Digital Edition PDF

BEST'S REVIEW®

www.bestreview.com

AM BEST'S MONTHLY INSURANCE MAGAZINE

Thank you for downloading this month's Edition of *Best's Review.*

License Reminder

For additional subscriptions or copies of this publication for distribution to your colleagues or clients, please contact Customer Service at 908-439-2200 ext. 5742 or email at customer_service@ambest.com.

To subscribe online visit http://www.ambest.com/sales/bestsreview

Top Audit and Actuarial Firms
Page 22

What's Ahead For Insurers in 2021
Page 42

Marine Insurers Hit By Multiple Losses
Page 68

ISSUES & ANSWERS
Claims, D&I and E&S
Pages 35-41

BEST'S REVIEW®

December 2020 • Volume 121 • Issue 12 www.bestreview.com

AM BEST'S MONTHLY INSURANCE MAGAZINE



The Entrepreneurial Agent/Broker

Steve DeCarlo, Heidi Strommen and Pat Ryan are among the industry leaders who share their views about innovation and creating tomorrow's insurance coverages. Pages 54-67

Best's Review's Online Archives

Delaware's Captive Bureau
is business at the next level

In Delaware, our captive regulators are dedicated exclusively to our captive insurance clients' needs, and work under the direction of our Captive Bureau leadership, directed by Steve Kinion.

STEVE KINION, DIRECTOR
Bureau of Captive & Financial Products
Department of Insurance
Steve.Kinion@state.de.us

There are 34 people working on Delaware's Captive team. Of this total 15 are financial analysts. Under Delaware's regulatory organization, the financial analyst is the first-line regulator who communicates with the captive manager or owner.

As a result, all inquiries, business plan changes, dividend requests, and other related matters are first addressed by the analyst. The experience level of these analysts is unmatched.

Call us today to speak with a team member

302-577-5280

Our team has 15 analysts

- **12 hold the Associate in Captive Insurance (ACI) designation**
- **12 hold the Accredited Financial Examiner (AFE) designation**
- **9 hold the Certified Financial Examiner (CFE) designation**
- **2 are Certified Public Accountants (CPA)**

BUREAU OF CAPTIVE & FINANCIAL INSURANCE PRODUCTS
1007 Orange Street, Suite 1010
Wilmington, DE 19801
302-577-5280 • captive.delaware.gov

Entrepreneurial Spirit

Best's Review in December features interviews with top agent/broker innovators, our annual listing of auditors and actuaries, a feature on the marine insurance market and a look ahead to 2021.

Best's Review and AMBestTV have joined forces to bring together leaders from the agent/broker sector to talk about their strategies and creative vision, with a special focus on excess and surplus lines, insurtech MGAs and what it takes to build a successful program business.

This is our second cross-media project, following the inaugural "An Industry Transformed" that appeared in the September issue of the magazine.

For the Entrepreneurial Agent/Broker project, we developed a three-part series: "Strength Through Specialization," "Insurtech Drives Distribution Innovation" and "Programs That Produce."

The panelists for "Strength Through Specialization" include Steve DeCarlo, executive chairman of AmWINS Group; Pat Ryan, founder, chairman and CEO of Ryan Specialty Group; and Matt Power, president of One80 Intermediaries.

"Insurtech Drives Distribution Innovation" brings together Tim Attia, co-founder and CEO of Slice Labs; Rick McCathron, president of Hippo; and Phil Edmundson, founder and chief executive of Corvus Insurance.

And the four participants in "Programs That Produce" are David Springer, group president and chief operating officer, NIP Group; Geof McKernan, founder of NSM Insurance Group; Joel Cavaness, president of Risk Placement Services; and Heidi Strommen, president of ProHost USA.

Many words can be used to describe 2020. "Uneventful" is not one of them. As the year draws to a close, *Best's Review* considers what 2021 could bring in light of the pandemic, civil unrest, hurricanes, wildfires and the presidential election.

"What's Ahead" takes a look at issues and trends that could be on the horizon.

For the marine insurance market, notable events in 2020 included an explosion at a port in Beirut, a number of cargo vessel fires and destruction of various storage facilities near Nashville, Tennessee, due to a tornado. December is Marine and Inland Marine Insurance Awareness Month. In "A Powerful Force," *Best's Review* looks at these losses and the impact on the marine market.

The pandemic has had a major impact on many lines and classes of business. Life insurers have begun to revise some of their early estimates on the mortality risk associated with COVID-19. In "Rethinking Mortality," *Best's Review* examines what has changed since the early days of the pandemic.

Actuaries play a key role when it comes to making mortality estimates such as these. In this issue, *Best's Review* presents its listings of the top auditors and actuaries. The listings focus on independent accountants who audit an insurer's annual financial statements and on third-party actuaries who provide an annual statutory actuarial opinion regarding an insurer's policy and claim reserves.

These listings include only insurance companies with statements that listed auditors or external actuaries. The insurer population includes U.S. and Canadian companies that file with AM Best.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

What can the industry do to recruit a more diverse workforce and retain that talent?

Email your answer to *bestreviewcomment@ambest.com*.

Reader responses will be published in a future issue.

Contents

ON THE COVER: THE ENTREPRENEURIAL AGENT/BROKER

Industry leaders discuss how tomorrow's insurance coverages, business models and risk strategies get their start.

Pages
54-67

Strength Through Specialization

Creating new markets and products to meet the challenge of emerging risks is at the heart of the excess and surplus lines market.

Page
55

Insurtech Drives Distribution Innovation

Balancing technology and insurance expertise is the key to innovation—and success—for insurtech MGAs.

Page
60

Programs That Produce

Insurance entrepreneurs say the program sector offers the opportunity to quickly build effective, scalable business.

Page
64

AUDITORS & ACTUARIES

Best's Review presents its listings of the top auditors and actuaries and looks at how life insurers and their actuaries are rethinking initial estimates of mortality costs related to COVID-19.

Pages 22-33

Top Audit and Actuarial Firms

Ranked by loss reserves.

Page
22

Rethinking Mortality

Life insurers and their actuaries find themselves, in some cases, revising down the initial estimates of extra mortality costs related to COVID-19, though there are still many unknowns regarding the pandemic.

Page
30

INSURANCE AGENDA

In this special section, *Best's Review* takes a look at issues and trends that could be on the horizon, and how the industry is changing.

Pages
42-53

What's Ahead

As insurers look toward 2021, their priorities and concerns are shaped by the unusual events of 2020.

Page
42

Make It Personal

McKinsey: Life insurance carriers can grow by offering more personalized and flexible products.

Page
50

A Different View

Kevin Kelley's move from insurance to private equity gives him a unique perspective on a changing industry.

Page
52

ISSUES & ANSWERS

Claims Automation, Diversity & Inclusion and Excess & Surplus

Industry experts discuss touchless claims, the importance of bringing diversity and inclusion into the workplace and the growing opportunities in the excess and surplus lines market.

Page
35

MARINE INSURANCE

A Powerful Force

Large accumulation exposures, including an unprecedented pandemic, a spate of cargo vessel fires and a large port explosion in Beirut, have hard hit the marine insurance market in recent months and are driving changes in the line.

Page
68

BEST'S RANKINGS

Marine, Inland Marine and Fire and Allied

Ranked by 2019 direct premiums written.

Top 25 U.S. Ocean Marine Writers

Top 25 U.S. Inland Marine Writers

Top 25 U.S. Fire and Allied Writers

U.S. Fire and Allied Lines - Top Writers by State, Canada and U.S. Territories - 2019

Pages
74-76

COLUMNS

10 Next Wave
14 At Large
16 Risk Adviser
18 Technology
20 Regulatory/Law

DEPARTMENTS

1 From the Editor's Desk
4 Best's Calendar
5 Executive Changes
9 Insurance Marketing
12 In the News
78 What AM Best Says
80 Books
81 Trending
82 AM Best Research & Commentary
83 AM Best Webinars
84 AM Best TV & Audio
86 Best's Credit Rating Actions
91 Corporate Changes
92 Industry Updates
95 Advertisers Index
96 The Last Word

Cover design by Andrew Crespo

NCOIL Offers Virtual, In-Person Options

Nov. 10-Dec. 15: VIRTUAL. Property Insurance Report Online Conference 2020, Risk Information.

Dec. 3–4 and Dec. 7–9: VIRTUAL. NAIC Fall National Meeting, National Association of Insurance Commissioners.

Dec. 9: VIRTUAL. IICF Benefit Dinner, Insurance Industry Charitable Foundation.

Dec. 9–12: VIRTUAL and IN-PERSON OPTIONS. NCOIL Annual Conference, National Council of Insurance Legislators, Tampa, Fla.

Dec. 15–17: VIRTUAL. 13th Annual Conference on the Science of Dissemination and Implementation in Health, co-hosted by the NIH and AcademyHealth.

Jan. 10-13 VIRTUAL. American Farm Bureau Convention, American Farm Bureau Federation.

Feb. 1–4: VIRTUAL. Surplus Lines Management Program, Wholesale & Specialty Insurance Association (WSIA).

Feb. 9–11: NRRA Annual Conference, National Risk Retention Association, Los Angeles.

Feb. 11: VIRTUAL. CatIQ Pandemic, One Year Later. (One of the webinars taking place of CatIQ's Canadian Catastrophe Conference.)

Feb. 22-23: VIRTUAL. APCIA Emerging Leaders Conference, American Property Casualty Insurance 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.*

Attending Speaking Sponsoring

December Is Marine and Inland Marine Insurance Awareness Month
Included in our coverage of these markets *Best's Review* presents AM Best's rankings of the top U.S. marine and inland marine insurers. Coverage begins on page 68.

Everest Re Names Group CFO and Group COO

AIG names chief diversity officer, WTW names director of climate transition risk, Guy Carpenter hires chief human resources officer, Starr Insurance gets new head of global aviation, and BCBSA names president, CEO.

Mark Kocianic

Jim Williamson

Everest Re has named Mark Kociancic to succeed Craig Howie as group chief financial officer and Jim Williamson as group chief operating officer.

Kociancic, set to transition to his new role on Oct. 12, replaces Howie, who has been with the company for eight years and will stay at Everest through Dec. 31 to ensure an orderly transition, according to the company.

Kociancic joins Everest from Scor, where he most recently served as group CFO since 2013. He had served in various senior executive roles with Scor's U.S. operations, beginning in 2006, prior to being named group deputy CFO in 2012 and then group CFO.

Williamson was to transition to his new role Oct. 5. He will be responsible for advancing underwriting excellence, digital transformation, innovation and efficiency across the group. He joins Everest from Chubb, where he most recently served as division president, small business. He previously served in various senior executive roles with Chubb's North America and international operations, as well as at Hartford Financial.

—Staff Report

Euler Hermes Group Names CEO

Clarisse Kopff

Euler Hermes Group has named Clarisse Kopff to succeed Wilfried Verstraete as chief executive officer and chairperson of the board of management, subject to regulatory approval.

Kopff will transition to her new role on Jan. 1, 2021. Verstraete, who has decided to step down from his operational duties after 12 years in the role, will continue as an adviser to the new CEO through 2021. Verstraete joined Euler Hermes in 2009.

Kopff, currently chief financial officer of Allianz France, began her career in debt origination at Lehman Bros. in London, then was an auditor with PricewaterhouseCoopers in Paris before joining Euler Hermes in 2001 as controller for the company's French entity in Paris. From 2007, she served Euler Hermes in several positions of increasing responsibility and international scope. She was promoted as group chief financial officer in 2014.

New Director of Climate Transition Risk At Willis Towers Watson

Tony Rooke

Willis Towers Watson has named Tony Rooke as director of climate transition risk in the organization's climate and resilience hub.

In his new role, Rooke will guide the advice and analysis that Willis Towers Watson provides clients to help them navigate in the transition to a low-carbon economy, and contribute to the innovation of services and products across the investment, risk and human capital businesses.

Prior to joining Willis Towers Watson, Rooke was global director for disclosure at CDP (formerly Carbon Disclosure Project), responsible for delivering and maintaining the world's leading environmental disclosure platform. He has also set up and led environmental and sustainability consulting practices at Infosys and Logica across Europe, the Middle East, and Africa and Asia-Pacific.

Starr Appoints Head of Global Aviation

Starr Insurance Cos. has named Andy Trundle as head of global aviation. Trundle will be responsible for all aspects of Starr's aviation portfolio, including airlines, general aviation, light aviation and aerospace.

Andy Trundle

Trundle joined Starr in 2017 as global head of airlines. He has more than 35 years of aviation experience. He began his career as an airline underwriter and has held a range of underwriting leadership roles, according to the company.

American International Group Names Chief Diversity Officer

American International Group has named Ronald Reeves as chief diversity officer. This newly redefined and focused leadership role reflects AIG's commitment to creating an inclusive workplace, focused on attracting, retaining and developing diverse talent and fostering a culture of belonging for all employees, according to a company statement.

Ronald Reeves

In this role, Reeves will be responsible for the acceleration of AIG's diversity, equity and inclusion agenda across the organization. He also co-chairs AIG's newly established Executive Diversity Council with David McElroy, AIG's chief executive officer of general insurance, and with AIG CEO Brian Duperreault serving as its sponsor.

Reeves has been with AIG for more than 20 years and previously served as AIG's head of diversity & inclusion for the United States, Canada, Latin America and the Caribbean from 2016 to 2020. Reeves has held talent and leadership-development roles of increasing responsibility since joining AIG in 1999. He was previously a manager and sales training leader at Allstate.

Olympus Insurance Names Former Milliman Exec as CFO

Gemini Financial Holdings Co., the parent company of Olympus Insurance Co., has named John W. Rollins as chief financial officer.

John W. Rollins

Rollins has more than 30 years of experience as a property/casualty actuary, the past 21 years being in the Florida property insurance market, and executive experience at public and private-sector insurers, technology firms and consulting firms.

Before his more recent role as a principal and consulting actuary at Milliman Inc., he served as chief risk officer of three coastal property insurers, including Florida's Citizens Property Insurance Corp., the largest state-run wind insurer in the United States.

BCBSA Board Names Kim Keck Association's President, CEO

The Blue Cross Blue Shield Association board of directors has named Kim A. Keck to succeed Scott Serota as BCBSA's president and chief executive officer and a member of the board of directors.

Kim A. Keck

Keck, currently president and CEO of Blue Cross and Blue Shield of Rhode Island, will transition to her new role on Jan. 4, 2021.

Serota is retiring after more than 20 years as president and CEO. To ensure a smooth leadership transition, Serota announced in 2019 his plans to retire at the end of 2020, according to a company statement.

Keck is the first woman to serve as the association's president and CEO since the organization's founding four decades ago.

Prior to her tenure at BCBSRI, Keck spent 28 years at Aetna. She held numerous leadership positions, including president of Aetna's Northeast region and interim president of the Southeast region. In those positions she was responsible for $20 billion in revenue and approximately 5 million members across the commercial and Medicare segments.

Boston Insurance Brokerage Names Chief Executive Officer

Boston Insurance Brokerage LLC, a wholesale brokerage that offers commercial insurance products, has named Keith Driscoll as chief executive officer.

Keith Driscoll

Driscoll has been a member of the Boston Insurance Brokerage team since 2013, beginning as vice president of the workers' compensation division before being promoted to executive vice president and chief operation officer in September of 2017.

He held positions at Markel FirstComp in marketing, underwriting and sales management. In addition, Driscoll spent several years in marketing and operations at Anheuser-Busch's Michelob Championship at Kingsmill and IMG as director of operations of the Deutsche Bank Championship, a FedExCup playoff event on the PGA Tour.

Chief Human Resources Officer Named at Guy Carpenter

Guy Carpenter and Co. LLC, part of Marsh & McLennan Cos., named Melissa Hartshorn chief human resources officer.

Melissa Hartshorn

Hartshorn is responsible for leading all of Guy Carpenter's HR activities, focusing on areas including organizational structure and design, change management, performance management, training and development, and compensation management.

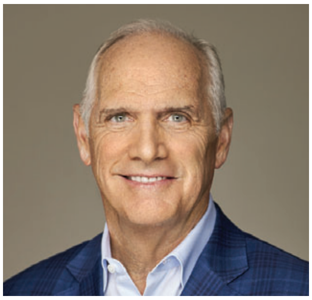
Hartshorn was most recently interim chief human resources officer at Guy Carpenter, and prior to this was HR leader for the company's global operations and global strategic advisory divisions. She joined MMC in 2011 and was senior HR business partner at Mercer before joining Guy Carpenter in 2018.

Independence Health Group Announces Successor to Retiring CEO

Independence Health Group has named Greg Deavens, currently executive vice president, chief financial officer and treasurer of Independence, to succeed Dan Hilferty as president and chief executive officer.

Greg Deavens

Deavens will transition to his new role on Jan. 1, 2021. Hilferty, who will retire on Dec. 31, will serve in an advisory capacity through the end of 2022.



Dan Hilferty

Hilferty served as president and CEO of Independence for 10 years, following one year as president of Independence's Health Markets. He led Independence Health Group's Medicaid managed care subsidiary, AmeriHealth Caritas, for 13 years prior. He has held leadership positions within the organization for almost a quarter of a century.

Hilferty retires as a recognized leader on the national stage. From 2015-2017, he was elected by his peers to serve as chairman of the board of directors for the Blue Cross Blue Shield Association.

As executive vice president, CFO and treasurer for Independence, Deavens directs all financial functions for the company and its subsidiaries while playing a key role in strategy for the organization. Deavens worked with colleagues to support regional health systems as part of the company's response to COVID-19, according to a company statement.

Prior to joining Independence, Deavens was with Massachusetts Mutual Life Insurance Co. from 2006 to 2016, where he served as the company's senior vice president and corporate controller.

Monthly Insurance Magazine
Published by AM Best

BEST'S REVIEW®

A.M. BEST COMPANY, INC.
Oldwick, NJ
CHAIRMAN,PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENTS **Alessandra L. Czarnecki, Thomas J. Plummer**
GROUP VICE PRESIDENT **Lee McDonald**

A.M. BEST RATING SERVICES, INC.
Oldwick, NJ
PRESIDENT & CEO **Matthew C. Mosher**
EXECUTIVE VICE PRESIDENT & COO **James Gillard**
SENIOR MANAGING DIRECTORS **Edward H. Easop, Stefan W. Holzberger, Andrea Keenan**
SENIOR VICE PRESIDENT **James F. Snee**

AMERICAS

WORLD HEADQUARTERS
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
Paseo de la Reforma 412 Piso 23
Mexico City, Mexico
Phone: +52 55 1102 2720

NEW YORK
54W. 40th Street, 8th Floor, Suite 815
New York, NY 10018
Phone: +1 212 209 6285

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
12 Arthur Street, 6th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
NOMA House, Gustave Mahlerlaan 1212
1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Representative Office

ASIA-PACIFIC (AP)

HONG KONG
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000

Advertising
REGIONAL SALES MANAGERS
Christine Girandola: +1 609 223 0752
christine.girandola@ambest.com
Brian McGoldrick: +1 779 333 7563
brian.mcgoldrick@ambest.com
SALES INQUIRIES: **+1 908 439 2200, ext. 5399**
advertising_sales@ambest.com
NEWS INQUIRIES: ***news@ambest.com***

BEST'S REVIEW, Issue 12, December 2020 (ISSN 1527-5914) is published monthly by A.M. Best Company, Inc. Editorial and executive offices: 1 Ambest Road, Oldwick, NJ 08858-9988. A one-year subscription is $72. A two-year subscription is $137. Telephone: +1 908 439 2200. Fax: +1 908 439 3971.

Conn. Insurance Commissioner Names New Director of Captive Division

Fenhua Liu

Connecticut Insurance Department Commissioner Andrew N. Mais has named Fenhua Liu as the new director of the department's captive insurance division.

Liu has more than 25 years of global insurance experience. She was an insurance regulator for the state of Connecticut for more than 11 years and also worked at a large insurance company and a specialty insurance company. Liu also was an economic analyst for pensions and unemployment insurance in Asia for five years.

Scor Names Chief Financial Officer

Ian Kelly

Scor has named Ian Kelly, currently head of investor relations, to succeed Mark Kociancic as chief financial officer. Kelly will also join the group executive committee.

Kelly was to begin transitioning to his new role on Oct. 2. Kociancic has decided to pursue another opportunity outside of the company.

Kelly began his career with Prudential and subsequently joined the London-based life reinsurance department of the Gerling Group, which later became Revios U.K. There he held the role of chief accountant.

Following the acquisition of Revios by Scor, Kelly was appointed chief financial officer of the U.K. operations in 2007.

In 2009, Kelly was appointed director of general accounting and group reporting. He was appointed head of group financial planning and analysis in 2011 and was additionally appointed head of investor relations in 2016. BR

A Brand New Day

Advertising spending among many of the insurance industry's top marketers decreased during the pandemic, and for the second year in a row Allianz is named the top insurance brand by Interbrand.

A Sign of the Times

COVID-19 has changed business operations and fueled the way some companies are allocating their advertising dollars. During the first half of this year, spending among the insurance industry's five biggest advertisers declined to nearly $1.99 billion from $2.27 billion during the same period in 2019, according to media intelligence firm Kantar Media. The five insurers sitting in those top spots are: Geico, Progressive, State Farm, Liberty Mutual and Allstate.

Geico, which leads the pack, doled out roughly $759 million in advertising dollars between January and June, compared to the nearly $900 million during that time last year, according to Kantar data. Allstate, the fifth-largest advertiser in the category, however, bumped up its spend during the first half of this year to slightly more than $200 million, Kantar reported.

In April, print, radio and outdoor advertising spend across all industries decreased by more than 30%, and there was a nearly 20% drop in both TV and digital, according to Kantar and marketing intelligence platform Pathmatics. But by May, spending in paid social media climbed roughly 3%, and TV rose 7.3%, the companies reported. This year, overall ad spending is expected to decrease 4.9% worldwide, according to eMarketer.

SPREADING THE WORD. "Cop Show," one of Allstate's latest TV ads featuring spokesman Dennis Haysbert, began airing during the first half of this year.

Brand Appeal

ALLIANZ is once again the leading insurance brand in the world, according to Interbrand's 2020 report, *Best Global Brands*.

For the second year in a row, Allianz has led the insurance category and secured its place in the list of the 100 best global brands. This feat comes during a particularly challenging year for the industry hit with economic strains related to a pandemic.

Over the past decade, Allianz has continued its climb up the global list, which includes brands from across various sectors. In 2010, the company was ranked 67th overall, with a brand value of $4.9 billion. This year's brand value climbed 7% to nearly $13 billion, moving the insurer farther up the ranks into the 39th overall spot.

Allianz SE CEO Oliver Bate credits the company's focus on integrity, resilience and customer centricity to bolstering its brand value, and said the recognition confirms that the company is on the "right track."

Each year, Interbrand ranks brands according to their valuation based on several key components, including "an analysis of the financial performance of the branded products or services, of the role the brand plays in purchase decisions, and of the brand's competitive strength."

Christian Deuringer, Allianz SE's head of brand and partnerships, said one of the company's strategic goals is to become a Top 25 global brand by 2025.

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

Staying Connected

A different approach can help boost networking when in-person interactions are rare.

By **Carly Burnham**

Insurance has always been a relationship business. Career opportunities are found by word of mouth. Deals are closed on the golf course. Innovation occurs outside the conference room. Many companies have resisted remote work policies for these very reasons. COVID-19, however, has forced all of us to function in a new reality. In addition to staying productive, we have been learning new skills and finding ways to accomplish necessary tasks through different means. One important part of our work lives that may have moved to the back burner this year is networking. If you are finding this to be true for you, let's rethink four ways we typically network within the insurance industry—and make those old practices valuable in today's paradigm. We'll likely need to continue exercising our virtual skills in the coming months.

Conferences

While virtual conferences may not have the same opportunity for serendipitous meetings over lunch and impromptu conversations between sessions, there is still opportunity in this new format. I have made many a friend live-tweeting conference sessions, and the same potential exists through live-tweeting virtual sessions. Another option is to invite conference attendees, by using the conference hashtag, to meet in smaller groups outside of the scheduled sessions. If your tweets are getting traction, use that to invite others to join you in a video conference.

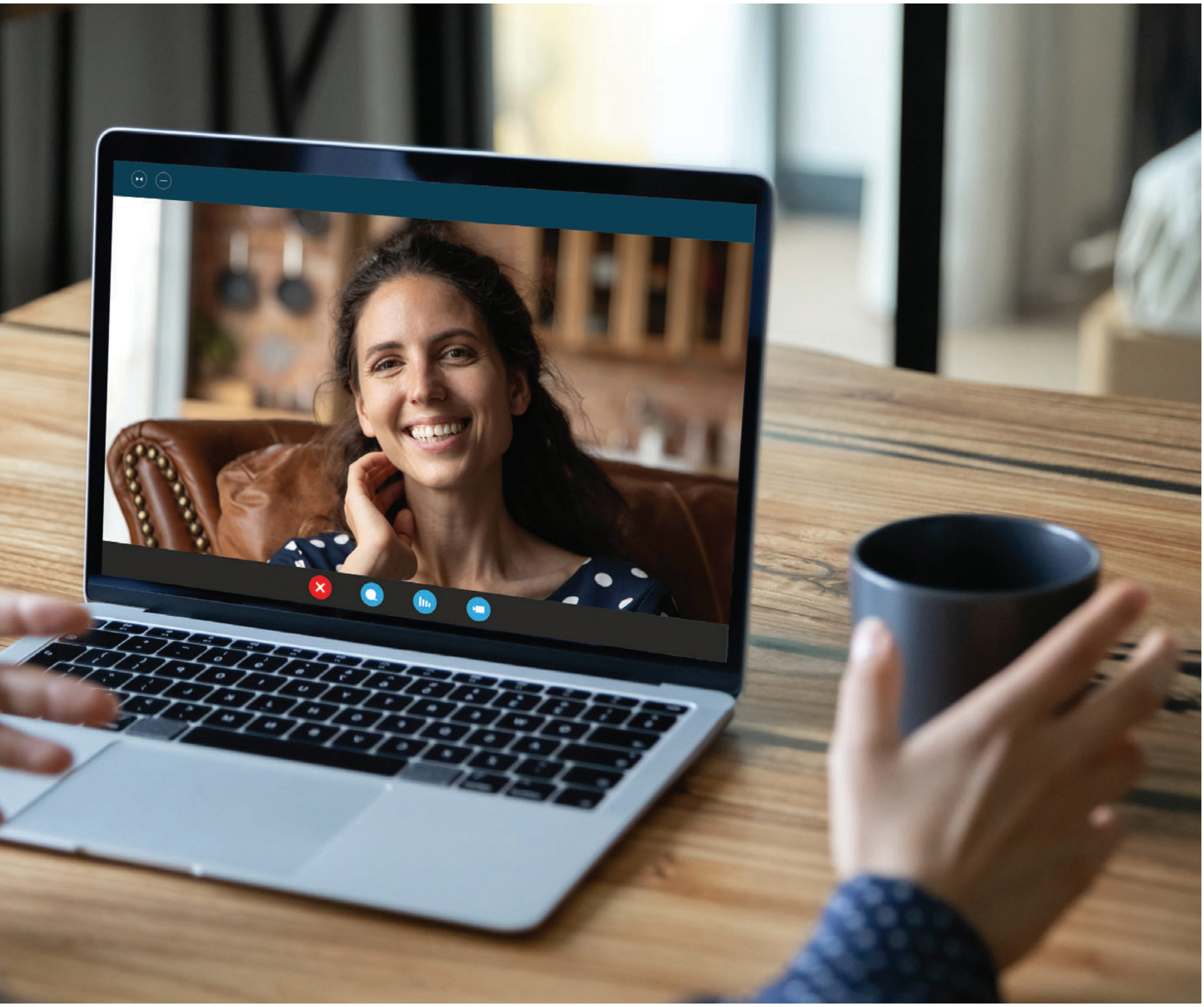
Carly Burnham, CPCU, MBA, has been in the insurance industry since 2004. She blogs at InsNerds.com and can be reached at *bestreviewcomment@ambest.com*.

