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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

August 2021 • Volume 122 • Issue 8

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AM BEST'S MONTHLY INSURANCE MAGAZINE

Crypto Explorers

Insurers venture into the
cryptocurrency waters as
they start building experience
with digital coins as a
form of payment and as an
investment. **Pages 28-35**



**Best's Review's
Online Archives**

Responsible Reinsurance



During this pandemic, it's become clearly evident that what has made us successful in the past is not sufficient for us to thrive into the future. Advances in digital data, artificial intelligence, computing power, genomics and precision medicine are staggering. Innovation-driven transformational change across our ecosystem forces us to reimagine the future of life insurance underwriting.

SCOR recognizes that life insurance inherently serves a societal need. Embracing the social responsibility of what we do and how we do it is imperative in the evolution of our industry. To learn more, read this article by SCOR thought leader and head of Underwriting Innovation, Al Mele.

Insurers Take Initial Steps to Explore the Use of Cryptocurrency

The August issue also includes coverage of the reinsurance sector and a ranking of the largest insurers in Russia and Kazakhstan as well as the largest risk retention groups, based on AM Best data.

The dramatic rise and fall in the price of Bitcoin earlier this year captured the public's imagination as the price moved ever higher, helping to fuel the growing interest in cryptocurrency in general.

Bitcoin started out on Aug. 1 last year at \$11,810, rising to as much as \$63,000 by mid-April before falling back to around \$34,000 in mid-July. Other cryptocurrencies have made similar journeys over the past year.

As cryptocurrencies rallied, more people began to take notice. Some 14% of U.S. adults now own some amount of cryptocurrency and what had once been viewed as a somewhat shadowy sector has now emerged to become more mainstream, with a growing number of businesses accepting payment in digital coins.

In "Cryptocurrency: Insurance Industry Tests the Waters with New Initiatives," *Best's Review* examines some of the ways insurers are starting to gain some experience with digital currency.

In "Cryptocurrency Opens New Frontier for Life Insurers," *Best's Review* speaks with Massachusetts Mutual and Build Asset Management as well as AM Best's Rosemarie Mirabella and Tom Rosendale about cryptocurrency developments in the life sector.

The August issue of *Best's Review* also focuses on the reinsurance industry. This is typically timed in connection with the annual Rendez-Vous de Septembre gathering in Monte Carlo.

Although Rendez-Vous has been canceled for the second year in a row due to the pandemic, the organizing committee has said it will organize conferences and roundtables on the insurance and

reinsurance industry for the week of Sept. 13.

August is Reinsurance Awareness Month. *Best's Review* examines a few of the new reinsurance startups in "New Reinsurers Enter the Market Amid a Rise in Innovation, Abundant Capital and a Market-Changing Pandemic."

Insurtechs have made use of technology and data to improve the customer experience and help spur innovation in the industry. "Insurtechs' Innovation, Big Data Catch the Attention of Reinsurers" explains why reinsurers are paying close attention.

While reinsurers often play a key role in helping to backstop large, catastrophic losses, some losses go beyond the means of the industry. A number of pandemic backstops were proposed last year to respond in the event of a future pandemic.

"Advocates for Pandemic Backstops Face Task of Convincing Policymakers" tells the story of where those proposals stand now.

A report on the Russia insurance market includes a ranking of the largest insurers in Russia and Kazakhstan, based on AM Best data. Go to "AM Best: COVID-19 Sparked Innovation for Insurers in Russia" to learn more.

The August issue also includes a ranking of the largest risk retention groups in the story "Tennessee Cuts Capital Requirements for Protected Cell Captives."

BR

Patricia Vowinkel
Executive Editor
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The Question:

Which college insurance and risk management programs stand out for their work in preparing young people for a career in insurance?

Email your answer to bestreviewcomment@ambest.com or scan the QR code to submit your response.

Reader responses will be published in a future issue.



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Life insurers, led by MassMutual, are taking steps to enter the often-tumultuous world of cryptocurrencies like Bitcoin and Ethereum as they move out of the shadows and into the mainstream.



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Startups have found a home in well-established reinsurance hubs as well as emerging locales.

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Advocates for Pandemic Backstops Face Task of Convincing Policymakers

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Insurance Advantage

- Delaware takes captive insurance company licensing to a new level that Speeds to Market the licensing process.
- Delaware's conditional certificate of authority means receiving a license to conduct insurance business the same day of submitting the application to do business.
- A conditional certificate of authority removes uncertainty because it provides captive managers and owners date certainty for when they can begin writing insurance business.



STEVE KINION, DIRECTOR
*Bureau of Captive &
Financial Products*
Department of Insurance



Trinidad Navarro
Insurance Commissioner



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Trinidad Navarro, Insurance Commissioner

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The amendments also will allow captives to write parametric coverage.

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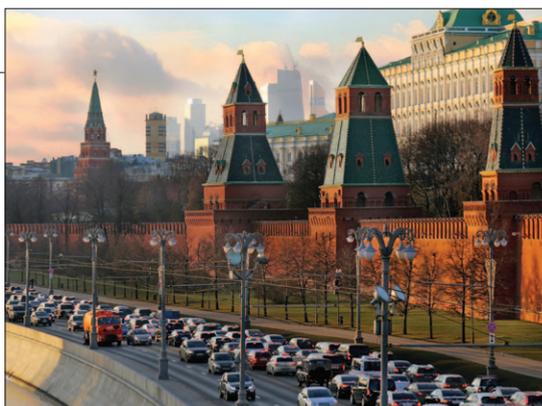
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AM Best: COVID-19 Sparked Innovation for Insurers in Russia

The pandemic presented challenges for Russian insurers in terms of both the asset and the liability sides of their balance sheets. It also highlighted the increasingly important role of technology and innovation in the industry.

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NAIC to Hold Summer Meeting in Ohio

Aug. 1-3: HYBRID. AAEA & WAEA Joint Annual Meeting, Agricultural & Applied Economics Association, Austin, Texas. 

Aug. 2-5: Employee Benefits Leadership Forum 2021, Council of Insurance Agents & Brokers, Colorado Springs.

Aug. 3-13: VIRTUAL. SLA 2021 Annual Conference, Special Libraries Association. 

Aug. 10-12: VIRTUAL. VCIA Annual Conference, Vermont Captive Insurance Association.  

Aug. 11-13: CLM 2021, Claims and Litigation Management Alliance, Atlanta.

Aug. 11-14: LAAIA Annual Convention, Latin American Association of Insurance Agencies, Hollywood, Fla.

Aug. 14-17: HYBRID. NAIC Summer Meeting, National Association of Insurance Commissioners, Columbus, Ohio. 

Aug. 29-Sept. 1: HYBRID. IASA XChange, Insurance Accounting & Systems Association Inc. New Orleans.  

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  Exhibiting  Speaking  Hosting  Sponsoring  Video

August Is Reinsurance Awareness Month

Best's Review takes a look at some of the newest entities on the reinsurance industry scene as well as how reinsurers are showing increased interest in working with insurtech companies. Coverage begins on page 36.



AM Best's Insurance Market Briefings Get the Best Industry Perspective



AM Best's Canada Insurance Market Briefing

When: September 15–16, 2021 **Where:** Virtual

www.ambest.com/conferences/imbcanada2021

Note that event details are subject to change. For the latest conference information, visit www.ambest.com/review/calendar.html.

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Our Insight, Your Advantage™



Sompo International Holdings Ltd. Names Successor to Retiring Executive Chairman John Charman

Also, Gallagher Re appoints new chief executive officer, Scor names new CEO for Canada operations and ABI director general to step down.

Sompo International Holdings Ltd. has named James Shea to succeed John Charman as executive chairman of the board of directors, Sompo International Holdings, and chief executive officer of overseas insurance and reinsurance business, Sompo Holdings Inc.

In addition, Shea will be appointed CEO of Sompo International Holdings. All appointments are subject to regulatory approvals.

Shea will transition to his new role on Sept. 1. Charman will retire in April 2022, at the end of his current contract, after eight years with the company and more than 50 years in



John Charman

the industry, according to a company statement.

Shea has more than 25 years of global insurance experience, most recently serving as the CEO of commercial insurance for Zurich Insurance Group as well as a member of the company's executive committee based in Zurich, Switzerland.

Earlier in his career Shea spent nearly 20 years at American International Group in a variety of underwriting and leadership roles in New York, London, Paris, Tokyo and

Singapore, according to the company.

—Staff Report

Hippo Makes New C-Suite Appointments

Hippo, a homeowners insurance group, has named Rich Primerano as chief risk officer, Tim Bienek as chief insurance strategy officer, Mike Stienstra as chief actuary and Chris Donahue as chief underwriting officer.

Primerano will be responsible for overseeing the company's capital, reinsurance, and select portfolio management practices to enhance overall operational efficiency. He joins Hippo from Weston Insurance, where he was chief operating officer, chief financial officer and treasurer. Primerano has held financial leadership and operating roles at insurance and reinsurance companies including RenRe North America, Trenwick Re and Centauri Specialty Insurance. He is a certified public accountant who began his career at Deloitte & Touche, where he was senior manager, according to the company.

