was updated to push out that terminal age to 120 for the sake of industry planning and determining premiums in a move that largely insulates people who bought later policies from the quirk of aging. No reliable accounting exists for how many people may be caught in the loopholes and facing the issue head on.

Weisbart said the issue largely revolves around estate planning: People tend to make tax-free life insurance a centerpiece of their strategy. If they are paid a cash-value upon reaching the century mark, not only will the payout be reduced by some portion but it may also be subject to income taxes. In many cases this could undercut the benefit of passing on that money.

"From an income tax point of view, to the individual insured, it could be a pretty hefty income tax liability that wasn't planned for, wasn't desired and contradicts an estate plan," he said.

It's an issue few want to talk about.

Michael Lovendusky, vice president and associate general counsel at the American Council of Life Insurers, said the issue is due to the changing times. The specifics of life insurance policies vary depending on the unique needs of the insured, issuers and regulations, he said. He pointed to the mortality table revisions as an example the

"The Court's decision finding language in Transamerica's universal life insurance policies in question incomprehensible will have implications for elderly insureds and their families who have had or will have their policies terminated at or near age 100."

James Bainbridge
The Bainbridge Law Firm

industry has taken to address the issue.

"In addition to reading the terms of their policy, policyholders concerned that they are approaching their maturity age should consult with a financial adviser to discuss the impact of these details on their overall tax situation and what courses of action are open to them," Lovendusky said in an email.

Lebbin v. Transamerica

The most high-profile example of this issue has been the breach of contract lawsuit *Lebbin v. Transamerica Life Insurance Company* that Bainbridge has been involved with. The insurer is now appealing the decision.

Gary Lebbin was born in September 1917 in Germany and immigrated to the United States in 1938 to escape Nazi persecution. He was married to Bernice Lebbin and they had two children, four grandchildren, and seven great-grandchildren before she died in 2015 at age 97. In 1990, he created a trust that purchased two second-to-die universal life policies from Transamerica with a total face amount of $3.2 million. His two children are the trustees.

Second-to-die policies insure two lives and pay a death benefit upon the death of the second one covered. A judge in April found in favor of the Lebbin family on its claim of a breach of contract and awarded $2.53 million in damages, according to court documents.

Transamerica has placed about $2.8 million in escrow and is now appealing the decision in the U.S. Court of Appeals. A Transamerica spokesperson said they couldn't comment given the pending legal case.

"It is an understatement to say the age 100 problem is serious. Indeed, I think the problem is the Achilles' heel of life insurance," Belth wrote in a 2017 blog post raising interest in the issue and that case. "The bedrock principles of life insurance marketing are the income-tax-deferred inside interest and the income-tax-exempt death benefit."

In the course of reporting for this story, most of those interviewed cited Belth as the premier expert on the issue in the U.S. He declined to comment beyond the blog posts on his website. He first began raising the issue from the consumer perspective in 2001.

Both he and Bainbridge believe the outcome of the case could prompt a class-action lawsuit, and that would be the only way to force the industry and other interested parties to address the age 100 problem. If the suit made it past initial challenges by insurers seeking to have it dismissed, all sides would have strong incentives to avoid trial through a settlement, and that outcome would be in the public domain.

"I wouldn't be shocked if it went in that direction," Bainbridge said. "That's kind of the natural evolution."

Life Settlements

Much like the scope of the problem itself, the life insurance industry's potential exposure can't readily be quantified. In-force individual life insurance protection in the U.S. totaled $12.1 trillion at the end of 2018, according to ACLI data. Determining a number would require figuring out the actual percentage of those who are over 100.

But one facet of the greater insurance industry that has kept a keen eye on this issue has been the life settlements business.

Simply put, life settlements are the sale of life insurance policies for more than the cash surrender value but less than the death benefit. The buyer

> "Most sophisticated [life settlements] investors are acutely aware of [life insurance policy] extension risk."
>
> **Christopher Conway**
> ISC Services

agrees to continue paying premiums for the life of the insured, making the issue of life expectancy doubly crucial.

The market, which only kicked off in a meaningful way as a method for people to cover health care costs through so-called viatical settlements during the AIDS epidemic, has seen its ups and downs. But the most recent tabulation by global asset management firm Conning was that the market settled $3.8 billion in face value in 2018.

Prior to the 2008 financial crisis, the market had swelled to as much as $12 billion. However, like many facets of the financial world, it saw that size contract, Scott Hawkins, the firm's director of insurance research, said. Now investors looking for returns amid the low interest rate environment and growing consumer awareness have seen it grow and by 2028 Conning is predicting $6.4 billion in settlements.

"Robust is a relative term," Hawkins said. "Investors lost interest, capital dried up and the market fell down to a billion and a half until about two or three years ago. That said, it's definitely turning around."

Along with growing demand on the part of investors, he credits greater awareness on the part of policyholders and financial advisers for the increase. In some cases, regulators are also requiring a notice to life insurance policyholders before a possible lapse letting them know settlement is an option.

Christopher Conway, a principal and chief development officer at life expectancy consultants ISC Services and chairman of the Life Insurance Settlement Association, said within the settlements world providers have begun looking at maturity extension risk in a new light. He's been involved in the industry for 30 years and ran two firms serving as providers linking buyers and sellers in the market.

He said his industry is a "constituent in the concern surrounding that issue" because many of their portfolios still contain earlier policies that could potentially bump up against the terminal age.

For those policies predating the change in life insurance products to include maturity extension provisions, he said even seven to 10 years ago only a few investors were addressing this as an important part of their due diligence and now it's a normal part of the evaluation process on life settlements.

If the person reaches 100 without an extension rider or provision in their policy, settlement investors and providers can lose money on the deal. Likewise, if they anticipate an 85-year-old has a four-year life expectancy that ends up being much longer, the extra premiums they pay could eat into or overtake their investment.

"Most sophisticated investors are acutely aware of extension risk and the possibility that, particularly for a large policy usually owned by a wealthy, well-advised person, is likely to extend due to their access to better health care and by enjoying a better lifestyle," he said. "So, they factor that into their pricing and their analysis before they would take an age 100 risk and, as a result, the investor will usually require some form of extension rider."

Conway said he isn't aware of people rushing to sell policies before they hit the terminal age and the issue has primarily impacted those on the buy side of the transactions.

"In theory, if consumers were more aware of life settlements and they were then made aware that your policy doesn't have an extension rider and therefore might be less valuable down the road if you decide to sell it, it might cause certain consumer behavior," he said. "It might drive a change in agent behavior or in the types of policies being sold." BR

Key Points

The Situation: Life and annuity insurers are facing some new regulations that will impact their business for years to come.

What's Coming: The introduction of Current Expected Credit Losses, the implementation of new approaches to accounting for life/annuity liabilities and increased requirements surrounding the sale of life and annuity products.

The Good News: While these approaches are often more complex than those they replaced, they are not necessarily a negative effect, and some may relieve other pressures on insurers.

ONE OF MANY: The U.S. Securities and Exchange Commission is one of the entities, including the Department of Labor and the National Association of Insurance Commissioners, that impose regulations on the life/annuity industry.

New Rules

Regulatory and accounting changes may reshape parts of the life/annuity business environment.

by Mary Pat Campbell

While COVID-19 has grabbed the world's attention, life/annuity insurers are preparing for a major disruptor of their own: a series of new regulatory and accounting standard changes. These new rules may provide significant challenges for the life/annuity industry in general and for some insurers specifically over the next several years.

Three changes are of note: the introduction of Current Expected Credit Losses (CECL), the implementation of new approaches to accounting for life/annuity liabilities, and increased requirements surrounding the sale of life and annuity products. These changes may have significant and long-term fallout, affecting product design, distribution business models, and even asset/liability management. The likely impact is increased complexity, and unfortunately will likely be more taxing on insurers with more modest resources.

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Market Conduct: Best Interest, Fiduciary Duty or Suitability?

One of the least settled of these changes involves regulations on the sale of annuities and life insurance products. Part of the issue is competing regulators: the Department of Labor (DOL), the Securities and Exchange Commission (SEC), the National Association of Insurance Commissioners (NAIC), and individual state regulators. These groups often have overlapping jurisdiction surrounding products, leading to overlapping requirements for insurers and distributors. While regulators have customer protection as a goal, they have different perspectives on how best to achieve it.

Figure 1 illustrates the regulatory impact. When the SEC attempted to assert its power by regulating the sales of indexed annuities in 2008, product sales in 2009 and 2010 fell notably. The Grassley Amendment in 2011, undoing SEC oversight, led to a rebound in sales. When the DOL's fiduciary duty rule was implemented in 2016, annuity sales decreased the following two years. The rule was struck down in federal court March 2018, and the recovery in annuity sales can be seen in 2018's full-year sales.

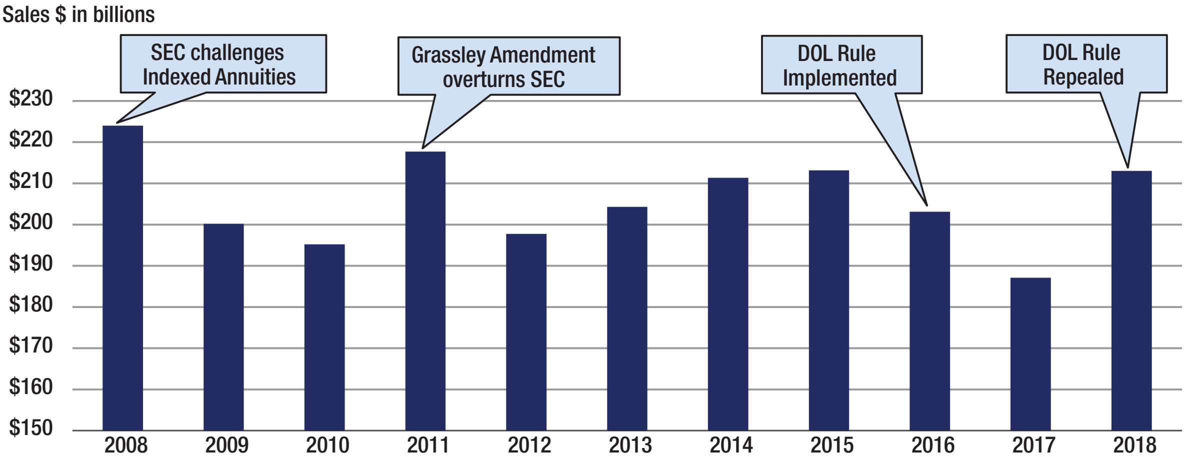
After its fiduciary rule was struck down, the DOL said it would revise its proposal by a then-announced deadline of September 2019. However, September 2019 saw the appointment of a new Secretary of Labor, not a revised fiduciary rule.

Other regulatory bodies have been active, however. The SEC issued a final rule, Regulation Best Interest: The Broker-Dealer Standard of Conduct (Reg BI) in June 2019, with an effective date of June 30, 2020. At the beginning of June 2020, the DOL sent its new fiduciary rule to the Office of Management and Budget for review, intending to align with the SEC's efforts. The NAIC created the Annuity Suitability (A) Working Group in 2017 to update the Suitability in Annuity Transactions Model Regulation (#275) to provide more uniformity between the states. The Working Group made its recommendations in 2019 and in February, the NAIC membership approved the revision. It is up to individual states to adopt the model regulation.

While the DOL, SEC and NAIC were seeking nationwide standards, individual states developed their own laws and regulations. The regulation that could have the greatest impact is New York's Regulation 187, which set a best-interest standard for both annuity and life insurance sales. The annuity portion of the regulation went into effect in August 2019, which led to multiple companies suspending sales in the state. Jackson National suspended the sale of fee-based annuities in New York, and Penn Mutual suspended all annuity applications. However, insurers re-entered the market after the NY Department of Financial Services provided some clarification on requirements. The annuity portion of the regulation is already showing teeth. In April 2020, three insurers agreed to pay more than $2 million in restitution and penalties to New York State for annuity replacement transactions that violate the state's Regulation 187.

All these cases have featured lawsuits, either by carriers or competing regulatory bodies. In the case of SEC's Reg BI, a coalition of attorneys general from

Figure 1
Regulations Disrupt Annuity Sales
Regulatory Changes Impact Annuity Sales
Sales $ in billions



Source: Prepared by Conning, Inc.
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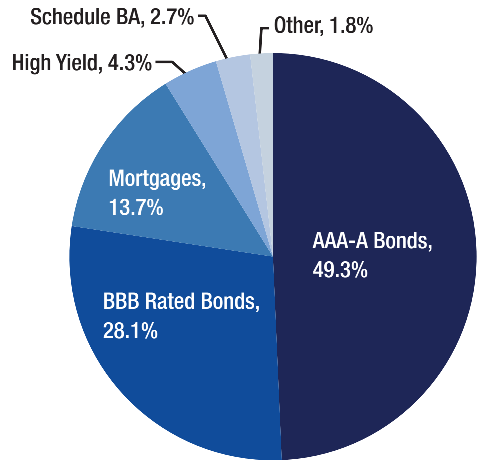
seven states plus the District of Columbia challenged the regulation in federal court. Insurance carriers unsuccessfully sued New York with respect to Reg 187.

In all these cases, regulations have increased requirements for distributors and call into question certain sales practices, such as bonuses for reaching sales targets and even traditional commissions. New York's Reg 187 adds on several more educational requirements for producers, paperwork for compliance, and post-issue requirements that never existed before. For example, if an insurance agent is involved in the conversion of a term life insurance policy into a permanent life insurance policy, that is considered a transaction and requires full documentation under the highest level of sales requirements. The life insurance portion of New York's Reg 187 went into effect on Feb. 1, and the effects are yet to be fully felt, especially as COVID-19 has slowed down life insurance sales. However, the increased compliance requirements likely will depress sales of both annuities and life insurance in New York.

Figure 2
Life Insurers May Be More Affected Due to Illiquid Investments
2018 Total Life/Annuity/Health Industry General Account Investible Assets
$3.9 trillion total assets



Source: Prepared by Conning, Inc.
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Accounting for Credit Risk: CECL

The Current Expected Credit Losses (CECL) measurement was developed by the Financial Accounting Standards Board (FASB) in reaction to the tardy way banks recorded credit losses during the run-up to the credit crisis of 2008. (The new standard was arguably tardy itself in its decade-long development.) The Accounting Standards Update (ASU) including CECL was announced in 2016 and went into effect for large SEC reporting companies for calendar-year reporting starting this year. Implementation for smaller reporting companies and other entities have been delayed until 2023.

CECL's purpose is to create an allowance for expected credit losses, especially for assets not held at fair value. Assets held at amortized cost, such as commercial mortgages, would be subject to a more complicated method of accounting for the embedded credit risk.

Prior to CECL's introduction, credit losses weren't accounted for under GAAP until a credit event occurred. The problem: Many banks knew they were carrying poor credit risks in the form of residential mortgages, but as long as they didn't recognize a credit event, the banks didn't have to write down the assets.

With the new accounting standard, entities must reflect an asset's expected credit loss throughout its lifetime, updating that expectation during each accounting period. Again, assets that have a fair value reflected in market prices, where the market is deep and liquid, likely do not require many such adjustments.

However, commercial mortgages originated by life insurers—a significant portion of many life/annuity company portfolios (**Figure 2**)—and similarly illiquid assets may require more complex accounting. While the standard mentions potential approaches to measuring the expected credit loss, there is no one method prescribed and, more importantly, no safe harbor for insurers.

Applying the CECL Approach More Broadly?

Initial measurements of CECL may have minimal impact in a benign economic environment, but a more volatile environment would likely lead to expectations of higher credit losses and may require more frequent updates and more balance-sheet volatility. Credit-loss models may require additional sophistication.

We do note that the new regulations are not all downside. For example, in the prior approach to credit losses, companies could not recognize credit improvement after an asset write-down. CECLs can move both up and down, reflecting improving market conditions. In addition, insurers could benefit from earlier identification of assets at risk and possibly avoid a sudden recognition of credit loss on an asset.

CECL is a change in GAAP, not statutory, accounting, but some are advocating its approach more broadly. In general, statutory accounting is more conservative than GAAP due to its focus on solvency and policyholder protection. The more conservative CECL practice has sparked the interest of insurance regulators, who generally favor the most conservative practices for the NAIC. However, the current NAIC statutory approach is far simpler than CECL, and many small insurers already challenged to improve investment yield would find themselves disadvantaged further in compliance costs.

The life insurance industry has pushed back on implementing CECL in a statutory setting, arguing that asset valuation reserve (AVR) and risk-based capital (RBC) provide for capturing and regulating credit risk exposures in insurer portfolios. However, property/casualty insurers do not have an equivalent reserve as AVR, so the NAIC may yet be tempted to follow in FASB's footsteps.

Long-Duration Contracts

The final change of note is FASB's Long-Duration Contracts Targeted Improvements project, which culminated in an ASU issued in August 2018. Again, the difference between the goals of statutory and financial accounting is highlighted in the change. Life insurance products have long suffered in the investment community, partly due to the opacity in measuring life insurance performance. Aspects of the prior approach—locking in valuation assumptions at policy issue, complicated approaches to amortizing deferred acquisition costs, and infrequent testing of deviation from valuation assumptions—made it difficult to evaluate if GAAP measurements were capturing the behavior of the business.

The new ASU includes:

- A requirement to unlock liability valuation assumptions at least once a year. Before, valuation assumptions were often locked in at policy issue and never updated.
- A standardized valuation rate based on current market-observable interest rates and yields. Before, valuation rates were locked in at inception for many life products and differed company to company. The effect of changing rates will be recorded in other comprehensive income.
- Fair value measurement of embedded financial guarantees, to be more closely linked to derivative-measurement approaches.
- Simplified amortization of deferred acquisition costs.
- A requirement for additional disclosures, such as roll-forwards, significant valuation assumptions, and the effect of changes in those assumptions.

There is hope that tying liability values to current market conditions, as well as requiring additional detailed disclosures, may help investors better interpret life insurance business performance. However, there is concern that the additional detail can be difficult to fully and clearly implement.

In response to industry concerns about implementation, FASB announced in 2019 that the effective date for this ASU was pushed back. The new ASU will be effective for calendar-year large public insurers in January 2022, with an effective date of January 2024 for smaller life insurers and other entities subject to the rule. There will be a one-time adjustment reported when the new standard goes into effect, with an option to develop the effect retrospectively.

Regulatory Respite?

Life/annuity insurers have been buffeted by several headwinds from 2019 into 2020: three consecutive interest rate drops by the U.S. Federal Reserve from July to October 2019, impacts from the coronavirus pandemic, and another two interest rate cuts by the Fed in March 2020.

With equity markets in a roil and the interest rates at record lows, regulations developed during a fairly stable environment may be even more difficult to implement. Many regulations and laws grew out of the prior financial crisis in 2008 and 2009. Given the dilatory nature of regulatory development, we find ourselves in the middle of great volatility again, though the nature of the crisis differs this time.