Coffee/Lunch

When we were all in the office, it was easy to swing by someone's desk and set up a time to take a break together. While working remotely, we may not be able to drop by unannounced, but we can be intentional about scheduling time with teammates. Set a goal to have a virtual coffee or lunch with someone from your team as often as appropriate, maybe once or twice a week. If you can't stand the thought of eating on video, stick with coffee. You can even do this over the phone if video still feels too intrusive. But go ahead and have offline non-work-related conversations.

Happy Hour

Many teams I've worked on have a monthly, standing, happy hour. We haven't been able to



experience this camaraderie this year, though I know many are doing smaller virtual happy hours. I have trouble with large groups in video meetings, so my advice is to limit it to four or five people so you can all interact. I've fallen out of the habit of organizing these events in recent months, but I'll be getting back in the swing of things as patios close up and virtual gatherings are our main options to socialize through the cold winter. One way to make these valuable for networking is to connect with people from outside of your organization. Invite people you wouldn't often get together with due to the constraints of geography.

Golf

The good news is this activity is still safe! Though many courses are closing for the season in the northern parts of the country, we can be almost certain we'll be able to golf together in the spring. If you don't want to wait, consider other socially distanced physical activities that are a great way to stay healthy and get to know your colleagues in another setting. I'd recommend skiing or snowshoeing for the winter!

There is no doubt that events of 2020 have forced us all to rethink how we conduct business and how we stay connected while working remotely. With a little intention and forethought, we can continue our important relationships and establish new ones. It is no less true at the end of this year that insurance is a relationship business; maintaining these relationships just looks a little different than in years past. BR

Regulatory Update

Florida cuts workers' comp rates, and delay sought in long-term contract changes.

Workers' Comp: With workplaces becoming safer, Florida Insurance Commissioner David Altmaier has ordered a larger decrease in workers' compensation rates than recommended for 2021.

The 6.6% rate decrease would replace the 5.7% cut recently recommended by the National Council on Compensation Insurance.

Altmaier's decision was based on data as of the end of 2019 from policy years 2018 and 2017, the order said. That's when Florida experienced a 4.4% decrease in claims for lost time, which contributed to a "modest" decrease in both indemnity and medical losses, it said.

"The workers' compensation marketplace has reported underwriting profit during the past six years, due in part to safer workplaces and a long-term shift from manufacturing to service sectors," said Altmaier's order. The order also said the NCCI uses aggregate policy year and calendar-accident year data for its large deductible coverage in Florida, unlike in other states. Over the past 15 years, it said, large deductible indications generally have been similar to standard coverage indications.

The NCCI said during a hearing on the proposed rate change that the use of large deductible data imposes a cost on carriers, but does not have a significant impact on the credibility or predictive value of the filings' aggregate indication, it said. Therefore, the NCCI agreed that large deductible data should be removed, it said.

NAMIC Questions California Nonrenewal Moratorium Order

The order affects 18% of the state's residential insurance market.

by Timothy Darragh

The California Department of Insurance has ordered insurers to halt issuing notices of nonrenewal to homeowners in fire-ravaged parts of the state, a move that one insurance trade group says could make coverage more expensive and difficult to find over time.

The one-year moratorium announced Nov. 5 by Insurance Commissioner Ricardo Lara will affect 2.1 million policyholders, or 18% of California's residential insurance market, the department said.

The order also affects about 364,000 policyholders who were covered by an order issued by Lara last year.

But Erin Collins, vice president of State Affairs for the National Association of Mutual Insurance Companies, said ordering a moratorium year after year is not sustainable for what still is "an extremely competitive" marketplace.

"Insurers, like all businesses, need to be able to evaluate and adjust their business commitments to preserve their solvency on behalf of their customers," she said.

"Telling insurers that they must accept risks that exceed the appropriate risk for their organization and collective of policyholders is likely to adversely impact availability of coverage and affordability of insurance in the long run."

> "Insurers, like all businesses, need to be able to evaluate and adjust their business commitments to preserve their solvency on behalf of their customers."
>
> **Erin Collins**
> National Association of Mutual Insurance Companies

The department was required to issue the moratorium under a law Lara authored in 2018 while serving as a state senator. The measure requires insurers to give homeowners temporary relief from nonrenewals if they are living in or next to a declared wildfire disaster.

Residents in 538 ZIP codes are covered by the latest moratorium, department spokesman Michael Soller said. Lara put insurers on alert in August with a notice that the moratorium order would be forthcoming. "I don't think there's a surprise here for the insurance industry," Soller added.

The law prohibits issuing nonrenewal notices for a year, and because notices require a time period before a nonrenewal can take effect, the practical impact of the action is to give homeowners in affected areas a "year-plus" of relief, Soller said.

The order follows Gov. Gavin Newsom's emergency declarations this year on Aug. 18, Sept. 6, Sept. 10 and Sept. 28, giving protections for one year from those dates for residential insurance policies in ZIP codes within or adjacent to the fire perimeter, the department said. BR

Timothy Darragh is associate editor, *BestWeek*. He can be reached at *timothy.darragh@ambest.com*.

Startup Reinsurer Aims For $1.1 Billion London Listing

Conduit targets an excess-of-loss and quota share book of treaty reinsurance business across P/C lines.

by David Pilla

Startup reinsurer Conduit Holdings Ltd. said it is aiming to list through a $1.1 billion initial public offering on the London Stock Exchange.

The reinsurer's registration document has been submitted for approval to the U.K. Financial Conduct Authority, Conduit said in a statement.

The company said it intends to apply for admission of its shares to trade on the London Stock Exchange's main market for listed securities.

Conduit said it is a newly established reinsurance underwriting business with a focus on "producing strong risk-adjusted returns from a diversified and focused business plan."

> "We are excited by a market where there is so much price improvement across so many classes. For the first time in a long while we think a well-capitalized new entrant can come into the market and successfully target quality business in scale and at historically attractive rates."
>
> **Trevor Carvey**
> Conduit

Company founders Neil Eckert and Trevor Carvey said they formed the business to take advantage of the current market.

Eckert said in a statement that he and Carvey "traded in hard markets before, but we believe these are exceptional times by any standards and a really opportunistic time to launch a new reinsurance company bringing fresh capital and a very focused business plan to the market."

The company will target an excess-of-loss and quota share book of treaty reinsurance business across property, specialty and casualty lines, said Carvey.

"We are excited by a market where there is so much price improvement across so many classes," Carvey added. "For the first time in a long while we think a well-capitalized new entrant can come into the market and successfully target quality business in scale and at historically attractive rates."

Severe capacity shortages in certain classes of insurance and reinsurance caused by years of high insured losses, diminished reserves and the more recent losses and industry strain caused by COVID-19 have produced major corrections in reinsurance pricing and policy terms and conditions, Conduit said.

"Against the industry background of losses, litigation and capacity constraint, as a new business Conduit has no legacy exposure and, following the offer, its strong and unencumbered balance sheet will be fully available to write new business in what the founders believe to be an attractive market environment," the company said in a statement.

Conduit said it intends to operate as a Bermuda reinsurer with a Class IV license issued by the Bermuda Monetary Authority. BR

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

Regulatory Update

Accounting Standard: The Financial Accounting Standards Board has issued a final standard that authorizes a one-year delay in the implementation of an update to its accounting standard for long-duration insurance contracts for companies impacted by COVID-19.

The new Accounting Standards Update has two purposes. It is to ensure a high-quality implementation of long-duration targeted improvements guidance by permitting insurance companies impacted by the pandemic to take an additional year to apply the standard. And it is to reduce cost and complexity for insurance companies that remain on track to make a successful transition to the standard by the current effective date, said FASB Vice Chairman James L. Kroeker in a statement.

The FASB approved the extension because the ongoing pandemic has slowed insurers' efforts to meet the current compliance deadline. If finalized, large publicly traded insurance companies would have until 2023 to implement the new rules. For all other entities, LDTI is effective for fiscal years beginning after Dec. 15, 2024, and interim periods within fiscal years beginning after Dec. 15, 2025, the board said.

Insurance carriers, including MetLife Inc. and Aflac, have supported a second delay in the effective dates for changes to a long-duration insurance standard under consideration by the FASB.

Targeted improvements to the accounting for long-duration contracts has the potential to impact the stability and trajectory of how profits are reported over the lifetime of insurance contracts. LDTI is considered a sweeping change to the way companies value their obligations, risk and benefits, and determine how often they need to change their assumptions.

At Large

The Gray Rhinos

Climate change could cause societal and economic crises just as COVID-19 did.

By **Tony Kuczinski**

Many people have characterized the outbreak and rapid global spread of COVID-19 as a black swan. The term refers to a rare and highly unpredictable event.

Certainly the world was caught unprepared, but some have argued the pandemic actually falls squarely into the category of "gray rhino." This term, which may be more apt, describes a highly probable, yet neglected threat. Gray rhinos occur after a series of warnings and visible evidence.

Although most of the public was not aware of predictions from medical experts, over the past decade there have been a significant number of scientists, doctors and policy analysts who expressed concerns about a far-reaching global virus outbreak. If those warnings had been heeded, how much suffering, loss and disruption in 2020 might have been avoided?

Whether the pandemic was predictable prior to 2019 is not the point. There are people in the black swan camp and others in the gray rhino camp. All we can do now is learn from the experience, and try to avoid repeating mistakes when confronting other potential global health disasters.

These lessons can help with another gray rhino staring us in the face. That gray rhino is climate change—and we need to act immediately to avoid a replay (or even worse) of the societal and economic crises that have resulted from the pandemic.

Best's Review contributor **Tony Kuczinski** is president and CEO of Munich Re US Holding. He can be reached at *bestreviewcomment@ambest.com*.

The early warnings are here—recent severe storms, flooding events and the devastating West Coast wildfires are just a few examples. In many cases, long-term prevention strategies have been sidelined in favor of short-term priorities. If vulnerable regions deprioritize long-term strategies, the risks due to extreme weather events will grow.

Although the ramifications of climate change have been apparent for many years, the pandemic has brought to light another level of risk—systemic risk due to globalization. The interconnectedness of the global economy has heightened interdependencies and made the world more vulnerable to systemic risk on many fronts, including climate change. An extreme weather event might lead to supply chain disruption and food and water shortages around the world.

History shows that almost nothing spurs meaningful, long-lasting change as much as a catastrophe. The greatest leaps are often made in the wake of destructive events.

One example is Hurricane Andrew, which hit Florida in 1992. The unprecedented scale and severity of the damage, in part reportedly caused by lax building code enforcement, compelled the state to make broad changes. Building codes were toughened, codes were locally enforced, and planning was modernized.

Since these changes went into effect, Florida has endured several hurricane events, and post-event surveys and claims analysis show that strict building codes significantly reduce the damage to homes and businesses as compared to pre-code structures.

While the pandemic revealed additional vulnerabilities in terms of systemic risks, on the positive side, the collective response of governments, businesses and individuals demonstrated society's willingness to work through the situation. Ideas previously thought to be impossible—like entirely remote workforces—suddenly became possible. Along those same lines, new ways of approaching climate change risk need to become possible.

Climate change calls for coordinated action and information sharing. Insurance companies, governments, businesses and individuals all play important roles in developing resiliency. Working together, these stakeholders can make substantial progress in ensuring the world becomes better prepared for what lies ahead—for both the gray rhinos and the black swans. BR

Risk Adviser

The D&O Gamble

Plaintiff's attorneys may have the upper hand in litigation, but insurers can turn the odds.

By **Paul Horgan**

In gambling, it is said, the house always wins. The casino maintains the upper hand, even if one lucky bettor walks away with a jackpot.

When it comes to directors and officers litigation, plaintiff's attorneys are holding all the cards and usually end up cashing in the chips.

The good news for corporations and their insurance providers is that the tables are starting to tilt in their favor. More than half of D&O lawsuits are tossed. And a California state court recently dismissed IPO litigation against a medical device company, stating it can't consider the case because of a provision in its certificate of incorporation that says litigation must be filed in federal court.

But there's still a long way to go before D&O insurance can do what it is intended to do—protect the personal assets of directors and officers from lawsuits—and do so affordably.

Plaintiff's attorneys gained the upper hand by remaining one step ahead of everyone else. They learned they don't need to win every time, and a quick settlement before trial saves on expenses and can still reap a profit. Since 1996, less than a half-percent of D&O lawsuits have gone to trial, largely because companies settle after the motion-to-dismiss stage to avoid bad publicity.

D&O claims have been on the rise, fueled largely by event-driven litigation. Think of the massive data breaches that expose customers' personal information and can have a direct impact on shareholder value. Or the #MeToo movement, which has unmasked sexual misdeeds that have brought shame, lost business and costly lawsuits to companies.

We have yet to comprehend all the ways that COVID-19 may lead to D&O litigation but there have been at least 16 COVID-related securities class-action suits and at least 88 companies have filed for Chapter 11 bankruptcy protection in 2020. Growing protests about social injustice have also led to claims that corporate boards lack racial diversity despite proclamations about "diversity and inclusion."

Even a failed merger or acquisition can prompt a D&O claim from shareholders who feel that the actions of the company's board and executives denied them a significant revenue gain.

Legal costs are rising, too. Attorneys fees have more than doubled in the past 15 years. With each new D&O claim the number of lawyers seems

Best's Review contributor **Paul Horgan** is Head of U.S. Commercial Insurance, Zurich North America. He can be reached at *paul.horgan@zurichna.com*.

to multiply. It is not uncommon now for each individual officer or director to retain their own counsel.

It's impossible to look at what is going on in D&O insurance without considering the impact of social inflation—the relatively new trend of rising insurance costs due to increased litigation, plaintiff-friendly judgments and higher jury awards.

Changing demographics and attitudes have created jurors who care less about facts and laws, who distrust big companies and science, and who are inclined to render big awards to plaintiffs they feel are sympathetic.

Efforts to level the D&O playing field may seem hopeless but defense attorneys are starting to make headway. They're employing many of the same tactics that plaintiff's attorneys have perfected—like using mock-up videos to add visual elements to their arguments.

And they're advising their clients to fight back. Rolling over and settling lawsuits to avoid trial, it seems, is just making things worse.

Insurers, too, are putting pressure on their D&O customers to engage them in helping to manage losses. They're seeking higher retentions and co-insurance. And rates are going up as capacity shrinks.

D&O insurance remains a critical tool to help protect corporations and their boards from costly litigation. But the ultimate outcome shouldn't be left to chance. With a carefully considered defense strategy and some skin in the game, companies and their insurers can walk confidently into court knowing that Lady Luck may smile upon them. BR

Technology

A Key To Success

Property/casualty insurers continue to unlock the true potential of artificial intelligence.

By **Mark Breading**

Discussing artificial intelligence in insurance is like discussing digital transformation. Everyone recognizes that it is vitally important, but what exactly is it?

Both AI and digital are terms that encompass a broad range of technologies, projects and use cases. The term AI can be confusing since it represents several different technologies that range from simple to complex. Added to that is the fact that AI has been around for half a century and has a checkered history.

Insurer AI initiatives in the 1980s and 1990s that leveraged technology like case-based reasoning and neural networks had mixed results. But in the past decade, AI technologies have taken a great leap forward. The combination of massive computing power, big data and algorithmic breakthroughs have resulted in accelerated progress across the whole AI family.

For property/casualty insurers, the question becomes how to identify the business use cases that will deliver the most value today and have the most potential to transform the business over time.

The first way to answer that question is to examine the ultimate purpose of using AI. Is the objective to automate, gain new insights or some blend of the two? If the goal is to improve efficiencies and/or reduce human involvement through automation, then there are AI technologies that do that well. AI-powered process mining tools can identify tasks that can be eliminated, reworked or even accomplished via robotic process automation.

Automating interactions can benefit from chatbots to handle the most common questions and interactions. The chatbots may be text-based, in which case natural language understanding/generation technology is used, or voice-based, which requires speech recognition.

If AI is meant to gain new insights and augment human expertise, then deep learning technologies apply. Machine learning, natural language processing and computer visioning have great potential in insurance to address important problems. Not that there is an artificial dividing line between automation-oriented AI and insight-oriented AI, but there is crossover.

Best's Review contributor **Mark Breading** is a partner and the chief research officer at strategic advisory firm Strategy Meets Action. He can be reached at *mbreading@strategymeetsaction.com*.

For example, speech recognition requires deep learning technologies, and computer visioning can extract information to improve automation. However, the technologies that offer new insights are typically the ones that provide a significant competitive advantage. Underwriting and claims are two areas where these AI technologies offer the most potential, but there are strong use cases across the value chain.

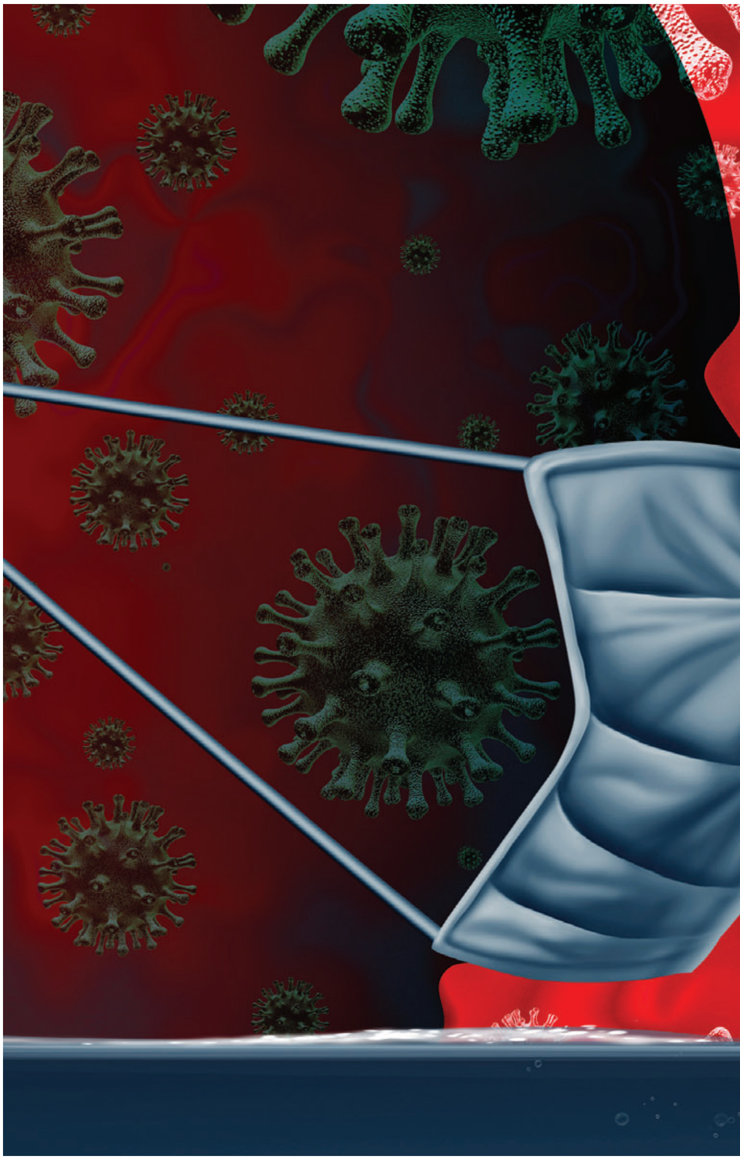
Recent Strategy Meets Action research identified the use cases for underwriting and claims with the highest transformation potential. Insurance executives reviewed 10 functional areas of underwriting and risk management. For both personal and commercial lines, they selected risk assessment as the top area. Personal lines insurers ranked inspections (via aerial imagery/machine learning), exposure analysis and submissions as three other areas with high potential.

For commercial lines, exposure analysis ranked second highest in transformation potential, followed by triage and submissions. In claims, the clear winner across all lines was fraud. There were several other areas where high value is expected, including predictive reserving, triage/assignment, first notice of loss/first report of injury and damage estimation.

There is no lack of opportunity for harnessing AI technologies to benefit P/C insurers. The challenge is in mapping business strategies and plans to the highest-value, AI-based solutions to deliver on the promise of AI for business transformation. BR

Regulatory/Law

Cruise Lines And COVID



As the cruise industry deals with COVID litigation, a number of defenses have been successful.

By **Christopher B. Kende**

Since the publicized incidents earlier this year involving the quarantine and claimed infection of passengers with COVID-19 on the Grand Princess and Diamond Princess cruise ships, there has been a tsunami of lawsuits, mostly against Carnival Corp. and its subsidiary Princess Cruise Lines. The lawsuits' claims, many of which are putative class actions, include wrongful death, physical injury and emotional distress as a result of alleged exposure to the virus on board the vessels.

Most of the lawsuits contend that passengers were recklessly exposed to the virus, in that the cruise line knew or should have known of the danger of exposure and as a result, passengers suffered injury, death and/or emotional distress. Legal theories in most of the lawsuits include simple negligence, gross negligence, failure to warn, improper or inadequate procedures for screening passengers for the disease, poor hygienic training of crew, substandard disinfecting procedures, medical malpractice and negligent infliction of emotional distress due to fear of contracting the virus.

The general maritime law of the United States should apply to these cases, as they are maritime in nature. The claims involve "maritime torts," i.e. torts which occurred on "navigable waters," bear a "significant relationship to traditional maritime activity," and have an impact on maritime commerce.

Numerous defenses are available to the cruise industry. These include forum selection clauses, requiring that any claim be brought in a particular forum, which clauses have been held enforceable; causation issues, given the up-to-14-day incubation period of the virus; and waiver issues with respect to the ability to bring a class-action claim. A number of court rulings have favored the cruise industry. In July, a Florida federal court dismissed a claim for pure emotional distress, where the claimants never contracted the virus but claimed emotional harm due to being quarantined on the vessel. The court applied the "zone of danger" test and found that mere proximity to infected individuals was not

Best's Review contributor **Christopher B. Kende**, a member of Cozen O'Connor's Global Insurance Department (New York City office), concentrates his practice in the areas of international insurance, admiralty and maritime disputes, aviation and reinsurance. He is an adjunct professor of transportation and maritime law at Brooklyn Law School and can be reached at *ckende@cozen.com*.

tantamount to "immediate risk of physical harm" as required by that test.

In California, several cases have been dismissed (without prejudice) due to failure to adequately allege a claim, i.e. the complaints did not establish a causal relationship between contracting the virus and exposure on board the vessel. A California judge also ruled that Princess Cruise Line's parent, Carnival, should be dismissed in an action in which the vessel involved was operated by Princess, based on plaintiff's failure to establish that Carnival was the "alter ego" of Princess. In that same case, on Oct. 20 the same judge enforced a waiver of class action clause in the passenger ticket, and refused to certify a class of infected passengers.

The Death on the High Seas Act (DOHSA), a little known statute which allows for recovery for wrongful death if incurred on the high seas outside a three-mile limit, also may apply to many of these claims. However, if held to apply, DOHSA precludes any recovery for so-called nonpecuniary damages such as pain and suffering, emotional distress and loss of consortium.

There also may be significant impediments to class-action certification given the lack of commonality as to when and how class members were exposed to the virus, assuming no waiver of class action in the general conditions of travel.

In sum, significant obstacles to recovery for virus exposure on board passenger vessels exist, although litigation against the industry is expected to continue for some time. BR

Top Audit and Actuarial Firms

Ranked by loss reserves.

by *Best's Review* Staff

Best's Review presents its ranking of the top auditors and actuaries.

These rankings focus on independent accountants who audit an insurer's annual financial statements and on third-party actuaries who provide an annual statutory actuarial opinion regarding an insurer's policy and claim reserves. These listings of auditor and actuarial firms include only insurance companies with statements that listed auditors or external actuaries. The insurer population includes U.S. and Canadian companies that file with AM Best.

Unlike the annual statutory audit, for which the insurer must use an independent certified public accountant, the actuarial opinion may be provided by an internal actuary, which is an actuary directly associated with the insurer. The data are derived from individuals or firms in the context of providing an annual audit or actuarial opinion. Many of the individuals or firms listed in the tables are likely to have additional insurance clients for which they perform a variety of other services, but such services are not reflected in this survey's data.

The primary task of audit firms working with insurance companies is to certify the audits

The Auditors and Actuaries Special Section is sponsored by Johnson Lambert. Go to *www.bestreview.com* to listen to the Johnson Lambert podcast.

Best's Review staff can be reached at *bestreviewcomment@ambest.com*.

of financial statements. That means they must understand statutory-based financial accounting. They also stay abreast of developments among regulatory bodies, particularly the National Association of Insurance Commissioners in the United States, to ensure compliance with current standards.