Bienek will lead the development and execution of major insurance growth and profitability initiatives. Before



Rich Primerano

joining Hippo, he was chief executive officer of Tower Hill Insurance Group, Florida's third-largest homeowners insurance company. He previously worked as COO of Praetorian Financial Group, CFO of Affirmative Insurance Group, president of Hallmark Financial Group and COO of Benfield Blanch, according to a company statement.

Stienstra will lead continuous risk evaluation and pricing, leveraging Hippo's technology solutions to continuously optimize coverage for its customers. Before joining Hippo, he worked for Chubb as senior vice president, where he led the personal risk services actuarial team. Before that, Stienstra was vice president, actuarial at Ace Insurance and assistant vice president, actuarial at QBE North America, the company said.

Donahue will lead technical underwriting, insurance product and portfolio management, and underwriting analytics. He joins Hippo from American International Group, where he was global chief underwriting officer for personal lines and head of portfolio management, managing underwriting authorities, general underwriting practice and appetite as well as global catastrophe management. He has served as chief underwriting officer for Chubb Personal Risk Services and Ace Private Risk Services and has held positions at AM Best and Prudential, according to a company statement.

Euler Hermes Names CEO for Northern Europe Region

Euler Hermes has appointed Milo Bogaerts to succeed Fabrice Desnos as chief executive officer of the Northern Europe Region.

Desnos has been appointed a member of the group board of management in charge of credit intelligence, claims, collection and reinsurance. He succeeds

Frédéric Bizière, who left to pursue new challenges within the Allianz Group, according to a company statement.

Desnos joined the company in 1996 and became CEO of the Northern Europe Region in 2016, the company said.

Bogaerts first joined Euler Hermes as an account manager from 1998 to 2007 and then became the director for Interpolis Credit Insurance. He joined Euler Hermes again in 2012 as CEO for the Netherlands, then as market management, commercial and distribution director for Northern Europe. He has been CEO for Euler Hermes U.K. & Ireland since 2017.

In addition, Holger Schäfer succeeded Anil Berry as CEO of Euler Hermes' World Agency.

Berry has been appointed a member of the group board of management in charge of market management, commercial and distribution, succeeding Michele Pignotti, who left the company to pursue new challenges within Solunion, a joint venture between Euler Hermes and Mapfre, according to a company statement.

Berry joined Euler Hermes in 1997, holding risk underwriting, account management and broker distribution positions in the United Kingdom. He became CEO of the Gulf countries business, then head of distribution in the Asia-Pacific region before taking on the role of CEO of the Euler Hermes multinationals business, the company said.

Schäfer has more than 36 years of experience in the Allianz Group. He joined Euler Hermes as the head of the Asia-Pacific region in 2016, according to the company.

Paul Flanagan succeeded Schäfer as CEO of the APAC region. Flanagan joined Euler Hermes 30 years ago, working at the time for trade indemnity, in the finance team. In 2010, Flanagan became regional risk director for Northern Europe, and in 2016, CEO for Poland, according to a company statement.



Milo Bogaerts

Assurant Appoints Global Head of Diversity, Equity and Inclusion

Assurant Inc. has named Alecia Bailey as global head of diversity, equity and inclusion.

Bailey is responsible for defining and executing Assurant's global DEI strategy and programs, the company said.

She joined Assurant in 2013 as a director of operations, driving quality and compliance initiatives within the company's global housing business. She was then promoted to an expanded role as vice president of Assurant's global housing operations. During her tenure, she has been an advocate for and promoter of talent. She led the design and implementation of the company's Upward Program, which provides unique management training to diverse talent within the business, according to a company statement.



Alecia Bailey

Aviva Singlife Holdings Names Executive Director-Group Chief Executive Officer

Aviva Singlife Holdings A.P.T.E. Ltd has appointed Pearlyn Phau Yee Meng as executive director and group chief executive officer, effective Aug. 18.

Upon Phau's appointment, Nishit Majmudar, CEO of Aviva Singapore, will step down from his executive and board roles and become a senior adviser to the board. Walter de Oude, who had acted as group CEO before Phau's appointment, will continue his role on the board as deputy chairman, Aviva Singlife Holdings, according to the company.

Phau will take on additional roles as executive director and CEO of both of the group's two Singapore licensed insurers, Singlife and Aviva Singapore, subject to regulatory approval. The scheme of transfer, which will combine the two entities, has been approved by the Monetary Authority of Singapore. It is now subject to the approval of Singapore courts and is expected to be completed later this year, the company said.

Phau, a veteran in the financial services industry, has held various senior leadership roles within DBS Group, both in Singapore and Hong Kong. She is currently the group



Pearlyn Phau

head of consumer products, marketing and ecosystem partnerships with oversight across the product lines in the region and a mandate to scale growth exponentially via strategic partnerships, according to the company.

Westland Insurance Group Names Chief Financial Officer

Westland Insurance Group Ltd., an independent property/casualty insurance broker in Canada, has appointed Allan Copping to succeed Neal Stratton as chief financial officer.

Stratton left Westland to pursue other opportunities. As CFO, Copping will be responsible for accounting, treasury management, finance, planning and forecasting, tax, mergers and acquisition support, and financial and management reporting as Westland Insurance continues to grow its national network, the company said.

He has more than 30 years of experience as a CFO, chief operations officer and chief executive officer in public accounting, real estate investment, management, and development, as well as parking management services, according to a company statement.



Allan Copping

Gallagher Re Appoints Successor to CEO

Global reinsurance broker Gallagher Re has named Tom Wakefield to succeed Simon Behagg as chief executive officer, subject to regulatory approval.

Behagg will transition to the new role of managing director of Gallagher Re.

In his new role, Wakefield will be responsible for leading the ongoing expansion of Gallagher's reinsurance operations and will work closely with Behagg and the wider senior management team to continue to drive the business's growth agenda. He will also join Gallagher's U.K. executive team, according to a company statement.

Wakefield joins Gallagher from 17 years at Aon, where he was chief operating officer for the global re marine, specialty and composite business. He led the broker's book of marine composite reinsurance business and was U.K. growth leader for reinsurance solutions.



Tom Wakefield

Chubb Names Deputy Chief Financial Officer

Chubb Ltd. has appointed Mark Hammond, currently treasurer of Chubb Group, to the additional newly created role of deputy chief financial officer.

Hammond transitioned to his new role July 1, when, as previously announced, Peter Enns, executive vice president, finance, Chubb Group, succeeded Philip Bancroft as CFO upon his retirement. In his new role, Hammond will assist Enns on operational and strategic matters, according to a company statement.

Hammond has more than 30 years of experience in insurance and public accounting. He has served as treasurer since 2019. Previously, he was executive vice president and CFO for the company's Europe and Eurasia and Africa regions. From 2012 to 2016, when the company was named Ace, he was CFO, European group. Hammond joined the company's combined insurance business in Chicago in 2009, where he served as executive vice president and CFO.



Mark Hammond

Peak Re Appoints CEO for Switzerland Subsidiary

Peak Reinsurance Co. Ltd., a global reinsurer based in Hong Kong, has named Matteo Cussigh to succeed Jacques Burri as chief executive officer for Peak Reinsurance AG and head of marketing and production, Europe, Peak Re.

In his new role, Cussigh will be responsible for the continued growth of Peak Re's European portfolio and further strengthening the relationships with clients in Europe. While Burri has retired, along with Emmanuel Thommen, former senior vice president at Peak Re AG, both will continue to support Peak Re in an advisory capacity, according to a company statement.

Cussigh has 20 years of experience in the reinsurance industry, including extensive experience in both traditional reinsurance and alternative risk solutions. Before joining Peak Re AG in 2020, Cussigh spent 10 years at NewRe, most recently as head of origination and analytics, capital partners. Previously, Cussigh worked for Aon and Swiss Re, according to the company.



Matteo Cussigh

Scor Appoints CEO for Canada Operations

Scor has named Olivier Gay to succeed Paul Christoff as chief executive officer of Scor Canada Reinsurance Co.

Gay also will continue to serve as chief underwriting officer for Scor Canada. In this expanded role, Gay will oversee all facets of the Canadian operations, according to a company statement.

Gay joined Scor in 2010 and was most recently named chief underwriting officer for Scor Canada Reinsurance. He has served as deputy chief financial officer for the Scor Asia-Pacific region, based in



Olivier Gay

Singapore, as well as head of capital management and financial analysis and chief accounting officer in the Paris office for Scor Global P&C, according to the company.

ABI Director General to Step Down

Huw Evans, director general of the Association of British Insurers, will step down at the end of 2021 and will join KPMG as a partner in its insurance and long-term savings practice in January 2022.



Huw Evans

Evans has held his post since February 2015. The search for a new director general is expected to begin shortly, according to the ABI. **BR**

Web Traffic:

Visits to World's Largest Insurers

Home Sweet Homepage:

State Farm and Kaiser Foundation lead web analytics provider Semrush's ranking of the world's largest insurers based on net premiums written.



Source: www.semrush.com
Reported traffic for June 2021.

What Readers Say

Insuring Americans

To the Editor:

Regarding the article "US Tax Changes Could Make Life Insurance More Popular," in the June 2021 issue: Time will tell whether the change to IRS tax code section 7702 will make life insurance even more popular than it is today.

What is most important about the change is that it keeps lifetime financial protection through life insurance accessible and affordable to the people who need it most—middle-income America.