In all these approaches, the focus on protecting consumers, providing good information to investors, and supporting an insurance industry that can survive and even thrive should be front of mind for regulators. However, regulators have been more focused on helping insurers ease into these more complex compliance regimes rather than removing them.

The good news is that while these approaches are often more complex than those they replaced, they do not necessarily have a negative effect, and some may relieve other pressures on insurers. In addition, as these regulations come into effect, regulators have shown a willingness to work with the life/annuity industry to help the industry survive and even thrive under these requirements. BR

Next Steps

The National Association of Insurance Commissioners is engaged in ongoing efforts to develop capital standards for U.S. insurance groups comparable to its European counterpart's and other international capital requirements.

by Dan Rabinowitz

Key Points

The Situation: U.S. insurers have to meet rigorous state regulations regarding the amount of capital they must hold.

An International Influence: The International Association of Insurance Supervisors is awaiting a U.S. group capital standard that is intended to produce "comparable outcomes" to those produced by the IAIS's own capital measurement yardstick.

Waiting for the Answer: A "jurisdictionally agnostic" aggregation method, related but not necessarily identical to the emerging group capital calculation, will be the standard ultimately submitted by the NAIC, the Fed, the Federal Insurance Office and state insurance regulators to the IAIS for "comparable outcome" purposes. The NAIC's deliberations on this, and consultations with industry, are ongoing.

How much capital and surplus should insurance companies be required to hold? The answer to that question can tell us a lot about the trajectory of insurance regulation in the U.S. and its increasing interplay with regulation in the rest of the world. As we enter a post-pandemic regulatory environment, capital will continue to be a focal point for industry and regulators alike.

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Capital is understood as a kind of "shock absorber" for any business, but particularly for a financial activity such as insurance that relies on solvency to make good in the future on past promises. Capital is intended, very generally, to bear the losses that may occur in excess of posted reserves. These losses may arise from excess claims on policies, volatility in investment markets or other loss contingencies. COVID-19 has been an unwelcome reminder of the critical importance of capital adequacy in insurance.

In the U.S. insurance ecosystem, we can identify two key axes of regulatory focus—state versus federal regulation and entity-level versus group-level supervision. Historically, the amount of capital that an insurer needs to hold has been subject mainly to entity-level oversight, conducted (like almost all insurance regulation) at the state level. In recent years, there has been strong movement along one of those two axes, as group-level regulation has become more rigorous. However, movement along the other axis—state versus federal—has been more episodic, with the states holding the line against a more consequential federal role in insurance.

Entity vs. Group Oversight

In the realm of entity-level versus group-level oversight, since the 1990s U.S. insurers have been subject principally to the Risk-Based Capital, or RBC, framework developed by the National Association of Insurance Commissioners (NAIC). This framework, which is codified by NAIC model laws enacted in every state, requires each insurer to determine a customized level of required capital based on its particular risks. The determination is made using a prescribed set of calculations. The measured risks include (depending on line of business) asset risk, insurance product risk, interest rate risk, premium, reserves and business risk. The insurer then computes its actual amount of surplus ("total adjusted capital" or TAC), yielding a ratio of TAC to the benchmark required level. If TAC is below certain defined multiples of the ratio, indicating inadequate capital levels, the insurer can be subject to remedial measures and even receivership.

The 2008 financial crisis highlighted concerns over enterprise risk—the perception that risks in an insurer's affiliated businesses can adversely affect the insurer itself, even though the insurer may have sufficient capital as measured on an entity-level basis. Thus the NAIC took steps to enhance visibility into insurers' financial conditions and resources beyond the statutory entity. These steps, taken over the 2010-2012 period, included both amending the model holding company act (which regulates corporate control over insurers) to require reporting at the group, and not just insurer, level (i.e., enterprise risk reporting), and adopting the Risk Management and Own Risk and Solvency Assessment model act, which requires insurers to measure their capital adequacy at the

group level. While not primarily quantitative in nature, these steps marked a meaningful foray into group supervision.

As international efforts ramped up during this time to heighten a focus on insurance groups (e.g., ComFrame from the International Association of Insurance Supervisors, or IAIS, and the European Union's Solvency II), the NAIC followed suit in 2015 with a conceptual framework for a group capital calculation, or GCC, based on the so-called RBC aggregation approach, which came to be known as the "aggregation method." The aggregation method analysis would look at an insurer and its entire group of affiliated companies—both insurer and noninsurer—and tally up the relevant capital ratio at each in turn. This aggregated capital, after making adjustments to eliminate duplication, would yield a capital ratio for the group as a whole.

State vs. Federal

On the other axis of focus—state versus federal—a parallel effort of sorts was being undertaken in the post-crisis period to impose a greater federal stamp on the regulation of some key insurers. The landmark Dodd-Frank legislation of 2010 had empowered the Federal government to designate non-banks, including insurers, as systemically important financial institutions, or SIFIs, and to regulate their group capital levels. Dodd-Frank also imposed new, groupwide capital standards on holding companies of depository institutions, even where those holding companies were themselves insurers that were included in the so-called Collins Amendment to Dodd-Frank, named after its author, Sen. Susan Collins (R-Maine). The Federal Reserve embarked on efforts to develop detailed capital requirements for these institutions now in its remit (or which might be designated in the future as SIFIs). For a time in the mid-2010s, it seemed as though capital standards for a number of prominent insurers might become significantly more group-oriented and significantly more federally imposed—like those applicable to bank holding companies under Basel III.

However, the state regulatory system proved durable and encouraged an alignment of industry participants, state regulators and Federal elected officials of both parties. Industry and regulators decried Basel-like, "bank-centric" capital measures that they feared might emerge from the Fed, adducing the key differences between banks and insurers. Over time, the three insurers that had initially been designated as SIFIs shed their designation, either as a result of litigation or administrative action. The Collins Amendment was itself amended in 2014 on a bipartisan basis to clarify that the capital standards for an insurance SIFI or for a holding company of a depository institution, where the holding company was itself an insurer, need not be GAAP-based. This represented a significant accommodation to state insurance regulation. In 2019, taking its cue from this Collins "fix," the Fed proposed a detailed "building block approach" for setting capital requirements for these groups that expressly incorporated state RBC standards in the case of statutory insurance entities. State regulation had again showed its resilience.

Group-Based Standards

Contrast that with the movement toward group-based standards. Since embarking on the group capital calculation, the NAIC has received detailed feedback from industry and observers on how the tool should be constructed and deployed. Trade groups urged the NAIC to consider factors such as differentiating between insurance and noninsurance entities, minimizing the need to adjust existing capital regimes such as RBC, neutralizing differences that might arise from corporate structure and developing "scalars" to produce apples-to-apples comparisons between entities.

These efforts reached critical mass in mid-2019 with the beginning of field testing. The NAIC Fall 2019 National Meeting took place in Austin in December against the backdrop of the IAIS's passage in November of ICS 2.0, a comprehensive capital standard for internationally active insurance groups, or IAIGs. The IAIS launched a five-year monitoring period for ICS 2.0, after which the standard could become prescribed, i.e., could be a predicate for supervisory action. (This five-year period is subject to adjustment due to the global pandemic.) In adopting the new standard, the IAIS announced that it would seek to assess, by the end of the monitoring period, whether the aggregation method being developed in the U.S. provides "comparable outcomes" to ICS 2.0.

In other words, the IAIS is seeking a U.S. group capital standard that has equivalency with the IAIS's own yardstick. At that December meeting, the NAIC described the group capital calculation as the way in which ICS 2.0 will be implemented in the U.S. But the NAIC emphasized that a "jurisdictionally agnostic" aggregation method, and not necessarily the group capital calculation itself, will be the standard ultimately submitted by "Team USA" (the NAIC, the Fed, the U.S. Treasury's Federal Insurance Office and state insurance regulators) to the IAIS for "comparable outcome" purposes.

> The move to more group-oriented capital supervision, in some format, seems inevitable. Since the pandemic could raise new issues of identifying and measuring risk, the questions of "how much capital—and where in the structure" seem as timely as ever.

Some in the industry perceive from this nuance that Team USA's aggregation method will not necessarily be identical to or co-extensive with the group capital calculation that has been in development for five years. This could include the degree to which the group capital standard will be more than just an "early warning" tool as the NAIC has historically indicated.

The spring national NAIC meeting had been scheduled for March 2020 but was canceled due to the pandemic. As of this writing, over the spring and early summer the NAIC's GCC working group has exposed for public comment (i) draft amendments to the insurance holding company act implementing a GCC requirement as well as (ii) a GCC template and related instructions. Conference calls to discuss these materials and take next steps were scheduled for later July and also at the NAIC's Summer 2020 National Meeting (virtual format, July 28 to Aug. 14).

The move to more group-oriented capital supervision, in some format, seems inevitable. Since the pandemic could raise new issues of identifying and measuring risk, the questions of "how much capital—and where in the structure" seem as timely as ever. BR

A Way Forward

The coronavirus pandemic devastated economies, decimated small businesses, and left both policyholders and governments asking the insurance industry to step in.

Under pressure to provide coverage for a risk it deems uninsurable, the industry has been looking at public-private partnerships as a potential solution. Around the world, insurers and reinsurers are now working with governments to mitigate the economic impact of future pandemics. "Pandemic Partnerships" looks at some of the public-private partnership initiatives that have gained traction across the U.S., U.K. and Europe.

Reinsurance capacity was tightening even before the onset of COVID-19. Loss creep from recent catastrophes, falling interest rates, increased uncertainty around casualty reserving and ongoing disruption in the retrocession market led to a hardening of rates. But the global pandemic added another layer of challenges to the market. "A Hard Reality" explores how these events have impacted reinsurance writers and buyers.

The Reinsurance Special Section is sponsored by Munich Re. Click on the microphone icon or go to *www.bestreview.com* to listen to the Munich Re podcast.

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Pandemic Partnerships

As businesses emerge from months of shutdown due to the coronavirus, insurers and reinsurers around the world work with governments to mitigate the economic impact of future pandemics.

by Kate Smith

Stephen Catlin's mobile buzzed nonstop. It was early April, and he had just written a thought leadership piece on the need for a swift and coherent insurance industry response to pandemic.

Frustrated by the falling reputation of the industry and the "clumsy" comments and defensive posture of some insurers, the Convex CEO called on the insurance community to be proactive in finding a long-term solution to pandemic.

His message struck a chord.

"The phone was red-hot the minute that piece came out, with people saying, 'Thank God somebody came out and said something,'" Catlin said.

Kate Smith is managing editor of *Best's Review*. She can be reached at *kate.smith@ambest.com*.

Key Points

Largest Loss: Even with pandemic excluded from most business interruption policies, COVID-19 is expected to cost the insurance industry more than $200 billion.

Global Response: With pandemic an “uninsurable” risk, insurers across the U.K., the European Union and the U.S. are partnering with governments to find solutions.

Aligned Interests: Policyholders, governments and insurers must be aligned in their interests in order to create successful programs.

That was the germ of the U.K.'s Pandemic Re, an initiative chaired by Catlin to develop a public-private partnership solution for pandemic.

Similar projects are under way in the United States and the European Union, as insurers look to help governments create a backstop for future outbreaks.

"Our role in society is to identify needs of protection and make sure the demand for coverage can be addressed," Renaud Guidée, group chief risk officer at Axa, said.

In June, the French Insurance Federation devised CATEX, a public-private partnership program in which private insurers would provide €2 billion of coverage annually for small businesses obligated to close.

At the same time, the German Insurance Association put together plans for a multibillion euro fund to address future business disruptions. In the United States, two initiatives were on the table—one introduced by New York Congresswoman Carolyn Maloney and the other created by industry trade groups—before Chubb floated a third option in July.

"Generally, state-backed risk pools are an adequate way to tackle pandemic risks as the pandemic risk in its entirety is by far too large to be fully covered by the private (re)insurance market," said Munich Re spokesperson Axel Rakette.

Rakette said these pools should focus on nondamage business interruption coverage for small and medium businesses.

So far, many of the efforts do. With pandemic excluded under most insurance policies, the months-long lockdowns have hit small businesses especially hard. According to JP Morgan Chase, the median small businesses holds a 27-day cash buffer in reserve. Even with pandemic largely excluded from business interruption coverage, COVID-19 is the largest-ever loss for the industry. According to Lloyd's, the insurance sector is expected to pay $107 billion in pandemic-related claims while simultaneously watching its global assets drop by $96 billion, bringing the total loss to $203 billion.

"While we cannot rewrite history, we can work together to underwrite a better future—and we should start immediately," David Priebe, executive chairman of Guy Carpenter, said. "Pandemics have traditionally suffered from a panic-neglect cycle. Quiet periods see no action, early warnings of an outbreak tend to be overlooked, significant response and funding are late and uncoordinated and valuable lessons from the crisis are not institutionalized.

"One institutionalized lesson to learn right now is that we can boost our economic resilience by forging a meaningful pandemic insurance system. Doing so will require shared action from the insurance sector, the federal government and policyholders."

It also will require a clear understanding of what the insurance industry can and cannot do to help.

"We need to communicate better than we have to governments and to the man on the street that there are certain losses, particularly those that are global and systemic in nature, which are outside the ability of the insurance industry to pay," Catlin said. "Not because we don't want to pay them, but because we don't have the capital.

"The total capital of the P/C marketplace is approximately $900 billion. When you think about the financial consequences of this shutdown, $900 billion is a pebble on the beach. At the very best, all we could do is be the very first loss for governments."

Pandemic Re

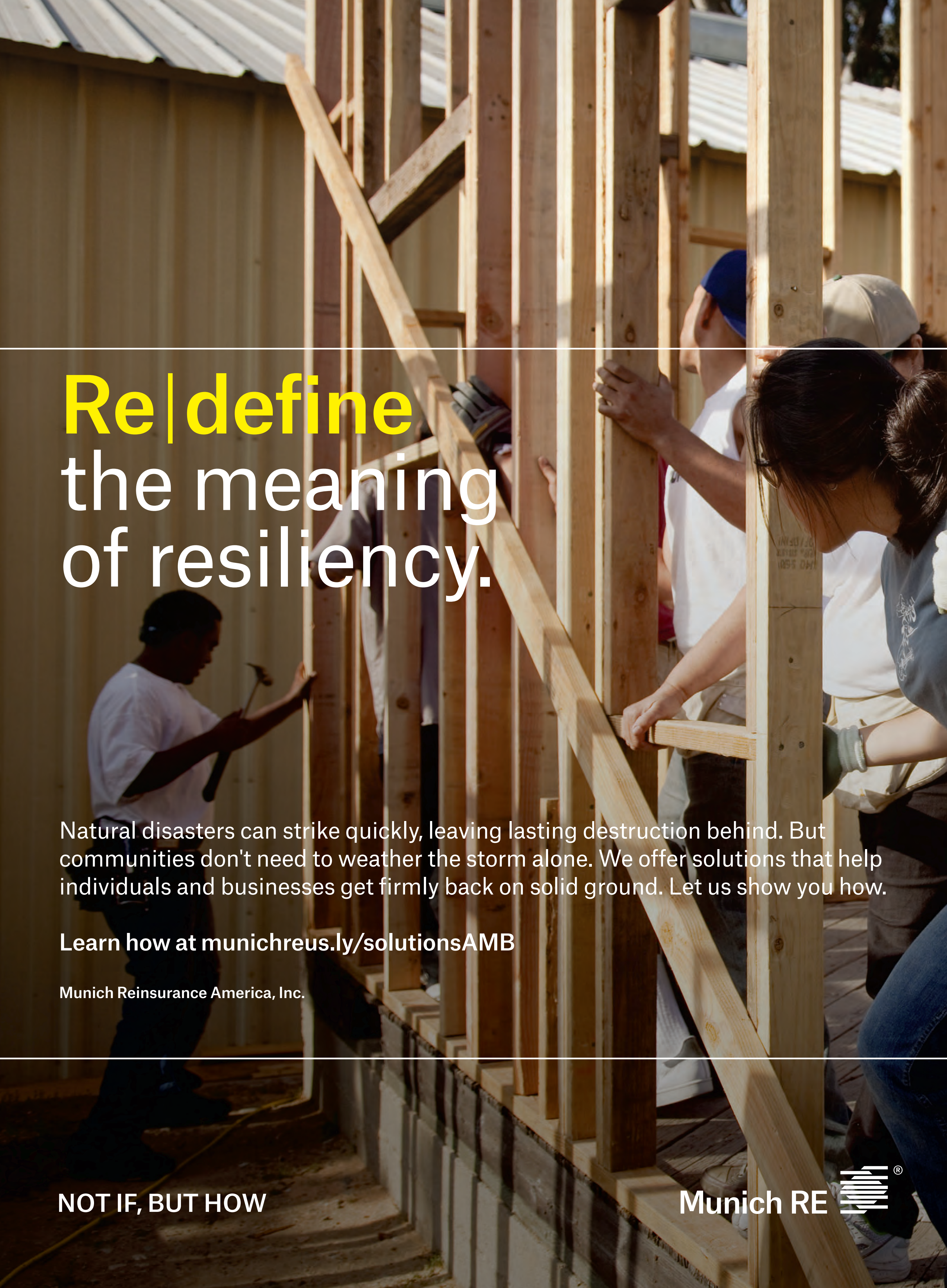
Catlin has spent more than 45 years in the insurance industry, and only a handful of times has he felt momentum like this. In the aftermath of the thought leadership piece, he said, leaders from all segments of the industry were quick to join the effort that has become known as Pandemic Re.

Catlin pulled together a steering group of industry heavyweights for the initiative—Pool Re CEO Julian Enoizi, former Aviva CEO Maurice Tulloch, RSA CEO Stephen Hester, Willis Re CEO James Kent, Nick Frankland, UK CEO of Reinsurance Solutions for Aon, and James Nash, CEO International for Guy Carpenter.

"I told everyone, if you're going to get involved in this, 1) it's pro bono, and 2) you've got to wear an industry hat, not a corporate hat," Catlin said. "Those were the conditions."

The steering group established six working groups supported by more than 50 volunteers from across the industry. An additional 65 volunteers also offered to help.

"It built a momentum of its own," Catlin said. "Every now and again there's a moment in time when this could happen. It's when the bridge is burning and people collectively get really concerned. Then all of a sudden, people think,


Re|define
the meaning
of resiliency.
Natural disasters can strike quickly, leaving lasting destruction behind. But communities don't need to weather the storm alone. We offer solutions that help individuals and businesses get firmly back on solid ground. Let us show you how.
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“In events like these, speed and time are of the essence. What matters is to have as prompt a payout as possible to make sure that businesses can be resilient and thrive again. This is why everyone coalesced around the idea of a parametric payout.”