Rankings for both the auditing and actuarial firms are based on the loss reserves held by their client insurance companies. Again, as described in the methodology, not all insurers are included, and not all client relationships between insurance companies and their auditing and actuarial firms have been reflected.

For property/casualty insurers, loss reserves are the total of loss and loss adjustment expense reserves.

For health insurers, loss reserves are the sum of:

1. Claims unpaid, less reinsurance ceded.
2. Accrued medical incentive pool and bonus amounts.
3. Unpaid claims adjustment expense.
4. Aggregate health policy reserves.
5. Property/casualty unearned premium reserves.
6. Aggregate health claim reserves.

For life insurers, loss reserves are the sum of:

1. Aggregate reserves for life and for accident and health.
2. Liabilities for deposit type contracts.
3. Life policy and contract claims.

Count for each sector (P/C, life and health) includes companies for which an auditor or actuary was listed on the statements of companies designated in that sector, plus where they were listed by other companies that also had reserves of that sector's type. For example, some companies designated as health carriers report P/C loss reserves in addition to health reserves; those companies are included in the count for the P/C sector, in addition to being included in the client count for the health sector. BR

Actuary Firm	P/C Loss Reserves (US$000)	P/C Count
KPMG	61,456,034	73
PricewaterhouseCoopers	52,153,533	83
Beneficial Consultants	42,428,804	7
Milliman	34,740,420	157
Willis Towers Watson	30,604,129	150
Ernst & Young	29,044,340	93
Deloitte	11,514,927	41
TMNA Services	6,257,854	6
Merlinos & Associates	3,586,382	76
Regnier Consulting Group	3,083,257	52
Pinnacle Actuarial Resources	2,703,830	53
HCC Service Company	1,816,983	6
Casualty Actuarial Consultants	1,438,391	8
Oliver Wyman	1,177,763	22
Actuarial Advisors	1,157,263	20
Perr & Knight	1,055,987	43
Christopher Gross Consulting	1,023,763	1
The Actuarial Advantage	838,739	13
Central Actuarial Solutions	742,802	6
FTI Consulting	709,665	4
Enstar	667,638	3
Kufera Consulting	657,427	33
Streff Insurance Services	536,046	29
Lewis & Ellis	420,383	22

Source: AM Best data and research

Start

Looking for an insurance-focused audit firm?

Need guidance on the latest tax laws?

Need assistance on MAR compliance?

Need a business partner who prioritizes your experience, deadlines, and needs?

we know insurance, inside out.

Actuary Firm	Life Loss Reserves (US$000)	Life Count
Ernst & Young	26,237,349	3
Milliman	21,911,512	20
Lewis & Ellis	9,912,718	47
Griffith Ballard & Company	8,010,668	15
Miller & Newberg	7,016,833	21
Allen Bailey & Associates	6,605,764	13
Guggenheim Insurance Services	3,658,514	1
Actuarial Resources Corporation	3,105,235	10
PricewaterhouseCoopers	3,075,998	7
RGA Enterprise Services	2,937,332	2
Willis Towers Watson	1,424,253	6
Steimla & Associates	1,378,856	5
Jeffrey D. Miller & Company	1,280,398	1
Actuarial Management Resources	918,213	7
Rudd and Wisdom	906,612	27
Wakely	602,083	3
Deloitte	433,822	3
Bruce & Associates	416,714	1
Hause Actuarial Solutions	383,312	16
Agee & Associates	345,301	10
Everence Services	302,155	2
DJOrr Consulting	224,341	1
CPS Actuaries	168,329	8
Hause Monnin Consulting	142,150	5
KPMG	133,197	1

Source: AM Best data and research

Actuary	Health Loss Reserves (US$000)	Health Count
Milliman	8,784,861	148
Ernst & Young	3,776,920	23
Lewis & Ellis	1,648,852	20
Optum	1,291,938	18
Wakely	935,902	27
PricewaterhouseCoopers	878,065	8
Deloitte	565,015	12
KPMG	354,169	6
Lake Consulting	348,590	2
Horman Mathematica	269,689	1
Oliver Wyman	251,083	9
Global Human Resource	242,890	2
Willis Towers Watson	195,858	2
Lumeris	137,573	2
Actuarial & Health Care Solutions	119,586	1
Barry, Dunn, McNeil & Parker	99,211	1
The Kilbourne Company	96,062	5
InnovaCare Services Company	73,278	1
CBIZ	58,759	12
Lee Benefits Consulting	40,649	3
RSM US	37,870	2
Axene Health Partners	37,695	1
Crooks Actuarial Consulting	28,629	4

Actuary (continued)	Health Loss Reserves (US$000)	Health Count
Cirdan	21,544	1
Bolton Health Actuaries	18,532	3

Source: AM Best data and research

Auditor Firm	P/C Loss Reserves (US$000)	P/C Count
PricewaterhouseCoopers	214,084,409	268
Deloitte	146,848,100	127
Ernst & Young	139,736,413	214
KPMG	124,384,706	212
Johnson Lambert	12,183,705	138
EisnerAmper	10,646,608	13
Mazars	4,853,573	38
Baker Tilly Virchow Krause	3,733,586	19
BDO	3,489,813	39
Crowe	2,683,122	71
BKD	2,576,055	36
Strohm Ballweg	2,257,351	38
Plante Moran	2,037,276	34
Dixon Hughes Goodman	1,904,244	26
Grant Thornton	1,525,641	13
State Auditor General	1,404,257	1
RSM	1,328,484	38
Eide Bailly	1,080,622	5
MCM	680,856	4
Jaynes, Reitmeier, Boyd & Therrell	530,597	13
Thomas Howell Ferguson	494,223	17
Mountjoy Chilton Medley	491,363	4
Ham, Langston & Brezina	482,464	9
Moss Adams	459,928	3
JLK Rosenberger	457,725	27

Source: AM Best data and research

Auditor Firm	Life Loss Reserves (US$000)	Life Count
PricewaterhouseCoopers	1,775,681,284	117
KPMG	607,575,916	74
Ernst & Young	569,701,784	100
Deloitte	553,568,899	108
Seward & Monde	23,198,893	1
BKD	18,020,045	21
RSM	8,684,224	17
BDO	8,411,877	16
Johnson Lambert	8,261,101	15
Strohm Ballweg	4,970,454	6
H2R CPA	4,792,918	6
JLK Rosenberger	3,465,733	12
Larson & Company	2,821,049	7
Kerber, Eck & Braeckel	2,794,868	13
EisnerAmper	2,345,807	6
Brown Smith & Wallace	2,294,760	7
Ginoli & Company	1,141,681	1
Eide Bailly	1,053,478	8
Dalby, Wendland & Company	966,515	1

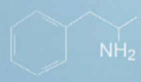
Auditor Firm (continued)	Life Loss Reserves (US$000)	Life Count
Hosack, Specht, Muetzel & Wood	903,000	3
Frank J. Baker & Company	882,854	2
PMB Helin Donovan	747,746	5
Baker Tilly Virchow Krause	601,278	8
Lambert Lanza, CPA	561,061	2
Grant Thornton	546,921	5

Source: AM Best data and research

Auditor Firm	Health Loss Reserves (US$000)	Health Count
Ernst & Young	31,395,938	174
Deloitte	23,141,525	149
PricewaterhouseCoopers	14,808,566	115
KPMG	10,588,596	95
Grant Thornton	2,020,553	21
RSM	1,097,202	24
BKD	943,863	20
Eide Bailly	923,529	16
Plante Moran	662,199	32
Baker Tilly Virchow Krause	641,119	14
CliftonLarsonAllen	576,203	9
Accuity	485,570	3
Carr, Riggs & Ingram	197,288	4
Moss Adams	189,713	7
Marcum	181,130	1
MCM	168,610	2
Kernutt Stokes	132,172	1
McGee, Hearne & Paiz	120,236	2
Centeno Figueroa & Co.	110,864	1
Wipfli	107,924	7
Morrison, Brown, Argiz & Farra	63,613	2
Baker Newman Noyes	61,864	5
Armanino	58,759	12
Baird, Kurtz & Dobson	56,200	1
Larson & Company	53,146	4

Source: AM Best data and research

Rethinking Mortality



Life insurers and their actuaries find themselves, in some cases, revising down the initial estimates of extra mortality costs related to COVID-19, though there are still many unknowns regarding the pandemic.

by Terrence Dopp

At the beginning of the year, as the novel coronavirus moved from a theoretical malady to a pandemic, life insurers did what they always do. They planned and drew up worst-case estimates of their exposures.

For the Reinsurance Group of America, that meant issuing an initial estimate that 100,000 U.S. deaths from the disease would mean $400 million to $500 million in extra pretax mortality costs. At the close of the second quarter, the company revised that figure downward by about $200 million. The revision came with the caveat that any gains could be partially offset by a higher possible range of general population deaths. "Early on in the pandemic when we were putting together models for the specific event, there wasn't a whole lot of data to go on," Timothy Rozar, an executive vice president at RGA, said.

Missouri-based RGA has $3.5 trillion of life reinsurance in force and $76.7 billion in assets, according to its latest annual report. It touts itself as the only global reinsurer focused on life and health. In September, AM Best reaffirmed its A+ (Superior) financial strength rating of the company and its subsidiaries, reflecting a strong balance sheet, operating performance, favorable business profile and enterprise risk management.

"The data was just early and emerging, and to be honest is still emerging in many ways," Rozar said. "So, I would say we made a best-estimate assumption based on what we knew at the time. As data comes in, both research data from the medical community, as well as population data from health organizations in the U.S. and around the world and of course our own data, that will inform revisions."

In some respects, the event forced the life

Key Points

Taking Stock: Companies including RGA and Brighthouse revised their initial projections at the close of the second quarter as a more nuanced picture of the pandemic came into view.

Issue: The industry saw something of a payout reprieve to date, with four-fifths of pandemic deaths among seniors and many others in populations with historically low insurance penetration.

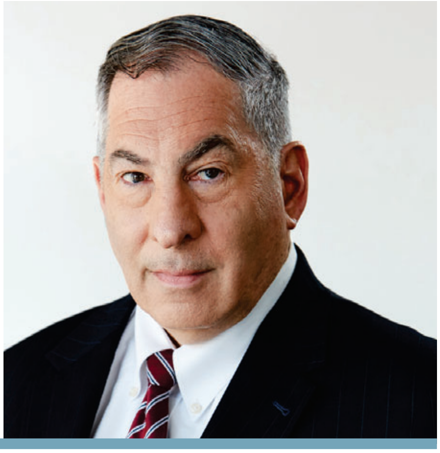
Hanging Sword: With a resurgence in the fall and lowered interest rates likely to persist for an extended period, companies could still face economic difficulties that outweigh mortality costs.

Terrence Dopp is a senior associate editor. He can be reached at *terry.dopp@ambest.com*.

Special Section Sponsored by:
JohnsonLambert
cpas + consultants

"The real danger, if you will, is the low interest rate environment and the continued need for investment income to cover the interest rate guarantees in those long-term policies. That's, I think, the more serious consideration for the industry. Not the pure mortality risk."

Steven Weisbart
Insurance Information Institute



insurance industry—which traditionally has an event horizon of decades—to follow a path typically taken by other lines, such as property/casualty: Release the first estimate of exposure to a catastrophe event, followed by revisions as more accurate data becomes available. Life policies routinely have a life span of 20 or more years compared to P/C's annual renewals, and the impact of COVID-19 is uncharted territory compared to the annual hurricane season.

The pandemic has many unknowns, including how many cases will develop in winter, and the timing and efficacy of a potential vaccine. Add to that the economic issues: the size and impact of coronavirus relief packages, along with continually lowered interest rates that harm balance sheets.

Still, mortality numbers that were derived in the heat of the moment have changed as time allowed insurers to gather new evidence about the economic status of people who succumbed to the disease, whether they had life insurance, and if so, how much.

Michael Porcelli, an AM Best director, summed up

"As data comes in, both research data from the medical community, as well as population data from health organizations in the U.S. and around the world and of course our own data, that will inform revisions."

Timothy Rozar
Reinsurance Group of America

the life insurance industry this way: "We don't really live in a catastrophe world." He said life insurers tend to be conservative by nature, hence the goal to calculate a worst-case scenario around the problem and make downward revisions to estimates that were made with caution. But, he said, life insurance isn't like other lines.

The downward mortality risk revisions are "almost universal" across the industry, he said.

"We have to take those with a grain of salt. I think companies realized that, and I don't think there was an attempt for excess precision," said Bruno Caron, a senior financial analyst with AM Best. "It's very normal to see changes with those types of estimates. That's just part of the conversation."

Life insurance has seen its share of changes in 2020.

An increase in direct-to-consumer sales drove an increase in the total number of U.S. individual life insurance policies being sold in the second quarter, though new annualized life insurance premium dropped 3% as customers increased their focus on smaller, simplified- and guaranteed-issue policies that cover final expenses, according to LIMRA's Second Quarter 2020 U.S. Individual Life Insurance Sales Survey.

Lockdowns forced insurers to up their digital game or sacrifice sales. Turbulence early in the year took a toll on their investment portfolios. Driving it all was the specter of COVID-19.

Rozar, of RGA, cited the Sept. 11, 2001, terror attacks in New York as a precedent. He said the company based its initial models on pandemic studies, historical events including the 1918 Spanish flu outbreak and its best outlook. "Life is such a longer-term event that having discrete disruptions is pretty rare," he said. "Both of those situations were what we would classify as a financial event, and manageable relative to the broader environment."

Same Boat

RGA wasn't alone in finding mortality costs lower than initial projections.

Brighthouse Financial Inc. also said in its second-quarter earnings presentation that it experienced about $25 million in life insurance costs associated with the pandemic in the United States after 120,000 deaths; earlier estimates called for $70 million for each 100,000 lives lost. A Brighthouse spokesman declined to expound on the results beyond Chief Financial Officer Ed Spehar's comments in an earnings call.

Steven Weisbart, senior vice president and chief economist at the Insurance Information Institute, said life insurance companies frequently update their understanding of the mortality risk that they are assuming, and it isn't shocking that a data-driven industry updates its models based on severity and disease outcomes.

He said the economic impacts of the pandemic may outweigh shorter-term patterns. Insurers also will face questions about whether and how to alter rates to react to this interplay between the investment climate and mortality, according to Weisbart.

"Most of the investments that life insurance companies make are in long-term bonds, and long-term bond yields have been plunging. So that puts even more pressure on the rates charged for transferring the risk because you don't have the investment income to sort of bail you out if you make a mistake," he said.

For whole life policies owned by older people who die from COVID-19, the cash value of the policy and the length of time premiums were paid will lower the costs compared to paying the death benefits, he said. And the disease has been much harder on the uninsured, Weisbart said.

Disparate Impacts

Statistics bear out COVID-19's impact on groups that historically face a protection gap.

Between Feb. 12 and Oct. 15, the U.S. saw 7.9 million infections resulting in about 216,000 deaths, according to the *Morbidity and Mortality Weekly Report* compiled by the Centers for Disease Control and Prevention. Of those pandemic fatalities, 78.2% were people over age 65. Broken down even further, 21.7% were in the 65-74 age group, 26% in the 75-84 range, and the largest share, 30.4%, were over 85.

The CDC also found that Hispanic and Black Americans accounted for 24.2% and 18.7% of deaths, respectively, though they comprise 18.5% and 12.5% of the U.S. population.

"The impact from life insurance claims from COVID-19 deaths has been lower than expected, and there are a few reasons for that—some of which, frankly, should be troubling to the industry," Kweilin Ellingrud, a senior partner at McKinsey & Co., said. "COVID-19 deaths, as we've all seen, have been concentrated among the elderly and disproportionately in diverse groups."

She said Black Americans and Hispanic people are more likely to be front-line workers and have a higher death rate if they contract COVID-19. They are also less likely to have health insurance, and the elderly are less likely than working-age adults to have a life policy that covers more than funeral expenses.

"This is more of an earnings event; it impacts earnings, not balance sheets," Ellingrud said. "You've seen some of the carriers start to repurchase shares or take actions that suggest they think it's either not a huge impact to their balance sheet or not as significant as we thought it could be at the very beginning."

On the flip side is long-term care coverage, according to Ellingrud and Weisbart.

Because some states transferred early COVID-19 patients to long-term care facilities, which have been the site of many pandemic-related deaths, Ellingrud said, people are doing all they can to avoid those spaces. In other words, they've been carrying long-term care policies for years, but when it comes time to use them, they decide against it, she said.

For insurers the pandemic has two salient figures: general-population deaths and insured losses. The tragedy of the disease's toll notwithstanding, companies must look at how many of the broader total of deaths were among those they insured.

The downward mortality risk revisions are "almost universal" across the industry.

Michael Porcelli
AM Best

Rather than try to formulate an estimate of how many lives the pandemic would claim and base losses on that, life insurers developed estimates of excess mortality costs per 100,000 to maintain flexibility. Doing so allowed them to create a scalable template that was based on medical developments and that could be altered as the disease ebbed and flowed.

The CDC's mid-October figure of more than 216,000 fatalities fell below the 300,000 in excess mortality for the same time frame in typical years, raising questions as to whether the actual number of deaths attributable to the virus was in fact larger.

Weisbart called the industry data-driven and said companies are continually reevaluating every shred that comes in to determine economic conditions and whether rate changes are necessary. "The real danger, if you will, is the low interest rate environment and the continued need for investment income to cover the interest rate guarantees in those long-term policies," Weisbart said. "That's, I think, the more serious consideration for the industry. Not the pure mortality risk." BR

Learn More

Reinsurance Group of America (AMB #009080)

For ratings and other financial strength information visit *www.ambest.com.*

BEST'S REVIEW®
ISSUES & ANSWERS:

Industry experts discuss touchless claims, the importance of bringing diversity and inclusion into the workplace and the growing opportunities in the excess and surplus lines market.

CLAIMS AUTOMATION

DIVERSITY & INCLUSION

EXCESS & SURPLUS

Interviewed Inside:

Bill Brower
LexisNexis Risk Solutions

Juan Herrera
Munich Reinsurance America

Scott Bayer
Philadelphia Insurance Cos.

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

Touchless Claims

Bill Brower, Vice President of Auto Claims for LexisNexis Risk Solutions, said auto claims experiences are at a record high. "Customers are very excited about the convenience of photo estimating," he mentioned. Now is the time to digitize the FNOL process with real-time data. Following are excerpts of an interview.

LexisNexis® RISK SOLUTIONS

- Transforming insurance claims management.
- Improving operational efficiencies.
- Enabling automation with confidence.

Bill Brower
Vice President of Auto Claims
LexisNexis Risk Solutions

"LexisNexis Risk Solutions provides real-time data with just a few clicks, then routes to the adjuster who can have a much more customer-focused conversation, having already received the information."

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

How much has the connected world changed insurance claims?

The smartphone has changed our lives dramatically over the last several years. Many changes were happening of course before the pandemic, but since COVID occurred this year, it has really ratcheted up the urgency around change and making it possible for customers to connect with us in ways that are more automated than they may have been accustomed to in the past. A recent McKinsey & Co. study asked consumers how they felt about self-service and would they continue after the COVID event. It was a little bit surprising to see that 79% of those surveyed said they plan to continue to use those self-service options after this pandemic. It definitely has changed our world in many ways.

Have carriers begun to embrace touchless claims?

Insurance carriers have been really interested in reducing touches for many years. In 2017, LexisNexis Risk Solutions introduced our first future-of-claims study where we surveyed the industry to learn more about where the industry was going. We introduced this term called touchless claims. What we intended touchless claims to mean is a process where a customer could handle their claim by self-service, start to finish, without needing to contact a human at the insurance company. We are seeing companies embracing this. One of the very large national carriers recently announced publicly that they will provide a touchless claims option by 2022 for all of their customers who wish to use that type of solution.

What do carriers need to consider to increase claims efficiencies?

The first thing carriers should do is evaluate where the human touch adds value and where it doesn't add value. That will help them to understand the areas that they can automate. Carriers tell us in our studies that three or more people touch the average claim. That's a lot of touches. That's a lot of hand-offs. One of the areas that I think is really ripe for automation is the reporting of the loss, which we like to call the first notice of loss.

How can carriers improve their customer experience?

As I talk with carriers about how to improve the customer experience, I recommend that we start with mapping the customer experience or map the claims process from the customer's viewpoint. In this way we're able to see when the customer is interacting with a claims professional and what is happening each step of the way. In doing that, we can identify what those steps are. The reporting of the first notice of loss perhaps, or maybe there are other steps in the process that data and the digital capabilities we have today can automate so that those are steps that don't require a human touch and instead allow this claim to be much more efficient. Those are areas that I'd really focus on.

Munich Re Embraces D&I

Juan Herrera, Head of Diversity and Inclusion for Munich Reinsurance America Inc., said the company has a three-year D&I plan. "Our plan focuses on enabling our leadership to be at the forefront of D&I, making sure that we're giving managers the skills they need to manage teams that are diverse, and supporting our businesses, as well as recruiting and retaining top talent," he said. Following are excerpts of an interview.

Munich RE

- Fostering a culture of diversity.
- Understanding the importance of inclusion.

Juan Herrera
Head of Diversity and Inclusion
Munich Reinsurance America

"Strong messaging is a very important part of a successful D&I initiative, and we believe we are sending that message loud and clear at Munich Re."

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

Why is diversity and inclusion so important to business today?

Diversity and inclusion is important to our businesses for a number of reasons. There are numerous studies that show that companies that are more diverse and inclusive have teams that are more collaborative, more innovative, and ultimately, these companies are more profitable. Also, if it matters to your employees, if it matters to your customers, clients and brokers, it should matter to you.

Why is D&I particularly important to the insurance industry?

We are in the middle of a talent gap, as baby boomers are reaching retirement age at the rate of 10,000 a day. While they're not all retiring at the same rate, it still has a particular impact on our industry. We need to ask, "What are we doing to make sure that we are an attractive industry to a different or newer segment of the U.S. workforce?" Also, the other thing that we do understand about our industry is that we are going through a lot of changes. If we want to be competitive, if we want to succeed, we need to attract people with very specific skill sets, whether it's AI, or data analytics. These are skills that companies across all industries are competing for, so competition for talent is fierce. Our value proposition needs to be clear.

What can companies can do to advance their D&I initiatives?

Messaging is an important part. Making sure you're clear around what it is that you're doing, because it's easy to misconstrue what D&I is about. The more simple you can make your messaging, and communicate that in different ways so all colleagues can embrace what it is that you're doing, is probably one of the things that can make your efforts that much more successful. Make sure you have a top-down as well as a bottom-up approach, where senior leaders own these efforts, and employees, regardless of level, have an opportunity to be involved.

What are some examples of activities that Munich Re is doing in support of D&I?

Initiatives that we're doing to support our three-year plan include our executive board hosting small group conversations across the company. All employees can sign up, join and hear first-hand from our executive board what D&I means to them, and what we're doing at Munich Re to make sure that D&I is successful. Other initiatives revolve around supporting our people managers and giving them the tools and resources they need to be successful.

We've looked at our recruiting process, from where we source to how we interview and how we assess talent. We've embedded best practices across the regions to make sure that we truly are hiring the best and not just the most familiar. These are just a few examples that we're doing and how we're measuring. We are committed to continue learning, growing and ensuring our industry and our company are more diverse and inclusive.

Share this edition at ***www.bestreview.com/issuesanswersarchive.asp.***

E&S Opportunities Abound

Scott Bayer, Senior Vice President, E&S Insurance Solutions, for Philadelphia Insurance Cos., points out that their year-to-date quote count is up over 30% year over year. “That’s really been an emphasis for us in 2020 and a number we’re very proud of considering a market that’s in a state of flux,” he said. Following are excerpts of an interview.

PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

Scott Bayer,
Senior Vice President, E&S Insurance Solutions
Philadelphia Insurance Cos.

“In today's market, we emphasize to our underwriters [to] consider a target of expiring premiums, because that's always been the gold standard in our business.”

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

What does the current E&S market look like?

Surplus lines grew in 2019 by over 11%, and it’s increasing even more in 2020. We’ve seen growth come from the dislocation of business or from the standard market, along with rate increases that have allowed companies to grow organically. We’re finding that disciplined E&S companies want to take advantage of the market and grow their books that fit their risk appetite as well as their expertise and stay in their lanes. There’s so much opportunity within these standard E&S lanes. E&S is experiencing opportunities with businesses moving out of standard markets, either due to risk appetite or underwriting profitability. PHLY is seeing an uptick of submissions and binders that reflect increased opportunities across the desks of all three of our departments.

Do you see any difference between the small accounts and the larger business in E&S?

I do see a tremendous difference between larger and smaller accounts in the E&S space. Large accounts look great on a production report. Writing them will typically result in some celebratory high fives around the office. That said, they really present a tougher sliding scale of rate. Your rate online for a larger account tends to be smaller. As the exposure and premium increase, the overall rate tends to decrease. That’s OK for one account, but if you build a book of business on larger accounts, your rate tends to be a little less adequate than on smaller to midsized accounts. PHLY E&S targets more in the small to middle market accounts. The servicing can be simple with fewer exposures and locations. Small accounts also tend to have higher renewal retention.

Do you see segments at PHLY that are experiencing exceptional market change?

Our experience in environmental has been superior. Mostly this is on the backs of the underwriters on our team. Many of them have environmental science or engineering degrees and come from consulting backgrounds. They understand the science behind the business they write. It’s a growing and profitable piece of our book. We expect that growth to continue.

What are the areas of business where PHLY E&S Solutions excels?

At PHLY we concentrate our efforts around speed of service. In what we consider the old E&S world, and one in which I grew up, most underwriters wait for carriers to lay their cards on the table before stepping up. They’ll wait for all the terms, all the quotes to be out there, and then decide whether it’s an opportunity to formalize a quote and to spring into action. We’re in a different time right now. While we ask appropriate questions, we do our best to get the quote out of the door quickly. We want the broker and the insured to either make a quick decision or have the time to come back and ask questions. In the same way, if we’re not a market for the opportunity, we’ll let the parties know quickly, and allow them to locate that market. We want to provide that service fast and give the insured an option so that they can be comfortable in the decision process. It’s very effective in today’s market. It’s probably even more effective than any advertising that I can come up with.