It is true that in a low interest rate environment, policyholders will be putting more money into a policy. But that is essential to paying mortality costs that can no longer be paid by interest earnings. The boon is to people who want to protect their families and might not have been able to afford coverage if the legislation had not passed.

As middle-income America seeks financial guarantees like those that only life insurers provide, Congress wisely provided timely relief from outdated laws drafted in a high interest rate environment. Sincerely,

Paul S. Graham

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American Council of Life Insurers
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Monthly Insurance Magazine Published by AM Best

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BEST'S REVIEW, Issue 8, August 2021 (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. Subscriptions: www.bestreview.com/subscribe. Telephone: +1 908 439 2200. Fax: +1 908 439 3971.

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Connecting With Customers by Building Brand Communities

It's also important for marketers to tell their story and their organization's societal impact so consumers can align themselves with their brand and products, said Wharton's Americus Reed II.

by Lori Chordas

Social influence, values and attitude have the power to shape consumer behavior and customers' insurance purchasing decisions, said Americus Reed II, a Whitney M. Young Jr. professor of marketing at the Wharton School at the University of Pennsylvania.

"When we choose products and services, we are essentially trying to figure out the extent to which they align with our own values. When thinking about different things that we might buy, we're considering the extent to which there is an opportunity to reinforce aspects about who we are in the context of using that particular service," said Reed, who has worked with Fortune 100 companies such as Google and Disney and is a partner and co-founder of consulting firm Persona Partners. He spoke with *Best's Review* about brand loyalty and ways marketers can build and foster brand communities.

Following is an edited transcript of Reed's comments.

What triggers lead consumers to identify with and become loyal to a product or brand?

We often think about it in much the same way that we think about how to generate sports team fans. There's a community of like-minded others that you perceive share values or a sense of self-expression that you identify with. They create the community or tribe. You're looking to affiliate with those groups and services that they are associated with in a way that then creates a psychological connection between

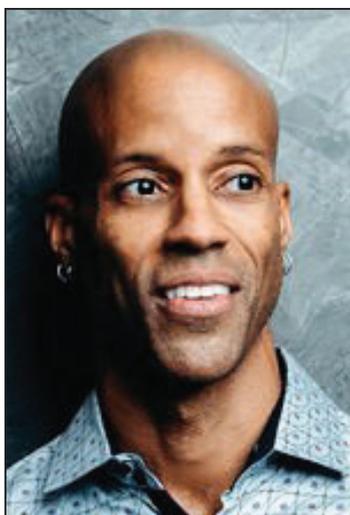
Lori Chordas is a senior associate editor. She can be reached at lori.chordas@ambest.com.

you, the brand, the service, and that particular community of like-minded individuals.

What are brand communities and how can insurance marketers create and foster them?

They are groups of consumers who perceive each other to be very similar on some particular aspect of self-expression or identity.

These communities can manifest in the real world or they can be virtual communities such as social networks. Whenever there's an opportunity to go online and digitally interact with consumers who you believe share those values, it's an opportunity to reinforce and be a part of that community.



Americus Reed II

How has a crisis like COVID-19 highlighted the need for insurers to build purpose into a brand, product or company?

What we are seeing in the research is that more consumers are demanding to understand the values of companies they are aligning themselves with and purchasing from. There is an opportunity for financial services organizations to tell a story around broader issues of purpose, social justice, the environment and things that consumers are concerned about so they can better understand where you stand. And it's not just business model-related issues but also issues associated with the broader context of society. **BR**

AM Best TV



Go to www.bestreview.com to watch the interview with Americus Reed II.

How to Quickenthe Notoriously Slow Pace of Change in the Insurance Industry

Leaders establish the vision and direction of an organization and guide transformation according to culture, capabilities and resource allocation.

By **Bill Pieroni**

The market forces affecting insurance have been changing at an accelerating rate, across virtually every dimension—not just emerging technologies, but also consumer preferences and expectations, new and disruptive competitors, vast new data sources, and more. It is becoming clear that the key competitive differentiator will be the competency and capacity to execute change.

However, the insurance industry is often seen as—to put it bluntly—poor at addressing change. This reputation is not undeserved. ACORD studied over 600 change efforts across several years, and found that 65% of them failed to meet expectations in scope, time, and/or resources. Our analysis reveals that management issues and organizational culture were responsible for 70% of these failures.



Bill Pieroni is president and CEO of ACORD. He can be reached at bestsreviewcomment@ambest.com.



It would be hubris to believe that a leader can snap their fingers and completely change company culture, or be everywhere at once monitoring the decisions of each midlevel manager. Instead it is the responsibility of leadership to establish overall vision and direction; realistically assess, understand, and guide their organization's culture and management; and ensure that strategy aligns with culture, capabilities, and resource allocation. Effective change leadership requires avoiding the common cultural drivers of change failure:

Organizational Slack is often a result of past success and a lack of visible crises. Leaders must establish a strong sense of urgency when appropriate, despite the temptation to maintain positive and congratulatory messages at all times. They must identify and communicate dangers, issues, and opportunities. They should avoid



complacency by maintaining high standards, encourage risk-taking, and supporting non-traditional ideas and actions.

Incomplete Vision results in not only a lack of direction, alignment, and motivation, but more subtly, a failure to link actions to end-state goals. Vision is not complete unless leaders have developed specific strategies and tactics to achieve it, and allocated resources accordingly. Leaders must also anchor their approaches in organizational culture, identify any behavioral transformation imperatives, and clearly articulate these throughout the organization.

Weak Sponsorship is characterized by a lack of clear, public commitment across senior leadership, and an inability to cut through established structure and systems. Leaders must recruit a guiding coalition which includes not

only those with formal power, but those with informal power as well—the expertise, recognition, and respect within the organization to lead by example. They must identify the cultural factors undermining change, and empower broad-based efforts to modify them.

Premature Victory can be declared by either over-optimistic idealists, or more insidiously by cynics who resist change by refusing to see it through. To avoid this, leaders must set measurable, explicit milestones. They must also demonstrate how change has led to improvement, and leverage that success to bring systems, structures, and policies into alignment with the overall vision.

Leadership, management, and culture must be aligned to support transformational change. In the near future, this will not be simply an enabler of success—it will be a prerequisite. BR

Cyber Threats: Get Ready and Get Tough

Insurers must clarify cyber policy wording, specifically causation coverage, going forward.

By **Alan Rutkin**

This column was written following several major cyberattacks. Within a short time, hackers breached a meat processor, a pipeline, a transit system, an insurer and others. Insurers should see this on at least three levels: Incidents are increasing; operating standards are intensifying; and coverage questions are evolving.

First, the frequency and cost of attacks seem likely to continue to climb. Ransom payments—on average and in total—are up. And reported data is likely incomplete because some victims fail to report.

There is no reason to expect the trend to change soon. People call for responses from the federal government and tougher security systems. Some debate whether cryptocurrency should be banned, as it is often used for ransom payments.

Even big problems are often controlled, if not cured. But I see no imminent solution.

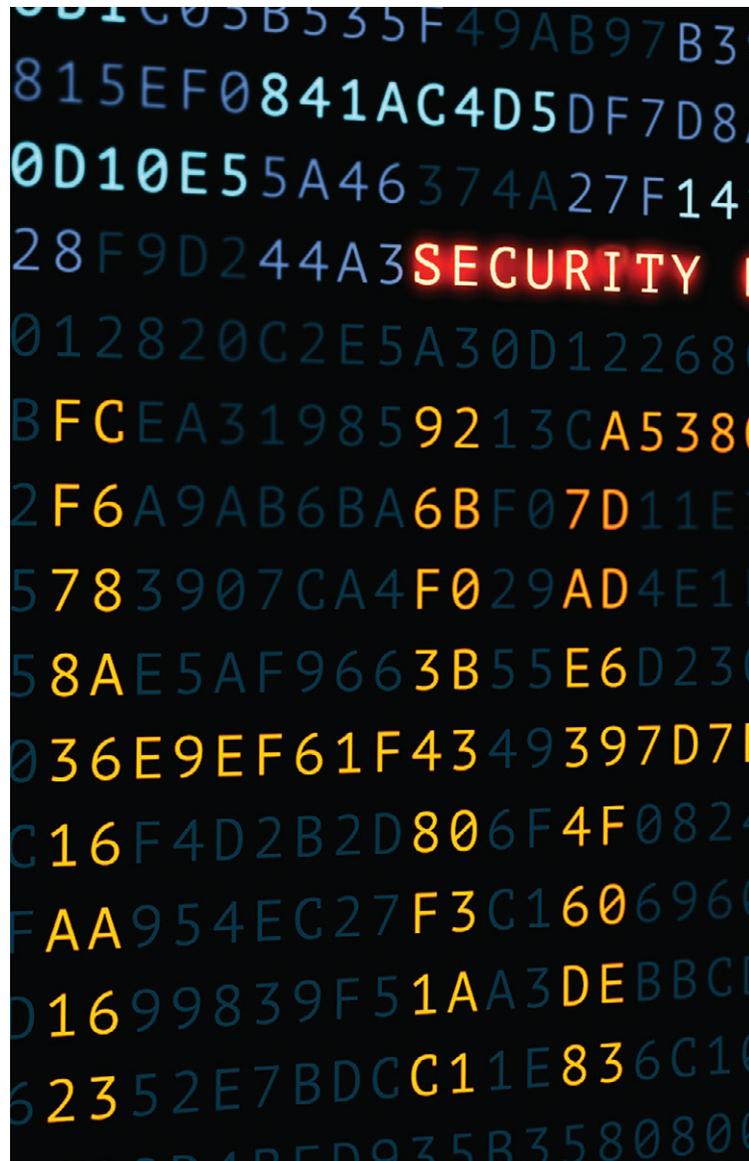
This brings us to the second dimension: Companies are asked to toughen their defenses.