Renaud Guidée
Axa

‘We need to sort this out as an industry. Let’s take off our corporate hats and work together to sort things out.’

“After 9/11 it happened. It happened with Equitas in the Lloyd’s market. I think it’s a realization that we’re in trouble if we don’t do something. And we have damaged our reputation as an industry, which we need to fix. You can’t fix that with one business. The only way the industry fixes that is collectively. So I think there was an underlying common desire to do something.”

Providing a solution that addresses the small-to-medium enterprise (SME) segment is critical for Pandemic Re.

“There’s a recognition now—and it’s always been the case—that 70% of the economy is SME. Its core, its foundation, is SME. If you wipe out the SME industry, it means the economic recovery is slower,” Catlin said. “When you think about the economic consequences to the world, finding mechanisms for governments to fund their SME markets under these circumstances—that in itself, in my view, is significant added value.

“If we were to ignore SME in what we’re offering to government, we wouldn’t really be solving the problem at all. We would like to have a holistic solution that would include all types of businesses. But you’re not adding value to the government if you don’t deal with one of its biggest challenges.”

While Pandemic Re is starting with a blank slate, Catlin said it seems logical to consider piggybacking on Pool Re, the U.K.’s terrorist pool.

“There is £6.6 billion of fund created by Pool Re, which is sitting there doing nothing, other than actually being available for a terrorist event,” Catlin said. “To my way of thinking, that goes against the principles of insurance, which is you expose capital to lots of different types of losses, not just one. So it would seem logical to consider whether those funds could be applied elsewhere. And then if you go down that road, why wouldn’t you have a Pool Re holding company, where Pool Re is a subsidiary, and maybe Pan Re, and maybe Cyber Re or down the line Climate Re.”

UK Efforts

Liz Foster, nonexecutive director of The Society of Insurance Broking at the Chartered Insurance Institute, said an umbrella organization for extreme risks makes sense. She and James York, CEO of Insurtech UK, have spearheaded Totus Re with the aim of finding a solution for “red zone risks” on the U.K.’s National Risk Register.

“We have Flood Re, which was created retrospectively, like Pool Re and now Pandemic Re, to support communities where insurance wasn’t in place,” Foster said. “Totus Re is proactive. We’re looking at those red zone risks in the National Risk Register and saying, ‘Why wait for these to impact our society?’

“We see Totus Re as a beating heart, for want of a better expression, at the center with cells radiating from it. Each of those cells would hold one of these unique risks. Pandemic Re, Pool Re, Flood Re, and then Cyber Re, potentially, etc. Each of those cells would attract specialists in its own right. What they would have in common is the format, the setup, the forethought, and the support base of insurance and the government."

When an event hits, Foster said, funds could be drawn from any of the cells.

"You have this total funding which, by government legislation, would be enabled to be used to meet any of the events," Foster said. "The U.K. insurance industry is a world leader in the market. We're well-versed in distributing funds and dealing with claims. But at the moment, we're on the back foot because pandemic wasn't a risk that was widely covered.

"Knowing that we have a National Risk Register which has categorized some of these risks into a red zone makes it such an important thing to address."

Lloyd's also has sought to address such risks. In July it announced three insurance and reinsurance frameworks—called ReStart, Recover Re and Black Swan Re—to tackle future COVID-19 losses and other catastrophic events. Recover Re and Black Swan Re require partnership between the insurance industry and government.

Recover Re is a proposed 'after the event' insurance product framework for providing nondamage business interruption coverage. It could be implemented in any country where the government has the resources and industry commitment to support it, Lloyd's said.

Black Swan Re is a reinsurance framework for a government and industry partnership that could better protect customers from the devastating and long-term impacts of systemic catastrophic events—from another pandemic, or global supply chain disruption, to the interruption of critical infrastructure or utilities. The framework would provide reinsurance for commercial nondamage business interruption cover for black swan events through industry pooled capital, backed by a government guarantee to pay out if ever the pool had insufficient funds.

ReStart is a potential new insurance solution that would offer business coverage for future waves of COVID-19 by pooling capacity from several Lloyd's market participants.

EU Initiatives

Catlin wasn't the only executive to use his platform to rally support. Axa CEO Thomas Buberl also took to the French press in April to encourage his counterparts to work with governments to develop risk pooling schemes.

In the weeks following, French insurers worked to create a new program for exceptional catastrophes, CATEX (which is unrelated to the U.S. platform by the same name). Under the proposed scheme, insurers would provide €2 billion of coverage per year for small businesses obligated to close due to government mandate, with the government stepping in beyond that via state reinsurer CCR. The program is not limited to pandemic shutdowns.

"The benefit of the CATEX regime that has been proposed by the French industry is that it would indeed have a scope for categories of shutdown enacted by public authorities following either a pandemic, a riot, social unrest, or in relation to terrorism or a natural catastrophe," Axa's Guidée said. "You would have clear coverage for all of these triggers, so what we've been living through would fall in that scope."

The coverage would be built into either fire coverage, which is mandated for businesses, or business interruption coverage. And it would have a parametric element to it.

"What is to be parametric for sure is the payout, which should be paid as a pre-defined lump sum," Guidée said. "There has been a consensus among all stakeholders that if you want to have an indemnity that is tailored in a very granular fashion to the very euro of losses, it will take ages. You would need an army of accountants to go through the books of each and every impacted business. That's not practical.

"In events like these, speed and time are of the essence. What matters is to have as prompt a payout as possible to make sure that businesses can be resilient and thrive again. This is why everyone coalesced around the idea of a lump-sum payout to make things smoother and simpler in terms of implementation and the speed of the payout."

In Germany, a German Insurance Association working group also developed a private-public model that would mitigate future economic losses from pandemic "by partly replacing governmental ad hoc aid in case of a limited event."

The German Insurance Association examined two possible models in a research paper released in June. One is a "pure capital collecting entity that builds up a capital stock over time with flat-rate levies

"While we cannot rewrite history, we can work together to underwrite a better future—and we should start immediately."
David Priebe
Guy Carpenter

and pays (largely flat-rate) benefits in the event of an infection wave." The capital size would be determined by how many days or weeks the system could provide aid before reserves are exhausted.

The second model is a "more risk-oriented system" based on the likelihood of a loss. Businesses pay in for a specified loss to be compensated, so each business decides for itself on the amount of payout it would like to get in the event of "an infection wave," the paper said.

Businesses would pay a fee to a capital collecting entity that is based on a so-called return period, the paper said. Beneficiaries would be businesses that contributed to the capital stock of the system and that have been closed for general prevention like sanitary containment measures.

As with the French program, one of the key features would be a quick payout facilitated by the insurance industry.

"Our German colleagues haven't yet settled on something parametric, but they have found it would be very cumbersome and practically impossible to have accountants reviewing the bookkeeping of all these clients at the same time," Guidée said. "So I would say lump-sum payout will be done out of pragmatism."

U.S. Responses

The U.S. response originally had fallen into two buckets—one driven by government, the other driven by industry groups. Chubb blended elements of both initiatives to create a third option, which it announced last month.

In late May, Congresswoman Maloney introduced the Pandemic Risk Insurance Act of 2020 (PRIA), which would create the Pandemic Risk Reinsurance Program modeled on the Terrorism Risk Insurance Act.

Membership in the program would be voluntary, but participating carriers would be required to offer pandemic coverage in all their business interruption policies. The federal backstop will be triggered once a covered public health emergency accounts for aggregate business interruption losses of $250 million. The PRRP would cover 95% of additional losses up to $500 billion in a single year, with the remaining 5% spread among the insurers. There is a $750 billion cap on federal compensation, with the Treasury secretary authorized to determine pro-rata share above that amount.

"Once that $750 billion ceiling is reached, it appears that the industry is back on the hook, or at least Treasury is supposed to examine and make that determination," Eric Dinallo, insurance regulatory chair at Debevoise & Plimpton, told AMBestTV. "I would say that the industry is justifiably nervous or worried about that part of the proposal. There may be a debate about whether they go to a trillion-dollar ceiling to push them further away from having to be back on the hook, so to speak."

Insurers are also concerned about the broadening of coverage to all policies.

"An issue cited by insurers is that the proposed PRIA bill to broaden coverage in all existing insurance policies to cover pandemics would make it difficult, if not impossible for carriers to continue to offer current limits, even with a substantial governmental backstop, as pandemic coverage does not align with current property policy limits or claims practices," Guy Carpenter's Priebe said.

Industry trade groups countered with an alternative proposal—the Business Continuity

Protection Program. Devised by the National Association of Mutual Insurance Companies, the American Property Casualty Insurance Association and the Independent Insurance Agents & Brokers of America, the BCPP would provide business revenue replacement assistance that would reimburse up to 80% of payroll, benefits, and expenses for three months.

Businesses would purchase their desired level of revenue replacement assistance through state-regulated insurance entities. Participation would be voluntary, and the BCPP would be able to purchase private reinsurance.

"The BCPP proposal suggests a stand-alone pandemic policy would be a more effective approach to address the needs of business," Priebe said. "The BCPP would provide for fast claims payments, as relief would be automatically triggered and immediately paid following a presidential viral emergency declaration (i.e., no advance documentation or claims adjustment would be required). However, some insureds have voiced a concern that the BCPP approach is too limited, as it does not explicitly address event cancellation and other coverages included in PRIA."

The BCPP more closely follows the National Flood Insurance Program, in that insurers would get businesses to buy into it but the risk would fall solely on the government.

"Perhaps the answer lies somewhere in the middle, and we appreciate the carriers coming forward with a response," Priebe said. "Ultimately, the industry will need to come together with a unified response to address pandemic risk.

"If we create the right economic incentives for insurers, policyholders and the government, insurance can serve its traditional function of mitigating risk. Over time, the right risk program can spur new technologies, ways of working, services, insurance products and processes to ultimately chip away at the enormous losses associated with pandemics. That, in turn, can help make pandemic risk more manageable and enable our economy to build the necessary resilience it needs for the future."

Third Option

Chubb's Pandemic Business Interruption Program addresses the different needs of small and large businesses. It includes a $750 billion program for small businesses that provides an immediate cash infusion when a pandemic is declared and a separate voluntary $400 billion program for medium and large businesses, with losses paid through the industry's traditional claims-adjudication process.

"Both depend on the federal government assuming a substantial percentage of the risk, through direct U.S. Treasury funding to insurers for the small-business program, and through a newly created government-run reinsurance entity for medium- and large-business losses," Chubb said in a statement.

The small-business program contains parametric triggers and aims to keep people employed by covering up to three months of payroll and operating expenses. In order to maximize opt-in, it requires all insurers that write business insurance to offer the program, and businesses that decline coverage would be required to acknowledge they have no coverage for pandemic business losses and are ineligible for the government benefits program. The insurance industry would pay up to $15 billion of first-dollar losses the first year, with that amount rising to $30 billion over 20 years. The program has an aggregate limit of $750 billion.

For medium and large businesses, Chubb proposed an indemnity-based program where insurers and government are paid an appropriate risk-adjusted rate for pandemic coverage. Insurers would retain a portion of the risk and cede the rest to a government reinsurance entity, which it refers to as Pandemic Re. Participation would be voluntary both for insurers and businesses, and policies would have a $50 million limit. Insurers would collect premiums and pay claims, drawing down on a letter of credit from Pandemic Re for the government's portion. The total aggregate limit would be $400 billion. The industry's share would be $15 billion the first year, rising to $30 billion by year 10.

The Chubb program excludes COVID-19 losses and would take effect in January 2021. BR

AMBestTV

Go to *bestreview.com* to watch a video interview with Liz Foster of Totus Re.

A Hard Reality

While loss creep from recent major catastrophes, inflation and other factors are tightening reinsurance capacity this year, the global COVID-19 pandemic could add another layer of challenges to the reinsurance market.

by Lori Chordas

With forecasts of more than a dozen named storms hanging over the United States this year, some buyers of reinsurance wonder what rising catastrophe losses from those and other natural catastrophes could mean for the already hardening property catastrophe reinsurance market.

Current market conditions prompted some cedents to pull back on their reinsurance levels during 2020 midyear renewals, while others shed policies in high-risk areas or elected not to participate in a private reinsurance placement this year.

Mother Nature's wrath isn't the only concern in the market right now. The unprecedented COVID-19 pandemic has upended the economy worldwide and continues to take a toll on insurers and reinsurers.

Even prior to the onset of COVID-19, loss creep from recent major losses, falling interest rates, increased uncertainty around casualty reserving and ongoing disruption in the retrocession market were expected to drive a modest tightening of reinsurance capacity as 2020 progressed, said Mike Van Slooten, head of business intelligence for Aon's Reinsurance Solutions business.

Now the "confluence of new headwinds associated with the pandemic," including a global recession, even lower interest rates and investment returns, and higher costs of capital have added to the challenges facing insurers and "entrenched positions further,"

Lori Chordas is a senior associate editor. She can be reached at *lori.chordas@ambest.com*.

POWERFUL FORCE: Current reinsurance market conditions are feeling the effects of loss creep from storms like Hurricane Irma in 2017, which, by some accounts, destroyed roughly 25% of homes in the Florida Keys.

Key Points

Winds of Changes: Catastrophe losses from the past several years have contributed to hardening conditions in the reinsurance market.

Finding Shelter: Some insurers have pulled back on their reinsurance purchases or their risk transfer programs during recent renewals.

The Aftermath: It's still too early to tell what effect COVID-19 will have on the reinsurance market and what that will mean for reinsurance buyers.

Similar to 2019, TWIA this year has access to $4.2 billion to handle storm claims through a combination of catastrophe bonds and traditional reinsurance.

John Polak
Texas Windstorm Insurance Association

Guy Carpenter reported in a June 23 GC Capital Ideas blog post.

Fallout from the Storm

So far the global pandemic hasn't significantly slowed down the issuance of catastrophe bonds and other insurance-linked securities, according to data from the Artemis Deal Directory.

By midyear, data shows, total cat bond and ILS market volume stood at $41.8 billion.

Also during that time, issuers had brought more than $6 billion to the market, including a record first quarter with more than $5 billion issued through 27 transactions, according to Artemis data.

But by the second quarter, new issuance slowed slightly to about $1.06 billion as of mid-May and, Artemis reported, COVID-19 was a factor in several deals being pulled.

While effects of the pandemic continue to unfold, the coronavirus, along with other factors, had a hand in the tightening of deployable capital among traditional and alternative markets at June 1 renewal, along with significantly slowing down third-party capital inflows into collateralized reinsurance and sidecar vehicles "as investors assess the uncertainty associated with COVID-19 and prepare for the possibility of further trapped capital," Guy Carpenter noted in the June post.

Even before the pandemic hit, a prolonged period of uncertainty in the reinsurance market had forced insurers and reinsurers to reevaluate pricing adequacy and risk exposures, especially in catastrophe-prone areas.

Years of successive losses, concerns over assignment of benefits issues, climate change and sustained prior-year hurricane loss creep have altered reinsurers' views and appetites for peak zone exposures, according to Guy Carpenter in its June 23 blog post.

Reinsurance buyers, too, have responded to those concerns with modifications to their reinsurance levels or risk transfer programs, especially among Florida-domiciled insurers hard hit by a recent succession of destructive storms.

In 2017 and 2018, following a 12-year reprieve, the Sunshine State was the target of 32 named storms, including mammoth hurricanes Irma and Michael. Insured losses from the two storms, much of which occurred in Florida, could fall in the range of $34 billion to $42 billion, according to estimates from the Insurance Information Institute.

"Unprecedented circumstances like the creep from Irma is something this marketplace has never seen or experienced before," said Jim Graganella, president and CEO of Capitol Preferred, Southern Fidelity Insurance Co. and Preferred Managing Agency.

Along with losses from years-old events like Irma, he said, "fraud and abuse by attorneys, roofers and water mitigation companies" has created a domino effect in the primary and retrocession reinsurance markets, reducing reinsurance capacity and driving up rates for policyholders.

In June, reinsurance renewal pricing in Florida climbed, on average, 20% or higher on a broad basis, "but much more in individual cases where cedents have faced stress, underperformed or come under pressure in recent years," according to Artemis.

Rising rates was the impetus behind Capitol Preferred's decision to shed 23,800 policies in the state this year in an effort to "reduce loss ratio and reinsurance exposure" and head off a financially

hazardous condition following years of heavy losses, including a $25.7 million loss in 2019, Graganella said.

Tightening conditions in the property catastrophe reinsurance market caused Florida's property insurer of last resort, Citizens Property Insurance Corp., to rethink its reinsurance plan this year and eventually led to its decision to withdraw a layer of its latest issuance from the catastrophe bond market during midyear renewals.

Company spokesman Michael Peltier said Florida Citizens' decision to drop a $200 million tranche from its 2020 Everglades Re II Ltd. series from the Coastal Account was based on "a pricing issue" and the company "was not willing to pay asking price for that coverage."

He also pins rising prices in the reinsurance market on causing the company to slightly scale back the amount of new reinsurance coverage purchased for the 2020 catastrophe season.

Earlier in the year, Florida Citizens, whose risk transfer package includes a balance of traditional reinsurance and protection through the cat bond markets, announced plans to purchase up to $1.3 billion in new reinsurance coverage to augment $400 million in existing coverage, for a total of $1.7 billion in coverage, Peltier said.

But current dislocation in the reinsurance markets, significant price increases and the company's decision "not to chase the market and not to lock in the currently elevated rates on a multiyear basis" led to its final decision to "only place a cost efficient risk transfer program of $1.02 billion, which includes $620 million of new placement and the $400 million of multiyear coverage from 2018," Florida Citizens chief financial officer Jennifer Montero told members of the board during a spring meeting.

Despite the slight dip in property catastrophe reinsurance coverage this year, "we are fortunate to be sitting in a very financially sound position. So we're able to reduce our risk transfer purchases from this year while still being able to weather the most severe storms, including a one-in-100-year event," Peltier said.

Feeling the Effects

While Florida has been hit by a number of record-breaking natural catastrophes over the past several years, states like Louisiana have been enjoying a recent reprieve from those high-loss-generating calamities.

But despite the current calm in the state, Louisiana Citizens Property Insurance CEO Richard Newberry said losses in other geographies like Florida are having a big impact on his organization's reinsurance program.

"The cyclical and global nature of the reinsurance market is driving up reinsurers' cost of capital and bringing higher reinsurance costs for all purchasers of property catastrophe reinsurance, even if they weren't impacted by the loss," he said.

During June 1 renewals, Louisiana Citizens was able to fully place its program at a single digit risk-adjusted price increase, Newberry said, "with the only notable change to terms and conditions being the insertion of a communicable disease exclusion in response to COVID."

Several years ago, Louisiana Citizens diversified its capital sources by incorporating cat bond capacity into its program, starting with a Pelican Re Ltd. Series 2012-1 cat bond issued in 2012, which, he noted, paid a coupon of 13.73%.