What's Ahead

As insurers look toward 2021, their priorities and concerns are shaped by the unusual events of 2020.

by Kate Smith

The year 2020 will go down as one of the most tumultuous and challenging years insurers have faced.

A pandemic killed more than a million people and infected roughly 40 million. Global economic contractions exceeded the Great Recession. The Atlantic hurricane season included more storms than alphabet letters. Cyberattacks multiplied. Civil unrest continued to rise. Lockdowns created legal battles over insurance coverage. And, at one point, legislators proposed retroactive business interruption coverage that posed an existential threat to the insurance industry.

Kate Smith is managing editor. She can be reached at *kate.smith@ambest.com*.

It was a tough year.

"COVID is the first real global insurance stress test that we have had," said Alban de Mailly Nesle, group chief risk and investments officer at Axa and a member of its management committee.

But while the COVID-19 pandemic created an unprecedented level of health, economic and social pressures, it also has led to what the World Economic Forum calls "the great reset." It forced the world, and insurance companies, to stop and reevaluate.

"Major events, whether a pandemic, recession or 9/11, give pause for thought and a review of your goals and broader mission," Paul Mallen, CEO and president of Amalgamated Life, said.

As the calendar gets set to turn, *Best's Review* asked industry leaders and observers what issues and concerns are top of mind as they enter 2021—and how they were shaped by 2020.

Here's what companies are thinking about.

Diversifying Amidst Globalization

When Axa released its *Future Risks Report* in October, the top three issues cited by the general public and risk professionals who were surveyed, were: pandemics, climate change and cybersecurity. Axa could not agree more.

"What is important, talking about an insurer's point of view, is the interconnection or the globalization of those risks," de Mailly Nesle said. "When you think about those three—be it health with the pandemic, climate and cyber—the common characteristic is that they're global. I would add a fourth one: the current state of the economy. And that also is a global state.

"When you think of the insurance business model, which is about mutualization and diversification, having those risks at a global level and therefore preventing part of the diversification is something we need to think about."

Axa started this year, and will continue next year, to clarify policy coverages, diversify its model and partner with governments on solutions for perils that insurers alone cannot handle.

"It's important for both customers and insurers to have clarity on whether insurance grants protection, or if it's the state, or if it's no one," de Mailly Nesle said. "You would have seen the same sort of questions if you had a cyber crisis or a cyber pandemic, as we had with NotPetya [malware] a few years ago."

He also noted that risk appetites for cyber are changing after the explosion of attacks during lockdown. Between February and March of this year, phishing emails increased by more than 600%, Axa said in its *Future Risks Report*.

"I attended the virtual Monte Carlo meeting," de Mailly Nesle said. "Risk appetite on cyber

“COVID is the first real global insurance stress test that we have had.”

Alban de Mailly Nesle
Axa

from everyone—insurers and reinsurers—is not high enough.

“That’s a part of our commercial lines strategy that needs to be well-understood by our customers. It’s going to be challenging to provide large amounts of cyber insurance capacity going forward. As these risks are global, we need a public/private partnership to provide solutions.”

Doing Deals

Hardening rates across lines of business have drawn investor interest into the insurance market.

“You see a flow of capital coming in,” said Vikram Sidhu, a partner at Clyde & Co. and leader of the international law firm’s insurance transactional and regulatory practice in the United States. “It’s made a lot of investors, especially investors who were already in insurance in one way or another, consider putting more money into the insurance business, including to potentially make acquisitions.”

After a steady flow of mergers and acquisitions in the first half of 2020—most of those negotiated in 2019—a drop in deal activity was expected through this month. But Clyde & Co. says the stage is set for (re)insurance transactions to make a comeback in 2021.

“I believed in the spring after the pandemic began spreading across the world, based on discussions and my sense of marketplace, that deal-makers would sit on the sidelines for quite a long time,” Sidhu said. “But looking ahead to 2021, I think I was too pessimistic, and we’re going to see quite a bit of robustness in opportunistic entry into the insurance space. Investors will put their money in.”

Six months ago, Sidhu would have dismissed the idea of a new Bermuda class of reinsurers. But now?

“We’re seeing capital going into new reinsurance vehicles, particularly in offshore jurisdictions,” he said. “There’s a lot of activity happening; it’s quite impressive.”

The coming year also could see an uptick in books of business being sold, as insurers reevaluate their portfolios.

“Insurers are trying to be strategic about distilling down their businesses so they make sense,” Sidhu said. “The current upheaval, brought about by the pandemic and the ups and downs of the financial market, has led folks to step back and try to rationalize their businesses. It’s a natural cycle. When times are going really well, then there’s no sense of urgency to cut out pieces of

“We’re seeing capital going into new reinsurance vehicles, particularly in offshore jurisdictions.”

Vikram Sidhu
Clyde & Co.

the business that don't make sense for the overall company or insurance group.

"There are areas to make money and do well in. So they'll be pulling back from areas that do not make strategic sense for them and redeploying the capital to lines that make more sense or fit better with their strategic business."

Finding New Revenue Streams

Strains on profitability are nothing new for insurers, who are accustomed to interest rates, market conditions and natural catastrophes putting pressure on results. But the pandemic added another layer of profitability concerns.

"I don't think the search for profitability in itself is new, but the conditions have made people consider things that may have been thought of as out-of-the-box ideas or revenue streams that they wouldn't have prioritized or thought much about before," said Kassie Bryan, head of P&C solutions, Americas, for Swiss Re.

Bryan's team helps clients open up new revenue streams. Those discussions, she said, have accelerated during 2020. The challenges of this year have insurers widening their views.

"The conversations we're having are emblematic of the general theme that insurers are looking at new areas to grow into," Bryan said.

U.S. flood is a prime example.

"It wasn't so long ago that flood was viewed as an uninsurable risk," Bryan said. "Thanks to technology improvements in areas like mapping and modeling, we can now underwrite the peril with more confidence than before. And because five of six houses have no flood insurance, there's a tremendous opportunity. Now we see more private insurers have an interest in writing flood insurance or entering U.S. flood.

"We've done dozens of deals in the market to access this largely untapped risk pool. The market is still in its infancy, but we're seeing increased traction and interest in growth."

Alternative sources of distribution also are on the radar. Insurers are looking to partner with non-insurance companies that "see insurance as a valuable complementary product offering to their core service or product," Bryan said.

Swiss Re partnered with IKEA this year, developing a home insurance product called Hemsaker, which is sold on IKEA's website.

"The conversations we're having are emblematic of the general theme that insurers are looking at new areas to grow into."

Kassie Bryan
Swiss Re

"It fits in nicely with the concept of increased interest in digitization or increased interest from consumers to buy products where it's convenient for them," Bryan said. "And through partnerships, the insurance company gets access to new customers."

Building Trust and Brands

Many insurers took a hit to their reputation this year over business interruption insurance. And it wasn't just policyholders who were unhappy with how the industry responded to BI claims.

"Most brokers are quite negative about how it's been handled by carriers, especially in the midcommercial market," said Ben Bolton, CEO of Gracechurch Consulting, which focuses on the London market. "There's been a loss of trust from brokers, and it must be even worse with the end customer."

Insurers have some rebuilding to do in 2021.

"Small and medium enterprises may not want

"When you have fewer players running the show, the products may be similar, but they have to position themselves differently."
Ben Bolton
Gracechurch Consulting

to buy BI," Bolton said. "They may conclude they don't trust insurance products. The upside is the brokers, because they have to sell the product, will put pressure on carriers to become more customer-focused."

But it's not just brokers and customers whom insurers need to please. Bolton predicts stiff competition for staffing once COVID settles down.

"A lot of people have stayed where they are for now. But they're going to start to ask: Have they had a good experience with their employer?" Bolton said. "At a micro level, people have thought about where they want to work and what they want to do. As this change happens, there will be a battle for talent. And the employer brand will become important."

Consolidation is leading to a more distilled group of competitors and bigger brands, Bolton said, noting Aon's acquisition of Willis Towers Watson.

"When you have fewer players running the show, the products may be similar, but they have to position themselves differently," Bolton said. "Things like purpose and what they stand for will come through quite strongly. That's inevitable."

Workplace culture, diversity and inclusion are important pieces of that. And while they've been addressed previously, there is a new sense of urgency.

"I think a lot of those things were lip service—'Let's do a survey of culture!'—but not action," Bolton said. "A lot more people are now saying, 'We have to act.'

"Investors will demand it. Talent will demand it."

Staying Agile

Amalgamated Life has always tried to adjust and move quickly. This past year highlighted the importance of being able to do so.

"That has to be one of the takeaways: You have to be able to be agile," Mallen said. "We are becoming much more agile in our operations, adapting to new working models, leveraging technologies to achieve operational efficiencies and provide a better customer experience."

Agility is a core skill for leaders, particularly in today's climate of uncertainty. The factors that have

"Among the possible changes that will impact our business will be potential changes in health insurance and the continued economic impacts of COVID-19."
Paul Mallen
Amalgamated Life

made 2020 tumultuous, after all, will not disappear at the stroke of midnight on Jan. 1. As insurers reflect on this year and plan for the next, their concerns may very well be the same.

"One [of my concerns] is the impact that the coronavirus will have on our operations and sales results, as well as the outcome of the presidential election and what that might bring in the short term and long term," Mallen said. "Among the possible changes that will impact our business will be potential changes in health insurance and the continued economic impacts of COVID-19.

"Leadership requires agile decision-making and the ability to pivot when disruptions or the unexpected occurs."

Though the events of 2020 didn't alter Amalgamated Life's strategy for 2021, they did heighten the company's focus on a key area—voluntary benefits.

"COVID-19 brought the value proposition of voluntary benefits front and center, for both employers and employees, and further confirmed our goal to continue expanding our worksite/voluntary offerings in addition to evaluating new distribution models."

Leading in a New Era

Kurt Strovink, senior partner at McKinsey, has heard all of the above in his conversations with insurance leaders. They're thinking about strategic growth, new products, innovative distribution methods, diversity and inclusion, sustainability. But those at the top of the ladder—the CEOs—are also rethinking leadership.

"The role of the CEO has changed," Strovink said. "It's subtle but important."

The chief executive is now the "chief calibrator," responsible for figuring out how to change, and how quickly, he said.

The pandemic has left CEOs well-positioned for this. Having been grounded from travel for months, they have gotten closer to the front line. And that's given them a clearer view of the chessboard.

"There's been more skip level interactions," Strovink said. "It's put a lot more knowledge directly in the hands of some of the senior-most people. That leads to faster decision-making, faster resource allocation. A lot of people realized their processes are cumbersome, and they've sped them up. A lot of those things will get institutionalized for 2021."

"The role of the CEO has changed." The CEO is now the "chief calibrator," responsible for figuring out how to change, and how quickly.

Kurt Strovink
McKinsey

The experience of shifting to a fully virtual environment in 2020—and the confidence gained from doing so successfully—also will have an important impact.

"They've been very excited by how they were able to migrate to this all-virtual format," Strovink said. "They've been proud of it. That learned experience is a big deal in terms of further innovation."

Insurance CEOs also are looking in the rearview mirror far less often, and instead are looking to other sectors.

"We see evidence that CEOs are learning from other industries at a much greater rate," Strovink said. "They're interested in spending time with other CEOs in other industries. We estimate that's increasing by two to three times.

"It's almost as if CEOs are less interested in what the last CEO would say about this; they're more interested in hearing from other people who are facing this crisis in adjacent spaces. They want to learn from people who are on the field now." BR

Make It Personal

McKinsey: Life insurance carriers can grow by offering more personalized and flexible products.

by John Weber

Over the past decade life insurers have struggled with growth and profitability, but according to a new McKinsey & Co. report, *The Future of Life Insurance: Reimagining the Industry,* insurers can reinvent themselves and reestablish their vital role in customers' lives. One of the report's authors, Kweilin Ellingrud, senior partner, McKinsey & Co., spoke with AMBest TV about the bright spots and challenges in the life insurance market.

Following is an edited transcript of the interview.

It's no secret that life insurers have struggled in recent years; what are some of the reasons?

As COVID-19 hit, we saw life insurance carriers get hit almost twice as hard as other industries in terms of stock price and market valuation. Interest rates were also dropping at record rates. The combination of COVID-19 and unknown risks in terms of global life claims and very low interest rates have made it much more difficult to make profits in the medium and long term.

Have there been any bright spots for carriers, either geographically or otherwise?

The bright spots have been in developing countries, where about half of the global growth in profitability has been. We also see more personalization, quite a few hybrid products that are serving not just core life protection needs, but also health and other needs.

You mentioned COVID. Has the pandemic had any other impact on life writers?

Initially the [health] risks were unknown, so a number of carriers paused or stopped writing

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

term insurance for policyholders above a certain age or term policies above a certain base amount. Now you're seeing more comfort in that space. A number of carriers have written down their reserve amounts and what they're expecting from death claims over the next year or two. Also, we find that in the United States, for example, the groups that are most affected by COVID-19 are also the least likely to have life protection. Those are people over age 65 or from diverse groups, such as African Americans.

As you well know, life writers in recent years have become more aggressive in their digital marketing and distribution. Have those efforts had any impact?

Absolutely. Carriers are really thankful now for all those investments, big or small, they made over the last three to five years. Some are betting big and investing significant amounts in digital and analytics. That's paid off big time in the last six months or so.

The big question for you, and the basis of your report, as well: What do life insurers need to do to increase premiums written and profitability?

They need to personalize their products, and products must adapt to the life stage and needs of the policyholder. Life carriers also need to think about the future of work. Even without COVID-19, automation and digital are rapidly changing the skills and capabilities needed. There will be a significant reskilling needed over the next five or 10 years.

Do you think life writers run the risk of less-than-disciplined underwriting at the expense of writing business?

As we saw from COVID-19, underwriting discipline will likely be pretty consistent with the past. There's even more reason to believe in the importance of that discipline and being calibrated. The coordination between underwriting, pricing, claims, and those tight feedback loops are going to be more important now as trends move faster than ever before.

Do you think there is reason for optimism for life writers, or are we going to be sitting here 10 years from now discussing the same struggles?

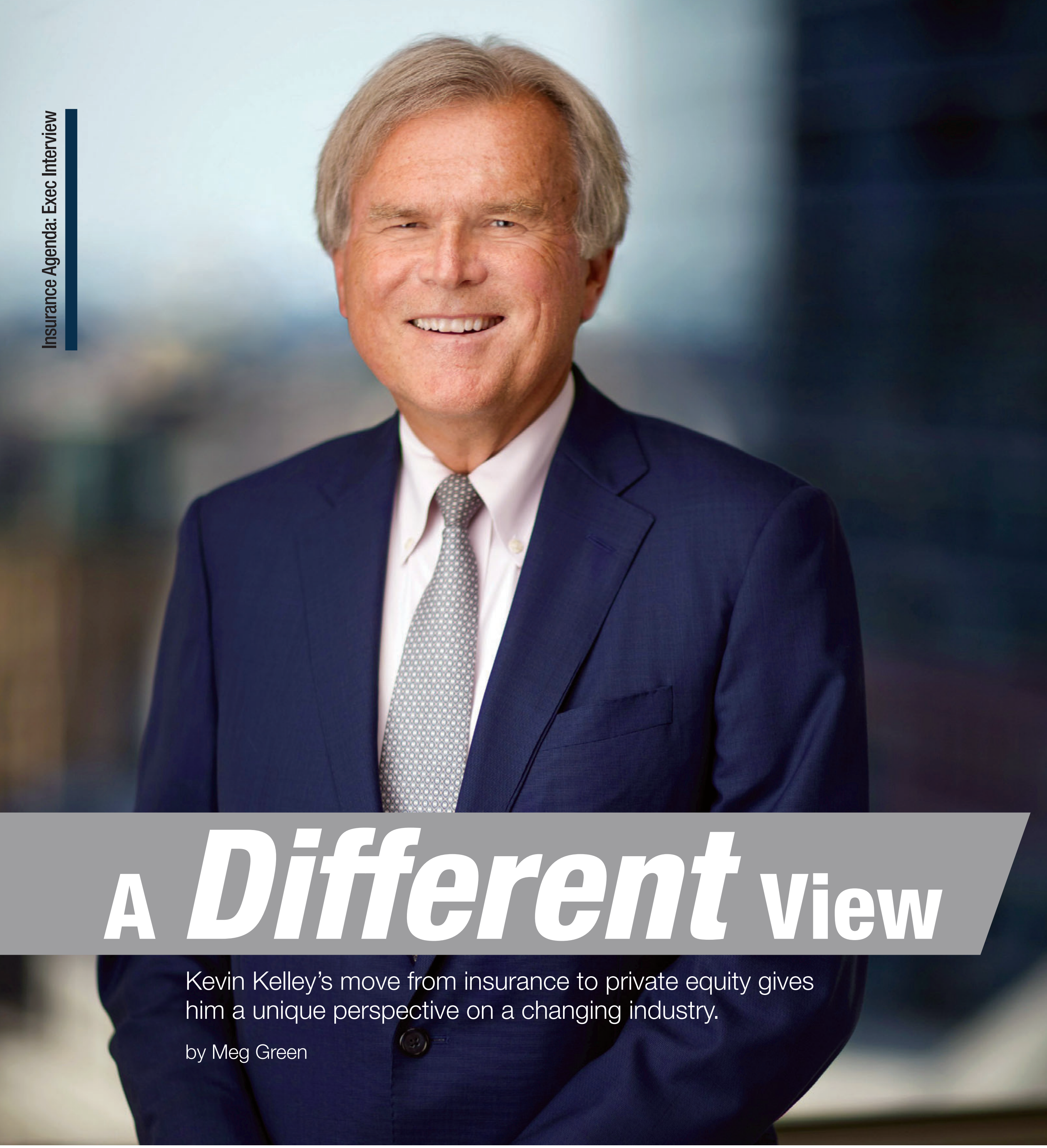
The guarantees that life carriers can uniquely provide are more relevant now than they ever have been. There's this window of opportunity for life carriers to jump into, to create flexible, personalized policies in a way that provides risk protection for a broad set of policyholders. The carriers able to move quickly with digital, analytics and flexible products that are engaging for policyholders are going to do quite well over the next 10 years. BR

"There's this window of opportunity for life carriers to jump into, to create flexible, personalized policies in a way that provides risk protection for a broad set of policyholders."

Kweilin Ellingrud
McKinsey & Co.

AMBestTV

Go to *bestreview.com* to watch the interview with Kweilin Ellingrud.



A Different View

Kevin Kelley's move from insurance to private equity gives him a unique perspective on a changing industry.

by Meg Green

After a 40-year career in the insurance industry, Kevin Kelley joined Aquiline Capital, a New York- and London-based private equity firm, as executive adviser.

Meg Green is senior associate editor, AMBestTV. She can be reached at *meg.green@ambest.com*.

He most recently retired from Liberty Mutual, where he was vice chairman of Global Risk Solutions following the company's acquisition of Ironshore. Before that, Kelley was CEO of Lexington Insurance Co. He recently spoke with *Best's Review.* Following is an edited transcript of the interview.

You've had a long career as an underwriter. What's it like on the other side of the balance sheet?

It's very interesting. Since I joined Aquiline in January, I've learned a lot. I've seen a lot. Obviously, COVID's been a big influence on all of us. Going back to my Ironshore days, we had six private equity investors, so I got to see one side of the private equity world. From this vantage point, I get to see how the sausage is made, so to speak. We're very fortunate in that we have an existing portfolio of companies. We're always looking to add to those portfolios. I'm very happy I did what I did and look forward to making a contribution.

What are you seeing in terms of growth opportunities in the industry today?

We are seeing a desire to, in some cases, invest in startups. In other cases, invest in recapitalizations. The opportunity is plentiful, but the capital markets are pretty well disciplined. The investments that will be made will be well thought out and well positioned. Therefore, it's a very good time to be an investor in the insurance business.

> "Capital markets are pretty well disciplined. The investments that will be made will be well thought out and well positioned. Therefore, it's a very good time to be an investor in the insurance business."
>
> **Kevin Kelley**
> Aquiline Capital

How do you see the market evolving?

The overriding issue, which is the result of COVID, is that interest rates look like they'll be lower for even longer than many of us thought at the beginning of the year. That will force the industry to be more disciplined because net investment income will be curtailed. As a result, we'll continue to see price increases. That will be tougher and tougher for clients to digest. You read more about captives being formed today to help mitigate those price increases. At the end of the day, the industry has to provide a return for capital. The equity market provides the judgment on how successful or not management teams are. Insurance company stocks will continue to be under pressure because notwithstanding stronger rates, performance is still pretty mediocre for the industry.

You mentioned short-term and long-term implications of COVID. Could you expand on that? How do you see it impacting the industry?

One impact, which I've mentioned before, is on interest rates, which will be lower for a lot longer. Just as importantly, customers' behaviors will change. How we entertain and travel will be different post-COVID. How we work will be different, and that will impact commercial and residential real estate values. Health care will be delivered differently. Trying to stay ahead and on top of how these changes will impact customers will be extraordinarily material. What external shocks do is they accelerate changes that were already occurring in society. Those carriers that have keener insights into their clients and listen to their clients will have a competitive advantage in trying to see how the world will be post-COVID.

What would you say the biggest challenge facing the industry today is?

It's probably the same challenge the industry's faced forever, which is talent. These kinds of market changes and adjustments do, however, produce opportunity for people as well as companies. The next generation of leadership is probably being schooled as we speak. Given some real hard experience, that will benefit future leaders of the industry. Capital is always a challenge, too, and is always very important for our business, but it's how that capital is used. That's where talent management and leadership come into play. BR

AMBestAudio

Go to *bestreview.com* to listen to the complete interview with Kevin Kelley.

The Entrepreneurial Agent/Broker

Industry leaders discuss how tomorrow's insurance coverages, business models and risk strategies get their start.

Strength Through Specialization

Steve DeCarlo
AmWINS Group

Matt Power
One80 Intermediaries

Pat Ryan
Ryan Specialty Group

Insurtech Drives Distribution Innovation

Tim Attia
Slice Labs

Phil Edmundson
Corvus Insurance

Rick McCathron
Hippo

Programs That Produce

Joel Cavaness
Risk Placement Services

Geof McKernan
NSM Insurance Group

David Springer
NIP Group

Heidi Strommen
ProHost USA

AMBestTV

To watch the video for each of these panel discussions, go to *bestreview.com.*

Strength Through Specialization

Creating new markets and products to meet the challenge of emerging risks is at the heart of the excess and surplus lines market.

by Meg Green

The most difficult risks in the insurance industry often end up in the excess and surplus lines space. The E&S market is booming, reaching a record level of $55.5 billion in premiums at year-end 2019, up 78% since its last retraction in 2011, according to AM Best.

Key to success in the E&S space are expertise and having the knowledge to write risks that the standard market shuns, said three leaders who've built their careers in the E&S market.

Those leaders—Steve DeCarlo, executive chairman, AmWINS Group; Pat Ryan, founder, chairman and chief executive officer, Ryan Specialty Group; and Matt Power, president, One80 Intermediaries—recently sat down with AMBestTV to discuss successes and challenges in the E&S market.

Meg Green is senior associate editor, AMBestTV. She can be reached at *meg.green@ambest.com*.

PANELISTS

Steve DeCarlo, AmWINS Group (pictured)

Pat Ryan, Ryan Specialty Group

Matt Power, One80 Intermediaries

Their panel was part of a three-part series on entrepreneurial agents and brokers put together by *Best's Review* and AMBestTV.

Maintaining Focus

"Specialization is paramount when you talk about E&S," DeCarlo said. "You can't go out to a retail client and fake it. You have to be great at what you do. Retailers demand that we're great at what we do, and so do the markets, frankly. We were highly focused on making sure that how we came to market was at a level that proved our expertise."

Charlotte, N.C.-based AmWINS Group Inc., the largest independent wholesale distributor of specialty insurance products in the United States, operates through more than 115 offices globally and places $20 billion in annual premium. With $1.5 billion in revenue in 2019, AmWINS ranked as the 14th largest broker according to *Best's Review*.

DeCarlo served as chief executive officer of AmWINS for 17 years, leading the business through the merger of several specialty wholesalers, and has served on the AmWINS board of directors since he joined the company in December 2000.

"I think fundamentally, when we set out to build a foundation to the business and overall, when we thought about our strategy, what we'd set out to do was think about how to build a business that our retail clients and our market partners could look to, and how we could look to the next 150 years," DeCarlo said. "Without that structure, we wouldn't be successful."

One key to maintaining that focus was employee ownership, he said. More than 40% of AmWINS is owned by about 725 employee shareholders.

"Employee ownership was a critical thing that we focused on, and getting that aligned so that all our employees could feel that ownership meant a lot to us. We had to make sure that we'd focused on training and making sure that we were experts at what we did," DeCarlo said.

DeCarlo said the company also focused on diversification. "We didn't want to be siloed as just great at Southeast wind, or just great at earthquake, or just great at casualty. We've gone into medical stop-loss, and U.S. life and health. We do a lot of different products. We want to serve the retail client at all their needs, not just certain products that other people see, but products that retailers demand."

Industry icon Pat Ryan, the founder and former chairman of Aon, launched Ryan Specialty Group in 2010. "It's a very competitive business," Ryan said. "It's a real value-add business; it's one that brings advice and advocacy to the retailer on behalf of their clients. When we're the MGA, a market needs to become a go-to market. We only do underwriting, hopefully, where we can differentiate ourselves."

The strategy in building E&S business is specialization, Ryan said. He looks for the top intellectual capital in specialty lines, and focuses on attracting, retaining, empowering and supporting them.

"Then, we split it into verticals," Ryan said. Practice groups are formed based on industry and product. This can include both distribution wholesale brokers or managing general underwriters, he said. Ryan Specialty, like many others, has both.

"We do a lot of different products. We want to serve the retail client at all their needs, not just certain products that other people see, but products that retailers demand."

Steve DeCarlo
AmWINS Group

"We find that focusing with experts on an industry and a product really allows us to differentiate the talent," Ryan said. "Critically, we believe it's important to align our talent with the retail broker's talent in that same specialty line, and then take it to a market that also has the specialty talent, so that we have alignment from the insured being represented by the retailer, to the wholesaler and to the capital provider."

He emphasized the importance of innovation. "A broker always wants to be able to differentiate themselves from their competition, not on price but on form, on any kind of exclusive opportunity that they might have with the market," Ryan said.