In June, the White House sent a direct warning on cybersecurity: “All organizations must recognize that no company is safe from being targeted by ransomware, regardless of size or location.” Companies were told that cyber defenses must “match the threat.”

New York, my home, established cybersecurity requirements for financial services companies.



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In law firms, we regularly get cybersecurity questionnaires from clients. This, too, will continue. Potential victims will be asked—perhaps forced—to harden their defenses.

Recent government steps may not solve this problem. But they certainly confirm the problem's severity. Hacking is not Y2K. Cybersecurity is a clear and present danger.

Like many of life's problems, this all comes back to insurance. New York's insurance regulator reported that increased costs are creating pressure to raise rates and tighten underwriting standards for cyber insurance.

The report noted a cyber underwriting problem that many other risks do not face: systemic risks. A fire at a warehouse is a unique loss. A cyberincident, however, can be systemic. One cyberincident could affect many policyholders.



Back in 2015, an insurer denied a claim from Cottage Health System based on an exclusion for “failure to follow minimum required practices.” The case settled and it remains unusual, if not unique. But we are likely to see more issues concerning standards.

Finally, insurers must consider coverage issues.

The most disturbing issue is the “silent risk.” Some courts have found cyber coverage under policies that did not explicitly grant cyber coverage. Underwriters and coverage counsel should work together to close identifiable vulnerabilities in policy language.

The other disturbing issue is that courts have been inconsistent in applying coverage concepts to common fact patterns.

“Causation” is a point often disputed. Cyber policies will often limit coverage to losses “directly

caused” by computers. But causation is all about linkage: How close must the cause be to the effect to be considered “directly caused?”

Almost everything in life is computer-connected. But when is something computer-caused?

Law professors may be able to reconcile courts’ different approaches to causation.

Regular humans—particularly humans in the industry—will likely see the courts’ approaches as inconsistencies. And inconsistencies create uncertainties.

Other issues also are unresolved. Courts have disagreed about the meaning of hacking and the level of required computer intrusion.

Cybercrimes, along with the related coverage issues, are among the biggest challenges now facing insurers.

BR



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BEST'S REVIEW® ISSUES & ANSWERS: CAPTIVES AND REINSURANCE PARTNERSHIPS

Industry professionals discuss new business strategies aimed at the captive market and how collaborative data partnerships are benefiting the reinsurance sector.



Interviewed Inside:



Derek Freihaut
Pinnacle Actuarial
Resources



Mark Benz
AIG



Michael Maglaras
Michael Maglaras & Company



Joe Stuhl
Munich Re US



Lara Mowery
Guy Carpenter



Commitment Beyond Numbers.

The operative word is 'commitment.'

$$E(C_{ij+1} | C_{ij}) = f_j C_{ij} \quad \sqrt{E(d_{ij})} \quad \text{Var}(Y) = E(\text{Var}(Y^2 | Z)) + E(E(Y | Z)^2) - (E(Y | Z))^2 \quad F_{ij} = \frac{C_{ij+1}}{C_{ij}} \quad E(C_{ij+1}) = \text{Var}(f_j) = \sigma_j^2 / \sum_i C_{ij}$$

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Commitment Beyond Numbers



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- Litigation Support
- Loss Reserving
- Predictive Analytics
- Pricing and Product Management
- Reinsurance

Determining Risk Distribution

Derek Freihaut, Principal and Consulting Actuary with Pinnacle Actuarial Resources, said Pinnacle believes clear communication is essential to the work of actuaries and to the work his profession does. “We use Expected Adverse Deviation (EAD) to great effect and to great client satisfaction,” he said. Following are excerpts of an interview.

What is risk distribution for an insurance company? Why is it important?

Risk distribution in insurance is the aggregation of risks to reduce the potential volatility of loss. It is also one of the requirements to be an insurance company. To determine whether or not an agreement qualifies as insurance, it is common to consider a four-prong test: 1) the agreement needs to meet the commonly accepted notions of insurance; 2) it must involve insurance risk; 3) it must transfer risk from the insured to the insurance company; and 4) there must be risk distribution within the insurance company. This makes risk distribution vital to captive insurance companies. Insurance companies rely on their ability to distribute risk across a critical mass of exposures to withstand significant losses.

Is there a common way to determine if an insurance company has the necessary level of risk distribution?

Although there is some helpful IRS guidance, there is no single, objective way to determine risk distribution. Historical tax court decisions have been at times inconsistent and ambiguous. IRS guidance to date has been more focused on corporate structures rather than measuring the amount of risk distributed. That said, there have been more recent tax court decisions that recognize that any measure of risk distribution should consider the amount of exposures being covered as well as the reduction in the variability based on aggregating these exposures.

Are there any good objective measures of risk distribution?

At Pinnacle, we felt that the measure of how much risk is distributed based on an insurance company’s risk exposures was an actuarial question. We have worked to develop a straightforward approach to measure it. We considered a number of different potential measures but weren’t satisfied with the initial options available. We felt that any measurement we settled on needed to be transparent, acceptable to regular users and not easily manipulated. Ultimately, we wanted to be able to measure how well an insurance company reduced the volatility of their losses by distributing their risk. And, we wanted to do it



Derek Freihaut, FCAS, MAAA

Principal and Consulting Actuary
Pinnacle Actuarial Resources



“EAD is an excellent actuarial tool because it can be applied objectively and can be easily understood by captive owners and other stakeholders.”

Go to the Issues & Answers section at bestreview.com to watch an interview with Derek Freihaut.

in such a way that we could easily explain to key stakeholders. What we devised was Expected Adverse Deviation, or EAD. We think EAD effectively answers the question, “How much risk distribution qualifies as insurance?” But we also think EAD is the most robust risk distribution measure for other key reasons.

What is the EAD calculation?

EAD represents the average amount of loss that the insurance company incurs in excess of the expected losses, or the expected amount of adverse deviation an insurer is exposed to. It is most clearly expressed as the EAD ratio, and to test for risk distribution, we need to normalize the EAD value by dividing by the expected losses. This EAD ratio measures how much volatility or risk an insurance company is taking on relative to its expected losses. The higher the EAD ratio is, the riskier the insurance company. As an insurance company diversifies its risk we should expect to see the EAD ratio decrease. And, the EAD ratio has a maximum value of 100% and a minimum value of 0%, which makes it easier to compare different types of insurance and exposures.



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Captive Resources

Mark Benz, Head of AIG Captive Solutions, said the group captive product may help multiple middle-market companies to share risk. “This may help them to share in the rewards of controlling the risk as a group,” he said. Following are excerpts of an interview.



What’s driving the growth in middle-market captives?

Well-performing companies often look to the alternative risk market for a better and more economical solution. We’re also seeing coverages such as construction and transportation look for a more tailored insurance solution that may better suit their needs. We are seeing increased growth in the middle market related to their use of group captives.

What should a company look for in a captive manager?

There are a number of qualities and attributes to consider when selecting a captive manager. A company may first want to review the domiciles where the manager can operate and how long they’ve been in the industry. Flexibility is also important. The captive product is very specialized and is not the same for every insured. It can also be beneficial if a captive manager has a broad network of partners that can help support the captive relationship with strong capabilities in claims, auditing and actuarial.

Are you seeing competition heat up between the domiciles, and if so what’s driving that?

Recently, we have seen many domiciles, including several different U.S. states get involved in the captive market, in addition to the big three captive domiciles that have been around for years, Vermont, Grand Cayman and Bermuda. This new activity has contributed to increased growth in the captive market year after year. States such as Hawaii, North Carolina, South Carolina, and Tennessee are breaking into the market and fast becoming popular domiciles. This question ultimately goes back to the captive manager, who should help a company select the domicile that best fits the company’s needs.

How does AIG Captive Solutions address the needs of clients in this evolving space?

AIG created Captive Solutions in 2020 to bring together a collection of our different captive products and services. Right now in Captive Solutions, we offer a fronting structure,

- Provides a complete range of captive services
- Ability to set up and manage a captive in most of the major domiciles
- A convenient and secure online portal where captive clients can easily post and share documents

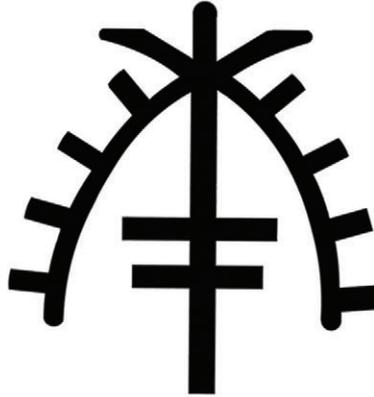
Mark Benz

Head of Captive Solutions
AIG



“Whether you are looking to form a new captive or optimize your existing captive program, our experts can provide you with in-depth professional knowledge and guidance.”

which is a solution designed for a national account product utilizing a single-parent captive. Then, we have a group captive product, which brings different insureds together in one captive to potentially mitigate overall underwriting risk. Lastly, we have our captive management services teams, which help set up and manage captives in several domiciles, and also offer and administer protected/segregated cell “rent-a-captive” facilities in Vermont and Bermuda.