Since then, the Louisiana property insurer of last resort has added other forms of capital markets capacity into its program, thereby reducing its pricing and capacity volatility by allowing the company "to annually place capacity with the most efficient capital source each year," Newberry said. "The benefit of our diversification approach was amplified by this renewal's market conditions and our need to shift course among these capacity sources several times in the process."

Like Louisiana, Texas is also coming off a relatively quiet catastrophe season in 2019.

This year, the Texas Windstorm Insurance Association's catastrophe funding levels will remain unchanged or steady, said general manager John Polak.

Similar to 2019, TWIA this year has access to $4.2 billion to handle storm claims through a combination of catastrophe bonds and traditional reinsurance, he said.

At the end of last year, TWIA's board voted to assess member insurance companies an additional $90 million based on losses from Hurricane Harvey, in 2017, and voted to defer further consideration of action regarding TWIA insurance rates on residential and commercial policies until its next statutorily required rate filing, which is scheduled for this month.

TWIA said the assessment of member insurance companies is in addition to the $282 million already assessed, and is based on an updated loss estimate for Harvey of $1.7 billion.

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Now added to the list of impending concerns are questions about how events like COVID-19 will factor into future reinsurance renewals.

Richard Newberry
Louisiana Citizens Property Insurance

Market Conditions

So far this year, COVID-19 has "already undermined earnings for 2020" and is adding a "whole new layer of uncertainty," Aon's Van Slooten said.

As a result, he said, the tightening has been accelerated and reinsurers are being much more discerning about how they are allocating their capacity.

Since 2015, the Florida Hurricane Catastrophe Fund, which provides reimbursements to insurers for a portion of their catastrophic hurricane losses, "has had the benefit of participating in the reinsurance market without reducing the amount of capacity available to direct writers in the state's market thanks to an abundance of private capital and significant risk transfer capacity," said John Kuczwanski, a spokesman for Florida's State Board of Administration, which oversees the state hurricane catastrophe fund.

But now limited availability of capital in the market is ushering in some big changes and causing organizations like the Florida Hurricane Catastrophe Fund to opt not to participate in a private reinsurance placement this year.

The good news, Kuczwanski noted, is that the Florida Hurricane Catastrophe Fund is "financially strong" with $12.3 billion in liquid resources available to pay claims for this year's hurricane season.

"Also, those resources will allow the Fund to seek other opportunities to optimize its capital structure and maximize its claims-paying capacity," he said.

Despite continued tightening of the property catastrophe reinsurance market and the outbreak of unprecedented global events, AM Best maintains its outlook for the global reinsurance market as stable.

In its April 3 Best's Market Segment Report, AM Best said it expects third-party capital to continue to grow, albeit at a tempered pace, "following a period of high frequency and severity of losses, owing to the improving but relatively anemic pricing environment."

Also, authors of the report noted that although market conditions have "seemingly begun to improve," looming concerns remain, including insufficient rate adequacy relating to certain U.S. casualty lines, a steady decline in the benefit of favorable reserve releases and the pervasive low interest rate environment.

Now added to the list of impending concerns are questions about how events like COVID-19 will factor into future reinsurance renewals, said Newberry of Louisiana Citizens.

Even before COVID-19, he said, "market conditions were already changing. But when you add a true black swan event to the equation then that really strains the renewal placement process. And we have to react to these events in real-time, with only days or weeks to respond and change course on a renewal strategy that had been in place for months."

Despite the pandemic, along with staggering global economic market conditions and other potential concerns, Florida Citizens' Peltier expects a "calming" of the reinsurance market by year's end, the result of which he hopes will favorably impact future reinsurance purchases.

"With current market conditions, we chose not to take any multiyear coverage this year with anticipation of things calming down with the various things going on now in the market and with COVID," he said.

"Now we're allowing ourselves to take a breath. We think rates will soon become a bit more reasonable, and then we'll be able to carry on from that point," Peltier said. BR

Best's Rankings

U.S. Property/Casualty — 2019 Direct Premiums Written by Line

($ Thousands)

Business Line	Direct Premiums Written	% of Total	% Chg	Adjusted Loss Ratio 2019	Adjusted Loss Ratio 2018	Leading Writer	AMB #	% Market Share	% of Writer Total DPW	Second Leading Writer	AMB #	% Market Share	% of Writer's Total DPW
Private Passenger Auto Liability	$151,447,344	21.3	2.3	66.2	66.6	State Farm Group	000088	16.0	36.9	Berkshire Hathaway Ins	000811	14.0	45.9
No-Fault	17,312,930	2.4	0.8	63.7	76.5	Berkshire Hathaway Ins	000811	17.5	6.6	Progressive Ins Group	000780	16.7	7.4
Other Liability	134,134,414	18.9	2.5	66.6	65.3	State Farm Group	000088	16.1	32.9	Berkshire Hathaway Ins	000811	13.5	39.4
Homeowners Multiple Peril	104,236,452	14.7	5.4	58.5	72.7	State Farm Group	000088	17.9	28.5	Allstate Ins Group	000008	8.4	24.9
Private Passenger Auto Physical Damage	102,182,437	14.4	3.7	63.1	61.8	State Farm Group	000088	16.3	25.4	Berkshire Hathaway Ins	000811	13.4	29.7
Other Liability	77,787,252	11.0	9.8	63.4	59.6	Chubb INA Group	018498	8.6	28.6	Assurant US PC Companies	018924	5.2	49.0
Occurrence	50,618,327	7.1	9.5	69.0	64.2	Chubb INA Group	018498	8.2	17.5	Assurant US PC Companies	018924	8.0	49.0
Claims -Made	25,853,027	3.6	10.6	52.4	50.1	Chubb INA Group	018498	9.5	10.5	Amer Intl Group	018540	8.3	16.8
Excess Workers' Compensation	1,315,898	0.2	2.6	59.4	68.5	Tokio Marine US PC Group	018733	41.7	6.4	W. R. Berkley Ins Group	018252	13.0	2.7
Workers' Compensation	56,225,576	7.9	-3.1	47.6	46.8	Travelers Group	018674	7.5	15.0	Hartford Ins Group	000048	6.0	26.5
Commercial Multiple Peril	44,263,940	6.2	5.2	55.7	60.6	Travelers Group	018674	8.3	13.2	Liberty Mutual Ins Cos	000060	5.6	6.9
Non-Liability	28,157,167	4.0	6.1	57.6	67.3	Travelers Group	018674	7.8	7.8	Chubb INA Group	018498	6.2	7.4
Liability	16,106,773	2.3	3.6	52.5	49.2	Travelers Group	018674	9.3	5.4	Liberty Mutual Ins Cos	000060	6.9	3.1
Commercial Auto Liability	34,671,743	4.9	11.9	73.4	71.6	Progressive Ins Group	000780	12.9	11.4	Travelers Group	018674	6.2	7.7
No-Fault	911,716	0.1	7.1	32.3	62.9	Progressive Ins Group	000780	11.5	0.3	Amer Transit Ins Co	004660	10.4	27.2
Other Liability	33,760,027	4.8	12.0	74.6	71.9	Progressive Ins Group	000780	12.9	11.1	Travelers Group	018674	6.3	7.6
Inland Marine	26,433,896	3.7	7.4	49.1	47.3	Liberty Mutual Ins Cos	000060	14.3	10.6	CNA Ins Cos	018313	13.3	31.9
Fire	14,762,816	2.1	11.3	54.0	70.0	FM Global Group	018502	6.4	21.0	Amer Intl Group	018540	5.8	6.7
Allied	13,996,354	2.0	13.5	59.3	88.2	FM Global Group	018502	11.0	34.2	Travelers Group	018674	5.3	2.7
Mult Peril Crop	9,798,439	1.4	-3.1	95.2	67.6	Chubb INA Group	018498	19.1	8.0	Zurich Ins US PC Group	018549	15.5	11.8
Comm Auto Phys Damage	10,680,630	1.5	9.8	57.6	60.9	Progressive Ins Group	000780	10.5	2.9	Travelers Group	018674	5.9	2.3
Medical Professional Liability	9,752,074	1.4	4.1	58.2	49.0	Berkshire Hathaway Ins	000811	17.0	3.6	Doctors Co Ins Group	018083	9.4	90.6
Surety	6,976,915	1.0	6.4	19.1	13.1	Travelers Group	018674	13.3	3.3	Liberty Mutual Ins Cos	000060	12.7	2.5
Mortgage Guaranty	5,555,570	0.8	6.7	6.7	3.9	Arch Ins Group	018484	21.6	28.5	Mortgage Guar Group	003014	20.2	100.0
Grp A&H	4,951,519	0.7	0.4	65.1	61.7	Chubb INA Group	018498	15.2	3.2	Fairfax Financial (USA) Group	003116	9.3	6.6
Farmowners Mult Peril	4,590,891	0.6	3.2	59.2	60.0	Nationwide Group	005987	11.9	3.0	Farm Bureau P&C Group	004233	7.6	22.4
Products Liab	4,166,972	0.6	13.4	49.5	61.6	Chubb INA Group	018498	10.2	1.8	Allianz US PC Ins Companies	018429	6.2	4.8
Ocean Marine	3,928,498	0.6	11.9	58.4	52.6	Amer Intl Group	018540	14.9	4.6	Berkshire Hathaway Ins	000811	8.1	0.7
Earthquake	3,596,898	0.5	9.6	0.3	5.8	CA Earthquake Authority	012534	22.8	100.0	State Farm Group	000088	7.7	0.4
Warranty	3,418,878	0.5	5.5	61.4	61.1	AmTrust Group	018533	27.3	18.2	Ally Ins Group	018431	12.2	55.2
Federal Flood	2,970,136	0.4	4.4	41.4	51.6	Wright National Flood Insurance Company	012582	23.4	99.7	Assurant US PC Companies	018924	17.8	6.4
All Individual A&H	2,407,525	0.3	1.3	90.0	96.1	State Farm Group	000088	30.5	1.1	CNA Ins Cos	018313	11.8	2.6
Credit	2,211,796	0.3	2.9	43.3	44.7	Allianz US PC Ins Companies	018429	17.6	7.2	Great Amer P & C Ins Group	004835	15.5	5.4
Boiler & Machinery	1,934,448	0.3	5.9	34.2	46.7	FM Global Group	018502	36.1	15.6	Travelers Group	018674	6.9	0.5
Aircraft(all perils)	1,922,138	0.3	15.9	72.4	54.2	Starr Intl Group	018756	18.3	10.6	Amer Intl Group	018540	13.8	2.1
Fidelity	1,290,850	0.2	2.3	32.3	38.4	Chubb INA Group	018498	18.5	1.0	Travelers Group	018674	16.8	0.8
Private Crop	990,596	0.1	-5.5	100.0	99.9	Zurich Ins US PC Group	018549	19.4	1.5	FMH Ins Group	018171	15.7	18.0
Private Flood	576,276	0.1	-17.9	22.0	35.4	Assurant US PC Companies	018924	16.3	1.1	Zurich Ins US PC Group	018549	15.2	0.7
Burglary and Theft	440,238	0.1	25.1	49.7	31.2	Travelers Group	018674	29.4	0.5	Chubb INA Group	018498	10.5	0.2
Financial Guaranty	370,301	0.1	-11.3	59.5	7.9	Assured Guar Group	004017	71.2	100.0	MBIA Group	003166	8.7	100.0
International	47,733	0.0	0.0	286.0	0.0	Chubb INA Group	018498	48.5	0.1	IAT Ins Group	018567	31.3	1.0
Aggregate Write-ins	1,576,927	0.2	-0.2	49.4	46.8	XL Reins America Group	018557	26.7	6.9	Amer Road Ins Co	000152	10.0	38.8
Total U.S. P/C Industry	**$710,164,057**	**100.0**	**4.7**	**60.0**	**61.9**	**State Farm Group**	**000088**	**9.2**	**100.0**	**Berkshire Hathaway Ins**	**000811**	**6.5**	**100.0**

Reflects Grand Total (includes Canada and U.S. Territories)
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

U.S. Commercial Multi Peril – 2019 Direct Premiums Written

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	2019 Direct Premiums Written	% Change in Premiums	Market Share (%) 2019	Market Share (%) 2018	Market Share (%) 2017	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	Adjusted Loss Ratios 2017	% of Company Premiums
1	1	Travelers Group	018674	$3,685,879	6.9	8.3	8.2	8.0	50.5	54.3	45.9	13.2
2	3	Liberty Mutual Ins Cos	000060	2,457,338	4.7	5.6	5.6	5.8	46.5	59.2	64.3	6.9
3	2	Nationwide Group	005987	2,384,294	1.5	5.4	5.6	6.2	54.9	61.8	72.1	12.9
4	4	Chubb INA Group	018498	2,297,127	8.9	5.2	5.0	4.8	61.0	66.8	92.3	9.8
5	6	Hartford Ins Group	000048	2,103,067	6.9	4.8	4.7	4.6	52.2	49.5	54.1	16.6
6	5	Tokio Marine US PC Group	018733	2,028,216	2.7	4.6	4.7	4.6	58.6	55.1	54.2	23.7
7	7	State Farm Group	000088	1,644,089	3.8	3.7	3.8	3.8	58.0	55.5	58.6	2.5
8	8	Farmers Ins Group	000032	1,538,557	-1.1	3.5	3.7	3.9	48.9	75.5	63.8	7.5
9	9	Cincinnati Ins Cos	004294	1,255,194	3.2	2.8	2.9	3.0	61.6	54.8	50.7	23.6
10	10	Auto-Owners Ins Group	004354	1,230,697	6.2	2.8	2.8	2.7	53.6	62.6	57.8	13.7
11	11	Hanover Ins Group Prop & Cas Cos	004861	1,146,056	4.3	2.6	2.6	2.6	47.2	50.9	51.0	22.5
12	12	CNA Ins Cos	018313	1,126,653	8.2	2.6	2.5	2.5	46.5	61.3	55.1	10.2
13	13	Erie Ins Group	004283	961,627	6.0	2.2	2.2	2.1	51.6	49.8	40.8	12.9
14	16	Markel Corp Group	018468	807,638	10.4	1.8	1.7	1.5	68.2	75.3	80.5	13.8
15	14	Amer Family Ins Group	000124	760,818	-0.3	1.7	1.8	1.9	79.8	87.3	82.7	6.6
16	15	W. R. Berkley Ins Group	018252	749,977	1.6	1.7	1.8	1.8	48.6	53.1	43.9	11.9
17	18	Allianz US PC Ins Companies	018429	698,455	7.5	1.6	1.5	1.5	64.2	25.7	80.5	13.0
18	22	Berkshire Hathaway Ins	000811	653,899	28.3	1.5	1.2	1.0	68.8	64.2	58.4	1.4
19	19	Allstate Ins Group	000008	651,185	0.9	1.5	1.5	1.6	51.3	61.6	52.4	1.9
20	20	Zurich Ins US PC Group	018549	639,530	6.8	1.4	1.4	1.6	73.4	66.6	107.9	5.0
21	17	Amer Intl Group	018540	568,003	-15.7	1.3	1.6	1.7	85.0	63.5	81.4	4.4
22	23	Church Mutual Ins Group	018887	537,323	9.7	1.2	1.2	1.1	65.7	90.7	57.3	57.2
23	26	Greater NY Group	003326	497,367	22.2	1.1	1.0	0.9	49.5	48.1	44.8	94.6
24	24	Munich-Amer Hldg Corp Cos	018753	494,069	3.8	1.1	1.1	0.9	40.2	53.3	56.4	19.9
25	21	AmTrust Group	018533	470,984	-16.2	1.1	1.3	1.3	62.7	62.5	53.3	9.2
		Top 25 Writers		**$31,388,042**	**4.6**	**70.9**	**71.3**	**71.2**	**55.8**	**59.6**	**62.2**	**7.9**
		Total U.S. P/C Industry		**$44,263,940**	**5.2**	**100.0**	**100.0**	**100.0**	**55.7**	**60.6**	**67.0**	**6.2**

Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

U.S. Homeowners Multiple Peril – 2019 Direct Premiums Written

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	2019 Direct Premiums Written	% Change in Premiums	Market Share (%) 2019	Market Share (%) 2018	Market Share (%) 2017	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	Adjusted Loss Ratios 2017	% of Company Premiums
1	1	State Farm Group	000088	$18,698,347	2.9	17.9	18.4	18.6	58.8	61.9	80.9	28.5
2	2	Allstate Ins Group	000008	8,723,238	5.6	8.4	8.4	8.4	52.3	65.6	55.6	24.9
3	4	USAA Group	004080	6,835,804	10.8	6.6	6.2	6.1	68.4	83.4	83.4	29.1
4	3	Liberty Mutual Ins Cos	000060	6,745,864	1.4	6.5	6.7	6.9	51.0	51.3	65.1	18.9
5	5	Farmers Ins Group	000032	5,943,814	2.6	5.7	5.9	6.0	38.7	78.8	77.5	28.8
6	6	Travelers Group	018674	4,240,933	12.6	4.1	3.8	3.8	55.8	69.3	65.1	15.1
7	7	Amer Family Ins Group	000124	4,057,499	10.3	3.9	3.7	3.7	61.8	65.7	66.7	35.2
8	8	Nationwide Group	005987	3,244,683	1.9	3.1	3.2	3.5	57.5	76.8	99.2	17.6
9	9	Chubb INA Group	018498	2,989,474	5.6	2.9	2.9	2.9	62.5	91.9	87.4	12.7
10	11	Auto-Owners Ins Group	004354	1,768,854	7.7	1.7	1.7	1.6	56.2	71.1	68.4	19.7
11	10	Erie Ins Group	004283	1,746,390	4.2	1.7	1.7	1.7	68.5	66.0	53.3	23.3
12	12	Progressive Ins Group	000780	1,646,585	17.4	1.6	1.4	1.2	67.0	66.7	58.8	4.2
13	14	Universal Ins Hldgs Group	018752	1,215,487	8.9	1.2	1.1	1.0	82.3	100.6	67.0	94.0
14	15	MetLife Auto & Home Group	003933	1,112,255	0.9	1.1	1.1	1.2	52.4	58.3	62.6	28.9
15	13	Amer Intl Group	018540	1,092,965	-5.2	1.1	1.2	1.2	86.7	219.0	107.2	8.5
16	16	Hartford Ins Group	000048	951,880	-3.2	0.9	1.0	1.1	44.0	88.1	77.1	7.5
17	17	CSAA Ins Group	018460	946,900	2.5	0.9	0.9	1.0	25.1	164.3	163.5	23.1
18	18	Amica Mutual Group	018522	944,825	3.9	0.9	0.9	0.9	57.3	65.5	74.4	40.5
19	21	United Ins Group	018881	861,089	9.5	0.8	0.8	0.8	67.1	102.4	72.1	66.6
20	19	Auto Club Enterprises Ins Group	018515	850,085	2.7	0.8	0.8	0.8	52.4	48.3	70.8	18.8
21	20	Natl Gen Companies	018863	829,999	2.1	0.8	0.8	0.7	48.4	98.0	77.5	16.6
22	22	Heritage Ins Hldgs Group	018891	802,544	2.4	0.8	0.8	0.8	63.6	70.2	86.8	84.9
23	23	COUNTRY Financial PC Group	000302	734,628	5.1	0.7	0.7	0.7	65.2	60.5	69.1	27.9
24	27	Tokio Marine US PC Group	018733	708,996	18.6	0.7	0.6	0.5	67.8	65.4	59.5	8.3
25	25	Assurant US PC Companies	018924	704,971	4.9	0.7	0.7	0.7	38.6	52.2	46.9	8.6
		Top 25 Writers		**$78,398,109**	**4.9**	**75.2**	**75.5**	**75.8**	**56.9**	**72.3**	**75.4**	**20.3**
		Total U.S. P/C Industry		**$104,236,452**	**5.4**	**100.0**	**100.0**	**100.0**	**58.5**	**72.7**	**74.6**	**14.7**

Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

U.S. Medical Professional Liability – 2019 Direct Premiums Written

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	2019 Direct Premiums Written	% Change in Premiums	Market Share (%) 2019	Market Share (%) 2018	Market Share (%) 2017	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	Adjusted Loss Ratios 2017	% of Company Premiums
1	1	Berkshire Hathaway Ins	000811	$1,660,142	6.1	17.0	16.7	16.3	55.3	54.2	44.2	3.6
2	2	Doctors Co Ins Group	018083	920,009	1.2	9.4	9.7	9.3	43.0	41.0	40.0	90.6
3	3	CNA Ins Cos	018313	559,455	5.8	5.7	5.7	5.3	59.5	52.6	50.8	5.1
4	4	ProAssurance Group	018559	490,242	3.2	5.0	5.1	5.2	62.0	46.6	36.3	58.6
5	5	Coverys Companies	018359	488,001	9.4	5.0	4.8	4.5	63.0	47.7	54.2	86.7
6	7	MCIC Vermont (A RRRG)	012014	398,529	17.2	4.1	3.6	3.6	105.9	86.2	78.1	96.0
7	6	Norcal Group	018539	370,785	8.6	3.8	3.7	3.6	101.7	54.1	43.7	100.0
8	8	MAG Mutual Companies	018940	313,395	7.7	3.2	3.1	3.0	99.6	57.8	71.8	88.3
9	10	Liberty Mutual Ins Cos	000060	217,779	26.4	2.2	1.8	1.8	35.9	50.1	95.4	0.6
10	9	Physicians' Reciprocal Insurers	002888	169,871	-2.5	1.7	1.9	2.0	-32.7	10.1	42.2	99.2
11	11	Constellation Ins Group	018840	168,629	1.4	1.7	1.8	1.6	63.8	52.6	50.2	94.4
12	12	Controlled Risk Ins Co of VT, Inc	011814	167,238	5.4	1.7	1.7	1.6	60.6	56.1	60.6	94.3
13	13	ISMIE Mutual Group	018644	156,453	2.2	1.6	1.6	1.7	43.5	43.1	42.3	100.0
14	16	Curi Hldgs Group	018072	143,218	13.8	1.5	1.3	1.5	42.8	30.7	28.6	100.0
15	14	Chubb INA Group	018498	138,712	-9.0	1.4	1.6	1.6	38.9	76.3	72.9	0.6
16	18	W. R. Berkley Ins Group	018252	126,913	20.3	1.3	1.1	1.0	46.8	36.4	61.3	2.0
17	15	Alleghany Corp Group	018640	125,275	-2.2	1.3	1.4	1.3	49.2	40.1	32.2	7.1
18	17	State Volunteer Mutual Ins Co	003706	118,647	-1.1	1.2	1.3	1.4	35.5	28.0	17.7	99.9
19	25	Physicians Ins Mutual Group	018103	112,392	25.1	1.2	1.0	0.9	53.3	54.3	59.8	87.2
20	21	Amer Intl Group	018540	108,264	12.4	1.1	1.0	1.8	83.5	-61.1	33.7	0.8
21	23	NCMIC Group	018579	98,349	4.0	1.0	1.0	1.0	30.7	22.2	20.0	89.7
22	19	Medical Mutual Group (MD)	005006	95,376	-4.8	1.0	1.1	1.3	23.7	25.2	44.6	99.7
23	24	Natl Group	018249	95,167	1.0	1.0	1.0	1.0	21.1	41.2	28.1	100.0
24	20	Mutual Ins of Arizona Group	018867	91,315	-6.2	0.9	1.0	1.1	30.3	38.0	43.7	100.0
25	26	COPIC Ins Group	018866	89,554	5.5	0.9	0.9	0.9	45.8	23.7	42.0	95.0
		Top 25 Writers		**$7,423,710**	**5.7**	**76.1**	**75.0**	**74.8**	**57.2**	**47.5**	**49.7**	**5.2**
		Total U.S. P/C Industry		**$9,752,074**	**4.1**	**100.0**	**100.0**	**100.0**	**58.2**	**49.0**	**50.9**	**1.4**

Note: Data for some companies in this report has been received from the NAIC.
Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

U.S. Total Auto – 2019 Direct Premiums Written

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	2019 Direct Premiums Written	% Change in Premiums	Market Share (%) 2019	Market Share (%) 2018	Market Share (%) 2017	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	Adjusted Loss Ratios 2017	% of Company Premiums
1	1	State Farm Group	000088	$41,738,744	-2.1	14.0	14.8	15.9	62.0	62.8	68.9	63.6
2	3	Progressive Ins Group	000780	36,603,871	16.3	12.2	11.0	9.7	62.1	61.3	63.4	93.3
3	2	Berkshire Hathaway Ins	000811	36,460,590	5.4	12.2	12.0	11.5	72.8	70.3	76.4	79.1
4	4	Allstate Ins Group	000008	24,544,521	5.5	8.2	8.1	8.2	58.5	56.9	59.6	70.1
5	5	USAA Group	004080	15,231,199	5.3	5.1	5.0	4.9	82.0	81.3	83.2	64.9
6	6	Liberty Mutual Ins Cos	000060	13,589,936	0.1	4.6	4.7	5.0	66.2	64.1	70.5	38.2
7	7	Farmers Ins Group	000032	11,163,042	1.4	3.7	3.8	4.0	61.8	61.3	65.6	54.1
8	8	Nationwide Group	005987	7,919,019	-5.3	2.7	2.9	3.4	61.1	61.1	68.4	42.9
9	9	Travelers Group	018674	7,701,453	6.0	2.6	2.5	2.5	63.9	64.6	66.2	27.5
10	10	Amer Family Ins Group	000124	6,031,006	-0.1	2.0	2.1	2.1	65.8	69.8	70.7	52.4
11	11	Auto-Owners Ins Group	004354	4,444,775	10.1	1.5	1.4	1.3	66.4	65.9	73.3	49.6
12	12	Erie Ins Group	004283	4,020,021	6.1	1.3	1.3	1.3	73.8	72.6	68.5	53.7
13	15	Kemper PC Companies	018908	3,650,618	9.9	1.2	1.2	1.1	61.2	62.3	66.4	91.1
14	14	Auto Club Enterprises Ins Group	018515	3,621,178	6.7	1.2	1.2	1.1	68.6	69.2	72.9	80.2
15	13	Natl Gen Companies	018863	3,506,334	0.7	1.2	1.2	1.2	65.9	61.5	68.6	70.0
16	17	Mercury Gen Group	004524	3,007,254	4.6	1.0	1.0	1.0	61.6	65.4	63.5	80.6
17	16	CSAA Ins Group	018460	2,991,258	-0.4	1.0	1.1	1.1	60.8	63.3	66.2	72.9
18	18	Hartford Ins Group	000048	2,804,197	0.4	0.9	1.0	1.1	63.3	63.7	69.2	22.1
19	19	MetLife Auto & Home Group	003933	2,548,672	1.2	0.9	0.9	0.9	63.3	58.4	61.6	66.2
20	20	Auto Club Group	000312	2,069,557	2.0	0.7	0.7	0.7	63.2	85.1	99.1	72.5
21	24	Chubb INA Group	018498	1,774,977	16.2	0.6	0.5	0.6	58.9	69.4	63.2	7.5
22	21	MAPFRE North America Group	018801	1,704,449	-8.8	0.6	0.7	0.7	64.8	66.6	69.7	68.0
23	23	Sentry Ins Group	000086	1,676,258	8.6	0.6	0.5	0.5	61.3	65.3	64.5	64.8
24	22	Hanover Ins Group Prop & Cas Cos	004861	1,634,469	4.2	0.6	0.6	0.5	67.8	67.7	62.7	32.1
25	25	Old Republic Ins Group	000734	1,613,672	12.1	0.5	0.5	0.5	73.9	66.8	69.7	35.6
		Top 25 Writers		**$242,051,070**	**4.4**	**81.0**	**80.7**	**80.7**	**65.4**	**65.0**	**69.2**	**57.8**
		Total U.S. P/C Industry		**$298,982,154**	**4.0**	**100.0**	**100.0**	**100.0**	**65.7**	**65.3**	**69.2**	**42.1**

Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

U.S. Workers' Compensation – 2019 Direct Premiums Written

($ Thousands)

						Market Share (%)			Adjusted Loss Ratios			
2019 Rank	2018 Rank	Company/Group	AMB#	2019 Direct Premiums Written	% Change in Premiums	2019	2018	2017	2019	2018	2017	% of Company Premiums
1	1	Travelers Group	018674	$4,211,529	-1.6	7.5	7.4	7.5	50.3	48.4	54.3	15.0
2	2	Hartford Ins Group	000048	3,365,298	-0.5	6.0	5.8	5.9	48.6	46.7	50.9	26.5
3	3	Zurich Ins US PC Group	018549	2,640,320	-2.0	4.7	4.6	5.0	52.9	46.6	50.8	20.5
4	6	Liberty Mutual Ins Cos	000060	2,447,306	-1.1	4.4	4.3	4.2	45.4	13.6	60.4	6.9
5	5	Chubb INA Group	018498	2,430,566	-2.0	4.3	4.3	4.2	43.2	25.0	47.4	10.3
6	7	Berkshire Hathaway Ins	000811	2,311,261	-1.0	4.1	4.0	3.9	41.9	47.0	46.1	5.0
7	4	AmTrust Group	018533	2,172,219	-17.6	3.9	4.5	5.0	42.2	44.1	56.4	42.4
8	8	State Ins Fund WC Fund	004029	1,996,372	-11.5	3.6	3.9	3.9	70.4	68.8	63.5	100.0
9	10	AF Group	018680	1,744,640	11.3	3.1	2.7	2.3	52.1	46.0	48.2	90.8
10	9	Amer Intl Group	018540	1,453,477	-14.0	2.6	2.9	3.0	41.4	65.3	78.3	11.3
11	11	Old Republic Ins Group	000734	1,409,565	-3.9	2.5	2.5	2.5	54.6	54.4	64.8	31.1
12	14	Great Amer P & C Ins Group	004835	1,312,919	-1.2	2.3	2.3	2.4	39.3	45.7	47.8	20.6
13	12	W. R. Berkley Ins Group	018252	1,260,683	-7.3	2.2	2.4	2.4	45.8	44.9	38.4	19.9
14	13	State Compensation Ins Fund	004028	1,206,038	-9.9	2.2	2.3	2.3	38.8	71.6	39.2	100.0
15	15	TX Mutual Ins Co	011453	1,069,298	-2.5	1.9	1.9	1.7	52.3	58.8	50.7	100.0
16	16	ICW Pool	002967	1,040,567	8.6	1.9	1.7	1.6	47.7	50.4	52.5	93.8
17	17	Fairfax Financial (USA) Group	003116	852,111	-8.2	1.5	1.6	1.6	31.7	30.3	32.1	12.2
18	18	CNA Ins Cos	018313	827,537	3.4	1.5	1.4	1.3	40.8	54.9	50.9	7.5
19	20	Starr Intl Group	018756	699,511	7.7	1.2	1.1	1.1	25.7	50.2	58.8	21.1
20	19	Employers Ins Group	018602	687,426	-7.0	1.2	1.3	1.2	44.3	42.8	47.2	100.0
21	22	Arch Ins Group	018484	636,147	9.4	1.1	1.0	1.0	51.6	47.6	59.4	15.1
22	21	Pinnacol Assur	003471	588,500	-5.7	1.1	1.1	1.1	57.4	54.4	53.1	100.0
23	23	CopperPoint Ins Group	018724	560,987	3.6	1.0	0.9	1.0	47.9	42.0	51.0	87.2
24	24	Markel Corp Group	018468	551,011	3.9	1.0	0.9	0.9	38.9	36.3	39.3	9.4
25	26	Everest Re US Group	005696	550,408	7.5	1.0	0.9	0.8	42.7	39.5	40.9	22.5
		Top 25 Writers		**$38,025,696**	**-3.1**	**67.6**	**67.7**	**67.9**	**47.1**	**46.5**	**53.2**	**16.0**
		Total U.S. P/C Industry		**$56,225,576**	**-3.1**	**100.0**	**100.0**	**100.0**	**47.6**	**46.8**	**51.5**	**7.9**

Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: June 12, 2020

Best's Rankings

Top 200 U.S. Combined Life & Health Insurers

Ranked by 2019 admitted assets.
($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Admitted Assets	% Change
1	1	Prudential of America Group	070189	$634,595,223	9.8
2	2	Metropolitan Life & Affiliated Cos Group	069169	427,699,184	4.4
3	3	New York Life Group	069714	344,669,365	6.1
4	4	TIAA Group*	070362	328,219,075	3.9
5	5	AIG Life & Retirement Group	070342	308,075,032	8.6
6	6	Northwestern Mutual Group	069515	290,428,110	6.7
7	7	Lincoln Finl Group	070351	286,344,340	12.0
8	8	Massachusetts Mutual Life Group	069702	279,977,589	9.9
9	9	John Hancock Life Insurance Group	069542	274,503,716	10.9
10	10	Jackson Natl Group	069578	269,516,663	13.7
11	12	AXA Equitable Group	070194	221,342,502	14.0
12	11	Aegon USA Group	069707	214,534,556	6.6
13	13	Principal Finl Group Inc.	020516	210,161,368	13.6
14	15	Nationwide Mutual Life Group	070822	195,158,238	14.5
15	14	Brighthouse Ins Group	070516	194,644,731	8.6
16	16	Allianz Life Ins Group	070187	162,158,730	11.7
17	18	Pacific Life Group	069720	152,901,693	12.8
18	17	Voya Finl Group	070153	150,100,513	8.3
19	19	Talcott Resolution Group	070116	122,040,892	3.5
20	20	Ameriprise Finl Group	069689	113,489,439	9.0
21	21	Sammons Enterprises Group	070533	103,946,100	4.7
22	22	Thrivent Finl for Lutherans	006008	102,221,368	8.7
23	23	Athene US Life Group	070478	97,881,964	16.8
24	27	Protective Life Group	069728	87,420,762	17.8
25	24	Kaiser Fndn Group of Health Plans	070936	86,277,506	5.1
26	25	State Farm Life Group	070126	81,833,204	4.9
27	26	Guardian Life & Health Group	020389	80,237,773	6.1
28	30	Global Atlantic Group	069786	69,923,563	16.1
29	28	Genworth Finl Companies	070527	68,206,294	1.0
30	31	Amer Equity Investment Group	070406	59,303,406	8.2
31	34	Securian Finl Ins Group	069565	57,367,215	21.4
32	29	Great-West Life Group	070366	54,628,460	-12.9
33	33	UnitedHealth Group	020442	53,147,384	6.9
34	35	Western & Southern Finl Group	069754	50,730,658	7.7
35	32	Venerable Ins & Annuity Co	008388	50,251,785	-1.1
36	37	RGA Group	069611	44,936,998	11.0
37	38	Symetra Life Group	070123	44,816,148	12.1
38	40	Great Amer Life Group	069545	43,017,331	11.0
39	36	Unum Life & Health Group	070556	41,981,533	1.3
40	43	Oneamerica Group	070399	41,234,122	11.5
41	39	Group1001 L&H Companies	070541	40,077,190	0.6
42	42	Cigna Group	069194	39,690,597	5.6
43	41	Allstate Life Group	070106	38,653,634	0.8
44	45	Anthem Health Networks Group	069158	38,308,567	7.7
45	44	ERAC Group	070421	37,525,934	5.5
46	46	Security Benefit Group	069882	36,945,140	8.4
47	50	Fidelity Investments Group	070020	36,116,466	18.4
48	49	Mutual of Omaha L&H Group	070532	34,867,303	13.4
49	48	CVS Health Corp Group	070080	34,373,247	8.6
50	52	Natl Life Group	069953	31,464,761	12.2

2019 Rank	2018 Rank	Company/Group	AMB#	Admitted Assets	% Change
51	47	OH Natl Life Group	069717	31,388,242	-5.6
52	51	Health Care Service Corp Group	069154	31,274,808	8.5
53	53	Penn Mutual Group	069722	30,504,390	11.8
54	58	Meiji Yasuda US Life Group	070499	27,536,769	11.4
55	57	Fidelity & Guaranty Life Group	070403	27,415,636	9.0
56	54	USAA Life Group	070364	27,105,925	3.9
57	55	Knights of Columbus	006616	26,860,592	5.6
58	56	Wilton Re Group	070435	25,808,842	2.0
59	59	Ameritas Life Group	069790	25,695,601	10.3
60	62	Berkshire Hathaway Group	070158	25,650,417	13.1
61	60	Amer Natl Group	070166	24,352,092	6.0
62	61	Sun Life US L&H Companies	070497	24,018,160	4.7
63	64	Mutual of America Life Ins Co	008851	23,658,085	16.1
64	63	CNO Group	069862	23,349,690	4.5
65	67	CMFG Life Group	070262	21,608,115	17.3
66	66	EquiTrust Life Ins Co	060315	20,735,507	11.5
67	65	Globe Life Group	070443	19,514,092	3.7
68	68	Nassau Ins Companies	070510	18,418,166	0.2
69	69	Hannover Life Reassur America	068031	17,527,200	3.4
70	73	Humana Group	020169	17,470,386	12.2
71	70	Modern Woodmen of America	006737	17,340,647	5.2
72	75	Tokio Marine US Life Group	069195	17,264,227	14.0
73	72	Centene Group	069166	17,235,162	10.3
74	74	Aflac U.S. Group	069824	15,426,194	0.7
75	77	Zurich Amer Life Group	070470	15,264,777	8.2
76	76	Southern Farm Bureau Life Ins Co	007053	14,730,990	3.1
77	71	Swiss Re Life Group	070469	12,901,198	-19.6
78	78	Hartford Life & Accident Ins Co	007285	12,877,681	-0.2
79	79	Kuvare US Group	070534	12,365,902	-3.9
80	80	Natl Western Life Group	070553	11,379,467	-3.8
81	81	Woodmen of World Life Ins Soc	007259	11,101,466	1.4
82	83	COUNTRY Finl Life Companies	070571	10,424,241	3.8
83	82	BC/BS of MI Group	069165	10,346,811	1.8
84	86	Blue Shield of CA Group	020415	10,231,596	12.9
85	88	GuideWell Ins Group	070566	9,545,205	11.8
86	87	Highmark Inc Group	069155	9,494,546	6.0
87	85	Farm Bureau Life Group	070472	9,341,093	2.4
88	90	Sentry Life Ins Group	070125	8,384,603	16.2
89	89	Munich Amer Group	069170	8,016,328	-1.6
90	84	Horace Mann Life Companies	070561	7,992,086	-19.2
91	92	Wellcare Group of Companies	070528	7,427,554	13.6
92	91	Lombard Life Group	070450	7,374,323	8.7
93	93	Assurant US Life Companies	070135	6,812,452	5.9
94	94	Amer Fidelity Group	069640	6,756,068	8.9
95	97	BCBS of NC Group	070914	6,296,578	10.3
96	100	Legal & Gen America Group	069539	6,213,032	13.4
97	98	Americo Life Group	069676	6,030,082	6.3
98	95	Horizon Healthcare Svcs Cos	070932	5,972,709	2.5
99	101	Independence Blue Cross Group	070982	5,971,380	11.6
100	99	Lifetime Healthcare Group	069168	5,854,793	5.3