Matt Power served as executive vice president for Lexington Insurance Co. before becoming president of One80 Intermediaries, which was formally launched in December 2019.

During his tenure in the E&S market, Power watched the industry evolve.

"If you think about the E&S business 20 or 25 years ago, it was highly fragmented," Power said. The E&S market had businesses based in individual cities, and they specialized in either property or casualty. During dramatic market cycles, business was feast or famine.

"A broker always wants to be able to differentiate themselves from their competition, not on price but on form, on any kind of exclusive opportunity that they might have with the market."

Pat Ryan
Ryan Specialty Group

Which was why "this notion of building diversity, uncorrelated cash flows, has been critically important to me," Power said.

"From Pat [Ryan], certainly, I learned the importance of segregating wholesale broking and underwriting. They're different businesses, they're different disciplines, and they have to be managed separately and then distinctly," Power said.

He said the company focuses on developing a healthy flow of uncorrelated income streams. "It really provides us, as Steve [DeCarlo] points out, with the ability to counter some of the traditional market cyclically that would have challenged that old traditional wholesale or intermediary model."

One80 has been growing through acquisitions, including the Maritime Program Group, a U.S.-based yacht MGA; Equinox, a global travel accident health business; and Strategic Underwriting Managers, the largest independent MGA in Canada.

"Over the next quarter, you'll see us move into areas like nonstandard impaired life and disability, warranty and some other specialty areas," Power said.

As a young organization, One80 has much of its growth coming from acquisitions. "We'll likely add over $150 million in net revenue by year-end, purely from inorganic growth activities," Power said.

Benchmarking Opportunities

When it comes to weighing a business's potential, "scale matters," DeCarlo said.

"Will it matter to our retail clients? We don't want to be the smartest people that invent products that retailers don't need, or markets don't want to sell. We were guilty of doing that early in our history, that we would invent a product we thought was smart, but nobody wanted [it]," DeCarlo said.

Ryan Specialty, which has made 41 acquisitions, considers both organic and inorganic growth opportunities, Ryan said, but avoids any market that's oversaturated.

"If there are 40 or 50 competitors and it's a commodity, you're not differentiating. We don't go there. We look for underwriters who can differentiate and where we can become a go-to market," Ryan said.

In September, Chicago-based Ryan Specialty Group closed on the acquisition of All Risks, with the combined entity now having roughly 3,300 employees and 70 offices across the United States, the United Kingdom and Europe, and projected to handle nearly $15 billion in premium during 2020.

All Risks "was a perfect fit for us because it expanded our scale and scope and our ability to serve clients. Frankly, with 35 discrete programs, they expanded our managing underwriting specialty capabilities," Ryan said.

While One80 has focused on acquisitions, Power said, it doesn't take all offers. "We certainly walk away from a lot of deals because they really are not sufficiently differentiated, going back to this notion of niche. Or based on the culture. If the culture doesn't feel right, then you've got to end the conversation.

"To the credit of a lot of sellers, cultural synergy is just as important to them. To many on the sell side,

> "This is a dynamic market, and it's really incumbent on all of us as leaders in the E&S space to be driving innovation in creating new markets."
>
> **Matt Power**
> One80 Intermediaries

it's a critical component of who they're going to choose to go with. It needs to be a right fit for both the seller and the buyer, and most importantly, for the employees as you move forward," Power said.

Anticipating Change

The liability landscape is constantly shifting, Power said, and E&S writers need to not just respond to change but anticipate it.

"It's incumbent on the E&S industry to deliberately and consciously focus on the notion of change signals. Change signals are very faint in the earliest stages. It requires some level of amplification in order to advance them internally and build critical market solutions," Power said.

Ryan said it's important to maintain good communication with retail clients—it's "all of our reason for existing."

Retail brokers will often ask for more capacity, he said.

"We also pride ourselves on anticipating change, and as Matt [Power] said, getting out ahead of that change. I think that's a critical quality for any company that wants to be a leader in any industry or sector," Ryan said.

DeCarlo said E&S brokers also listen to "the data."

"When you get a million submissions a year—there are not many retail brokers, if any, that get a million submissions a year—you lead with this data, this information," DeCarlo said. "The more data you have, the more you can now analyze your analytics. It tells you a lot of times where the industry is going and points you in directions ahead. The power of your data, no retail broker has the amount of data we have."

AmWINS recently bought Stealth, which has helped it grow its medical stop-loss business. "Now we're doing over a billion dollars of premium in the medical stop-loss business, which is an exciting field and very dynamic, obviously not something I grew up with on the E&S side," DeCarlo said.

While potential regulatory changes always remain a challenge, the E&S market continues to be ripe for growth. Ryan said there's a shortage of E&S capacity in many areas. "We're working diligently to bring additional capacity either through insurers or reinsurers," he added.

Risks including COVID-19, cyber liability and geopolitical risks still need coverage, Power said.

"This is a dynamic market, and it's really incumbent on all of us as leaders in the E&S space to be driving innovation in creating new markets," Power said.

E&S underwriters can lead the way to cover emerging risks, DeCarlo said.

"E&S underwriters in the U.S. need to be in the risk-taking business. My biggest concern there, is if they're run by standard line executives, and they see the type of risks that E&S underwriters should be taking, that they get in this fear mode," DeCarlo said. "E&S underwriters have freedom of rates, freedom of form, attachment points and price as their weapons. We need them to be E&S underwriters, not governed by actuaries with fears, sitting in corporate offices. If the price can sell, we can sell it. We need them to be risk-takers and understand that." BR

Insurtech Drives Distribution Innovation

Balancing technology and insurance expertise is the key to innovation—and success—for insurtech MGAs.

by Kate Smith

Tim Attia has been the face of Slice Labs since the managing general agency launched in 2015. He is an in-demand speaker at insurance industry events and regularly finds himself listed among the top global insurtech influencers.

With more than two decades of experience in the insurance industry, Attia, the co-founder and CEO of Slice, has insurance chops. His co-founder, Stuart Baserman, however, is the epitome of all things tech.

"He is straight out of central casting," Attia said.

It's that combination—hardcore insurance expertise and hardcore tech expertise—that drives the most successful and innovative insurtech MGAs.

"You need equal leadership in both areas, not just to get the vision and the strategy right, but also to build a team," said Attia, whose company offers on-demand insurance for the on-demand economy. "You need to have strong teams on both sides, and the best people are only going to enjoy working

PANELISTS

Tim Attia, Slice Labs (pictured)

Rick McCathron, Hippo

Phil Edmundson, Corvus Insurance

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

with a leadership that they are confident will take them to big success, and that's going to require both sides of the equation."

Attia recently joined Hippo President Rick McCathron and Corvus Insurance CEO Phil Edmundson for a panel discussion on insurtech MGAs assuming a leading role as insurance innovators. Their panel was part of a three-part series on entrepreneurial agents and brokers put together by *Best's Review* and AMBestTV.

Sweet Spot

The sweet spot for innovation lies in the push-and-pull between tech and insurance.

"I actually think the slight friction that exists between the two in an organization actually creates innovation because the tech guys push the insurance guys to try something different, [asking] 'Why do you do it this way?'" said McCathron, who was an insurance veteran before he became an insurtech executive. "At Hippo, an acceptable answer is never, 'Oh, that's just the way we've always done it.' We have to rethink things.

"When you bring tech people into the mix, as an insurance person I think their constant challenging of the status quo makes you think creatively about different kinds of things, and so I think that the friction that exists creates innovation."

> "From our perspective, [MGA] was a way for us to be able to experiment, test and learn quickly. ... We've been agents in the past. This is one way where we can have a little bit more control over product, pricing, operations, without having to have all of the infrastructure and the weight of being a carrier."
>
> **Tim Attia**
> **Slice Labs**

Striking a balance between the two is a differentiator, Edmundson said.

"I think the mistake many insurtechs make ... is the fact that they often fail to recognize insurtech is made up of two words—insurance and technology," Edmundson, a former area chairman of broker Arthur J. Gallagher, said. "And you really do have to have equal energy and emphasis in both.

"You have to have strong insurance pedigree because it's a heavily regulated business; there's lots of guardrails and barriers that you need to be aware of. On the flip side, you have to have strong tech prowess to build your own tech stack to make sure it's nimble, flexible, to take advantage of all the varying things that can be done in a modern tech world."

Finding a happy medium leads to the best of both worlds. But in the infrequent case that push comes to shove, Edmundson said, he leans toward the tech way of doing things to attract talent and effect real change.

"It's Google, rather than Microsoft. It's Macs, not PCs. It's stock options, rather than big 401(k) matches. That's a very important part of our culture," said Edmundson, whose company offers cyber insurance. "Even for the insurance people we're trying to attract to our team, we want those people who are excited about being in the tech world, and who come in eyes open to that culture that we're trying to build at Corvus."

Reverse Engineering

If there's a secret to disruptive innovation, it's not a well-kept one. All three panelists said their transformational ideas came from putting customers front and center. For Slice Labs, which pioneered on-demand insurance for the sharing economy, that meant approaching insurance with a blank slate.

Slice's first customers were Airbnb hosts, and their needs did not fit within traditional lines of business.

"We wanted to leave everything behind. Blank sheet of paper," Attia said. "We thought, 'Do we really care if there's a difference between personal insurance and commercial insurance?' If we got rid of that, we could save one tower.

"We don't have an application for insurance on any of our products, so we don't ask anybody to rep and warrant anything they say to us. We don't support bind and issue. We don't support

"We spend a lot of time with data, with IoT, with segmentation and pricing to try to help make the average customer a better customer by stuff we do in the background."

Rick McCathron
Hippo

renewals. Our products are dynamic, so they're always moving. We try to make policy a second-class citizen in our system, and focus primarily on customer engagement."

To that end, Slice tries to make insurance protection as simple as ordering a ride-hailing service or streaming music.

"We want to move away from tap on the button, go to a website, fill out five pages, call a call center, wait two weeks for paper to show up," Attia said. "We're really focused on the first part of that—on-demand—bringing insurance into the experience the same as a Spotify or an Uber, where you just tap on the button, and you're protected."

Hippo, which offers homeowners insurance, also takes a customer-first approach. Its philosophy is that the best claims experience for customers avoids the claim in the first place. And it uses smart home devices to do so.

By using technology to reduce claims, Hippo says, average customers become great ones from an underwriting profitability perspective.

"In homeowners insurance, everybody always talks about, 'How do you get the best customers?' The problem is, everybody wants the best customers. So why don't you increase the pool of what equals best customers in homeowners insurance?" McCathron said.

"We spend a lot of time with data, with IoT, with segmentation and pricing to try to help make the average customer a better customer by stuff we do in the background."

One example of that is the use of internet-connected devices within the home.

"We went through the hard work of working with every regulator in every state that we're in—and we're in 33 states now—and explained that, if we can provide the customers risk mitigation devices, IoT devices, water shutoff, leak detectors, smart smoke detectors, motion, all of these different kinds of things, we help the customer protect their home," McCathron said. "By doing that, we eliminate or at least reduce certain segments of claims. We take that average exposure, and we make it a better exposure."

Corvus, like Hippo, relies on collaboration with its customers. As a provider of cyber insurance, Corvus uses its own software to evaluate the information technology security of businesses within minutes. It uses that information not only for pricing, but also to produce a series of recommendations for how the business can improve its IT security.

"We're monitoring the IT security of these organizations and integrating information about new threats," Edmundson said. "New vectors of ransomware, for example, are big news in the business world. Seeing the new ways that the cyber criminals are infiltrating organizations means that we're in a very active conversation with our policyholders.

"We send them alerts about changes in their own protection, or updates to software that might be required, or general advice about how to better prevent claims from happening."

“I think the mistake many insurtechs make … is the fact that they often fail to recognize insurtech is made up of two words—insurance and technology. And you really do have to have equal energy and emphasis in both.”
Phil Edmundson
Corvus Insurance

Perfect Match

For tech-driven startups looking to transform the insurance process, the MGA model is ideal.

“From our perspective, it was a way for us to be able to experiment, test and learn quickly,” Attia said. “You don’t have a risk on the balance sheet. We’ve been agents in the past. This is one way where we can have a little bit more control over product, pricing, operations, without having to have all of the infrastructure and the weight of being a carrier.”

McCathron said flexibility and options are incredibly important.

“When you’re writing products like homeowners insurance, different balance sheets have different risk appetites; different reinsurers want different exposures,” McCathron said. “You want to make sure you’re spreading out and creating maximum geographical diversification, all things that we believe the MGA flexibility provides.”

Having your own paper also offers some flexibility, which is why Hippo acquired a carrier, Spinnaker Insurance Co., this year.

“When you are beholden to one or two large carrier partners, if their mood, appetite, management, whatever, changes, you have a significant threat to your organization,” McCathron said. “We, at Hippo, fully embrace the MGA model. We’re going to continue to function as an MGA. We have acquired Spinnaker to give us flexibility and optionality in the event that moods change from other partnerships, but we do continue to use other balance sheets. We’ll continue to grow that and do that as we move forward.”

For insurtech MGAs, fast growth can be tricky, as it is often met with skepticism from risk capital providers, particularly traditional ones.

“I see it most in the guise of ‘You’re growing too fast. We here at ABC Insurance are very used to supporting program managers and MGAs. You’re growing [at] more than a single-digit pace. How can you be growing at 200% or 300% year over year? You must be doing something irresponsibly. We want to slow down and put a check on your growth,’” Edmundson said. “Perhaps nonconventional or other sources of risk capital are just as important in making sure that innovation gets to market, because those folks understand technology better.”

Of course, maintaining an entrepreneurial spirit is also a key to innovation.

“At Hippo, we still view ourselves as an insurtech startup, even though as an organization we’re much larger than that,” McCathron said. “We have the DNA that we’re constantly moving the ball forward. We constantly have a sense of urgency. We’re constantly challenging each other, understanding what individual conviction is.

“That’s something that is critical for any company. I just think the entrepreneurial spirit of insurtechs [makes them] better at that level of innovation and moving the ball forward than the incumbents.” BR

Programs That Produce

Insurance entrepreneurs say the program sector offers the opportunity to quickly build effective, scalable business.

by John Weber

"The challenges in the marketplace are actually good for program administrators. Those are the types of conditions where we really make things work."

David Springer
NIP Group

The program sector—typically wholesale brokers working in conjunction with an insurer to serve a tightly defined niche—continues to grow, passing the $40 billion mark in annual premiums, according to Target Markets.

This sector also provides an opportunity for entrepreneurial-minded producers to capture and profit from tightly defined markets. Identifying, launching and maintaining a successful program business requires a combination of creativity, strong relationships and focus to find the issues. It takes knowledge, a little bit of luck and a whole lot of hard work.

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

PANELISTS

David Springer, NIP Group (pictured)

Geof McKernan, NSM Insurance Group

Joel Cavaness, Risk Placement Services

Heidi Strommen, ProHost USA

Veteran program business leaders—David Springer, group president and chief operating officer, NIP Group; Geof McKernan, founder, NSM Insurance Group; Joel Cavaness, president, Risk Placement Services; and Heidi Strommen, president, ProHost USA—recently sat down with AMBestTV to discuss what guides them, how to gauge insurer support, how to move into the program sector and how to assess prospective opportunities.

“We’ve doubled down on our technology. We’ve doubled down on our diversification. We’ve also doubled down in investment in our people.”
Geof McKernan
NSM Insurance Group

Their panel was part of a three-part series on entrepreneurial agents and brokers put together by *Best’s Review* and AMBestTV.

Specialty Markets

“It’s an unprecedented time of uncertainty and risk—economic uncertainty, both nationally and globally, political uncertainty,” Springer of NIP said. “We’ve got social uncertainty and unrest. We’ve got natural disasters. We’ve got wildfires, cyclonic activity, even earthquakes on the East and West Coasts. We’ve got a health care crisis related to the pandemic.

“Interest rates are extraordinarily low, and the Fed just announced they’re going to keep them that way until at least 2023. That puts enormous pressure on the insurance markets—carriers, in particular—to deliver probable underwriting results because there’s a need for rate. They have to generate an underwriting prop, but they can’t rely on investment income. In fact, reserve releases are slowing, if not being strengthened, as the current situation expands.”

Many of today’s issues continue to open doors for those who are prepared, Springer added. “The challenges in the marketplace are actually good for program administrators. Those are the types of conditions where we really make things work. It’s our focus, our ability to adapt and orient toward our clients and deliver what they need, when they need it most, while other people are still trying to figure out what’s going on.”

McKernan of NSM said pandemic-related closures hastened the move toward faster, more nimble systems and processes.

“We’ve doubled down on our technology. We’ve doubled down on our diversification. We’ve also doubled down in investment in our people,” McKernan said. “We’ve actually profited pretty significantly through these because of our diversification and how we’ve done that because we have over 15 different specific programs.”

The shutdown shrank some coverage lines but fueled the growth of others.

“Our sports and wellness program took a dive because a lot of the sports franchises and the gyms closed. But on the upside, we still have our condominium program that has grown substantially,” McKernan said. “We have a big pet insurance program and that is growing. You can’t buy a dog today. A lot of these people went out and insured their dogs and we’ve seen the benefit of that.”

Cavaness of Risk Placement Services adds to the list of coverages that have seen significant recent growth. “Certainly our social services, our assisted living, that is a difficult position due to COVID—and, candidly, to many of the things that David [Springer] talked about that the markets are facing. Certainly, some of our public authority business, again attached to some of the civil unrest and things that are happening in that particular market and growing significantly in those particular areas, because there’s a need for the specialized nature that we’re all talking about.”

> "There are a lot of buyers out there. There's a huge amount of interest in the program space."
>
> **Joel Cavaness**
> Risk Placement Services

Importance of Data

Starting a program takes study, preparation, perseverance—and information.

"Fortunately, we live in an environment where data has become the key indicator of being able to bring that information to a risk-taking partner and be able to sit down with them with that information, of course, hand in hand with the claims information on the particular niche that you're trying to expand or get into," Cavaness of RPS said. "Program managers bring expertise to the table, a deep-seated knowledge—not just a general view of that particular program area that you're trying to develop or get into, but a deep, deep knowledge of that particular industry. It takes a combination of technology because you have to deliver on technology, you have to deliver on the data, you have to be able to deliver on at least a beginning point on a base of premium that's available."

Successful programs exhibit two key characteristics: profitability and a path toward scale.

"You've got to bring profitability to the carriers. That's really key, first and foremost, because, if you have an unprofitable program, it's not sustainable," McKernan said. "You can't do a small program today. ... If you're going to do a national program, it has to be $20 million to $25 million. Then, what I like to say, the business has to be sustainable.

"In good times—economic times—or bad times, you still have to be able to maintain that premium quality as well as the depth of that premium. You can't grow something, then not renew at all," McKernan said. "Then you've got to have a good distribution model. We go directly to the agents, and sometimes we go directly to the consumers. There's all different models today, but you've got to have a distribution that also understands what you're trying to provide."

A strong technology base is a given.

"Speed wins today. If you have good technology that allows you to distribute your product, whether it's to an agent, whether it's to a consumer, where they can go online, easily delineate what your options are and go, that helps immensely today," McKernan said. "It's an important backbone to any program today, the technology that you're using. It's a constant investment [to be] quicker, faster, easier. That's really it now, and technology helps that."

"People want to be able to transact on a Saturday afternoon, or whatever it is that they want to do," Cavaness said. "Having the capabilities for people to go in, transact, and deal through your technology quickly, seamlessly, without a whole lot of clicks is really the way of today. We've gotten there quickly. It'll certainly be the way for the future."

But technology is only part of the solution.

"Help them do what they need to do, but [don't] replace the underwriting judgment completely. All the AI in the world isn't necessarily going to get you where you want to go," Springer said. "There's a balance between the use of technology and human intellect. … It all comes back to managing to profitable underwriting results for our carrier partners."

“Knowledge is king in the program business, and the smart innovative program manager with compelling data to help inform business decisions is going to come out the winner every time.”

Heidi Strommen
ProHost USA

Combining Forces

Merger and acquisition activity among brokerages and agencies has been up in recent years, and the program space is no exception.

“There are a lot of buyers out there. There’s a huge amount of interest in the program space,” Cavaness said. “It’s a very fragmented space. It’s one that continues to look toward consolidation, like many of the other areas of insurance distribution.”

But M&A is about more than expanding an organization’s head count.

“We look toward M&A to diversify the platform of programs that we have to offer to our customers,” Cavaness said. “It continues to gain traction of particular insurance carriers who love the program space. They want to solidify that particular portfolio of business that they have with a program manager, or maybe candidly, it’s an area that they want to expand in. … In the last few months, we’ve seen more program managers in the market now. Some of that’s due to COVID, some of it’s due to concern over tax rate changes, need of technology, need of investment, need of distribution. There’s lots of reasons that people look to merge or sell. It’s having a pretty big impact in the space.”

The pandemic continues to transform the risk landscape, raising obstacles but unveiling opportunities.

“If you’re not nimble enough to respond to those, you’re not going to be successful,” Strommen of ProHost USA said. “We’re moving from a focus mainly on customer acquisition and applications of technology in that area, to a greater focus on underwriting applications and applications in the claims-handling area, more applications of technology that can impact the loss ratio and underwriting profitability.

“Knowledge is king in the program business, and the smart innovative program manager with compelling data to help inform business decisions is going to come out the winner every time,” Strommen said. “It’s something that our partners are looking for. It’s something that we can work on with them together to achieve. It’s going to help define success in the future.”

As always, success in insurance distribution, particularly in programs, comes down to effort and people.

“You have to do your homework on that specific industry, you have to have a product that’s going to differentiate yourself, and then you have to get that out and communicate it effectively to your distribution,” McKernan said. “That’s all about your people. … You can have the best technology in the world, but if your people don’t help you communicate that, distribute it and work it, then … it’s not going to get out there. It’s about the execution. With the execution you need leadership and you need good people. It really, really comes down to that.” BR

AFTER THE BLAST: A massive explosion at a port in Beirut on Aug. 4 caused extensive damage across parts of the city, and insured losses estimated at $1.5 billion to $3 billion.

A Powerful Force

Large accumulation exposures, including an unprecedented pandemic, a spate of cargo vessel fires and a large port explosion in Beirut, have hard hit the marine insurance market in recent months and are driving changes in the line.

by Lori Chordas

As the sun rose over Beirut on Aug. 4, bright skies enveloped the coastline along one of Lebanon's busiest ports. By early evening, however, the scene was anything but tranquil, with smoke and debris billowing into the air after more than 2,700 tons of improperly stored ammonium nitrate exploded in a warehouse on the seaport.

The blast, which claimed more than 200 lives and injured at least 6,500 others, destroyed large swaths of the Lebanese capital city, racking up what some reports projected at around $3 billion in insured losses. But as the dust began to settle,

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

Key Points

The Situation: The marine insurance market has experienced large losses in recent years, driving an increase in prices and a reduction in limits and capacity in the market.

Making Waves: The line is also the target for new and evolving exposures, including cyberattacks and COVID-19.

What Is Ahead: The industry is responding to recent events by improving safety and transport protocols, adding coverage exclusions and making other contract language changes.

some industry experts cut those projected losses in half.

This year's blast is an eerie reminder of another incident that came almost five years ago to the day. In August 2015, the Chinese port of Tianjin was rocked by a series of deadly explosions ignited by an overheated container of dry nitrocellulose stored at the port, resulting in nearly $3.5 billion in insured losses.

Unforeseen man-made risks like those and the large losses they bring—which fall to various insurance lines including marine—are proving to be as complex and costly as natural catastrophes, said Cynthia Nanthalall, head of marine at Hollard Insurance Co. in South Africa.

In recent months, marine insurers and global reinsurers have been saddled with a series of

There are always one or two events tipping the market, such as the series of Atlantic hurricanes and major casualties in recent years that "knocked a hole" in marine insurers' profits and losses.

John Miklus
American Institute of Marine Underwriters

man-made accumulation exposures that include fires on container vessels, industrial storage facility blazes, cyberattacks and a pandemic.

Mother Nature also has unleashed her fury on the market, including what Michael Pellegrini, Marsh JLT Specialty's North American marine practice leader, calls a "market-changing" event in the line. In March, destruction to various storage facilities near Nashville, Tennessee, he said, caused nearly $500 million in estimated gross cargo losses from tornado activity.

Pellegrini noted most tornado claims paid by the marine market were through the cargo stock throughput product, which extends coverage for inventory at warehouse locations along with the international and domestic transit exposure. Traditional cargo policies also cover goods in the "due course of transit," which includes temporary storage during transit and consolidation/deconsolidation locations, he said.

Some experts fear the recent rise of events is a harbinger for the marine insurance market—a sector that over the past several years has been hit hard by climbing prices, reduced capacity and attrition.

Sea Change

The marine market has been experiencing choppy waters in recent years.

Last year, cargo insurance premiums dipped slightly to $16.5 billion, according to the International Union of Marine Insurance.

The market also experienced losses that "have dealt a severe blow to a class of insurance already bruised by decades of soft trading," Nanthalall said.

More recently, the market has seen reduced limits and capacity, tightened terms and conditions, and rising prices largely fueled by the retrenching and withdrawal of binding authority by Lloyd's syndicates in the line.

Nanthalall said pressure placed on those syndicates to review underperforming portfolios and "the extent to which business plans have been put under review" have hardened rates in reinsurance program pricing. In addition, changes in structure, and in some instances a withdrawal of capacity for certain types of risks, have occurred, including the decreased underwriting appetite for the deliberate storage of motor vehicles.

Over the years the marine industry has suffered a number of losses to vehicle containers on vessels and in seaport storage facilities. In 2015, thousands of vehicles were destroyed in the Tianjin blast. Last year, 4,200 cars were damaged or lost—at an estimated loss value of $350 million—when the vessel MV Golden Ray capsized off a Georgia port, according to Property Claim Services.

Losses like those have further strained a market that has "underperformed" over the past decade, said John Miklus, president of the American Institute of Marine Underwriters. He said there are always one or two events tipping the market, such as the series of Atlantic hurricanes and major casualties in recent years that "knocked a hole" in insurers' profits and losses.

The spring tornado activity in Nashville happened after the market was already heading to "where a general lack of profitability was causing insurers to look at the pricing of their books and existing aggregate exposures," said Marsh's Pellegrini. "Then in the middle of that overhaul comes a major tornado that extended the phenomena of increased pricing and restricted terms."