Michael Maglaras & Company

**Since 1988, the industry's leader in
captive formation and consulting services**

www.michaelmaglaras.com

It's All About Claims

Michael Maglaras, President of Michael Maglaras & Company, an international captive consulting firm, said that the captive insurance market is flourishing. "There's a lot going on, and I'm extremely optimistic about the future in this challenging market right now," he said. Following are excerpts of an interview.



Michael Maglaras & Company

■ Founded in 1988 by Managing Principal, Michael Maglaras

How would you describe the state of play in the captive marketplace?

I'm more optimistic about the future of captive insurance companies than I have ever been since I started in the industry, period. I'm delighted to be able to say that. I'm sanguine about our future in the captive industry. That said, I'm also seeing some darker clouds on the horizon but in general, I'm very optimistic, and envision a very bright future for the captive industry.

You've been quoted as saying "it's all about claims," when you speak about captives. What do you mean by that?

What is the least sexy topic at a captive industry meeting? It's claims. Claims management, how to reserve, how to adjust a claim, how to go to RFP for defense counsel, how to manage the litigation process. If you want to clear the hall out fast in the captive industry meeting, announce you're having a seminar on claims. But ask yourself this, "What is the lifeblood of the captive movement, and what is the lifeblood of captives?" It is, in fact, the management of claims. At the end of the day, captives are great, huge claim paying mechanisms.

Assuming we're in a hard property and casualty insurance and reinsurance market, what effect is that having on the number of captives being formed?

I would say that we are not in a hard market but rather a course-correcting market. You're in a hard market when pricing deteriorates, when availability of limits deteriorates, but you're mostly in a hard market when you can't get it. We're not there yet. We're in a course-correcting market. The key here is understanding that captives are going to play an increasing role in this course-correcting market by doing something that they haven't done in a long time. That is, not replacing coverage but rather augmenting it. The way to augment the property and casualty insurance market is by using your captive insurance company. In a hardening course-correcting market, we're going to see a brand-new role for captives augmenting existing P/C coverages.

Michael Maglaras

President
Michael Maglaras & Company



"Captives flourish in these soft markets because when you get in the business of adjusting and managing your own claims, you don't want to go back."

Go to the Issues & Answers section at www.bestreview.com to watch an interview with Michael Maglaras.

Do you think there's a secret sauce that guarantees the superior performance of a captive over an extended period of time?

There is a secret sauce, and it is ownership engagement, period. I'm a business owner. I buy commercial insurance. Once I authorize that check to be signed to renew any of our commercial insurance programs, I'm an industry professional. If I had my insurance placed in a captive, and they're not large enough for me to do that, but if I did it, where would my mind be focused? My mind would be focused on, what's the premium I'm paying and what's the net retained risk I'm taking in my captive. My mind would be focused on looking at quarterly financial results on claims in reserve to be paid. The one thing about captives that make them so very different over time is it force functions ownerships' laserlike attention on that balance sheet.



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Collaborative Data Partnerships

Joe Stuhl, Executive Vice President, Broker Executive for Munich Re US, and Lara Mowery, Global Head of Distribution for Guy Carpenter, discuss how collaborative partnerships to co-create innovative data solutions are becoming a critical element of the insurance and reinsurance industry. Following are excerpts of an interview.



Joe Stuhl

Executive Vice President, Broker Executive, Munich Re US

Lara Mowery

Global Head of Distribution Guy Carpenter



Go to the Issues & Answers section at www.bestreview.com to watch the entire interview with Joe Stuhl and Lara Mowery.

What's the benefit of using standards for creating a data model?

Stuhl: When you think about the ways that we have historically done our business together, actually the process itself creates a lot of stress on the relationships. What I mean by that is the broker will work for many months putting together a submission with all this data. They send it to the reinsurance market. Then we, in turn, are trying to manipulate this data to fit into our own pricing models. This can take quite a bit of time and energy. Most times, we're going back to the broker with additional data requests. We may have missing information or pieces of information that we need for our models. The broker now has to go back to the client, a lot of times, and ask for additional data. If you multiply this by the number of markets they're sending the submission to and having to go back and forth with the client, that just creates stress in and of itself. It's just one point in the puzzle for how not having data standards creates an inefficient process.

How can we better leverage proprietary and public data to understand client needs and the changing nature of the risk that they're facing?

Stuhl: Historically, we've looked at the data the client gave us, and we looked at our own database. Increasingly, there are third-party vendors and other sources of public information that people are tapping into to better understand the exposure. You have to create a foundation for being able to do that and set yourself up to be able to feed that kind of information and enrich the data that you already have so that you're making better decisions, you're understanding your client better, and you're providing more value.

Mowery: There's an amazing amount of third-party data out there and available. There are some data sources that historically would have provided really good information, that weren't digitized and were stuck in places in manual files. How do you leverage that and gain access to that? More and more of that information is now available through different third-party data sources.

What will your workplace look like in the near future?

Stuhl: It's a great question. Certainly, it's going to be revolving around

data. I just see the evolution there of being much more data oriented. We're developing a lot of AI-type technologies to bring better insights into the risks that our clients are facing. Some of these risks, like cyber and climate change, may not really be able to be modeled in our traditional way, looking in the rearview mirror, so to speak. We may have to look at different data sets and be able to think differently about how we evaluate those risks.

Mowery: We have transitioned to a bit of a different focus in terms of taking the traditional broking role, taking the traditional actuarial and cat modeling roles and thinking about what new technologies or different ways of thinking about data science help to supplement and enhance all of that more traditional focus on the business. Still bringing that underlying expertise and knowledge but wanting to connect with some of the other disciplines that are out there and move forward in a slightly different way.

Munich Re has a strategic focus on working with our clients and brokers to understand their needs. Using these insights, along with our industry expertise, proprietary data and new technology, we look to continue to co-create innovative solutions with our broker partners that address the ever-changing needs in the marketplace.

SEAT OF POWER: The Tennessee Capitol sits on a hill in Nashville. Gov. Bill Lee recently signed a bill amending the state's captive insurance law.



Tennessee Cuts Capital Requirements for Protected Cell Captives

The amendments also will allow captives to write parametric coverage.

by Timothy Darragh

Recent updates to Tennessee's captive insurance statute reduce capital requirements for starting protected cell captives, among various amendments signed into law by Gov. Bill Lee.

The bill Lee signed, H.B. 767, reduces the statutory capital needed by protected cell captive insurers to commence operations from \$250,000 to \$100,000, according to the amended law.

“By reducing the minimum capital and surplus

needed to start protected cell captive insurance companies, Tennessee is sending a strong message that we value companies' freedom to invest their money to obtain the highest return on investment possible rather than allocate money in excess of what is needed to support the potential risk of insurance losses in their captive,” said Belinda Fortman, Tennessee Department of Commerce and Insurance Captive Sector director.

In a statement with the TDCI, Tennessee Captive Insurance Association President Kevin Doherty endorsed the amendments. “The TCIA supports the reduction in the minimum capital for protected

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

cell captives to \$100,000 and believes this will help to spur significant growth in cell captives in Tennessee,” he said.

In addition, the amendments will allow captives to write parametric coverage.

Doherty said the amendment would allow captives to offer parametric insurance in innovative ways to cover large numbers of insureds in natural disasters or other similar events.

Risk retention groups would not be allowed

to write parametric coverage, according to the amendment.

Tennessee’s captive insurance premium volume topped \$1.6 billion and the number of active captives increased to 146, the statement said. The state now is home to more than 750 risk-bearing entities, it said.