2019 Rank	2018 Rank	Company/Group	AMB#	Admitted Assets	% Change
101	103	CareFirst Group	070916	5,664,922	11.9
102	106	Calton Hldgs Group	070530	5,520,874	16.0
103	105	BCBS of SC Group	069149	5,506,172	14.9
104	102	Amer Family Life Ins Co	006052	5,454,250	3.4
105	104	Farmers New World Life Ins Co	006373	5,260,856	4.2
106	109	BCBS of TN Group	070915	5,103,971	14.4
107	115	Local Initiative Health Authority of LA	064652	5,098,007	23.6
108	112	BCBS of Minnesota Gr	070913	4,863,279	13.2
109	111	BCBS of MA Group	020455	4,726,475	8.1
110	108	NGL Ins Group	070358	4,723,174	4.7
111	96	Molina Healthcare Group	069161	4,706,823	-19.1
112	110	Kemper Life & Health Group	070340	4,691,699	5.5
113	107	Cincinnati Life Ins Co	006568	4,674,764	3.1
114	117	BCBS of AL Group	069177	4,663,200	15.5
115	116	Cambia Health Group	020223	4,478,078	10.5
116	113	Kansas City Life Group	069692	4,341,170	1.6
117	114	Continental Gen Ins Co	007360	4,297,282	2.1
118	119	Union Labor Life Ins Co	007152	4,284,760	10.1
119	118	Auto-Owners Life Ins Co	006140	4,201,091	5.1
120	120	Physicians Mutual Group	069724	4,034,018	4.1
121	122	AAA Life Group	070388	3,832,946	7.6
122	125	Premera Group	020411	3,714,239	16.0
123	121	Advantage Capital Life Group	070486	3,653,933	-2.8
124	123	Independent Order of Foresters USB	006551	3,534,072	5.3
125	128	Savings Bank Mutual Life Ins Co of MA	006696	3,407,592	11.1
126	124	Pan-Amer Life Ins Group	069617	3,400,401	4.3
127	127	Homesteaders Life Co	006534	3,213,162	4.7
128	132	Wellmark Group	064437	3,110,890	14.0
129	131	GBU Finl Life	008161	3,089,848	12.2
130	126	Delta Dental of CA Group	070892	2,973,971	-4.6
131	145	BCBS of AZ Group	070565	2,944,551	27.4
132	129	Combined A&H Group	070178	2,851,570	2.4
133	130	Security Mutual Life Ins Co of NY	007034	2,830,113	2.3
134	138	Prosperity Life Group	070471	2,779,385	8.6
135	136	Medical Mutual of OH LH Group	069185	2,754,735	5.2
136	134	Michigan Farm Bureau Life Companies	070563	2,752,973	3.8
137	143	Foresters Life Ins & Annuity Co	006413	2,725,014	10.4
138	142	Erie Family Life Ins Co	007276	2,677,484	7.2
139	139	LifeCare Assur Co	009200	2,673,939	5.1
140	141	BCBS of Louisiana Group	069179	2,639,050	3.9
141	150	UPMC Health Ins Group	070898	2,582,066	15.2
142	140	Manhattan Ins Group	070357	2,578,645	1.4
143	135	Assurity Life Ins Group	070511	2,572,339	-2.1
144	137	Amer Enterprise Group	070369	2,569,821	-0.8
145	144	IN Farm Bureau Group	070368	2,499,967	2.6
146	147	Liberty Bankers Group	070410	2,448,748	7.6
147	149	Oxford Group	070367	2,410,906	7.1
148	148	CareSource Group	070853	2,407,960	6.7
149	146	TN Farmers Life Ins Co	008443	2,398,767	4.3
150	156	Medica Hldg Companies	070902	2,316,310	13.1
151	153	EmblemHealth Group	020434	2,283,100	4.5
152	154	SCOR Life US Group	070253	2,176,840	1.3
153	158	Federated Life Ins Co	006381	2,139,616	6.6
154	160	Vision Service Plan Group	070966	2,101,608	9.8
155	155	Beneficial Life Ins Co	006162	2,067,973	-3.0
156	161	GCU	009807	2,052,334	8.5
157	157	Primerica Group	070183	2,042,266	1.7
158	164	Tufts Associated Health Plans Group	070875	2,041,030	11.5
159	171	Sagicor Life Ins Co	006057	2,037,280	27.8
160	151	HealthPartners Inc Group	070930	2,009,381	-10.0
161	163	Arkansas Blue Cross/Blue Shield Group	070971	1,967,343	6.8
162	162	Orange Prevention & Trtmt Int Med Assist	064713	1,957,224	4.3
163	173	Universal Life Ins Co	060097	1,949,967	22.6
164	166	BC BS Kansas Health Group	081067	1,947,442	9.6
165	159	Trustmark Ins Group	069845	1,940,964	1.3
166	165	Triple-S Mgmt Group	020218	1,902,089	6.5
167	168	Capital Blue Cross Companies	020393	1,863,614	6.4
168	167	Columbian Finl Group	069961	1,771,369	0.5
169	247	Equitable Life & Casualty Group	070518	1,719,380	212.7
170	175	Priority Health Group	020366	1,691,174	13.5
171	170	Catholic Finl Life	008188	1,678,943	1.6
172	172	Boston Mutual Group	069993	1,666,731	4.6
173	169	Centre Life Ins Co	007367	1,591,491	-5.3
174	174	Pekin Life Ins Group	070155	1,548,739	3.0
175	176	Alfa Life Ins Corp	006293	1,543,933	5.6
176	179	Funeral Directors Group	070016	1,532,397	7.4
177	177	IL Mutual Life Ins Co	006542	1,530,661	4.8
178	178	Inland Empire Health Plan	064578	1,454,641	0.3
179	184	BCBS of KC Group	070910	1,436,149	10.1
180	182	Renaissance Health Service Group	020410	1,418,135	7.2
181	186	Hawaii Medical Service Assn	064035	1,416,317	9.4
182	193	IHC Inc Companies	070933	1,383,246	21.9
183	183	Amica Life Ins Co	007464	1,361,219	2.9
184	190	Natl Slovak Society of the US	009813	1,317,899	8.7
185	187	Shelter Life Ins Co	006675	1,308,792	2.7
186	185	Baltimore Life Ins Co	006143	1,306,405	0.8
187	189	Harvard Pilgrim Health Care Group	070985	1,283,710	4.7
188	198	Amer Health & Life Ins Co	006062	1,281,565	23.5
189	188	Gleaner Life Ins Society	006459	1,277,562	2.8
190	194	HealthNow NY Inc	064602	1,238,067	11.2
191	181	UCare Group	070852	1,224,436	-8.7
192	191	Catholic Order of Foresters	006191	1,212,063	0.8
193	192	Catholic Life Ins	008827	1,207,953	1.3
194	197	Blue Cross of ID Health Group	070085	1,176,828	11.7
195	180	Partnership HealthPlan of California	064877	1,117,238	-19.0
196	252	AIDS Healthcare Fndn	064843	1,109,076	109.9
197	196	Royal Neighbors of America	007010	1,104,742	3.5
198	219	Santa Clara County Health Authority	064576	1,099,259	44.0
199	199	Lincoln Heritage Life Ins Co	006694	1,092,253	5.6
200	201	BCBS of MS Group	020263	1,068,381	6.4
		Top 200 Insurers		**$7,926,504,365**	**8.3**
		Total U.S. Life, Health and HMO		**$8,012,585,191**	**8.2**

* TIAA's assets are significantly understated. Most of its separate account assets are in its affiliate, CREF.

Note: Data for some companies in this report has been received from the NAIC.

Source: BESTLINK – Combined Life and Health, US; Data as of: June 12, 2020

Headwinds Emerge

India's nonlife insurance market is challenged by an unhealthy reliance on unrealized and realized gains from investment holdings, poor pricing discipline and economic fallout from the pandemic.

by John Weber

Over the past several years, India has been one of the fastest growing economies in the world, and with that, the nation's nonlife insurance market has significantly expanded across both personal and commercial lines. Despite that, AM Best's outlook for the sector is negative.

Myles Gould, director of analytics, and Senior Financial Analyst Yuan Tian discussed the Best's Market Segment Report on the nonlife India market with AMBestTV.

The following is an edited version of the transcript.

Following the recent release of India's nonlife market segment outlook, what are the key factors that are driving the negative outlook?

Gould: Key factors underpinning the negative outlook on the India nonlife market include the competitive market conditions that we observed in core lines of business along with the poor pricing discipline. Furthermore, we observed there to be an unhealthy reliance on unrealized and realized gains from investment holdings, particularly emanating from typically high-risk investment strategies.

In addition, a more recent dynamic that we've observed in the Indian nonlife market is that of the global COVID-19 pandemic, which we expect to result in a level of volatility in both top-line and bottom-line results of Indian nonlife insurance.

Finally, over the medium-term we expect there to be a level of disruption formed by the planned restructuring of several state-owned insurers in this market.

John Weber is a senior associate editor, AMBestTV. He can be reached at *john.weber@ambest.com.*

What are the key drivers of the poor underwriting performance for core lines of business?

Tian: Motor, health and crop insurance are the largest lines of business in the nonlife India insurance market. They collectively accounted for over 80% of the total premium.

Let's start with motor. Motor class is comprised of own damage and third-party liability. Third-party liability is a compulsory insurance product in India, and the price is set by the tariffs that are prescribed by the regulator.

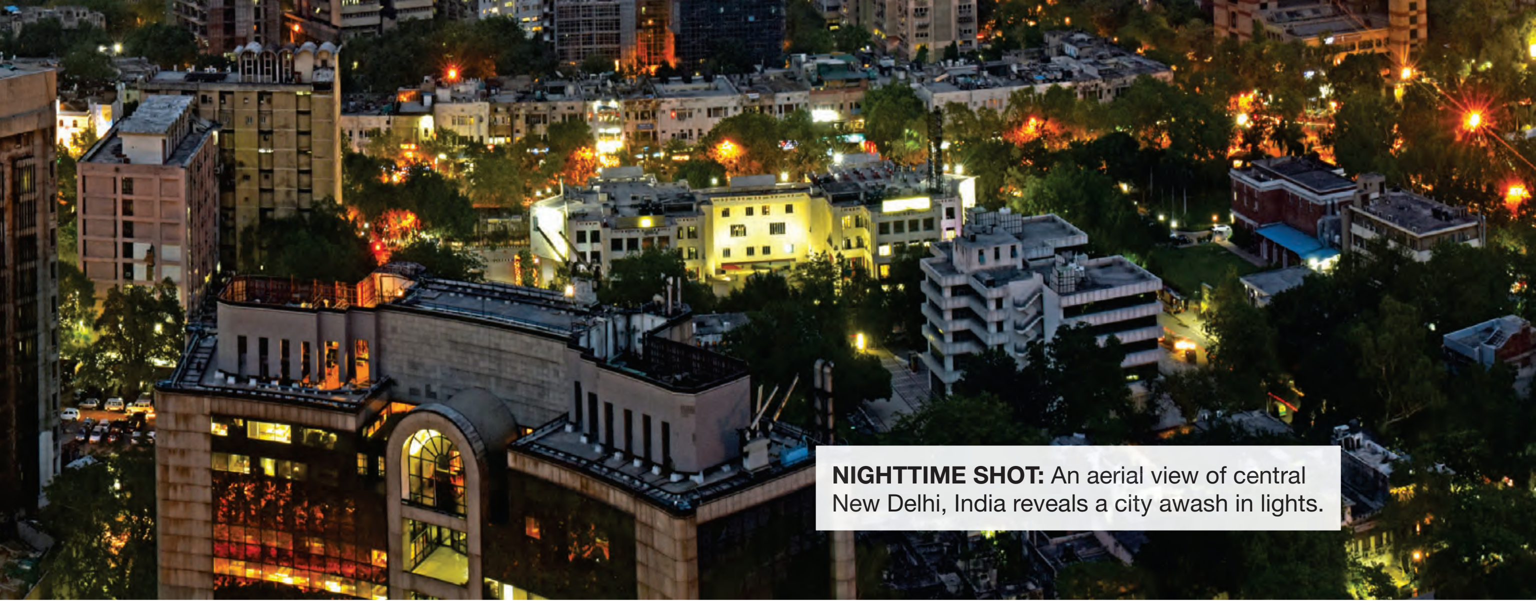
There is a combination of key drivers for the poor performance in this line of business including inadequate pricing, unlimited liability provided by the product, and also an absence of a time bar for policyholders to make claims. The line is an extremely long-tailed product.

For the own damage, we have observed that the duration and the loss ratio over recent years are due to strong market competition.

Health insurance is the second-largest line of business. The line has been growing very fast over the last few years. The business has been dominated by the public-sector companies, however the market share has been cut by the private companies as well as the stand-alone companies.

Within the health segment, corporate health insurers compared to retail health insurance have not been performing very well. There's a new health scheme introduced by the government in 2020, and it's uncertain how this product is going to perform. However, we expect a strong growth in this line of business.

For the crop insurance, due to lack of experience and a lack of historical data since the new scheme was introduced in 2016, the loss ratio has been quite volatile in this line. It's also driven by weather conditions, and we have observed severe weather



NIGHTTIME SHOT: An aerial view of central New Delhi, India reveals a city awash in lights.

conditions over the last few years in the India market, for example, the drought in 2018.

In 2020, several private insurers have dropped out from this business and ceased writing crop insurance.

What are the key observations on the investment earnings of nonlife insurers in India and why is there an imbalance in operating results?

Tian: The market has been experiencing losses on the underwriting side so the insurance companies in this market have been relying on the investment returns to generate overall positive operating earnings. The companies have been investing in high-risk asset classes such as equity, low-quality fixed income, and real estate assets.

Those asset classes have been generating quite good returns to the companies over the past many years. The stock market in India has been growing and generating annualized year-on-year return of around 15% over the last 15 years up to the end of 2019. However, we view this business model as extremely risky.

We've seen during the pandemic in 2020 that the stock market has been falling by over 20% in quarter one. This has impacted the capital position and overwrote earnings to nonlife insurers in the market.

How is the pandemic impacting nonlife insurers?

Gould: Aside from investment market volatility borne by the COVID-19 environment, we expect India nonlife insurers to face other challenges with their business related to the pandemic. Most recently we've observed mandatory periods of lockdown in the country, which has impacted the agency distribution, which is prevalent in this market.

As a result of this, whilst AM Best expects premium growth to still be positive and one with an upward trajectory over the medium term, at least over the near term we expect there to be a level of volatility with slow and lumpy premium growth as compared with previous years.

In addition, we expect the COVID-19 environment to result in underwriting performance, which is already pressured, to be further exacerbated by this dynamic. In particular we would expect pressures to arise on COVID-19 exposed lines of business such as that of health and medical.

Finally, we would expect premium receivables and day-to-days to be on the minds of insurance company management over the medium term as a result of the economic disruption in the country and people with the potential inability to settle their premium payments when due.

Can you summarize the prospective challenges for nonlife insurers in India over the medium term?

Tian: We expect nonlife India insurers to face many headwinds in the market over the medium term. Those include strong market competition, the change of market dynamics driven by potential mergers and acquisitions, volatility in investment earnings, and also the slowing down of domestic and global economic growth.

Some of those challenges and uncertainties have been exacerbated by the COVID-19 pandemic. We expect the underwriting investment and the financial conditions to remain challenging over the medium term in the market. BR

AM Best Research & Commentary

AM Best says the credit quality of commercial mortgage loans in insurers' portfolios has declined and the pandemic could give U.S. commercial auto writers a reprieve in frequency and severity.

A selection of recent industry research:

Market Segment Report: Multiple Threats Flank the Florida Property Insurance Market
The market is facing a number of challenges: hurricanes, social inflation, reinsurance spikes … and now a pandemic.

July 6, 2020 - 15 Pages

Market Segment Report: US Commercial Auto Writers: Profitability Remains Elusive
The segment continues to face numerous challenges, although the pandemic may give it some much-needed breathing room with regard to frequency and severity.

June 30, 2020 - 12 Pages

Special Report: Private Equity Holdings Continue to Climb
L/A insurers account for nearly 75% of the insurance industry's private equity holdings.

June 29, 2020 - 7 Pages

Market Segment Report: Japan Non-Life: Robust Capitalisation to Weather Stock Market Volatility
Despite having high common stock leverage, systematic equity price risk is manageable for major Japanese non-life insurers.

June 26, 2020 - 5 Pages

Special Report: Performance Bonds—Demand Spotlights Different Approaches
AM Best believes the behavioural consequences of different performance bond models merit serious consideration by policymakers.

June 25, 2020 - 6 Pages

Special Report: Commercial Mortgage Loans Increasing, Credit Quality Decreasing
The credit quality of commercial mortgage loans in insurers' portfolios is declining, but key metrics indicate that conservative underwriting practices lower risk in stress scenarios.

June 25, 2020 - 6 Pages

Special Report: US Life/Annuity 2019 Statutory Results: Favorable Operating Results and Underwriting Performance
The segment's operating results were generally favorable on modest premium growth, despite declining investment returns.

June 17, 2020 - 10 Pages

Special Report: Best's Impairment Rate and Rating Transition Study – 1977 to 2019
Seven companies became impaired in 2019.