The marine insurance line also has suffered a prolonged period of industrywide underwriting

Insurers are responding to changes brought about by COVID-19 by introducing communicable disease exclusion clauses for each marine class of business in an effort to clarify the intended scope of coverage.

Markus Spielmann
Munich Re

losses in classes such as hull and cargo, noted Markus Spielmann, chief underwriting officer—Lloyd's, global clients, offshore energy, P&I—global marine partnership at Munich Re.

He pins recent capacity withdrawals by several players, along with managing general agents struggling to find carriers for their business, on Lloyd's initiative "to close the performance gap, with the aim to make significant corrections to troubled and underperforming lines of business such as hull, cargo and yacht."

However, he said, reduction in market capacity and an improvement in quality have led to "encouragingly positive" rate change developments for most marine classes in the London market and beyond—something he hopes will end the long spell of unsustainable results.

Is that signaling a change in the market? Perhaps, said industry experts who are hopeful the current situation is beginning to turn. A number of promising signs have been pointing in that direction.

For example, in 2019 IUMI reported improved loss ratios in the market.

Last year large shipping loss events dropped 20%, continuing a 10-year downward trend, according to Allianz Global Corporate & Specialty's *Safety and Shipping Review 2020* report.

That's good news considering last year's 13% rise in cargo vessel fires aboard ships, such as the Grande America and the Yantian Express. According to IUMI, those two high-profile incidents generated roughly $290 million in cumulative hull and marine, protection and indemnity, cargo and other losses.

This year also has seen a number of market improvements, including April, July and October reinsurance renewals yielding "clearly positive" rate changes and promising results for many reinsurers such as Munich Re, Spielmann said.

In September, IUMI cargo committee chair Sean Dalton told attendees of this year's IUMI annual conference that most marine insurance markets geographically are now "hard" or "improving" amid much change.

Heating Up

Several recent marine insurance market losses are spurring changes in the line.

According to the Association of Insurance Companies in Lebanon, about 70% of damages from this year's port explosion in Beirut were uninsured. Indeed, insurance penetration in Lebanon is generally low, AM Best noted in its September Best's Market Segment Report, *MENA Reinsurers Strive to Adapt to Testing Conditions*.

Insured losses from the blast will largely fall to local and London market carriers and the global reinsurance market, Miklus said.

In October, Swiss Re AG said in its third-quarter earnings statement that claims from the Beirut blast "dominated" its man-made losses for this year's first nine months, and that it established a $222 million reserve in the third quarter to pay for its share of claims from the event.

Also in October, Hartford Financial Services Group announced in its third-quarter earnings call that it incurred $11 million in losses from four large ocean marine losses during the quarter, including the Beirut explosion.

AM Best said in its report that it also expects Middle East and North Africa reinsurers to carry exposure for the event, noting "the ceding of meaningful insured losses to regional reinsurance markets would be expected to strain technical performance margins over the near term."

While U.S. carriers were relatively unscathed by the Beirut blast, they have had their own accumulated losses to contend with over the past two years, including a spate of warehouse fires such as this year's tornado-related blaze in Nashville and last year's fire at a Jim Beam bourbon facility in Kentucky that destroyed 45,000 barrels of whiskey. IUMI reported $150 million in cargo losses from that incident.

Natural catastrophes over the years also have been dealing a devastating, costly blow to the marine industry.

In 2012, Hurricane Sandy pummeled the U.S. Eastern Seaboard, leaving in its wake nearly $3.5 billion in gross cargo losses, according to IUMI. Six years later, the market was hit again, this time with nearly $500 million in cargo losses when Typhoon Jebi blew across parts of Japan.

The rise of those and other nat-cat-generated events, Miklus said, are now changing the way companies "decide what limits they want to offer, and to underwrite exposures more diligently in cat-prone areas."

Miklus said he also has seen an increased focus on non-named windstorms on the heels of this year's Nashville tornados and California wildfires, along with "companies now making specific language changes to policies focused on those events."

While the finger of blame can sometimes point to Mother Nature, Miklus pins human error as a frequent culprit for the rising number of losses coming into the marine market.

According to reports, the owner of the warehouse responsible for the Tianjin explosions failed to correct nearly a dozen violations for which it was cited prior to the blast. Those violations included risk-control failures, illegal construction, operating issues and national standards violations.

Natural and human-related risks like those, along with rising concerns about the mishandling of dangerous goods and misdeclared cargos, are signaling a warning for the industry about the importance of identifying and managing risks pertaining to hazardous chemicals, said IUMI President Richard Turner.

He said his organization along with others in the industry are now working diligently to create vigorous risk controls and improve safety and inspection protocols related to the transport and storage of dangerous goods.

Insurers are doing their part by revising policies to add cargo coverage wording, including clauses for cyber and communicable disease.

Risky Business

While cargo-related perils have long threatened the marine market, the industry is also in the throes of new and evolving exposures such as cyberthreats, political risks and piracy.

In 2019, there were 162 incidents of piracy and armed robbery of ships worldwide, according to IUMI.

This year, there has been a 400% rise in cyberattacks since the spread of COVID in the spring, Allianz reports. While those attacks have the potential to strike nearly every facet of the marine market, including ports and terminals, Marsh's Pellegrini said marine insurers historically had been relatively silent on cyber.

But that's no longer the case.

"Today, companies are doing all they can to understand their potential cyberrisks and are adding physical damage provisions and exclusionary language to their policies," he said.

The industry is also preparing for impending deadlines such as to the ISM Code, which requires ship managers and owners to assess cyberrisk and implement relevant measures across all functions of their safety management systems by Jan. 1, 2021.

Allianz Global Corporate & Specialty's Andrew Kinsey warns of yet another exposure with the potential to impact every aspect of the shipping industry. In an interview with AM BestTV, Kinsey, a senior marine risk consultant, said one key concern of COVID is the lack of adequate crew change-outs and "the fact that we have seafarers who are now over their one-year contracts, and in many cases, six months over."

The pandemic also has disrupted the maintenance and servicing of machinery and vessels; laid up cruise ships and oil tankers; and lessened the demand for oil, leaving millions of barrels being stored on tankers idling around major oil ports and terminals and potentially exposing them to political risk and harsh weather conditions, Allianz noted in its safety report.

In recent months, global marine insurers have seen premium volumes decrease because of the pandemic and exposures increase from accumulations aboard vessels and in ports, Spielmann said. So far, many of those exposures "relate to temperature-sensitive goods as well as forwarding charges, since general policies do not provide coverage for inherent vice, delay or loss of market," he said.

Insurers have been responding to changes brought about by COVID in various ways, including the introduction of communicable disease exclusion clauses for each marine class of business to clarify the intended scope of coverage, Spielmann said.

As the threat of global outbreaks, cyberattacks and other perils yet to be known continues to rise, so too does the need for risk modeling and tools such as satellite imagery and GPS technology to simulate and estimate those exposures, Hollard's Nanthalall said.

There's also a need for increasing vigilance and communication in the marine market, Kinsey added.

"It's important to know who you're working with. Know what your Plan A is, your Plan B, and your Plan C. One of the key things we tell our insureds is that just because it worked yesterday doesn't mean it will work tomorrow," he said.

When the Smoke Clears

As 2020 draws to a close, it will go down as one of the most challenging, tumultuous years in history.

Yet despite global economic turmoil, an unprecedented pandemic and a wave of large-loss events, experts believe the marine insurance market remains well poised for growth.

In fact, analysts at Zion Market Research expect the market to grow at a compound annual growth rate of 3.2% and generate more than $37 billion by 2026—a significant rise from $29.4 billion in 2018.

While marine insurers will continue to face potential dangers that lurk on the sea and in ports and other areas impacting the market, Marsh's Pellegrini said recent events have provided many lessons learned and caused insurers to recalibrate underwriting strategy to prepare for impending perils.

He added that marine insurance buyers are also reconsidering purchasing strategies.

"They also now better understand where to place and retain risks and make decisions such as whether to buy commercial insurance," he said. In turn, Pellegrini expects more companies to consider alternative forms of risk transfer including captives and integrated programs.

Will the marine insurance market continue to face a wave of challenges in the new year?

Yes, Pellegrini said, "but it will be more stable in those challenges."

"Working through issues like contract language will be more prevalent than trying to send off substantial increases. Pricing will continue to go up, but it will be more measured, he said. "Our job as brokers will be to increase contract certainty and help clients better understand coverage nuisances and how they can best use data and analytics to understand risk tolerance and financial capabilities in order to shape purchasing decisions."

Looking ahead, Mathilde Jakobsen, a director at AM Best, sees a further hardening of the protection and indemnity market and said a number of P&I clubs already have announced further general premium increases ahead of the February 2021 renewals.

However, as mutuals, she said, "the clubs have to balance their need for rate increases with consideration for their shipowner members, many of which have been hard hit by the economic downturn and reduction in trade due to the pandemic."

The marine market is gearing up for some novel changes forecast for the coming years, including increased digitization and the advent of fully autonomous commercial cargo vessels, Miklus said.

But while those tools offer much promise for the industry, Hollard's Nanthalall is concerned fully autonomous ships will introduce new risks to the market and force insurers to come to grips with the levels of autonomy, legal implications and associated threats such as cyberrisks attached to those perils. BR

Learn More

Munich Reinsurance Company (AMB # 085011)

For ratings and other financial strength information visit *www.ambest.com.*

Top 25 U.S. Ocean Marine Writers

Ranked by 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	Amer Intl Group	018540	$601,028	6.5	15.2	16.1	15.3	29.6	26.1	37.1	4.3
2	2	Berkshire Hathaway Ins	000811	318,336	9.1	8.1	8.3	7.7	68.3	79.4	96.7	0.7
3	3	Travelers Group	018674	270,889	8.0	6.9	7.1	7.2	54.3	40.0	51.2	1.0
4	4	Chubb INA Group	018498	267,410	31.5	6.8	5.8	7.9	36.2	29.3	55.6	1.1
5	5	Starr Intl Group	018756	231,943	21.5	5.9	5.4	4.9	91.7	108.8	110.1	7.0
6	8	Tokio Marine US PC Group	018733	200,894	43.2	5.1	4.0	3.9	56.0	40.6	42.1	2.3
7	6	Hartford Ins Group	000048	181,520	-3.1	4.6	5.3	5.9	86.3	47.2	74.0	1.4
8	7	Allianz US PC Ins Companies	018429	168,753	-0.7	4.3	4.8	5.1	93.4	67.2	50.2	3.1
9	10	CNA Ins Cos	018313	137,906	9.8	3.5	3.6	3.5	59.9	14.8	52.1	1.2
10	11	Markel Corp Group	018468	134,458	7.6	3.4	3.6	3.1	60.1	65.6	62.1	2.3
11	12	Intact US Ins Group	018458	127,280	3.8	3.2	3.5	3.7	45.4	65.1	52.2	9.1
12	13	Great Amer P & C Ins Group	004835	118,090	6.2	3.0	3.2	3.3	54.5	55.9	77.0	1.9
13	15	Amer Steamship Owners Mut P & I Assn	000161	115,580	39.5	2.9	2.4	2.6	48.5	46.9	35.3	100.0
14	9	XL Reins America Group	018557	111,096	-13.8	2.8	3.7	4.2	72.2	78.6	125.5	1.8
15	14	Liberty Mutual Ins Cos	000060	109,740	18.2	2.8	2.7	2.4	66.3	49.6	61.7	0.3
16	16	Zurich Ins US PC Group	018549	91,578	12.3	2.3	2.3	2.2	57.4	66.0	49.0	0.7
17	17	Sompo Hldgs US Group	018878	72,371	6.5	1.8	1.9	1.9	66.8	114.0	78.8	2.2
18	18	Farmers Ins Group	000032	57,630	4.3	1.5	1.6	1.5	72.1	79.0	98.4	0.3
19	19	Hanover Ins Group Prop & Cas Cos	004861	47,333	-0.1	1.2	1.4	1.2	31.4	48.3	83.3	0.9
20	20	HDI/Talanx US PC Group	018907	45,516	0.4	1.2	1.3	0.7	85.2	21.4	73.2	7.4
21	21	Fairfax Financial (USA) Group	003116	42,184	5.6	1.1	1.1	1.5	62.7	40.0	53.1	0.6
22	24	RLI Group	003883	39,847	23.7	1.0	0.9	0.8	53.9	57.9	57.1	3.8
23	26	Aspen US Ins Group	018783	39,394	60.3	1.0	0.7	0.6	51.4	51.6	231.0	3.8
24	22	Swiss Reins Group	003262	38,344	7.4	1.0	1.0	0.9	35.5	-22.3	144.7	1.7
25	23	ProSight Specialty Group	000419	37,556	12.7	1.0	1.0	1.1	37.8	72.2	37.6	3.9
		Top 25 Writers		**$3,606,676**	**10.8**	**91.5**	**92.7**	**93.2**	**57.4**	**51.7**	**62.9**	**1.4**
		Total U.S. P/C Industry		**$3,943,321**	**12.4**	**100.0**	**100.0**	**100.0**	**58.4**	**52.6**	**64.6**	**0.6**

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: October 2, 2020

Top 25 U.S. Inland Marine Writers

Ranked by 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	2	Liberty Mutual Ins Cos	000060	$3,782,758	7.1	14.3	14.4	15.1	66.8	62.9	54.6	10.6
2	1	CNA Ins Cos	018313	3,528,743	-5.1	13.3	15.1	16.4	58.0	51.0	63.8	31.9
3	3	Amer Intl Group	018540	1,644,430	1.5	6.2	6.6	4.8	41.6	11.7	84.7	11.6
4	4	Chubb INA Group	018498	1,353,606	6.1	5.1	5.2	5.2	50.7	53.0	48.8	5.8
5	6	Allianz US PC Ins Companies	018429	1,261,850	14.0	4.8	4.5	4.3	41.9	42.1	46.3	23.4
6	5	FM Global Group	018502	1,187,057	6.5	4.5	4.5	4.6	32.9	46.3	30.9	26.4
7	7	Assurant P&C Group	018523	1,171,646	47.1	4.4	3.2	2.7	40.4	54.3	69.0	14.2
8	8	Nationwide Group	005987	862,838	14.1	3.3	3.1	2.9	64.7	63.1	60.8	4.7
9	9	Travelers Group	018674	760,125	2.3	2.9	3.0	3.0	48.2	51.5	51.1	2.7
10	10	Zurich Ins US PC Group	018549	686,888	4.8	2.6	2.7	2.7	28.8	35.6	51.2	5.3
11	11	State Farm Group	000088	647,897	-0.1	2.5	2.6	2.9	42.6	42.1	45.0	1.0
12	12	Progressive Ins Group	000780	479,532	12.2	1.8	1.7	1.7	42.3	52.1	55.8	1.2
13	14	Fairfax Financial (USA) Group	003116	421,339	13.4	1.6	1.5	1.4	61.6	64.2	81.8	6.0
14	13	XL Reins America Group	018557	406,962	9.1	1.5	1.5	1.5	63.9	79.1	73.7	6.6
15	16	Great Amer P & C Ins Group	004835	354,836	10.7	1.3	1.3	1.2	34.8	38.5	33.0	5.6
16	18	Markel Corp Group	018468	349,929	20.1	1.3	1.2	1.1	48.1	44.3	53.1	6.0
17	20	Amer Pet Ins Co	013860	336,386	30.6	1.3	1.1	0.9	65.2	64.9	63.8	100.0
18	15	Old Republic Ins Group	000734	318,366	-4.7	1.2	1.4	1.4	31.2	38.1	41.2	7.0
19	19	Berkshire Hathaway Ins	000811	305,032	13.8	1.2	1.1	0.6	52.7	50.7	68.6	0.7
20	17	USAA Group	004080	302,886	1.8	1.2	1.2	1.3	29.9	44.2	36.5	1.3
21	22	Hanover Ins Group Prop & Cas Cos	004861	275,226	11.2	1.0	1.0	1.0	46.5	50.0	68.0	5.4
22	21	Hartford Ins Group	000048	268,951	8.2	1.0	1.0	1.1	58.8	56.2	49.2	2.1
23	23	Fortegra P&C Group	018686	247,640	15.0	0.9	0.9	0.9	6.8	10.1	9.6	36.5
24	28	Tokio Marine US PC Group	018733	222,483	28.6	0.8	0.7	0.6	40.3	37.6	71.0	2.6
25	24	Jewelers Mutual Ins Group	018905	218,036	10.2	0.8	0.8	0.8	40.2	34.4	33.8	88.7
		Top 25 Writers		**$21,395,442**	**6.9**	**80.9**	**81.3**	**81.4**	**50.6**	**48.8**	**55.6**	**5.4**
		Total U.S. P/C Industry		**$26,452,733**	**7.5**	**100.0**	**100.0**	**100.0**	**49.0**	**47.3**	**54.0**	**3.7**

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: October 2, 2020

Top 25 U.S. Fire and Allied Writers

Ranked by 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	Zurich Ins US PC Group	018549	$3,417,538	9.2	7.2	7.2	7.1	84.3	80.2	92.6	26.6
2	2	Chubb INA Group	018498	3,109,522	7.1	6.5	6.7	6.9	59.9	64.8	90.1	13.2
3	4	FM Global Group	018502	2,478,048	20.8	5.2	4.7	4.4	50.9	134.8	134.8	55.2
4	3	Amer Intl Group	018540	2,386,782	-0.7	5.0	5.5	6.1	64.5	70.9	165.3	16.9
5	5	QBE North America Ins Group	005658	1,883,392	7.8	4.0	4.0	3.9	92.0	58.4	70.5	44.8
6	6	Assurant P&C Group	018523	1,711,762	-0.3	3.6	3.9	4.3	39.9	52.0	118.3	20.8
7	7	Travelers Group	018674	1,603,316	11.8	3.4	3.3	3.3	57.9	67.8	76.9	5.7
8	9	Sompo Hldgs US Group	018878	1,313,886	8.8	2.8	2.8	2.7	90.8	83.8	88.5	40.6
9	8	Liberty Mutual Ins Cos	000060	1,298,025	1.1	2.7	2.9	2.7	48.9	34.1	122.5	3.6
10	11	CGB Ins Co	022038	1,197,295	7.5	2.5	2.6	2.4	118.3	68.3	56.1	100.0
11	10	Farmers Ins Group	000032	1,187,999	6.3	2.5	2.6	2.6	44.7	49.1	158.7	5.8
12	12	Great Amer P & C Ins Group	004835	1,067,588	2.9	2.2	2.4	2.7	83.5	55.6	59.5	16.7
13	17	XL Reins America Group	018557	889,795	35.6	1.9	1.5	1.4	84.8	85.0	185.2	14.5
14	19	Fairfax Financial (USA) Group	003116	875,396	37.5	1.8	1.5	1.2	68.7	108.3	94.8	12.5
15	15	FMH Ins Group	018171	851,628	7.7	1.8	1.8	1.9	101.9	64.8	48.7	98.3
16	14	USAA Group	004080	839,497	5.8	1.8	1.8	1.9	53.2	80.1	129.2	3.6
17	21	Allianz US PC Ins Companies	018429	834,654	41.4	1.8	1.4	1.1	50.6	94.8	171.0	15.5
18	13	Tokio Marine US PC Group	018733	831,098	-10.1	1.8	2.1	2.0	91.6	75.9	96.8	9.5
19	16	CA Earthquake Authority	012534	820,924	6.0	1.7	1.8	1.7	0.0	0.0	0.0	100.0
20	18	Berkshire Hathaway Ins	000811	816,631	26.0	1.7	1.5	1.3	50.3	67.1	65.9	1.8
21	20	Wright National Flood Insurance Company	012582	697,072	12.6	1.5	1.4	1.5	48.9	11.6	383.4	100.0
22	24	Swiss Reins Group	003262	636,465	37.2	1.3	1.1	1.2	82.1	67.7	171.3	27.8
23	23	Selective Ins Group	003926	592,172	8.3	1.2	1.3	1.3	43.2	57.8	60.6	19.2
24	22	Nationwide Group	005987	583,586	4.2	1.2	1.3	1.4	41.5	86.7	88.5	3.2
25	27	Alleghany Corp Group	018640	530,287	33.1	1.1	0.9	0.8	36.2	55.7	108.5	30.0
		Top 25 Writers		**$32,454,358**	**9.8**	**68.2**	**67.8**	**68.1**	**67.8**	**71.3**	**110.1**	**11.3**
		Total U.S. P/C Industry		**$47,588,329**	**9.2**	**100.0**	**100.0**	**100.0**	**61.5**	**69.9**	**106.6**	**6.7**

Reflects Grand Total (includes Canada and U.S. Territories).

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: October 2, 2020

U.S. Fire and Allied Lines - Top Writers by State, Canada and U.S. Territories - 2019

Ranked by 2019 direct premiums written.

($ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	31	31	444	$539,436	1.1	8.4	46.0	0.5	76.8	23.2	Chubb INA Group	7.4	Zurich Ins US PC Group	6.5
AK	46	47	240	128,497	0.3	12.4	20.5	2.3	67.1	32.9	Allianz US PC Ins Companies	11.7	Western Natl Ins Group	10.9
AZ	35	35	455	430,223	0.9	6.6	40.8	0.7	70.6	29.4	Great Amer P & C Ins Group	11.9	Travelers Group	7.6
AR	32	32	430	507,618	1.1	8.8	115.1	0.7	66.3	33.7	Farm Bureau Mutual Ins Co of Arkansas	11.0	Amer Intl Group	7.1
CA	1	3	475	5,229,216	11.0	14.0	33.8	0.8	78.4	21.6	CA Earthquake Authority	15.7	Zurich Ins US PC Group	6.3
CO	26	27	435	658,763	1.4	13.6	64.2	0.9	71.6	28.4	Chubb INA Group	9.5	Zurich Ins US PC Group	8.9
CT	39	39	407	350,965	0.7	8.4	31.7	1.1	70.1	30.0	FM Global Group	8.7	Assurant P&C Group	7.5
DE	50	50	364	99,110	0.2	21.3	80.3	0.4	82.9	17.1	Zurich Ins US PC Group	16.2	Chubb INA Group	14.1
DC	53	53	311	81,682	0.2	16.8	50.2	1.3	68.7	31.3	FM Global Group	19.9	Travelers Group	16.5
FL	2	1	473	5,098,504	10.7	7.5	39.7	2.3	90.5	9.5	Assurant P&C Group	8.1	Citizens Property Ins Corporation	7.0
GA	18	18	500	937,563	2.0	9.9	64.8	0.9	73.3	26.7	FM Global Group	6.7	Zurich Ins US PC Group	5.6
HI	40	41	246	256,447	0.5	8.3	14.5	0.3	90.8	9.2	Tokio Marine US PC Group	16.7	Amer Intl Group	7.2
ID	44	44	385	187,683	0.4	22.0	59.3	1.5	80.1	19.9	Chubb INA Group	17.8	QBE North America Ins Group	13.0
IL	5	5	517	1,631,165	3.4	6.2	76.2	0.9	78.4	21.7	Zurich Ins US PC Group	9.7	Great Amer P & C Ins Group	9.6
IN	20	19	482	887,780	1.9	4.8	71.3	0.6	83.1	16.9	Amer Intl Group	8.5	QBE North America Ins Group	7.0
IA	9	10	425	1,047,515	2.2	6.1	44.2	0.1	90.0	10.0	FMH Ins Group	15.8	Chubb INA Group	15.7
KS	11	11	432	1,017,814	2.1	4.0	59.1	0.6	86.0	14.1	Zurich Ins US PC Group	14.9	Chubb INA Group	11.2
KY	33	33	448	486,760	1.0	8.6	90.5	1.2	75.2	24.8	Zurich Ins US PC Group	11.0	FM Global Group	7.6
LA	8	7	414	1,195,523	2.5	8.3	47.6	1.1	79.0	21.0	Wright National Flood Insurance Company	7.2	FM Global Group	5.0
ME	49	48	341	109,172	0.2	1.3	23.9	1.1	66.5	33.5	FM Global Group	9.5	Chubb INA Group	7.5
MD	36	36	427	412,839	0.9	13.5	46.6	0.9	72.5	27.5	Travelers Group	9.8	FM Global Group	8.4
MA	25	25	414	700,690	1.5	9.7	29.4	1.3	74.7	25.3	FM Global Group	10.1	Travelers Group	6.7
MI	24	22	435	724,784	1.5	6.4	92.2	1.1	77.2	22.8	Zurich Ins US PC Group	9.3	Auto-Owners Ins Group	8.3
MN	7	6	439	1,262,468	2.7	5.7	102.8	0.4	90.4	9.7	Zurich Ins US PC Group	17.8	QBE North America Ins Group	8.6
MS	34	34	415	474,513	1.0	8.1	74.2	0.6	76.1	23.9	CGB Ins Co	15.1	Sompo Hldgs US Group	8.2
MO	15	13	460	973,939	2.0	6.9	86.1	0.8	75.7	24.3	Chubb INA Group	17.4	Great Amer P & C Ins Group	7.3
MT	42	40	359	240,535	0.5	-10.2	107.6	0.7	85.0	15.0	Chubb INA Group	25.3	QBE North America Ins Group	18.7
NE	16	15	395	952,850	2.0	7.3	68.6	0.4	92.8	7.2	Zurich Ins US PC Group	16.5	QBE North America Ins Group	15.9
NV	41	42	401	252,648	0.5	19.1	82.0	1.3	67.6	32.4	QBE North America Ins Group	9.2	FM Global Group	9.2
NH	52	51	357	83,651	0.2	6.7	28.8	0.6	68.6	31.4	Zurich Ins US PC Group	8.3	FM Global Group	7.4
NJ	14	16	438	976,305	2.1	11.0	69.0	1.5	80.7	19.3	Assurant P&C Group	10.5	Selective Ins Group	8.7
NM	45	45	378	177,751	0.4	15.7	61.8	0.1	70.7	29.3	Amer Intl Group	8.7	CGB Ins Co	7.8
NY	4	4	521	1,917,870	4.0	13.0	32.8	1.2	79.1	20.9	Travelers Group	9.2	FM Global Group	7.5
NC	13	14	465	980,473	2.1	8.0	58.5	1.2	75.0	25.0	Zurich Ins US PC Group	8.5	FM Global Group	5.5
ND	10	9	350	1,043,673	2.2	-2.5	86.9	0.2	93.2	6.8	QBE North America Ins Group	23.1	Chubb INA Group	20.7
OH	12	12	496	1,017,031	2.1	8.4	104.4	1.2	81.0	19.0	Zurich Ins US PC Group	10.2	FM Global Group	7.4
OK	30	26	422	623,040	1.3	4.3	70.4	2.0	69.9	30.1	Amer Intl Group	9.6	Zurich Ins US PC Group	6.7
OR	38	38	420	401,582	0.8	18.5	44.3	0.6	65.7	34.3	Liberty Mutual Ins Cos	8.6	Chubb INA Group	7.7
PA	17	17	552	947,937	2.0	11.0	86.3	1.2	74.7	25.3	FM Global Group	9.1	Travelers Group	7.3
RI	48	49	350	110,791	0.2	4.1	32.8	0.8	73.7	26.3	Assurant P&C Group	7.6	FM Global Group	7.2
SC	22	23	464	745,492	1.6	11.1	35.0	1.2	74.6	25.4	Chubb INA Group	8.6	Assurant P&C Group	6.6
SD	21	21	374	765,243	1.6	5.5	153.2	0.2	95.8	4.3	Chubb INA Group	27.2	Zurich Ins US PC Group	12.9
TN	23	24	492	734,058	1.5	10.9	27.5	1.0	66.0	34.0	TN Farmers Ins Cos	8.2	Travelers Group	7.2
TX	3	2	542	5,020,745	10.6	6.1	93.9	1.4	79.9	20.1	Sompo Hldgs US Group	6.8	Germania Mutual Group	6.6
UT	43	43	408	229,598	0.5	8.4	34.2	0.3	66.5	33.5	Assurant P&C Group	14.0	FM Global Group	8.5
VT	51	52	333	85,654	0.2	20.3	29.5	0.8	48.6	51.4	Queen City Assur, Inc.	32.1	Allianz US PC Ins Companies	13.6
VA	29	29	471	628,778	1.3	9.7	38.4	0.8	69.6	30.4	USAA Group	10.7	Zurich Ins US PC Group	10.0
WA	19	20	439	897,523	1.9	16.0	44.7	0.5	70.9	29.1	Chubb INA Group	8.6	Zurich Ins US PC Group	8.5
WV	47	46	348	125,689	0.3	6.5	26.5	2.6	74.3	25.7	Amer Natl Prop & Cas Group	7.4	Assurant P&C Group	6.5
WI	28	28	454	639,594	1.3	10.5	73.3	0.8	85.5	14.5	Zurich Ins US PC Group	12.2	QBE North America Ins Group	7.5
WY	54	54	339	75,621	0.2	12.8	85.9	1.1	67.5	32.5	FM Global Group	10.6	Zurich Ins US PC Group	8.5
Amer. Samoa	58	58	5	9	0.0	-81.9	49.0	4.5	99.2	0.8	XL Reins America Group	56.6	Tokio Marine US PC Group	42.5
Guam	56	56	40	47,753	0.1	4.5	1.7	1.0	99.9	0.1	DB Ins US Group	44.3	Amer Intl Group	11.9
Puerto Rico	37	37	90	402,489	0.8	13.3	-29.4	9.6	89.9	10.1	MAPFRE North America Group	25.0	Multinational Ins Co	12.4
U.S. Virgin Is.	55	55	54	57,244	0.1	10.2	-18.4	7.6	94.5	5.5	Underwriters at Lloyd's, London (VI)	72.3	Guardian Ins Group	6.9
Canada	27	30	48	656,175	1.4	28.5	57.6	0.9	40.4	59.7	FM Global Group	40.3	Allianz US PC Ins Companies	17.7
Other	6	8	87	1,315,477	2.8	20.0	49.0	1.4	78.5	21.5	Fairfax Financial (USA) Group	39.5	Chubb INA Group	18.1
N. Mariana Is.	57	57	11	4,380	0.0	100.8	164.4	28.3	99.9	0.1	First Net Ins Co	51.7	DB Ins US Group	40.8
Grand Total			**1,300**	**$47,588,329**	**100.0**	**9.2**	**61.5**	**1.2**	**79.6**	**20.4**	**Zurich Ins US PC Group**	**7.2**	**Chubb INA Group**	**6.5**