The wide-ranging insurance bill also expands the list of conditions that allow companies credit for reinsurance. BR

Best’s Rankings

Largest 30 Risk Retention Groups 2020 Ranked by Gross Premiums Written

(US\$ thousands)

Rank	AMB #	Company	State of Domicile	Gross Premiums Written
1	012014	MCIC Vermont (A RRRG)	Vermont	442,714
2	010768	United Educators Ins, a Reciprocal RRG	Vermont	291,826
3	014013	MedPro RRG Risk Retention Group	District Of Columbia	157,706
4	012419	Alliance of Nonprofits for Ins RRG, Inc.	Vermont	87,591
5	011256	ICI Mutual Insurance Company, a RRG	Vermont	78,885
6	076155	Applied Medico-Legal Solutions RRG, Inc.	Arizona	76,070
7	010010	American Contractors Insurance Co RRG	Texas	71,045
8	076172	Health Care Industry Liab Recip Ins RRG	District Of Columbia	63,600
9	010718	OMS National Insurance Company, RRG	Illinois	61,307
10	014310	Coverys RRG, Inc.	District Of Columbia	54,102
11	012165	Franklin Casualty Insurance Co RRG	Vermont	52,286
12	010844	Ophthalmic Mutual Insurance Co (A RRG)	Vermont	50,368
13	075375	Titan Insurance Company, Inc., A RRG	South Carolina	45,303
14	071152	Caring Communities, a Reciprocal RRG	District Of Columbia	43,160
15	071190	Healthcare Underwriting Company, a RRG	Vermont	41,424
16	075520	Comm Hosp Alt for Risk Transfer (A RRRG)	Vermont	41,047
17	010741	Housing Authority RRG, Inc.	Vermont	41,040
18	023408	Graph Insurance Group, a RRG, LLC	Vermont	38,191
19	022026	Lone Star Alliance, Inc., RRG	District Of Columbia	37,566
20	011056	Preferred Physicians Med RRG, Mut Ins Co	Missouri	33,258
21	076514	Geisinger Insurance Corporation, RRG	Vermont	31,644
22	013801	Preferred Contractors Ins Co RRG LLC	Montana	31,572
23	012270	American Excess Insurance Exch RRG	Vermont	30,625
24	011608	National Catholic RRG, Inc.	Vermont	29,971
25	011230	California Healthcare Ins Co, Inc. A RRG	Hawaii	29,196
26	075714	American Trucking & Transp Ins Co, a RRG	Montana	27,818
27	023017	National Transportation Ins Co RRG, LLC	Montana	24,209
28	076441	Allegiant Insurance Company, Inc., A RRG	Hawaii	24,200
29	014194	Broadline RRG Inc	Vermont	23,028
30	071155	New York Healthcare Ins Co, Inc., A RRG	District Of Columbia	22,592

Source: 



Cryptocurrency: Insurance Industry Tests the Waters With New Initiatives

Insurers explore whether decentralized finance may be a step they want to take with several placing initial markers in the space. Possibilities included making and taking payments, investments or even technological improvements. One key barrier to adoption: volatility.

by Terrence Dopp

Across the insurance industry—from life insurance to property/casualty, auto insurers to brokers—companies are taking their first steps into the realm of cryptocurrencies as they gain wider acceptance among both private and institutional investors. In some cases, that takes the form of letting customers pay premiums with digital coins, or it can mean paying claims with the currency when a driver gets in an accident.

It may also take the shape of investments and new business lines—as in institutions themselves putting money into the cryptocurrency market and insurers protecting so-called digital wallets against

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Key Points

Newness: Bitcoin was founded in 2009 as a unit of money that stands apart from the traditional financial systems backed by governments.

Movement: Over a decade of existence, cryptocurrencies have gone from the realm of outliers, criminals and hackers to the mainstream. A study by crypto exchange Gemini found 14% of U.S. adults hold cryptocurrencies.

Sticking Point: Unlike traditional fiat currencies, crypto can be volatile, open to wide swings requiring institutional investors and insurance companies to often transact business through third-party exchanges.

hacking or theft. And there's the technology itself: The currencies are based on blockchains, which embed information at every step and offer new levels of claims processing and efficiency.

As digital currencies such as Bitcoin and Ethereum enter the mainstream, those in the

“As more and more financial institutions are starting to adopt crypto as a payment service or even trading these currencies, then there is more of an onus for large players such as Aon within this space to cater to that demand.”

Benjamin Peach
Aon plc



industry like Benjamin Peach, who helps oversee digital assets for mega-brokerage Aon plc, want to try and get in on the action.

In the case of Aon, the professional service organization focused on risk, retirement and health has partnered with Nayms, to build extra capacity and product offerings in the insurance market for digital asset risks.

Peach, associate director and digital assets specialist with the Global Broking Centre at Aon, said the end-goal is creating a platform in which crypto risks can be priced and underwritten in the digital currencies being insured.

“As more and more financial institutions are starting to adopt crypto as a payment service or even trading these currencies, then there is more of an onus for large players such as Aon within this space to cater to that demand,” he said. “We need to make certain that we are servicing our clients to the best of our ability and part of that is developing and looking at new opportunities for transfer of risk.”

At their root, cryptos are digital-based units of currency either used in lieu of traditional, government-backed fiat currencies like the U.S. dollar, or held as an investment like any foreign exchange currency. There are several led by the likes of Bitcoin and Ethereum, and culling that to a front-runner is seen as one impediment to adoption.

A key difference from fiat currencies is that cryptos—a class of currencies sometimes referred to as “decentralized finance” due to lack of a central bank—exist in a purely digital realm. And there can be volatility: A Bitcoin’s value dropped as much as 50% in June from its high of \$60,000.

Peach said financial lines and the market for cyber insurance are natural first fits for a test run of crypto-based insurance. “They’re new lines of

business when you look at the history of insurance products, which continuously need to innovate to keep up with industry demands,” he said. “Both lines of businesses can offer comprehensive risk mitigation for a digital asset company.”

According to Gemini, a crypto exchange, an estimated 21.2 million U.S. adults, or roughly 14%, own some form of crypto, and there is demand for more.

Taking Steps

Metromile Inc., the pay-per-mile auto insurer whose entrance into the industry promised to meld technology and insurance, recently said it would begin a pilot program of allowing its customers to pay premiums and receive claims payouts in cryptocurrency. The company also bought \$10 million in Bitcoin for its general accounts.

NYDIG, a facilitator of crypto assets for institutional investors, in April raised \$100 million from partners including Starr Insurance and Liberty Mutual Insurance.

As more mature insurers look to work cryptocurrency into existing business models, Evertas—known as BlockRe until a February rebranding—is one example of a new company looking to build operations from the ground up. The firm will cover institutional holders of crypto assets and plans to focus initially on covering the theft of the private keys that underline ownership of a crypto asset. It has raised almost \$5.8 million in seed funding.

J. Gdanski, founder and chief executive of Evertas, said the company partners with incumbent insurers and provides a “bridge” to a burgeoning part of the financial sector that’s only going to grow in terms of assets and importance. The firm

Insurance Crypto Movers

A growing list of companies have claimed to make first-of-the-kind moves in the cryptocurrency realm.

Metromile Inc.

- Pay-per-mile auto insurer.
- Purchased \$10 million worth of Bitcoin and announced plans to begin allowing its customers to pay premiums and receive claims payouts in cryptocurrency.

Universal Fire & Casualty Insurance Co.

- Michigan-based multiline property/casualty insurer.
- Accepts several different cryptocurrencies including Bitcoin, Ethereum, Bitcoin Cash and Litecoin for premium payments for direct online license and permit bonds and other surety bond products.

Aon plc

- The second-largest global broker.
- Partnering with Nayms to build extra capacity and product offerings in the insurance market for digital asset risks with the goal of creating a platform to price and underwrite crypto risks in the digital currencies being insured. Bermuda-based ReIm Insurance Ltd. will serve as underwriter.

NYDIG Inc.

- A New York-based provider of technology and investment solutions for Bitcoin.
- Raised \$100 million in growth capital from a roster of partners that included Starr Insurance, Liberty Mutual Insurance, and others, joining previous life insurance and annuity-centered partners MassMutual and New York Life.

cites a lack of capacity as the biggest issue holding back the wider adoption of crypto.

“We are solving the last major infrastructure problem for the crypto industry which is a lack of insurance, and simultaneously we’re pioneering the first new risk since cyber for the traditional insurance industry,” Gdanski said. “You have incumbents who are ignoring something because they think it’s too niche or too risky or not ready for prime time—none of which is correct at this point—and by the time they realize they want or need to address this market, it’s too late.”

Rick Chen, a Metromile spokesman, said the company’s flagship offering was based around the idea of giving drivers more choice in the manner in which they secure coverage. Using Bitcoin and other cryptos is a response to consumer demand and is an extension of that, he said.

While the company’s pilot program had yet to begin taking any payments, as of press time he said initial indicators looked good and demand was growing. As a way to prove just how mainstream the once-fringe currency has become, he points to the inclusion of coins on U.S. tax forms. Insurance companies have so far used blockchain technology to handle claims and operations, but the adoption of the actual currency is still a new frontier.

“We see ourselves as a digital insurance platform,” he said. “We believe that supporting Bitcoin, or any cryptocurrency in this decentralized finance movement, is an extension of that—more choice. That’s the primary reason we wanted to adopt this.”

The underlying technology also offers insurers promise through things like potentially enabling smart contracts and claims handling on the Ethereum blockchain that will improve back-office functions, Chen said.

Metromile, unlike other insurers who have announced plans to accept payment in Bitcoin and then have it immediately converted to fiat currencies, will deal in crypto on its own book. Because the program is new, Chen said results aren’t yet available.

“We plan to take your Bitcoin one-for-one,” Chen said. “Eventually, we have it in a part of our store on our book and we can also then use that to make these claims payments in Bitcoin or, even in the future, other cryptocurrency.”

For all of the volatility inherent in the class, there have also been many investors who have made a lot of money in decentralized finance through early investments that have paid multiples. The moves into the space are in many ways a chance for insurers to tap into that growth and let people spend a bit of those profits.

And in coming years, Peach said, individuals and consumers will have a choice: Either pay for goods and services through government-backed currencies that may well be on blockchain and cash-free, or in a decentralized currency.

“Let’s say you bought Ethereum in 2014. It’s actually way more cost effective for you to part with a small amount of that in 20 years when it’s at a much higher price,” he said. “That’s a nice problem to have.”