June 15, 2020 - 21 Pages

Market Segment Outlook: Germany Life Insurance
The key challenge for Germany's life insurance segment remains the low interest rate environment.

June 15, 2020 - 5 Pages

Special Report: US P/C Industry Snapshot: Performance Improved in 2019; Some Lines Still Challenged
The industry's underwriting performance improved markedly in 2019, with underwriting income rising almost 400%.

June 11, 2020 - 13 Pages

AM Best Commentary

Commentary: COVID-19: Expansion of State Workers' Compensation Laws Will Be Credit Negative for Insurers
The workers' compensation segment, already under pressure, could see additional significant losses.

June 18, 2020 - 5 Pages

Best's Insurance News & Analysis subscribers can download PDF copies of all Best's Special Reports, Best's Commentaries and Best's Market Segment Reports along with supporting spreadsheet data at *www.ambest.com.*

The State of Surplus Lines, The Florida Market, And a Look at Captives

BestWebinars

Experts review the surplus lines sector, opportunities for captives, the state of the Florida market and the possible changes in a post-pandemic insurance industry.

On Demand

Market Dislocation Creates Opportunities for Captives

AM Best analysts and industry leaders review market, regulatory and risk issues affecting captives.

The State of the Florida Market

AM Best senior ratings and research staff will review results for Florida-domiciled personal property companies that have faced numerous challenges.

How Active Risk Management Drives Better Customer Engagement

Changes in policyholder lifestyles is spurring changes in risk profiles and insurance coverages.

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Wednesday, Sept. 9, 2 p.m. ET

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- Building More Profitable Home Insurance with Customer Value
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- Tipping Point for Claims Handling?
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- State of the Caribbean Insurance Markets
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For details or to register for webinars, go to *http://www.ambest.com/conferences/webinars.asp*

AMBestTV

COVID-19 And Creativity

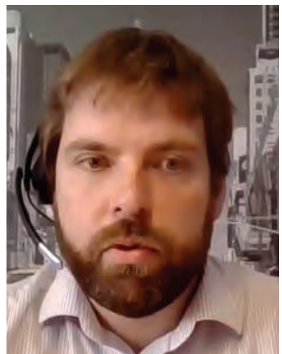
Hockey and lacrosse equipment factories are making face shields, a group raises funds for children affected by the coronavirus, students gain 'real-world' experience in dealing with a pandemic and the growth of telemedicine has its risks. AMBestTV and AMBestAudio report on stories from a number of sectors within the insurance industry.

On Demand

Insurance Coverage Helped a Hockey Equipment Factory Pivot to Make PPEs

Zurich Canada expanded client Bauer Hockey's liability coverage so its hockey and lacrosse equipment factories could make face shields needed during the COVID-19 pandemic. Making that change on the factory floor also meant shifting liabilities and insurance coverage. Larry Weber, Bauer Hockey risk manager, spoke about the transition, and Matthew Arbuckle, casualty underwriting specialist with Zurich, addressed how this switch in product impacted the company's insurance.

Larry Weber



Matthew Arbuckle

Saint Joseph's University Students: Spencer RIMS Challenge Provides A 'Real World' Experience

A student team from St. Joseph's University took first place for a second-straight year in the Spencer RIMS Risk Management Challenge that gave them a chance to examine real risks, including COVID-19 and active shooters. Marya Propis, Spencer Chair, SVP of Distribution & Broker Partnerships at All Risks Ltd., explains what the students of the 23 universities participating in the competition were asked to do.

Marya Propis

IICF Raises $1 Million To Help Children in Pandemic

Lloyd's donated $500,000 to COVID-19 Crisis: IICF Children's Relief Fund, said Hank Watkins, president of Lloyd's Americas, and board member, Insurance Industry Charitable Foundation's Northeast Division. The fund recently passed the $1 million mark.

Hank Watkins

Visit *www.ambest.com/video* to see new and archived video from AMBestTV.

AMBestAudio

Pandemic's Effects Felt In a Number of Ways

Industry professionals talk with AMBestAudio about data for hurricane forecasting and changes in ways of working in insurance.

Dinallo: Congress Considers Pandemic Insurance Modeled After TRIA, NFIP

Eric Dinallo

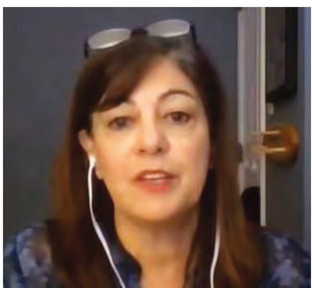
Congress is discussing proposals that would provide business interruption coverage for future pandemics, said Eric Dinallo, insurance regulatory chair, Debevoise & Plimpton. The Pandemic Risk Insurance Act is being met with a counterproposal called the Business Continuity Protection Program, which was developed by a group of insurers.

LexisNexis: Monitors Can Reduce Homeowners Water Claims by 96%

Dan Davis

Homeowners are using new technology to reduce water damage claims. Insurers can offer discounts to encourage homeowners to use water monitors, said Dan Davis, director, internet of things and emerging markets, insurance, LexisNexis Risk Solutions.

Special Programming: Hospitals—The New Frontier for Medical Liability Risk



Susan Tewhill

Pandemic disruptions, changing job roles and the explosive growth of telemedicine are opening new risk vistas for hospital organizations. Organizations have increased their use of telemedicine tenfold, said Susan Tewhill, health care practice leader with Edgewood Healthcare Advisors, a division of Epic Insurance Brokers.

Allianz: Decline in Air Travel May Reduce Weather Data For Hurricane Forecasts

With the quarantine grounding many flights, hurricane forecasters may have less data, said Tom Varney, regional manager, Americas, Allianz Global Corporate and Specialty.

Pandemic Is Fundamentally Changing the Insurance Industry

Thomas Troy, president and chief executive officer of CSAA Insurance Group, discusses how the COVID-19 pandemic is impacting the insurance industry from touchless claims to employees working remotely, and what it may mean for the future.

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Best's Rating Actions

This edition lists all Credit Rating actions that occurred between June 1 and June 30, 2020. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH								
⊕	L	Cincinnati Equitable Life Insurance Co *Michigan Farm Bureau*	006757	A a	Stable Stable	B++ bbb+	Stable Stable	Ohio
⇅	H	Friday Health Plans of Colorado, Inc. *Friday Health Plans, Inc.*	068945	C- ccc-	Positive Positive	C- ccc-	Stable Stable	Colorado
⊕	L	Hartford Life and Accident Insurance Co *Hartford Financial Services Group Inc*	007285	A+ aa-	Stable Stable	A a+	Stable Stable	Connecticut
⊕	H	Liberty Union Life Assurance Company	006799	B bb+	Stable Stable	B bb	Stable Positive	Michigan
⚑	L	Standard Life and Casualty Insurance Co *Fidelity Ventures Inc*	007408	B u bb u	Positive Positive	B bb	Stable Stable	Utah
⇅	L	Trans-City Life Insurance Co *Trans-City Life Insurance Co*	008051	A- a-	Negative Negative	A- a-	Stable Stable	Arizona
New	L	Upstream Life Insurance Company *Upstream Holdings, Inc.*	008094	B++ bbb+	Stable Stable	NR nr		Texas
⇥	L	William Penn Association	007249	NR nr		B++ bbb	Stable Stable	Pennsylvania
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
☑	P	Amer Family Connect Prop and Cas Ins Co *American Family Ins Mutual Holding Co*	003563	A a+	Stable Stable	A u a+ u	Developing Developing	Wisconsin
☑	P	American Family Connect Insurance Co *American Family Ins Mutual Holding Co*	013104	A a+	Stable Stable	A u a+ u	Developing Developing	Wisconsin
☑	P	California Insurance Company *AU Holding Company, Inc.*	002637	A a	Negative Negative	A u a u	Negative Negative	California
—	P	Cameron Mutual Insurance Company *Cameron Mutual Insurance Company*	000861	B bb+	Stable Stable	B+ bbb-	Stable Stable	Missouri
☑	P	Continental Indemnity Company *AU Holding Company, Inc.*	013065	A a	Negative Negative	A u a u	Negative Negative	New Mexico
New	P	Dairyland National Insurance Company *Sentry Insurance a Mutual Company*	020788	A+ aa-	Stable Stable	NR nr		Wisconsin
⊕	P	Farmers Insurance Company of Flemington	004489	A- a-	Stable Stable	B++ bbb+	Stable Stable	New Jersey
⊕	P	Fidelis Insurance Bermuda Limited *Fidelis Insurance Holdings Limited*	093763	A a	Stable Stable	A- a-	Stable Stable	Bermuda
New	P	First Community Bankers Ins Co, LLC *Oxford Insurance Companies*	020831	A a	Stable Stable			Tennessee
New	P	Golden Tree Reinsurance Limited *Iris Financial Services Limited*	071979	B+ bbb-	Stable Stable			Bermuda
☑	P	Illinois Insurance Company *AU Holding Company, Inc.*	011132	A a	Negative Negative	A u a u	Negative Negative	New Mexico
⊕	P	Kinsale Insurance Company *Kinsale Capital Group, Inc.*	014027	A a	Stable Stable	A- a-	Positive Positive	Arkansas
⇅	P	MGA Insurance Company Inc *GAINSCO, INC.*	002854	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Texas
⊕	P	Nations Insurance Company *Nations Holding Company*	013874	B bb+	Stable Stable	B bb	Stable Positive	California
New	P	Oxford Insurance Company LLC *Oxford Insurance Companies*	020782	A a	Stable Stable			Delaware
New	P	Oxford Insurance Company NC LLC *Oxford Insurance Companies*	020784	A a	Stable Stable			Delaware
New	P	Oxford Insurance Company TN LLC *Oxford Insurance Companies*	020783	A a	Stable Stable			Tennessee
⊕	P	Palmetto Casualty Insurance Company *South Carolina FB Mutual Ins Co*	011240	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	South Carolina

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type: P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
☑	P	Pennsylvania Insurance Company *AU Holding Company, Inc.*	022134	A a	Negative Negative	A u a u	Negative Negative	New Mexico
⊕	P	South Carolina FB Mutual Ins Co *South Carolina FB Mutual Ins Co*	000838	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	South Carolina
⚑	P	Spinnaker Insurance Company *Sojourner Holding Company, LLC*	022321	A- u a- u	Developing Developing	A- a-	Stable Stable	Illinois
⚑	P	StarStone Insurance Bermuda Limited *Enstar Group Limited*	088985	A- u a- u	Negative Negative	A- a-	Stable Stable	Bermuda
⚑	P	StarStone National Insurance Company *Enstar Group Limited*	002512	A- u a- u	Negative Negative	A- a-	Stable Stable	Delaware
⚑	P	StarStone Specialty Insurance Company *Enstar Group Limited*	011432	A- u a- u	Negative Negative	A- a-	Stable Stable	Delaware
☑	P	Texas Insurance Company *AU Holding Company, Inc.*	022281	A a	Negative Negative	A u a u	Negative Negative	Texas
⇅	P	Trans City Casualty Insurance Company *Trans-City Life Insurance Co*	011062	A- a-	Negative Negative	A- a-	Stable Stable	Arizona
New	P	Western Surety Company *Hill Financial Corporation*	085805	A- a-	Stable Stable	NR nr		Saskatchewan
EUROPE, MIDDLE EAST AND AFRICA								
⇅	P	Credendo - Single Risk Insurance AG *Credendo Export Credit Agency*	090599	A- a-	Negative Negative	A- a-	Stable Stable	Austria
⊕	P	Fidelis Insurance Ireland DAC *Fidelis Insurance Holdings Limited*	071417	A a	Stable Stable	A- a-	Stable Stable	Ireland
⊕	P	Fidelis Underwriting Limited *Fidelis Insurance Holdings Limited*	093764	A a	Stable Stable	A- a-	Stable Stable	United Kingdom
—	C	Milli Reasurans Turk Anonim Sirketi *Turkiye Is Bankasi A.S.*	085454	B bb+	Stable Stable	B+ bbb-	Negative Negative	Turkey
⇅	P	Navigators International Ins Co. Ltd. *Hartford Financial Services Group Inc*	088277	A a+	Stable Negative	A a+	Stable Stable	United Kingdom
⚑	P	StarStone Insurance SE *Enstar Group Limited*	088986	A- u a- u	Negative Negative	A- a-	Stable Stable	Liechtenstein
⇥	P	Zeta II Luxembourg S.à.r.l. *Omah S.A.*	093455	NR nr		A- a-	Stable Stable	Luxembourg
⇥	P	ZETA Luxembourg S.à.r.l. *Omah S.A.*	093205	NR nr		A- a-	Stable Stable	Luxembourg
ASIA PACIFIC								
⇥	P	EQ Insurance Company Limited *Citystate Capital Asia Pte. Ltd.*	086776	NR nr		B++ bbb+	Stable Negative	Singapore
CARIBBEAN AND LATIN AMERICA								
New	C	London Life International Reins Corp *Great-West Lifeco Inc.*	086458	A+ aa	Stable Stable	NR nr		Barbados
New	C	Seguros El Roble, S.A. *Bicapital Corporation*	078173	A- a-	Stable Stable	NR nr		Guatemala
—	L	Triple-S Blue, Inc., I.I. *Triple-S Management Corporation*	006135	B+ bbb-	Negative Negative	B++ bbb	Stable Stable	Puerto Rico
⇥	L	USIC Life Insurance Company *MRM Group, Inc.*	060567	NR nr		B++ bbb+	Stable Stable	Puerto Rico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⊕	Fidelis Insurance Holdings Limited	033824	bbb	Stable	bbb-	Stable	Bermuda
⊕	Kinsale Capital Group, Inc.	052557	bbb	Stable	bbb-	Positive	Delaware
⇥	The Navigators Group, Inc.	058430	nr		a-	Stable	Delaware

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** **P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In addition, an FSR may be displayed with a rating identifier, modifier or affiliation code that denotes a unique aspect of the opinion.

Best's Financial Strength Rating (FSR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

* Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".

Financial Strength Non-Rating Designations

Designation Symbols	Designation Definitions
E	Status assigned to insurers that are publicly placed, via court order into conservation or rehabilitation, or the international equivalent, or in the absence of a court order, clear regulatory action has been taken to delay or otherwise limit policyholder payments.
F	Status assigned to insurers that are publicly placed via court order into liquidation after a finding of insolvency, or the international equivalent.
S	Status assigned to rated insurance companies to suspend the outstanding FSR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
NR	Status assigned to insurance companies that are not rated; may include previously rated insurance companies or insurance companies that have never been rated by AM Best.

Rating Disclosure – Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.

Financial Size Category

To enhance the usefulness of ratings, AM Best assigns each rated (A++ through D) insurance company a Financial Size Category (FSC). The FSC is based on adjusted policyholders' surplus (PHS) in U.S. dollars and may be impacted by foreign currency fluctuations. The FSC is designed to provide a convenient indicator of the size of a company in terms of its statutory surplus and related accounts.

Many insurance buyers only want to consider buying insurance coverage from companies that they believe have sufficient financial capacity to provide the necessary policy limits to insure their risks. Although companies utilize reinsurance to reduce their net retention on the policy limits they underwrite, many buyers still feel more comfortable buying from companies perceived to have greater financial capacity.

Class	Adj. PHS ($ Millions)	Class	Adj. PHS ($ Millions)
I	Less than 1	IX	250 to 500
II	1 to 2	X	500 to 750
III	2 to 5	XI	750 to 1,000
IV	5 to 10	XII	1,000 to 1,250
V	10 to 25	XIII	1,250 to 1,500
VI	25 to 50	XIV	1,500 to 2,000
VII	50 to 100	XV	2,000 or greater
VIII	100 to 250		

For the most current version, visit www.ambest.com/ratings/index.html. BCRs are distributed via the AM Best website at *www.ambest.com*. For additional information regarding the development of a BCR and other rating-related information and definitions, including outlooks, modifiers, identifiers and affiliation codes, please refer to the report titled "Guide to Best's Credit Ratings" available at no charge on the AM Best website. BCRs are proprietary and may not be reproduced without permission.

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GUIDE TO BEST'S ISSUER CREDIT RATINGS – (ICR)

A Best's Issuer Credit Rating (ICR) is an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis. A Long-Term ICR is an opinion of an entity's ability to meet its ongoing senior financial obligations, while a Short-Term ICR is an opinion of an entity's ability to meet its ongoing financial obligations with original maturities generally less than one year. An ICR is an opinion regarding the relative future credit risk of an entity. Credit risk is the risk that an entity may not meet its contractual financial obligations as they come due. An ICR does not address any other risk. In addition, an ICR is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser. An ICR may be displayed with a rating identifier or modifier that denotes a unique aspect of the opinion.

Best's Long-Term Issuer Credit Rating (Long-Term ICR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
Superior	aa	aa+ / aa-	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
Excellent	a	a+ / a-	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
Good	bbb	bbb+ / bbb-	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Fair	bb	bb+ / bb-	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Marginal	b	b+ / b-	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Weak	ccc	ccc+ / ccc-	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Very Weak	cc	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations. Credit quality is very vulnerable to adverse changes in industry and economic conditions.
Poor	c	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.

** Best's Long-Term Issuer Credit Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).*

Best's Short-Term Issuer Credit Rating (Short-Term ICR) Scale

Rating Categories	Rating Symbols	Category Definitions
Strongest	AMB-1+	Assigned to entities that have, in our opinion, the strongest ability to repay their short-term financial obligations.
Outstanding	AMB-1	Assigned to entities that have, in our opinion, an outstanding ability to repay their short-term financial obligations.
Satisfactory	AMB-2	Assigned to entities that have, in our opinion, a satisfactory ability to repay their short-term financial obligations.
Adequate	AMB-3	Assigned to entities that have, in our opinion, an adequate ability to repay their short-term financial obligations; however, adverse industry or economic conditions likely will reduce their capacity to meet their financial commitments.
Questionable	AMB-4	Assigned to entities that have, in our opinion, questionable credit quality and are vulnerable to adverse economic or other external changes, which could have a marked impact on their ability to meet their financial commitments.

Long- and Short-Term Issuer Credit Non-Rating Designations

Designation Symbols	Designation Definitions
d	Status assigned to entities (excluding insurers) that are in default or when a bankruptcy petition or similar action has been filed and made public.
e	Status assigned to insurers that are publicly placed, via court order into conservation or rehabilitation, or the international equivalent, or in the absence of a court order, clear regulatory action has been taken to delay or otherwise limit policyholder payments.
f	Status assigned to insurers that are publicly placed via court order into liquidation after a finding of insolvency, or the international equivalent.
s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
nr	Status assigned to entities that are not rated; may include previously rated entities or entities that have never been rated by AM Best.

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Corporate Changes

All companies listed are life/health or property/casualty insurers in the United States and Canada.