Note: Data for some companies in this report has been received from the NAIC.
1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: October 2, 2020

Mutual Strength

AM Best: Homeowners premiums are driving growth in mutuals.

by Meg Green

Homeowners insurance premiums for mutual property/casualty insurers in 2019 grew by $2.8 billion, which was 40% of their overall annual growth, said Chris Jackson, AM Best financial analyst.

AM Best-rated U.S. property/casualty and mutual insurance companies reported continued positive trends with their 2019 financial results despite challenges, including intense competition and operating pressures, according to a recent Best's Market Segment Report on mutual insurers, *U.S. Mutuals' Strong Balance Sheets at the Fore Amid Pandemic*.

Jackson spoke with AMBestTV about the report. Following is an edited transcript of the interview.

What advantages do mutual insurance companies offer during challenging times, like the current pandemic?

One of the most prominent ones would be that because the mutual insurance companies are focused on the policyholders—that is, their operating priority—they tend to be more reactive to developing situations in a way that is more favorable to the insured.

They are the ones, for example, that would be reaching out more, making more contact. They would have a better connection to the insured in the situation there.

Whereas, the stock companies, when a catastrophe happens, it's more of an attitude of: "How can we minimize the damage from this?" Not so much "How can we serve the people we are insuring to minimize their damage? This is an unexpected situation: How are we going to level out the damage this might do to our finances?"

Have you seen any impact on first-half results, from premium rebates and refunds?

Yes. Actually we've seen a lot of the impact on policyholder dividends that have increased substantially from the previous year, in 2019.

This year, we've seen about several billion dollars more paid by mutual insurance companies out of policyholder dividends than we saw in the first half of 2019, while, at the same time, the net written premiums were more or less the same.

What you see is an industry that is reacting in the way that it is built to serve its policyholders.

Meg Green is a senior associate editor, AMBestTV. She can be reached at *meg.green@ambest.com.*

P/C Mutuals – Change in NPW, by Line of Business

Line of Business	2019 NPW ($ millions)	2018 NPW ($ millions)	Change ($ millions)	Change (%)
Private Passenger Automobile (Liability)	70,337	71,003	-666	-0.9
Homeowners Multiple Peril	58,735	55,967	2,767	4.9
Private Passenger Auto (Physical Damage)	50,692	50,126	566	1.1
Workers' Compensation	13,488	13,837	-349	-2.5
Other Liability & Products Liability[1]	12,186	11,496	689	6.0
Commercial Multiple Peril (Non-Liability)	10,695	10,230	465	4.5
Fire & Allied Lines[2]	9,848	8,969	879	9.8
Commercial Automobile (Liability)	9,259	8,334	925	11.1
Commercial Multiple Peril (Liability)	6,868	6,484	384	5.9
Inland Marine	5,134	4,767	366	7.7
Farmowners Multiple Peril	3,622	3,513	109	3.1
Commercial Automobile (Physical Damage)	3,562	3,257	305	9.4
Medical Professional Liability	3,202	3,039	163	5.4
Excess of Loss Reinsurance	2,317	2,505	-188	-7.5
Fidelity & Surety	1,608	1,444	164	11.3
Accident & Health	1,531	1,477	54	3.7
Boiler & Machinery	1,057	991	66	6.7
All Other Lines[3]	483	460	24	5.1
Total	**264,622**	**257,899**	**6,724**	**2.6**

[1] Includes excess liability, excess workers' compensation, directors & officers liability, environmental liability, professional liability, general liability, and employment practices liability.

[2] Includes earthquake, multiple peril crop, private crop, private flood, and federal flood.

[3] Includes mortgage guaranty, financial guaranty, ocean marine, aircraft, burglary & theft, credit, international, warranty, and aggregate write-ins.

Source: AM Best data and research

When they have a sudden surplus of money that they got from the lower exposure of people going outside, or incurring losses, that kind of thing, their priority is to return that money to the customers.

They are then able to react much more quickly and much more personally to the people that are affected.

The report notes that rated mutuals grew premiums in 2019. What were the drivers of that growth?

The biggest driver, first of all, was the homeowners multiperil line. It, by itself, grew almost $3 billion over the previous year. The commercial lines also provided somewhat less of a boost, but they contributed as well.

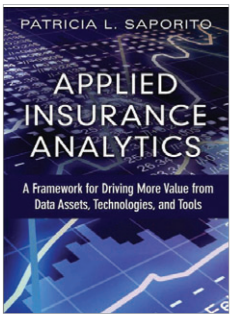
Surplus for these companies also grew in 2019. What was behind that growth?

The biggest single contributor of the surplus growth difference in 2019 was the unrealized capital gains, which had been about $20 billion of growth in 2019. Whereas, the previous year, we had seen significant losses in the industry. The whole mutual segment, overall, lost about $14 billion in unrealized losses. Giving that back, in 2019, contributed significantly to the swing. BR

Driving More Value From Data

Pat Saporito's book and workshop provide carriers with prescriptive, practical ways to evolve data and analytics skills.

Applied Insurance Analytics—A Framework for Driving More Value from Data Assets, Technologies, and Tools



Pat Saporito has developed a video workshop to complement her 2014 book and help insurers maximize their most important asset: data. She is the founder and principal consultant of Saporito & Associates. Following is an excerpt of an interview with AMBestTV.

Tell us about the book and how things have evolved since it was first published.

The book is in its second printing, and it's been translated into Chinese. I'm now developing a cross-industry version, which will include line-of-business case studies that are relatively common to any industry—like marketing, sales, [human resources] and finance. Then it will focus on case studies within specific industries, which have analytics unique to them. Yield management for airlines is an example.

I understand you've also launched a workshop based on the book.

Yes, and this goes back to the Chinese translation. I was approached last year by the Singapore College of Insurance to run a live conference in Singapore based on the book. With COVID, we elected to develop a video course as a companion to the book, and that was launched this past fall. My publisher, Pearson, has been focused on video and e-learning, so I am looking forward to developing a video companion to the cross-industry version as well.

We all know that data and analytics have become the lifeblood of insurance. What's different about your workshops?

They're very pragmatic. I use prescriptive, practical ways for people to understand the fundamentals of how to be successful with analytics and then develop a road map to move forward. One important step is to assess their existing capabilities.

The books provide all kinds of tools, including what I believe is the most valuable one, what I call an actionable analytic framework so people can ask better business questions. The analytics can wrap around those questions, so they can frame their analytic questions much better, and make sure the data and analytics are truly actionable, helping them move the needle.

What are the methods you prescribe, and how can insurers implement those methods?

The first method is developing an overall data and analytics strategy that aligns to your business strategy. Without having a way to execute on that strategy, you're pretty limited, so I prescribe having a business analytics competency center to operationalize it. The third element is trying to increase the skills of your employees, starting with data and analytics literacy. Then we help insurers to evolve those skills and apply them.

Publisher: Pearson Press Analytics (July 2014)

—John Weber

AMBestTV

Go to *bestreview.com* to view the full interview with Pat Saporito.

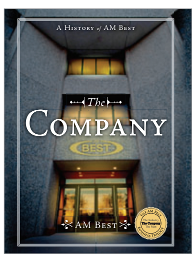
AM Best Trilogy

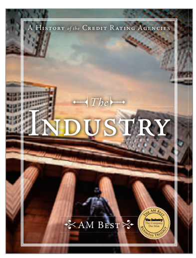
AM Best details the history of AM Best, credit rating agencies and the life of Alfred M. Best.

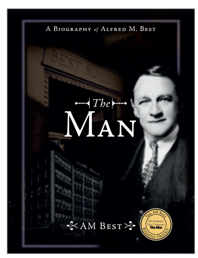
The Company—A History of AM Best

The Industry—A History of Credit Rating Agencies

The Man—A Biography of Alfred M. Best







Send us your book recommendations at *bestreviewcomment@ambest.com*.

Auto Insurance Drives Interest

Trending news and research includes articles on auto insurance, research about the impact of COVID-19 and a webinar examining the state of surplus lines.

Trending Features from *Best's Review*

1. **Top Auto Writers**
   Ranked by 2019 direct premiums written. (October 2020)
2. **Independent Streak**
   Independent agents take the spotlight following moves by Allstate, Nationwide and others. (October 2020))
3. **Past as Prologue**
   New York Life CEO Ted Mathas finds even amid the COVID-19 pandemic that the company's 175-year history can be a guide to the future. (September 2020)
4. **Lands of Opportunity**
   Rising ranks of the middle class, wealth creation and an existing protection gap make Asia's lucrative insurance market ripe for multinational players to stake their claims. But the region's diverse cultures and regulatory frameworks also make it a complex environment. (October 2020)
5. **Defending Relevancy**
   The pandemic raises questions about the insurance industry's present and future relevancy. (September 2020)

Trending Articles on Best's Insurance News & Analysis

1. **High Court Rules for Policyholders on Major Issues in British Test Case** (September 15, 2020)
2. **Insurance Exec to Plead Guilty to Charges in College Admissions Scandal** (August 24, 2020)
3. **Pennsylvania Bill Would Retroactively Broaden COVID-19 BI Coverage Language** (August 31, 2020)

Trending AM Best Research

1. **Commentary: P/C Insurers Return $8.5 Billion in Premiums Through June 30, 2020** (October 20, 2020)
2. **Commentary: Retroactive Legislation, Social Inflation: Credit Negatives for Insurers** (October 12, 2020)
3. **Market Segment Report: Global Reinsurers Maintain Equilibrium Through COVID-19 Turbulence** (September 2, 2020)

Trending AMBestWebinars

1. **State of the Surplus Lines Market** (September 10, 2020)
2. **Unique On-Demand Catastrophe Modeling Services for Three Major U.S. Perils—Earthquake, Hurricane and Flood** (September 29, 2020)
3. **AM Best's Virtual Reinsurance Market Briefing—Zurich** (September 22, 2020)

Trending AMBestTV Videos

1. **An Industry Transformed: Reaching Beyond the Industry** (August 20, 2020)
2. **AM Best: COVID-19 Highlights Ties Between Insurance, Economy** (September 1, 2020)
3. **An Industry Transformed: Digitally Native, Not by Choice** (August 17, 2020)

These were the top trending items from August 23 to October 23. Features, news articles and videos were based on page views.Trending webinars were based on webinar attendees.

The above content can be viewed online at *www.bestsreview.com*, or by visiting AM Best's home page at *www.ambest.com*.

Despite Pandemic, Health Insurers Report Record 2Q Earnings

AM Best also comments on P/C impairments, LIBOR transition and Hurricane Eta.

A selection of recent industry research:

Special Report: 2019 US Property/Casualty Impairments Update
Thirteen impairments occurred in 2019, involving entities operating in a mix of lines of business and a variety of states.

November 5, 2020 - 12 Pages

Market Segment Report: Market Segment Outlook: Japan Non-Life Insurance
Japan's non-life market is underpinned by solid risk-adjusted capitalization and insurers' conscientious efforts to enhance underwriting profitability.

November 2, 2020 - 6 Pages

Market Segment Report: COVID-19 Pandemic Exacerbates US Fraternals' Challenges
COVID-19 prompts fraternal insurers to turn to social media to remain relevant.

October 29, 2020 - 8 Pages

Market Segment Report: AM Best's A&E Loss Estimates Remain Unchanged
Loss reserves have declined the past 10 years.

October 22, 2020 - 12 Pages

Market Segment Report: Southeast Asian Reinsurers Look to Life and Health for Growth
The life and health segment holds opportunities for Southeast Asian reinsurers amid persistent underwriting challenges.

October 19, 2020 - 7 Pages

Special Report: Despite Pandemic, Health Insurers Report Record Profits in 2Q 2020
A decline in office visits and delayed procedures drove the segment's record second-quarter results.

October 13, 2020 - 6 Pages

Market Segment Report: Market Segment Outlook: Indonesia Non-Life Insurance
Despite a bleak macroeconomic outlook, Indonesia's non-life segment is well-diversified and underpinned by solid capitalization.

October 9, 2020 - 8 Pages

Special Report: COVID-19 Adds to Challenges For Bahrain's Fragmented Insurance Market
Bahraini insurers' performance is heavily influenced by investment results and prone to volatility driven by financial market movements.

October 8, 2020 - 14 Pages

AM Best Commentary

Commentary: Philippine Insurance: Dropped Proposal to Amend Minimum Capital Rule May Have Mixed Impact
The government stands firm on capitalization requirement to be met by 2022, which is expected to drive greater market consolidation.

November 5, 2020 - 2 Pages

Commentary: Minimal Insurance Losses Expected from Hurricane Eta
Insurance losses will be contained, as catastrophe risk retention remains at conservative levels.

November 4, 2020 - 2 Pages

Commentary: P/C Insurers Return $8.5 Billion In Premiums Through June 30, 2020
Affected lines include auto-related coverage—the most prevalent—as well as general liability, workers' compensation, event cancellation and inland marine.

October 20, 2020 - 9 Pages

Commentary: LIBOR Transition Poses Operational and Legal Challenges for Insurers
The transition from LIBOR will affect both sides of insurers' balance sheets.

October 13, 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.*

Global Events Affect Cyber, Tapping Vehicle Data and A Look at Crop Insurance

Experts explore current trends of cyber liability, how vehicle history information is changing policies and pricing, and an AM Best report that examines the challenges facing the crop insurance market.

On Demand

The New Normal of Cyberrisk: How Cyber Insurance Has Been Impacted by Changing Global Events

Insurance and legal experts explore the ever-evolving trends of cyber liability and how unforeseen events are changing the risk, while new technologies are helping to manage that risk.

The Impact of Social Inflation On Insurance Claims, Industry

Claims and legal experts examine what's driving social inflation, which types of claims are most affected and how the insurance industry is responding.

Data Driven: How Auto Insurers Can Tap Diverse Vehicle Data

A panel of technology and insurance industry experts explore how vehicle history information is changing policies and pricing.

US Multiperil Crop Market—2020 Challenges and What Lies Ahead

AM Best analysts and market experts review a new AM Best report that examines the challenges facing the crop insurance market and how insurers are managing the risks in this segment.

Webinar Highlights

How the COVID-19 Pandemic Is Changing the Insurance Industry

A panel of insurance data and analytics experts share current market trends around insurance shopping, endorsements, claims-handling patterns and mileage activity.

What Life Insurers Need to Know About Identity Access Management

A panel of insurance and technical experts explore how an effective Identity Access Management program can provide customer data protection while creating an effective digital customer experience.

View These and Other AM Best Webinars

- AM Best's Insurance Market Briefing - SIRC.
- AM Best's Insurance Market Briefing - MENA.
- Best's Credit Rating Methodology: Reflections on Emerging Industry Issues.
- EMEA (Re)insurance Markets: Rating Trends and Industry Issues from COVID-19.

For details or to register for webinars, go to *http://www.ambest.com/conferences/webinars.asp.*

Best's Review delivers a comprehensive package of property/casualty and life/health insurance industry news, trends and analysis monthly. Find us on the internet at *www.bestreview.com.*

The latest edition of *Best's Guide to Understanding the Insurance Industry* is available on Amazon.

To Read the Magazine Online
Go to *www.bestreview.com.*

On Social Media
Go to *@AMBestCo* on Twitter. Follow AM Best Information Services on LinkedIn and YouTube.

For information about how to follow AM Best on social media, go to *www.ambest.com/socialmedia*.

Nurses Could Face Liability Claims Due to COVID-19

The scope of legal immunity for nurses offered by some states has not been tested yet, reinsurance renewal discussions are starting earlier, and the shift to remote work opened vistas for hackers. AMBestTV and AMBestAudio report on stories from a number of sectors within the insurance industry.

On Demand

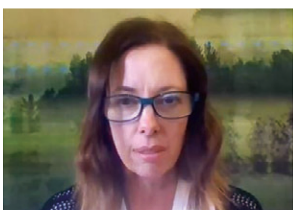
Aon: Nurses Could Face Additional Liability Claims From COVID-19 Care

The scope of legal immunity offered by some states hasn't been tested yet, said Jennifer Flynn, Nurses Service Organization risk manager, Aon's Affinity Insurance Services. Some questions involve nurses at facilities where they might have seen or had adverse outcomes to COVID.

Jennifer Flynn

Guy Carpenter: Reinsurance Renewal Discussions Starting Earlier

Reinsurers, brokers and insurers are starting their Jan. 1 renewal talks earlier this year due to the pandemic, said Lara Mowery, global head, distribution, Guy Carpenter.



Lara Mowery

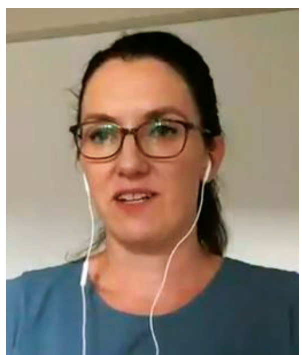
Aflac: Pandemic Sparks More Time, Thought During Open Enrollment

Employees are expected to spend more time than usual to consider their benefit options this year, said Matthew Owenby, chief human resources officer, Aflac.

Matthew Owenby

Allianz: Litigation Funding Spreads Internationally

Litigation funding, which could spur additional liability lawsuits, is growing around the world, said Ciara Brady, global head, liability, Allianz Global Corporate & Specialty.



Ciara Brady

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

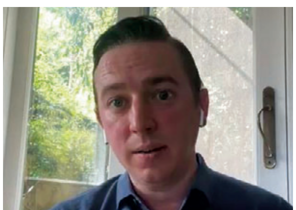
Quarantine Boosts Online Advertising And Shopping for Auto Insurance


Kevin Leslie


Jaimie Pickles

Marketing and rebates helped drive more consumers to comparison shop for car insurance, said Kevin Leslie, insurance strategic marketing officer, Equifax, and Jaimie Pickles, insurance general manager, Jornaya. Many insurers shifted ad spend to digital, including the comparison shopping ecosystem, which helped attract consumers to sites.

Coalition CEO: Remote Working Opened Vistas for Hackers


Joshua Motta

Joshua Motta, co-founder and CEO, Coalition, a cyber-focused MGA, said cyberattacks often begin with email. As companies changed work environments, many employees became less suspicious of fraudulent instructions or links.

Namic's Alldredge: 'This Is When The Trade Associations Are at Their Best'


Neil Alldredge

Neil Alldredge, senior vice president, corporate affairs, National Association of Mutual Insurance Companies, said insurers face legal and regulatory pressures to retroactively cover business interruption and related claims.

Unique Risks Of Gig Economy

Industry professionals talk with AMBest Audio about the challenges of underwriting different gig economy risks, and working to provide a vegetation fire retardant.

Sharing Economy Faces Insurance Hurdles

Eric Ummel, general manager of Mobilitas Insurance, discusses the underwriting challenges of ride-sharing, as well as the unique risks of the gig economy.

Insurers Find Alternate Solutions To Mitigate Wildfire Damage

Wes Bolsen, director of global wildfire prevention at Perimeter Solutions, explains how his company is working with insurers to provide a durable and long-term fire retardant for vegetation surrounding homes.