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Cryptocurrency Opens New Frontier For Life Insurers

Life insurers, led by MassMutual, are taking steps to enter the oft-tumultuous world of cryptocurrencies like Bitcoin and Ethereum as they move out of the shadows and into the mainstream.

by Terrence Dopp

If there's one corner of the U.S. financial system where predictability is a virtue, where volatility is largely to be avoided, it's life insurance.

Policies are a long game in the industry, and along with its sibling-business annuities they are based on the idea of measured returns in exchange for stability.

Then there's the emerging cryptocurrency space, where a tweet from billionaire Elon Musk can move values and headlines proclaim the ups and downs on a near-daily basis. It conjures up images of cyberpunks out to usurp monetary systems, the tech world and hipsters that either made it rich on a well-timed play or found themselves on the wrong end of a bet.

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

Key Points

Newness: The centuries-old life insurance industry has found itself taking initial positions in crypto, which has only been around since 2009 and was envisioned as a way to gain independence from traditional financial systems.

Rationale: As cryptocurrencies become more prevalent, insurers will need to figure out their place either as an investment or a form of payment—or both—and how they can benefit from the underlying technology.

Volatility: The wide and rapid swings of digital tokens like Bitcoin will prove to be an impediment as they move to wider adoption.

Yet the two are moving closer, and some life insurers are dipping their toes into the crypto waters.

Massachusetts Mutual Life Insurance Co. announced late last year it had taken a \$5 million equity stake in NYDIG, a firm providing institutional investment and technology solutions for Bitcoin, as well as purchased \$100 million in



Bitcoin for its general investment account through NYDIG. The insurer will hold its position on NYDIG's custody platform, which NYDIG touts as secure, audited and insured.

"I think it's fair to say that it's both on the product side as well as the economic side," said Eric Partlan, head of portfolio management at MassMutual. "It's really what are our policyowners and the market are asking for."

Partlan said that by staking a claim in NYDIG, the company is able to stay involved in both the asset class and the functional aspects of Bitcoin.

"In NYDIG, we have the ownership stake both because they custody our assets but we also believe that over the longer term they will grow their custodial capacities and they will grow their asset management capacities, which both from an investment standpoint is great for MassMutual and the policyowners," he said.

A NYDIG spokesman declined to comment beyond the initial announcement.

NYDIG in April said it had raised \$100 million in additional growth capital from a roster of partners that included property and casualty-focused insurers Starr Insurance and Liberty Mutual Insurance. Along with MassMutual, other life insurance and annuity-centered partners have included New York Life.

Ted Mathas, chairman and chief executive officer of New York Life Insurance Co., in March was appointed to NYDIG's board of directors in addition to his company taking a financial position. The exchange at the time cited his experience as helpful to growing its Investor Solutions business, while Mathas said crypto is an emerging component of the insurance business and institutional finance.

Money/Not Money

A quick primer: A cryptocurrency is essentially a digital-based unit of money that can be used to buy or sell goods. It also can be held as an investment

"I think it's fair to say that it's both on the product side as well as the economic side. It's really what are our policyholders and the market are asking for."

Eric Partlan
Massachusetts Mutual Life Insurance Co.





“There’s a lot of people who believe that it works on both sides. It could be potentially an asset class but it could also be useful in certain product lines and certain administrative, data-gathering functions. I think it’s got multiple applications by its very nature.”

Rosemarie Mirabella
AM Best

like any foreign exchange currency. Rather than one single digital currency, there are several, led by the likes of Bitcoin and Ethereum.

For life insurers, cryptocurrency—or simply crypto—can be viewed as either an investment or a means of taking and receiving payments. The underlying technology also offers promise from an operational standpoint, making the promise very real for insurers on several levels. Whittling them down to a standard one or two cryptocurrencies is likely to be crucial for wider adoption in insurance.

“There are a lot of people who believe that it works on both sides,” said AM Best Director Rosemarie Mirabella. “It could be potentially an asset class but it could also be useful in certain product lines and certain administrative, data-gathering functions. I think it’s got multiple applications by its very nature.”

Where crypto differs from the more traditional fiat currencies offered by governments is it exists in a purely digital realm, with no physical bills and coins to fill up your pockets. Also, digital information packets or blockchains detail each step the coins take as they are traded.

There’s also a fundamental split on another level in that some involved in the industry view crypto as a monetary replacement while others see it becoming a safe-haven asset like gold.

While movements in the U.S. dollar or the euro can be modest, cryptocurrency can see larger swings. In June, Bitcoin, for instance, fell below \$30,000 for the first time since the beginning of the year after hitting a high of \$60,000 in April. The drop came after the Chinese government said it would continue a crackdown on the so-called mining of the coins involving processing massive amounts of data to create new units, which the country has sought to curb because of its massive power use, CNBC reported.

Tom Rosendale, an AM Best senior director, says the wider adoption of cryptos faces a headwind in the life insurance market because they are seen as too speculative to serve as an investment. At the same time, he said, there’s also a risk in taking them as payment because their values may shift before a company converts the digital coin.

“Typically, insurance companies don’t invest in currency for the most part,” he said. “They hedge currency risk but they don’t really view currency so much as an investment along the same lines as the other investments they use to back liabilities. The potential volatility of cryptocurrency is so large it’s kind of hard to make a case for investing any material amount in anything like that.”

At the same time cryptocurrency is new to the insurance world, it’s also relatively new to the wider world as well. Bitcoin, often viewed as the first digital currency, was launched in 2009 following the financial crisis that wreaked havoc on currencies worldwide.

It’s come a long way from its roots as a disruptor that looked to be the territory of people like criminals and those looking to make an end run around financial systems. In fact, one might even say it’s brushing up against the mainstream: NYDIG, MassMutual’s partner, in May estimated 46 million Americans own at least a share of Bitcoin and half of all people with life insurance have some.

Baby Steps

John Ruth, co-founder and chief executive officer of Build Asset Management, an asset management firm focused on fixed income and options strategies, said long-term institutional investors such as retirement plans and insurers are starting to take “infant-sized” steps into the crypto world for a number of reasons including staying abreast of markets and gaining the operational benefits offered by blockchains.

He’s also noticed another word creeping into the popular vernacular for the first time in a while: inflation.

Ruth said crypto could provide an alternative to the “hot printing presses,” or so-called easy-money policies that governments have doubled—or even tripled—down on since the financial crisis. He also cited the effect of the COVID-19 pandemic prompting governments around the world to enact massive stimulus plans to goose their economies.

Crypto’s finite supply of coins could help the

currency overcome its traditional weakness of volatility, Ruth said.

“The I-word had not entered conversations that often in the prior 10 years, but it’s leading through the door in some of the meetings we’re having,” Ruth said. “That’s creating this gold alternative narrative. That’s why this is being viewed by some, especially in the institutional space, as an inflationary protection item. It’s a stored value item.”

Partlan, of MassMutual, said the days of any crypto being common in the life insurance market are still far off. He chalks this up to newness—to date, the space has been the province of individual investors, and as it moves into the institutional realm, companies are just beginning to figure out issues such as accounting procedures, regulatory needs and compliance and issues of taxation.

“It doesn’t just have an ETF so you have to make sure it’s held somewhere you’re comfortable holding it and that physical security is there,” he said. BR

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New Reinsurers Enter the Market Amid a Rise in Innovation, Abundant Capital and a Market-Changing Pandemic

Startups have found a home in well-established reinsurance hubs as well as emerging locales.

by Lori Chordas

A number of new reinsurers have been launched in various parts of the world over the last year, helped by hardening market conditions and an influx of new capital.

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

Key Points

New Addition: Over the past several months, there has been a rise in the number of reinsurers created across the globe.

Much in Common: Many of those new companies are focusing on specialty coverages and also are operating as primary insurers.

The Road Ahead: While companies and investors will continue to make a home in the market, some industry experts expect the trend to create new reinsurance operations to slow down a bit in the coming months.

The market-changing pandemic has brought new attention to reinsurance, “driving the perception of risk and availability of capital on its head and creating an opportunity for new companies to be formed.”

David Priebe
Guy Carpenter



They range from a company controlled by a global technology provider of games and social networking to startups in emerging countries looking to improve the region’s access to reinsurance. They’re among a growing list of players putting down digital roots in the reinsurance sector.

They’re taking advantage of a greater use of innovation and technology, and many are focused on specialty lines and operate also as primary insurers.

Some of the new entrants include FuSure Reinsurance, Nectaris Re and SiriusPoint Ltd. Africa Specialty Risks, a managing general agent sourcing capacity for African insurance and reinsurance risks, also was launched last year.

Bermuda-based reinsurance company Canopus Reinsurance, meanwhile, was granted a Class 4 Reinsurer license earlier this year by the Bermuda Monetary Authority. Canopus said the reclassification will significantly extend Canopus Re’s scope, enabling it to increase gross written premiums and write more third-party risks. The reinsurer will initially be focused on third-party property/casualty business, reflecting the opportunities created by the improving rate environment. Canopus Re currently has a Best’s Financial Strength Rating of A- (Excellent).

Other new reinsurers such as Conduit Re and Vantage Risk also were started in late 2020. Conduit raised about \$1.10 billion in an initial offering on the London Stock Exchange in December and the company booked about \$160 million in gross written premiums during the January renewal season. The company has a Best’s Financial Strength Rating of A- (Excellent).