LIFE/HEALTH

New Companies

USAble PPO Insurance Co., (AMB# 062449), incorporated Jan. 17, 2020 in Arkansas.

WellCare Health Insurance Company of Oklahoma Inc. (AMB# 062442), incorporated Jan. 24, 2020 in Oklahoma.

Trans-Oceanic Life Insurance Company of America, (AMB# 062434), incorporated Jan. 16, 2020 in Florida.

Mergers

Dominion National Insurance Co. (AMB# 062183), West Trenton, N.J. This company merged with and into Dominion Dental Services Inc. on March 18, 2020.

L'Excellence Life Insurance Co. (AMB# 066890), Montreal. This company merged with and into Industrial Alliance Insurance and Financial Services Inc. on Jan. 1, 2020.

Sanford Heart of America Health Plan (AMB# 064184), Fargo, N.D. This company merged with and into Sanford Health Plan on Jan. 1, 2020.

Spartan Plan IL Inc. (AMB# 062217), Lombard, Ill. This company merged with and into Spartan Plan VA Inc. on Jan. 1, 2020.

Spartan Plan PA Inc. (AMB# 062215), Haverford, Pa. This company merged with and into Spartan Plan VA Inc. on Jan. 1, 2020.

Trilogy Health Insurance Inc. (AMB# 065033), Brookfield, Wis. This company merged with and into Care Wisconsin Health Plan Inc. on Jan. 1, 2020. At the time of the merger, Care Wisconsin Health Plan Inc. changed its name to Care Wisconsin Health Plan - Trilogy Health Insurance, Inc.

Name Changes

AXA Corporate Solutions Life Reinsurance Co. (AMB# 009083), Wilmington, Del. This company changed its name to Corporate Solutions Life Reinsurance Co. on March 15, 2020.

AXA Equitable Life and Annuity Co. (AMB# 009516), Englewood, Colo. This company changed its name to Equitable Financial Life and Annuity Co. on June 15, 2020.

AXA Equitable Life Insurance Co. (AMB# 006341), New York. This company changed its name to Equitable Financial Life Insurance Co. on June 15, 2020.

AXA Equitable Life Insurance Co. (Canada Branch) (AMB# 066819), Scarborough, Ontario. This branch changed its name to Equitable Financial Life Insurance Co. on June 15, 2020.

Care Wisconsin Health Plan Inc. (AMB# 065017), Madison, Wis. Trilogy Health Insurance Inc. merged with and into Care Wisconsin Health Plan Inc. (CWHP) on Jan. 1, 2020. At the time of the merger, CWHP changed its name to Care Wisconsin Health Plan - Trilogy Health Insurance Inc.

HAP Midwest Health Plan Inc. (AMB# 064518), Detroit. This company changed its name to HAP Empowered Health Plan Inc. on Jan. 1, 2020.

Acquisitions & Ownership Changes

IlliniCare Health Plan Inc. (AMB# 065082), Burr Ridge, Ill. This company was acquired by Aetna Health Holdings LLC from Centene Corp. on Jan. 23, 2020.

Missouri Care Inc. (AMB# 064921), St. Louis. This company was acquired by ATH Holding Co. LLC, a subsidiary of Anthem Inc., from the WellCare Management Group Inc., a subsidiary of WellCare Health Plans Inc., on Jan. 23, 2020.

WellCare of Nebraska Inc. (AMB# 062143), Lincoln, Neb. This company was acquired by ATH Holding Co. LLC, a subsidiary of Anthem Inc., from the WellCare Management Group Inc., a subsidiary of WellCare Health Plans Inc., on Jan. 23, 2020.

PROPERTY/CASUALTY

Mergers

Beaver Creek Mutual Insurance Co. (AMB# 010030), Luverne, Minn. This company merged with and into Heartland Mutual Insurance Co. on Jan. 1, 2020.

Bow Mutual Fire Insurance Co. (AMB# 010047), Concord, N.H. This company merged with and into Concord General Mutual Insurance Co. on March 31, 2020.

Delphi Casualty Co. (AMB# 012696), Des Plaines, Ill. This company merged with and into Personal Service Insurance Co. on Jan. 1, 2020.

Prepared Insurance Co. (AMB# 014120), Tampa, Fla. This company was acquired by Lighthouse Property Insurance Corp. from Prepared Holdings LLC and merged with and into Lighthouse Property Insurance Corp. on June 16, 2020.

Weare Mutual Fire Insurance Co. (AMB# 020604), Concord, N.H. This company merged with and into Concord General Mutual Insurance Co. on March 31, 2020.

Name Changes

ARI Casualty Co. (AMB# 014364), Ewing, N.J. This company changed its name to Lancer Insurance Company of New Jersey on May 14, 2020.

Firstline National Insurance Co. (AMB# 010633), Bel Air, Md. This company changed its name to Firstline Insurance Co. on March 23, 2020.

Service Insurance Co. (AMB# 003785), Bradenton, Fla. This company changed its name to SafePort Insurance Co. on Feb. 10, 2020.

21st Century Assurance Co. (AMB# 011109), Wilmington, Del. This company changed its name to Toggle Insurance Co. on Feb. 14, 2020.

21st Century Preferred Insurance Co. (AMB# 020786), Harrisburg, Pa. This company changed its name to Trisura Insurance Co. on Jan. 24, 2020.

Worth Casualty Co. (AMB# 012439), Fort Worth, Texas. This company changed its name to Incline Casualty Co. on March 18, 2020.

Acquisitions & Ownership Changes

Anchor Specialty Insurance Co. (AMB# 012687), Beaumont, Texas. This company was acquired by Weston Insurance Holdings Corp. from Anchor Insurance Holdings Inc. on March 13, 2020.

State Actions

Gateway Insurance Co. (AMB# 010621), Illinois. This company was placed into insolvent liquidation on June 10, 2020.

Domiciliary Changes

Continental Indemnity Co. (AMB# 013065), Santa Fe, N.M. This company redomesticated to New Mexico from Iowa on Jan. 4, 2020.

Fort Wayne Medical Surety Co., Risk Retention Group (AMB# 013891), Charleston, S.C. This company redomesticated to South Carolina from Arizona on March 30, 2020.

Great American E & S Insurance Co. (AMB# 003837), Cincinnati. This company redomesticated to Ohio from Delaware on Feb. 18, 2020.

Great American Fidelity Insurance Co. (AMB# 003293), Cincinnati. This company redomesticated to Ohio from Delaware on Feb. 18, 2020.

Illinois Insurance Co. (AMB# 011132), Santa Fe, N.M. This company redomesticated to New Mexico from Iowa on Jan. 4, 2020.

Mid-Continent Excess and Surplus Insurance Co. (AMB# 014150), Cincinnati. This company redomesticated to Ohio from Delaware on Feb. 18, 2020.

Pennsylvania Insurance Co. (AMB# 022134), Santa Fe, N.M. This company redomesticated to New Mexico from Iowa on Jan. 4, 2020.

New Company Buzzes In

Hudson Structured Capital Management creates new special purpose insurer—Bumblebee Re.

Edouard von Herberstein, chief executive officer for Bumblebee Re and chief underwriting officer for Hudson Structured Capital Management, said the new special purpose insurer is transforming reinsurance risk by creating a system of collateralized cells.

Following is an edited transcript of the interview.

Edouard von Herberstein

Can you tell us about your new insurer, Bumblebee Re?

We have been transforming reinsurance contracts for about four years now, since we started Hudson, using Offshore Re license.

We also have a team in Bermuda, and we've been ramping up not just the deal count and the number of contracts that we transform, but also broadening the variety of lines of business we transform through the Offshore Re license.

As that has grown in size and deal count, it became interesting and worth exploring having our own license to increase the control that we have on the transforming of those contracts.

We think that, over time, this will probably save some cost for investors as well as we are doing some of that transforming and servicing in-house.

What types of contracts are you transforming?

We are transforming many of what other ILS [insurance-linked securities] funds would transform as well, starting with property reinsurance and property retrocession, catastrophe, natural disaster-focused contracts.

We have a mandate that's very broad, so we have transformed deals not just across natural disaster risk transactions, but also in the casualty space, in the specialty space. In casualty, we've transformed cyber insurance contracts and reinsurance contracts.

We've transformed auto contracts, personal auto and commercial auto, and in specialty lines we have been active in the marine and energy space as well. We are in the process of transforming a financial guarantee product at the moment.

The license itself is not that flexible. It's a very basic, unrestricted special purpose insurer, which allows us to create cells that will effectively allow us to segregate investments to that specific contract for investors.

It has to be fully collateralized. We are not allowed to hedge or reduce our liability through hedging and reinsuring that risk. It's a fairly simple construct. It has some fairly strict constraints in terms of what we can and cannot do.

Does the segregated cell idea tie into the name, Bumblebee Re?

We ran a questionnaire with the team, and we asked people to provide suggestions. Two of our younger employees suggested Bumblebee, because Bumblebee is a Transformer in the movie. That was No. 1.

Then quickly we realized that maybe using a Bumblebee was also a good analogy to those honeycomb cells that honeybees, but also bumblebees, use to store the nectar and make honey. To replace honey with cash, that works quite well.

I think Bumble is a dating app, and we like to think that we can date a lot of insurance companies and reinsurers around the world, and have dating relationships across a wide variety of cedents.

Is demand for collateralized reinsurance growing in the market today?

Because our mandate is very broad, what we are seeing is we get requests and opportunities that are initially defined for the traditional reinsurance market or insurance market. Often, because the traditional market doesn't provide the capacity for such risk of some specific structures, if we can, we'll find a way to use our mandate and our collateralized products and capacity to support, to take on that risk.

It doesn't come to us as a collateralized reinsurance product request. It comes in the form of a traditional product request. Because we don't have a rated balance sheet, we effectively guide the brokers and the clients to all the collateralized reinsurance solutions.

—Meg Green

AMBestTV

Go *bestreview.com* to watch the interview with Edouard von Herberstein.

Comeback on the Way

Swiss Re: Global insurance market should recover in 2021 from COVID-19 pandemic shock.

Jerome Jean Haegeli

Insurance demand will fall this year as the COVID-19 pandemic creates the deepest recession since the 1930s, but premium growth should recover in 2021, led by emerging markets and commercial property/casualty lines, according to Swiss Re.

Global gross domestic product will contract by about 4% in 2020, leading to a slump in demand for insurance this year, particularly for life insurance, said Swiss Re in a new sigma report. The reinsurer said life premium volumes will shrink by 6% in life and by 0.1% for nonlife insurance.

Citing ongoing uncertainty around the claims burden from COVID-19, the report said a range of current estimates "is very wide," with a midpoint estimate of $55 billion for global COVID-19-related property/casualty losses "from a collection of sources."

Before COVID-19, the insurance industry was well-capitalized "and we believe it will absorb the COVID-19 earnings shock," the report said.

"The industry's capital position means it should be able to handle the COVID-19 shock," said Jerome Jean Haegeli, group chief economist, Swiss Re, in a statement.

"The upper end of the range of total property and casualty claims estimates by most external insurance analysis is $100 billion, similar in scale to losses caused by hurricanes Harvey, Irma and Maria in 2017, which the industry also absorbed."

Swiss Re said the industry should "ride out what will likely be a short-lived recession, and for premium growth to bounce back as the economy enters more protracted recovery."

"The insurance industry is showing resilience in face of the COVID-19-led economic downturn," said Haegeli. "The magnitude of premium losses will be similar to that seen during the global financial crisis in 2008-09, even though this year's economic contraction of around 4% will be much more severe."

The reinsurer sees commercial property/casualty lines "as the main driver of the comeback," the report said.

By region, emerging markets will lead the comeback, particularly China, the report said.

"Against this background, and with Asian countries expected to recover more quickly, we believe the ongoing shift in global insurance market opportunity to emerging Asia and China in particular, will continue," the report said.

"We forecast that China's share of global premiums will continue to rise rapidly to an estimated 18% (from 2019's 10%) in 2030, still only half the share of the U.S."

Excluding medical insurance premiums, Swiss Re said China "remains on track to become the largest insurance market globally by the mid-2030s.

By then India, another emerging giant, will also be among the 10 largest insurance markets of the world."

Swiss Re is estimating COVID-19 will hit global premium growth—both life and nonlife—by about three percentage points from its pre-recession growth.

"We forecast that combined life and nonlife direct premiums written will recover to above pre-pandemic levels over the course of 2021, a strong outcome given the severity of this year's recession," the report said. "In relative terms, the declines in life and nonlife premium growth in 2020 will be of similar magnitude to that seen during the global financial crisis in 2008-09, even though this year's GDP contraction will be much more severe."

Falling sales and fee income due to restricted in-person interactions will affect life segment profit this year.

"On the flipside, COVID-19 has hit at a time of rate hardening in nonlife, and we expect that trend to continue in commercial lines in particular, as capital becomes more scarce," the report said. "This, and the expected bounce-back of insurance demand should support earnings over the longer term."

Haegeli said COVID "is a lesson for insurers and policymakers alike who, in the interest of long-term societal and economic stability, should look to develop more public-private partnership solutions for pandemic risks."

—David Pilla

A Big Drop

Willis Towers Watson: North America hit by slowing mergers and acquisition deals amid COVID-19 disruption.

Mergers and acquisitions volume in North America fell to its lowest level in more than a decade over the first half of 2020, dragged down by the COVID-19 pandemic, said Willis Towers Watson.

Europe and Asia-Pacific escaped the worst of the virus-related slump, the broker said in a statement on the release of its Quarterly Deal Performance Monitor.

WTW said the COVID-19 impact on M&A performance and volume in the first half of 2020 "was significant but not unexpected," but the broker said regional differences in deal performance and volume from its M&A data "have been more dramatic."

"Economic uncertainty caused by the pandemic seems to have had a far greater negative impact on the ability of U.S. companies to initiate and successfully complete M&A negotiations," said Jana Mercereau, head of corporate mergers and acquisitions, Great Britain, WTW, in a statement. "Global M&A activity tumbled to its lowest level in more than a decade in the wake of the COVID-19 outbreak, with most of this decline driven by North America."

Based on share price performance, WTW said its quarterly monitor shows that North America saw the sharpest fall in M&A performance. "Acquirers underperformed their regional index by -7.2 percentage points" with only 137 deals completed in the first half, WTW said. This compared with 188 deals in the same period a year earlier.

"This is the lowest number of North American deals for a six-month period since 2009," WTW said.

WTW said European buyers performed 10.2 percentage points above their regional index in the first half, based on an increase in deals completed (80 deals compared with 68 a year earlier).

"This is also the first time in two years that Europe has recorded three consecutive quarters of positive performance," WTW said. "Meanwhile, U.K. acquirers performed 16.9 percentage points above the index with 15 deals in the first half of this year."

WTW said Asia-Pacific dealmakers saw a "more modest" 3.1 percentage point rise in the first half on lower volume of 82 deals compared to 95 a year earlier. "Perhaps more significantly, the region's outperformance in the last three months improved substantially at +8.0 percentage points based on 41 deals closed—the region's first significant positive quarterly performance since late 2016," WTW said.

The quarterly monitor showed that deals took longer as the average time to close a deal in the first half of 2020 increased 8%, from 144 to 156 days, from the previous year, said WTW. "This trend is likely to endure, with M&A deals continuing to be delayed or canceled as companies try to wait out the worst of the downturn," WTW said.

The quarterly monitor "covers all M&A transactions globally valued at $100 million or more across all industries, sectors and geographies," WTW said in an email.

—David Pilla

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1. **Chubb CEO: Industry Will Fight Retroactive Business Interruption Claims 'Tooth and Nail'** (April 22, 2020)
2. **Starr's Greenberg: BI Legislation Puts Insurance on 'Road to Oblivion'** (April 23, 2020)
3. **Warren Buffett: Insurers Face Onslaught of Costly COVID-19 Litigation Costs** (May 3, 2020)
4. **Best's Commentary: Two Months of Retroactive Business Interruption Coverage Could Wipe Out Half of Insurers' Capital** (May 5, 2020)
5. **COVID-19 Losses May Reach $4.3 Billion for Lloyd's, Rivaling Its Worst Historic Events** (May 14, 2020)

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Travel Alert

As travel plans start to rebound after COVID-19 largely upended the travel industry, travel insurers are optimistic about the future of their market.

by Lori Chordas

The once bustling hallways inside airports across the world sat empty as only a handful of travelers made their way to the gates. Cruise ships docked in their ports while bus terminals once overrun with a frenzy of passengers awaiting their next charter resembled a ghost town scene out of a Hollywood Western.

COVID-19 upended travel plans and largely shuttered an industry that last year saw more than $1.1 trillion in travel sales in the U.S.

While the unprecedented pandemic has resulted in the loss of millions of travel sector jobs and, according to a June 18 report by Tourism Economics, fueled more than $237 billion in cumulative losses for the U.S. travel economy since the beginning of March, it hasn't dampened the spirits of travel insurers.

Many expect a resurgence in travel plans and insurance policies to protect those trips in the coming months as travel restrictions imposed during the global pandemic continue to be lifted.

"The travel industry in the past has shown itself to be very resilient," said Allianz Global Assistance USA spokesperson Daniel Durazo.

"While sales of travel insurance products have largely been paused while Americans stay home due to COVID-19, travel plans and travel insurance sales will continue to rebound in the second half of 2020," he said.

Projections like that are already playing out in the numbers. According to a June 15 *Travel Intentions Pulse Survey* conducted by MMGY Travel Intelligence, about 40% of respondents expect to travel during the next six months.

While COVID-19 suspended travel plans, it also raised concerns by consumers who feared their travel insurance policies wouldn't help recover the cost of canceled trips.

Standard policies typically exclude coverage for pandemics. However, some insurers made temporary changes to their coverages.

Allianz Global Assistance USA made several temporary accommodations to provide coverage for trip cancellations, trip interruptions and emergency medical care for policyholders who become ill with COVID-19, in addition to extending refunds of travel insurance premiums to customers whose travel suppliers have canceled their trips due to the pandemic.

Allianz is also allowing customers to use their policies anytime within 770 days of the date of purchase date, and offers a 15-day "free" look option that allows consumers to review their travel insurance policy and cancel it for a full refund "if it doesn't meet their needs," Durazo said.

Under Chubb's travel insurance policies, COVID-19 is considered a "sickness," making it potentially eligible for coverage in accordance with policy provision, said James Walloga, executive vice president of Chubb Accident and Health.

"One example is if an insured contracts the virus and can't travel. Then their nonrefundable travel costs could be eligible for trip cancellation and/or trip interruption benefits," he said.

The global health pandemic is raising awareness about the need for travel insurance, Allianz's Durazo said. Nearly one-quarter of Americans with future travel plans said they will "definitely" buy travel insurance and 21% said they may purchase a policy, according to results of a ValuePenguin survey released in June. BR

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