Find AMBestAudio at *www.ambest.com/ambaudio.*

BEST'S REVIEW®

Editorial

Executive Editor: Patricia Vowinkel, 908-439-2200, ext.5540
Editor: Lynna Goch
Managing Editor: Kate Smith
Copy and Production Editor: Susan Hoogsteden

Senior Associate Editors: Lori Chordas, Terrence Dopp, Meg Green, John Weber
Associate Editors: Timothy Darragh, Renee Kiriluk-Hill
News Editor: David Pilla
Washington Correspondent: Frank Klimko

Group Vice President, Publication and News Services: Lee McDonald

Circulation: Linda McEntee

Production Services

Senior Manager: Susan L. Browne
Designers: Andrew Crespo, Amy Herczeg, Barbara Marino, Angel Negrón, Laura-Ann Russello, Jenica Thomas

This edition lists all Credit Rating actions that occurred between Oct. 1 and Oct. 31, 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
		AMERICAS LIFE/HEALTH						
⚑	L	American Memorial Life Insurance Company *Assurant, Inc.*	006942	A- u a- u	Developing Developing	A- a-	Stable Stable	South Dakota
⊕	L	Annuity Investors Life Insurance Company *American Financial Group, Inc.*	009088	A+ aa-	Stable Stable	A a+	Stable Stable	Ohio
⚑	L	Assurant Life of Canada *Assurant, Inc.*	066882	A- u a- u	Developing Developing	A- a-	Stable Stable	Ontario
New	L	Coefficient Insurance Company *Verily Life Sciences LLC*	006441	A- a-	Stable Stable	NR nr		South Carolina
⚑	L	F&G Reinsurance Ltd *FGL Holdings*	094219	A- u a- u	Developing Developing	A- a-	Stable Stable	Bermuda
⊕	L	Great American Life Insurance Company *American Financial Group, Inc.*	006474	A+ aa-	Stable Stable	A a+	Stable Stable	Ohio
⇅	L	Illinois Mutual Life Insurance Company	006542	A- a-	Negative Negative	A- a-	Stable Stable	Illinois
⇥	L	Transamerica Premier Life Insurance Co	006742	NR nr		A a+	Stable Stable	Iowa
⚑	L	Union Security Insurance Company *Assurant, Inc.*	007232	B++ u bbb u	Developing Developing	B++ bbb	Stable Stable	Kansas
⚑	H	Union Security Life Ins Co of New York *Assurant, Inc.*	008533	B++ u bbb u	Developing Developing	B++ bbb	Stable Stable	New York
		AMERICAS PROPERTY/CASUALTY						
⇅	P	Agency Insurance Co of Maryland, Inc. *Agency Holding Company of Maryland, Inc.*	010792	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Maryland
☑	P	American Hallmark Insurance Co of Texas *Hallmark Financial Services, Inc.*	001728	A- a-	Negative Negative	A- u a- u	Negative Negative	Texas
—	P	American Millennium Insurance Company *Sirius International Limited*	000512	C++ u b+ u	Negative Negative	B+ bbb-	Stable Stable	New Jersey
—	P	American Sentinel Insurance Company *LD Investments LLC*	004740	B+ u bbb- u	Developing Developing	B++ u bbb u	Developing Developing	Pennsylvania
⇅	P	AmFed Advantage Insurance Company *AmFed Holding Company LLC*	023415	A- a-	Positive Positive	A- a-	Stable Stable	Mississippi
⇅	P	AmFed Casualty Insurance Company *AmFed Holding Company LLC*	012698	A- a-	Positive Positive	A- a-	Stable Stable	Mississippi
⇅	P	AmFed National Insurance Company *AmFed Holding Company LLC*	012499	A- a-	Positive Positive	A- a-	Stable Stable	Mississippi
⊕	P	Arbella Indemnity Insurance Company *Arbella Mutual Insurance Company*	011661	A a	Stable Stable	A- a-	Positive Positive	Massachusetts
⊕	P	Arbella Mutual Insurance Company *Arbella Mutual Insurance Company*	010663	A a	Stable Stable	A- a-	Positive Positive	Massachusetts
⊕	P	Arbella Protection Insurance Company *Arbella Mutual Insurance Company*	011335	A a	Stable Stable	A- a-	Positive Positive	Massachusetts
⊕	P	Bridgefield Casualty Insurance Company *American Financial Group, Inc.*	011812	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
⊕	P	Bridgefield Employers Insurance Company *American Financial Group, Inc.*	012158	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
New	P	Care West Insurance Company *Golden Legacy, Inc.*	011987	A- a-	Stable Stable	NR nr		California

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
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⚑	P	Citadel Reinsurance Company Ltd *Sirius International Limited*	083735	B++ u bbb+ u	Negative Negative	B++ bbb+	Stable Stable	Bermuda
⇅	P	Comm Hosp Alt for Risk Transfer (A RRRG)	075520	A- a-	Positive Positive	A- a-	Stable Stable	Vermont
⊕	P	Covenant Insurance Company *Arbella Mutual Insurance Company*	011706	A a	Stable Stable	A- a-	Positive Positive	Connecticut
☑	P	FHM Insurance Company	012015	B+ bbb-	Stable Stable	B+ u bbb- u	Developing Developing	Florida
—	P	Florida Farm Bureau Casualty Ins Co *Southern Casualty Holding Company*	003590	A- a-	Stable Stable	A a	Negative Negative	Florida
—	P	Florida Farm Bureau General Insurance Co *Southern Casualty Holding Company*	011337	A- a-	Stable Stable	A a	Negative Negative	Florida
⊕	P	Founders Insurance Company *Utica Mutual Insurance Company*	004332	A a	Stable Stable	A- a-	Positive Positive	Illinois
⊕	P	Golden Bear Insurance Company *M J Hall & Company Inc*	001719	A a	Stable Stable	A- a-	Positive Positive	California
⊕	P	Graphic Arts Mutual Insurance Company *Utica Mutual Insurance Company*	000428	A a	Stable Stable	A- a-	Positive Positive	New York
☑	P	Hallmark County Mutual Insurance Company *Hallmark Financial Services, Inc.*	010445	A- a-	Negative Negative	A- u a- u	Negative Negative	Texas
☑	P	Hallmark Insurance Company *Hallmark Financial Services, Inc.*	010612	A- a-	Negative Negative	A- u a- u	Negative Negative	Arizona
☑	P	Hallmark National Insurance Company *Hallmark Financial Services, Inc.*	014154	A- a-	Negative Negative	A- u a- u	Negative Negative	Arizona
☑	P	Hallmark Specialty Insurance Company *Hallmark Financial Services, Inc.*	010838	A- a-	Negative Negative	A- u a- u	Negative Negative	Oklahoma
⊕	P	MAPFRE Pan American Insurance Company *Fundación MAPFRE*	004290	A a+	Stable Stable	A a	Stable Stable	Puerto Rico
⊕	P	MAPFRE PRAICO Insurance Company *Fundación MAPFRE*	011116	A a+	Stable Stable	A a	Stable Stable	Puerto Rico
⊕	P	Republic Indemnity Company of America *American Financial Group, Inc.*	000800	A+ aa-	Stable Stable	A a+	Positive Positive	California
⊕	P	Republic Indemnity Company of California *American Financial Group, Inc.*	001856	A+ aa-	Stable Stable	A a+	Positive Positive	California
⊕	P	Republic-Franklin Insurance Company *Utica Mutual Insurance Company*	000798	A a	Stable Stable	A- a-	Positive Positive	Ohio
New	P	Sutton National Insurance Company *Brickell Insurance Holdings LLC*	020625	A- a-	Stable Stable	NR nr		Oklahoma
New	P	Sutton Specialty Insurance Company *Brickell Insurance Holdings LLC*	020810	A- a-	Stable Stable			Oklahoma
⇅	P	Synergy Insurance Company *Synergy Holdings, LLC*	013594	A- a-	Positive Positive	A- a-	Stable Stable	North Carolina
⇅	P	Tri-State Consumer Insurance Company *WT Holdings, Inc.*	001971	A- u a- u	Developing Developing	A- u a- u	Negative Negative	New York
⊕	P	Utica Lloyd's of Texas *Utica Mutual Insurance Company*	012318	A a	Stable Stable	A- a-	Positive Positive	Texas
⊕	P	Utica Mutual Insurance Company *Utica Mutual Insurance Company*	000946	A a	Stable Stable	A- a-	Positive Positive	New York
⊕	P	Utica National Assurance Company *Utica Mutual Insurance Company*	011953	A a	Stable Stable	A- a-	Positive Positive	New York
⊕	P	Utica National Insurance Co of Ohio *Utica Mutual Insurance Company*	014164	A a	Stable Stable	A- a-	Positive Positive	Ohio

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
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⊕	P	Utica National Insurance Co of Texas *Utica Mutual Insurance Company*	002825	A a	Stable Stable	A- a-	Positive Positive	Texas
⊕	P	Utica Specialty Risk Insurance Company *Utica Mutual Insurance Company*	002826	A a	Stable Stable	A- a-	Positive Positive	Texas
☑	P	Weston Insurance Company *Weston Insurance Holdings Corporation*	014386	B bb	Negative Negative	B u bb u	Negative Negative	Florida
EUROPE, MIDDLE EAST AND AFRICA								
☑	C	Al Ittihad Al Watani Soc Gen Asr Proche *Nasco Ultimate Holding Limited*	090592	B+ bbb-	Stable Stable	B+ u bbb- u	Negative Negative	Lebanon
—	P	Arab Reinsurance Company SAL	089190	B bb+	Stable Negative	B+ u bbb- u	Negative Negative	Lebanon
New	P	CIGNA Global Insurance Company Limited *Cigna Corporation*	076979	A a	Stable Stable	NR nr		Guernsey
⚑	P	Credendo - Single Risk Insurance AG *Credendo Export Credit Agency*	090599	A- u a- u	Developing Developing	A- a-	Negative Negative	Austria
New	P	Kot Insurance Company AG *Petroleos Mexicanos*	090728	B++ bbb+	Stable Stable	NR nr		Switzerland
—	P	Saudi Arabian Insurance Co B.S.C. (c) *Mawarid Holding Company*	092458	B++ bbb	Stable Stable	B++ bbb+	Stable Negative	Bahrain
ASIA-PACIFIC								
New	P	Bank of China Group Insurance Co Ltd *China Investment Corporation*	093272	A- a-	Stable Stable			Hong Kong
⇅	P	EFU General Insurance Limited *EFU General Insurance Limited*	077151	B+ bbb-	Stable Stable	B+ bbb-	Positive Positive	Pakistan
⇅	P	Petrolimex Insurance Corp.	090845	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Vietnam
⇅	P	PT Asuransi Tugu Pratama Indonesia Tbk *PT Pertamina (Persero)*	086732	A- a-	Stable Stable	A- a-	Negative Negative	Indonesia
—	P	Tune Protect Re Ltd. *Tune Protect Group Berhad*	092785	B++ bbb	Negative Negative	B++ u bbb+ u	Negative Negative	Malaysia
AMERICAS								
☑	P	Ocean International Reinsurance Co Ltd *Avenir Partners Pte. Ltd.*	093077	A- a-	Stable Stable	A- u a- u	Developing Developing	Barbados
New	C	Seguros Universales, S.A.	077974	B+ bbb-	Stable Stable	NR nr		Guatemala
⇥	C	Zurich Aseguradora Mexicana, S.A. de C.V *Zurich Insurance Group Ltd*	084250	NR nr		A- a-	Stable Stable	Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇥	Farmers Group, Inc.	058511	nr		a	Stable	Nevada
☑	Hallmark Financial Services, Inc.	051075	bbb-	Negative	bbb- u	Negative	Nevada
New	International General Ins Holdings Ltd.	044685	bbb	Stable			Bermuda
⇥	Tower Limited	091883	nr		bbb-	Stable	New Zealand

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)
I	Less than 1
II	1 to 2
III	2 to 5
IV	5 to 10
V	10 to 25
VI	25 to 50
VII	50 to 100
VIII	100 to 250

Class	Adj. PHS ($ Millions)
IX	250 to 500
X	500 to 750
XI	750 to 1,000
XII	1,000 to 1,250
XIII	1,250 to 1,500
XIV	1,500 to 2,000
XV	2,000 or greater

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.

 Version 121719

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.

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.

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.

Mergers, Name Changes, State Actions and Domiciliary Changes

Transamerica Premier Life, Gray, and Sutton National insurance companies are among the life/health and property/casualty groups in the United States that have experienced a merger, new name or other corporate change.

LIFE/HEALTH

Merger

Transamerica Premier Life Insurance Co. (AMB# 006742), Cedar Rapids, Iowa. This company was merged with and into Transamerica Life Insurance Co. on Oct. 1, 2020.

Name Changes

Equitable Life & Casualty Insurance Co. (AMB# 006342), Salt Lake City, Utah. This company changed its name to SILAC Insurance Co. on May 19, 2020.

Equitable National Life Insurance Co. Inc. (AMB# 062201), Salt Lake City, Utah. This company changed its name to Sterling National Life Insurance Co. Inc. on May 8, 2020.

PROPERTY/CASUALTY

Name Changes

Connecticut Medical Insurance Co. (AMB# 010085), Glastonbury, Conn. This company converted from a stock insurance company to a mutual insurance company that is directly owned by a new intermediate holding company, Integris Financial Services Inc., and ultimately owned by a newly organized mutual holding company, Integris Group Inc., and changed its name to Integris Insurance Co. on Oct. 1, 2020.

The Gray Insurance Co. (AMB# 022614), Metairie, La. This company converted to a domestic surplus lines insurer and changed its name to Gray Surplus Lines Insurance Co. on Sept. 17, 2020.

State Actions

ACCC Insurance Co. (AMB# 012156), Houston. This company was placed in rehabilitation on Oct. 21, 2020.

Lancet Indemnity Risk Retention Group Inc. (AMB# 013998), Nevada. This company was placed into insolvent liquidation on April 9, 2020.

Physicians Casualty Risk Retention Group Inc. (AMB# 014207), Montgomery, Ala. This company was placed into insolvent liquidation on Aug. 10, 2020.

Domiciliary Changes

Sutton National Insurance Co. (AMB# 020625), Oklahoma City, Okla. This company redomesticated to Oklahoma from Wisconsin on Aug. 7, 2020.

A Better Connection

Lloyd's CEO says Blueprint Two will achieve approved and clear data standards to support the next generation of placement platforms and solutions including a new Lloyd's marketplace gateway.

Lloyd's outlined the next phase of its market strategy in a two-year program to shift the market to a digital ecosystem.

The solutions Lloyd's is pursuing will "totally transform the way in which our market operates," said John Neal, chief executive officer, in a webcast, noting the strategy will lead to a digital market powered by data and technology.

"We are redesigning the entire insurance life cycle, something that's not been attempted at Lloyd's for a very long time," said Neal.

Improvements outlined in what is known as Blueprint Two are a product of market research, feedback and collaboration that aims to deliver operational efficiencies with an estimated aggregate reduction of £800 million ($1.05 billion) in operating costs for brokers, underwriters and business partners, Lloyd's said in a statement.

"We'll be better connected," said Neal. "We'll be so much faster in everything we do, and we'll be able to take significant costs out of our processes."

Blueprint Two is the next phase of the Future at Lloyd's strategy unveiled in September 2019, Lloyd's said.

According to Lloyd's, Blueprint Two sets out to achieve approved and clear data standards that will support the next generation of placement platforms and solutions at Lloyd's and a new Lloyd's marketplace gateway and super-fast processing capability. It will also involve automated claims recognition, routing and orchestration that will facilitate faster claims payments.

Among the achievements of the past year's Blueprint One, Lloyd's said, it reduced the cost of doing business at Lloyd's, bureaucracy for claims processing for binding authorities and the need for re-keying data.

Lloyd's also said it finalized its stake in the London market's electronic placing platform.

In June, Lloyd's rolled out an application platform to help brokers and underwriters electronically place data for submissions and quotes.

The launch of the application interface, or API, is part of the Future at Lloyd's endeavor to develop the next generation of its e-placing platform—the Placing Platform Ltd. Atrium Underwriting Ltd. will be the first to adopt the new API, which was developed by Lloyd's, the market said at the time.

—David Pilla

Best's Insurance Professionals and Claims Resource

The following are newly qualified members in AM Best's claims industry resource.

Best's Recommended Insurance Attorneys

Reeves & Brightwell LLP
Product Liability, Appellate Practice, Complex Tort Litigation, Contract Disputes
Austin, TX • 512-334-4500

Veirano Advogados
Insurance, Reinsurance, Insurance Claims, Regulatory Law
Sao Paulo, Brazil • +55 11 2313 5700X

Best's Recommended Insurance Adjusters

Millennium Claims Services LLC
Third-Party Administration, Business Interruption, Property, Casualty
Sanford, NC • 877-627-0027

Best's Recommended Expert Service Providers

Marias Technology
Software and Systems Testing and Implementation
Covington, OH • 866-611-2212

For information about these firms and *Best's Insurance Professionals and Claims Resource*, visit *www.ambest.com/claimsresource.*

Chain Reaction

Allianz chief claims officer: Businesses look to repatriate supply chains.

Following disruption during the pandemic, businesses are looking to repatriate supply chains, said Thomas Sepp, chief claims officer, Allianz Global Corporate & Specialty.

The coronavirus outbreak has posed a unique challenge and test for commercial insurance claims. Historical patterns have been upended, while claims teams have had to maintain service levels during a period of significant operational challenges.

Sepp recently spoke with AMBest TV. Following is an edited transcript of the interview.

Thomas Sepp

What changes in claims patterns for companies have you noticed during the lockdown periods?

What we have seen is on the entertainment side. That will be no surprise to a lot of people that are familiar with us in the insurance industry. We have seen a couple thousand claims in the entertainment sector—movies, TV productions— and in live event cancellation. That was a lot.

That was offset in some other lines. For example, property, marine and casualty. Less inland transport, less slip and fall, in line with this economic activity. For the rest of the lines, it's pretty consistent.

How have business interruptions claims developed?

Where we have seen a number of claims ... was our medical business in the United States. Yes, there were claims notifications in larger numbers, and we have settled already a number of those claims where coverage was actually existing.

The reality is that in most of our policies, physical damage is required. Actually, there is no coverage for those business interruption claims that are based on the COVID-19 situation. That's where the team's doing a lot of work, also working with the clients, working with the brokers and explaining that particular situation.

[This leads] a little bit to a question overall about insurability of the whole COVID and pandemic situation. That's an issue we're working through.

We also have business-interruption claims that are not caused by COVID. There we saw something pretty interesting, as far as I am concerned. ... The question is what's the underlying economic damage. We had one situation, for example, where a car part manufacturer had issues and had a business interruption claim. That turned out to be actually cheaper and less valuable, compared to the normal situation, because then the car manufacturers partially have been shutting down their factories during the COVID times. The whole situation didn't turn out as severely as the client and we thought in the very beginning.

What do you think the long-term impact on corporate risk will be?

Maybe we look at two different trends. One thing we have seen coming through strongly is the whole digitalization push. We were all surprised how quickly the tide was turning. People taking up home office situations, remote inspections, remote servicing. There's a lot of things going on on a digital cyberspace basis. We think that's going to have a profound implication on some of the insurance situations. Namely, the cyber, but also some of the employers' liability related stuff, for example.

The other thing that we're observing and it's being discussed is repatriation of supply chains, because we saw the disruption was severe and had caused issues. Companies and clients of ours are also looking into scenarios to repatriate.

That will be interesting to see, because we think it's going to be better in terms of claims happening. It should be a better-controlled environment, but also, there are going to be cost effects to it. If you're on your shore, or bring it back home, the costs of those production services, etc., will also go up.

—John Weber

AMBestTV

Go to *bestreview.com* to watch the interview with Thomas Sepp.

On the Horizon

AM Best: Food additives could be next A&E risk.

AM Best estimates insurers have funded 91% of their aggregate asbestos and environmental exposures, but must continue to watch for new risks, said AM Best Director Brian O'Larte.

Brian O'Larte

AM Best's annual estimate on asbestos and environmental losses for the U.S. P/C industry remained unchanged for year-end 2019. The industry has funded 91% of its aggregate asbestos and environmental exposures, leaving an unfunded liability of approximately $9 billion for asbestos and $4 billion for environmental costs, according to the Best's Market Segment Report, *AM Best's A&E Loss Estimates Remain Unchanged*.

O'Larte recently sat down with AMBest TV. Following is an edited transcript of the interview.

This report notes that the unfunded liability is a relatively small amount in comparison to the cumulative losses, and that the reserves have diminished. Can you walk us through that loss payment side as it's developed over the past decade?

Even though loss payments have outpaced the industry's incurred losses for both the asbestos and environmental, the loss payments have also declined over the same period. In the earlier part of the five-year period, there have been some sizable claims settlements that mainly were driven by the larger carriers.

The large claims settlements have happened over the past 30 years or so every so often, which caused the spike in the loss payments. However, over the past couple of years, there haven't been any large settlements, which has also contributed to the decline in payments.

What's been driving the decline in annual incurred losses over the past five years?

As we are talking about the overall asbestos and environmental incurred losses declining, it's best to look at each one separately. The asbestos incurred has declined at a faster rate than the environmental.

One of the main reasons is that a number of years ago, the large carriers have taken a deeper analysis or review of these asbestos exposures. We call this a ground-up study. This review has caused some significant reserving action or strengthening for these reserves.

It should be noted that these reviews continue, and on a probably every three-to-five-year basis. That's where we would see some spikes in the asbestos incurred, but the more recent ground-up studies have shown less development or strengthening than in years past.

We were expecting this to happen as companies are getting more comfortable with their exposure.

On the environmental side, losses incurred has fluctuated within a narrow band over the past five years. In 2015, the incurred was $800,000, and in 2019, it was $600,000, but still at a declining rate.

The reasoning is very similar to the asbestos issue. These spikes are driven by the ground-up studies, where we see the peaks in the incurred. Over the past three or four years, we haven't seen any kind of development, and so the incurred has been declining.

The report places a potential new exposure on the A&E horizon, which pertains to a pair of food additive compounds, the primary one of which has been in use since 1947. What development has brought this into play?

As analysts at AM Best, we constantly look for what could be the next asbestos in the industry, the big unknown. These two additives, BHA and BHT (butylated hydroxyanisole and butylated hydroxytoluene) caught an analyst's eye. Similar to the asbestos, where asbestos was an excellent electrical insulator, for many years it was used for building materials.

They started seeing some health concerns, just like we're seeing in BHA and BHT. However, so far, there have not been many, if any, coverage issues or litigation issues, but we're going to keep an eye on this. This could be the next big unknown.

—John Weber

AMBestTV

Go to *bestreview.com* to watch the interview with Brian O'Larte.

AM Best's Information Services Agent Solutions 77

AM Best's Information Services Insurance Solutions 49

Applied Underwriters............ BC

Best's Credit Ratings 34

Best's Financial Suite .... IBC

Delaware Department of Insurance............IFC

Invesco 45

Johnson Lambert LLP .... 24 & 25

LexisNexis Risk Solutions 36

Liberty Mutual............ 59

Mazars USA LLP 29

Munich Re America 38

Philadelphia Insurance Cos............ 40

Notice: While AM Best confirms the accuracy of Best's Ratings of insurers referenced in advertisements published in this magazine, these ratings are subject to change after publication. The current ratings of insurance companies are available free on the web at *www.ambest.com/ratings*. Further, we can't warrant the Best's Ratings claimed by brokers advertising coverages from unrated insurers. In addition, some of the insurance policies, products and services advertised may not be available, licensed or legal in all jurisdictions.

Business Development- AM Best - Information Services

Senior Director:
Christopher Pini
(908) 439-2200 ext. 5417 · Christopher.Pini@ambest.com

Senior Staff Assistant:
Michele Olsen
(908) 439-2200 ext. 5418 · Michele.Olsen@ambest.com

CLIENT MANAGEMENT SERVICES - ADVERTISING

Senior Account Manager - USA: Western Region; CAN: **Brian McGoldrick**
(908) 894-9552 · Brian.McGoldrick@ambest.com

Senior Account Manager - USA: Eastern Region; BMU; CAN & CAR: **Christine Girandola**
(908) 894-9563 · Christine.Girandola@ambest.com

CLIENT MANAGEMENT SERVICES - RATINGS, NEWS & DATA ANALYTICS

Director - USA; BMU; CAN & CAR:
Maryrose Paar
(908) 894-8039 · Maryrose.Paar@ambest.com

Associate Director - USA: Eastern Region; BMU & CAR:
Brian Schlesinger
(908) 894-9586 · Brian.Schlesinger@ambest.com

Senior Account Manager - USA: NY; BMU:
Kellie Bodmer
(908) 328-6098 · Kellie.Bodmer@ambest.com

Senior Account Manager - USA: New England Region:
Sue Kjaer
(908) 894-9557 · Sue.Kjaer@ambest.com

Senior Account Manager - USA: South Central Region; PR & CAR:
Danny Heffernan
(908) 894-9560 · Christopher.Heffernan@ambest.com

Senior Account Manager - USA: IL:
Alan F. Pacer
(908) 894-9589 · Alan.Pacer@ambest.com

Senior Account Manager - USA: Mid-Western Region:
Jay Eihausen
(908) 894-9587 · Jay.Eihausen@ambest.com

Senior Account Manager - USA: Western Region & TX:
Mark Kuhlman
(908) 894-9561 · Mark.Kuhlman@ambest.com

Account Manager - USA: South Atlantic Region & NY:
Patrick McCahill
(908) 268-0765 · Patrick.McCahill@ambest.com

Account Manager - USA: Mid-Atlantic Region:
Debbie Giordano
(908) 335-0938 · Debbie.Giordano@ambest.com

Account Manager - USA: North Central Region; CAN:
Jennifer Rudy
(732) 266-8644 · Jennifer.Rudy@ambest.com

CLIENT MANAGEMENT SERVICES - REDISTRIBUTION

Senior Account Manager - USA; BMU; CAN & CAR:
James McMyne
(908) 439-2200 ext. 5022 · James.McMyne@ambest.com

Account Manager - USA; BMU; CAN & CAR:
Barry Finan
(908) 439-2200 ext. 5695 · Barry.Finan@ambest.com

CLIENT MANAGEMENT SERVICES - PROFESSIONAL RESOURCES

Associate Director - USA & Non-US:
Doug Doremus
(908) 439-2200 ext. 5170 · Doug.Doremus@ambest.com

Associate - USA; GU; VI & PR:
Lori Sadukas
(908) 439-2200 ext. 5078 · Lori.Sadukas@ambest.com

AM BEST SINCE 1899

Associate - USA:
Heather Prasch
(908) 439-2200 ext. 5638 · Heather.Prasch@ambest.com

Account Representative - USA & Non-US:
Rich Petri
(908) 439-2200 ext. 5324 · Rich.Petri@ambest.com

Giving Back

Insurers have found creative ways to reward their employees and give back to their workforces during the COVID-19 pandemic.

by Lori Chordas

COVID-19 has changed the face of workplaces around the world, forcing employees to adapt to new ways of doing their jobs.

As a token of gratitude for the commitment and adaptability of staff during these challenging times, several insurers are giving back to their workforces in unique ways.

This summer Odyssey Group thanked its employees by giving them a special one-off bonus, funded by the company's unused travel and entertainment budget.

Brian Young, president and CEO of the reinsurance and specialty insurance provider, announced the bonuses during a virtual town hall held during the height of the outbreak. He also used the virtual platform to reassure the company's global employees that their jobs would be preserved, and to recognize their resiliency and collective efforts in maintaining high service levels during this taxing time.

"We think of our employees as family," Young said. "Despite the challenges everyone faced—the struggles related to the virus—our staff rose to the occasion by quickly adapting to the remote work environment and taking advantage of new technologies. ... Throughout the pandemic our service levels were not impacted. We didn't miss a beat. This was simply our way of saying 'thank you.'"

The staff of U.K.-based auto and home insurer Admiral Group plc also was recognized for its service and dedication—not just during the pandemic, but throughout the years—with a personal gift from CEO David Stevens and his wife, Heather.

Their £10 million (US$13 million) gift was divided among the company's roughly 11,000 global employees, with full-timers receiving £1,000 and other staff being rewarded £500. Stevens, who is set to retire early next year, said the gifts were a way of thanking employees for making his 29 years with the organization, and almost five years as group CEO, "so special."

Those hardworking, dedicated staff members, he said, have taken Admiral from a startup in 1991 to the Financial Times Stock Exchange 100 Index of the largest capitalized U.K. companies.

Progressive Insurance also has found some novel ways to support its employees and local communities, including enabling staff to donate vacation days to coworkers in need, and establishing the Progressive Employee Relief Fund, which provides grants of up to $2,500 to employees facing unforeseen personal hardships, said company spokesman Jeff Sibel. The program is largely funded by employee donations and support from Progressive.

This summer the insurer also gave back to the state of Ohio, which was hit hard by high demands on the state's unemployment compensation system caused by shuttered businesses and a stifled economy fueled by the pandemic.

From May to August, nearly 100 Progressive claims employees assisted local unemployment offices by processing pandemic-related unemployment assistance claims, addressing claimants' inquiries and providing onboarding support to the state while the offices increased their staff, Sibel said. Progressive employees helped process more than 270,000 PUA claims issues during that time. BR

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


EXPECT BIG THINGS®
FROM APPLIED UNDERWRITERS