Industry veterans Dinos Iordanou, the former

CEO of Arch Capital Group, and former Axa XL CEO Greg Hendrick last year formed Vantage Risk, a Bermuda-based private equity-backed insurer and reinsurer. Vantage’s rated entity, Vantage Risk Ltd., has a current Best’s Financial Strength Rating of A- (Excellent). Private equity firms Carlyle Group and Hellman & Friedman, together with management, invested \$1 billion of equity capital in Vantage, with the potential to increase their investment as growth opportunities arise, the company said at the time.

Some of the new startups are being led by seasoned management teams “who are happy to be coming into the sector with fresh balance sheets and no legacy issues to contend with,” said Guy Carpenter Global Chairman David Priebe.

London-based specialty (re)insurer Convex Group Ltd. was formed in 2019 with \$1.7 billion of committed capital and run by Stephen Catlin, the founder and former CEO of Catlin Group, which was later acquired by XL Group. Convex in November said it had commitments for an additional \$1 billion of capital. Underwriting entities of Convex Group currently have a Best’s Financial Strength Rating of A- (Excellent).

Over the past 18 months, the market-changing pandemic has brought new attention to reinsurance, “driving the perception of risk and availability of capital on its head and creating an opportunity for new companies to be formed,” Priebe said.

Carlos Wong-Fupuy, a senior director of global reinsurance ratings at AM Best, said the companies’ recent foray into reinsurance comes as a bit of a surprise “given that insurance-linked securities have given third-party capital an efficient way to move in and out of the sector.”

But that capital has typically focused on widely modeled property catastrophe exposures, he said, “and the opportunities presented by the current hardening market reach into much broader exposures, with U.S. casualty being an obvious example.”

In the coming months, Priebe expects the rise of reinsurance startups to continue, albeit at a much slower pace. “We’re now seeing that level of activity starting to level off a bit, and companies now considering entering the market will likely do so in very niche areas,” he said.

However, a greater focus on advanced technologies and data analytics and the continued flow of capital into the industry, Priebe said, will bring about many opportunities in reinsurance and open the door for companies and investors who may one day seek a home in the sector.

Priebe said they will create what he calls “a new breed of reinsurers” that will leverage new technologies to deliver more innovation and better risk selection at a lower cost.

Best’s Review took a closer look at four startups that recently stepped into the market.

Africa Specialty Risks

Africa Specialty Risks was launched last year by Africa-focused private investment firm Helios Investment Partners in partnership with Mikir Shah, former CEO of Axa Africa Specialty Risks, and Bryan Howett, former CEO of Old Mutual’s pan-African reinsurance operations. Earlier this year, Africa Specialty Risks launched a fully capitalized and licensed reinsurer in Mauritius to meet the needs of the African continent.

Souleymane Ba, a partner at Helios, noted that there’s been a sustained lack of adequate insurance capacity across Africa, which was further exacerbated by COVID-19 as global reinsurance providers focused on their home markets. “ASR has been established to address this gap by providing specialist risk mitigation products which companies and capital providers operating in Africa have found difficult to access to date,” he said in a statement on the launch of ASR.

Africa Specialty Risks offers property, construction, political risk, trade credit, energy, liability, PVT (political violence and terrorism) and parametric reinsurance solutions.

Ba said the reinsurance startup has secured a

multiyear binder capacity of up to \$25 million per risk through a partnership with India’s GIC Re and annual capacity from Hong Kong-based Peak Re. That was supported and completed with the help of Aon.

In addition to its operation in Mauritius, which Ba said is quickly evolving into a well-established financial services and investments hub in Africa, Africa Specialty Risks plans to create business development hubs in six other nations across the continent, including Morocco, Kenya, South Africa, Ivory Coast, Egypt and Nigeria.

Substantial natural resources, a young and growing population and the gradual development of regulatory regimes are expected to drive continued growth potential in sub-Saharan reinsurance markets, according to a 2020 Best’s Market Segment Report, *Tough Operating Conditions Present Challenges for Sub-Saharan Reinsurance Markets*.

FuSure Reinsurance Co. Ltd.

FuSure Reinsurance Co. Ltd., a joint venture controlled by Chinese tech giant Tencent, is a startup licensed as a general professional reinsurer and headquartered in Hong Kong. The company, with an initial capitalization of about \$129 million (\$1 billion HKD), is 85.01% owned by Tencent and 14.99% owned by Grand Azure Ltd., a privately owned investment company, according to AM Best.

AM Best assigned FuSure a Best’s Financial Strength Rating of A- (Excellent) in June, saying it assesses FuSure’s balance sheet as very strong. It said the AM Best rating also reflects the implicit and explicit support from its parent, Tencent.

Tencent is a global technology provider of games, social networking, music, web portals, fintech and e-commerce solutions. Tencent also has an insurance platform through WeSure Insurance Ltd., which the company said has a user base of over 55 million and has insured more than 25 million users.

Since its launch, FuSure has been largely focused on health reinsurance in Greater China; however, according to AM Best, it plans to eventually diversify into other lines and geographies.

AM Best said FuSure expects to build its market presence by sourcing most of its premium revenue through Tencent’s established insurance client network. FuSure said it aims to bring the

technology and innovation expertise of its parent company to Hong Kong and global insurers, which AM Best expects could lead to competitive advantages for the company in product design and pricing sophistication.

In recent years, technology conglomerates like Tencent have started owning large tracts of the insurance risk-to-capital market chain, “as they have origination nailed through their broad customer relationships and technology,” according to an article by Artemis.

Artemis said now that much of the chain is completed and owned with reinsurance capital access secured through FuSure, it will allow Tencent to “innovate far more rapidly, secure in the knowledge that it has access to reinsurance capital and that this can be efficiently deployed as needed to support Tencent’s growing interests in the insurance space.”

Nectaris Re

Horseshoe Re received regulatory approval in principle in September 2020 from the Bermuda Monetary Authority to establish Nectaris Re, a Class 3A reinsurer.

Nectaris Re, domiciled in Bermuda, was assigned a Best’s Financial Strength Rating of A (Excellent) earlier this year.

According to AM Best, the company’s business strategy is to retrocede all of its business to Horseshoe Re II Ltd. segregated accounts company with cells that are funded by insurance-linked securities funds managed by Leadenhall Capital Partners, a subsidiary of Mitsui Sumitomo Insurance Co.

The startup writes predominantly property catastrophe reinsurance contracts and some casualty and marine risk. Its pricing strategy is to focus on underwriting profits, not on asset returns, according to AM Best.

ILS managers have, in recent years, expanded their underwriting infrastructure, with some opting to move beyond using fronting or transformer service providers by owning or backing independent reinsurance platforms, according to Artemis. Leadenhall, however, has been using its partner MS Amlin to provide a rated front for many of its transactions, Artemis said.

Artemis said it expects Nectaris Re to provide Leadenhall greater options and a more efficient

way to manage capital and collateral on behalf of its investors and counterparts.

SiriusPoint Ltd.

With more than \$3 billion of initial capital in hand, Bermuda-based global reinsurer and insurer SiriusPoint Ltd. was launched in February following the merger of specialty reinsurer Third Point Reinsurance and Sirius International Insurance Group Ltd., a global multi-line insurer and reinsurer, in a cash-and-stock deal valued at nearly \$788 million.

SiriusPoint Chairman and CEO Sid Sankaran said in a statement the “strategic union of the two highly complementary organizations” is an opportunity to leverage the companies’ combined strengths and “refocus our organization on profitability, innovative partnerships and solutions.”

Prior to the merger, Third Point owned two insurance subsidiaries—Third Point Reinsurance Co., a Class 4 Bermuda reinsurer in the market since 2012, and Third Point Reinsurance (USA) Ltd., which began writing business on the island in 2015, according to AM Best. Sirius International Insurance Group operated under three main subsidiaries—each of which has now been rebranded under SiriusPoint.

Rated operating subsidiaries of SiriusPoint Ltd. have a current Best’s Financial Strength Rating of A- (Excellent).

Sankaran in a May conference call said the company still sees itself as a startup company and a member of the Class of 2020 despite having 75 years of relationships. Sankaran said the midsized specialty (re)insurer’s wide-reaching global footprint, along with its “ability to be nimble and responsive,” will differentiate it from other reinsurers in the market. He also said he expects SiriusPoint to drive technology innovation and become a disruptive force in the industry. The group, Sankaran noted, is built around a global platform that provides insurance and reinsurance solutions services to clients and brokers in nearly 150 countries with access to admitted and non-admitted paper in Europe, the U.S., Bermuda and Lloyd’s.

SiriusPoint writes a diverse worldwide portfolio of business including life, accident and health, property, marine and energy, casualty, aviation and space, and credit and bond. It also offers runoff solutions.

BR

Insurtechs' Innovation, Big Data Catch the Attention of Reinsurers

Reinsurers are benefiting from rapid access to insurtechs' high-quality data.

by Marie Suszynski

As an insurtech, auto insurer Root uses driving data through an app its customers download to their phones. Root then monitors insureds' driving behavior, including whether they're being distracted by texts, how gently they turn, their acceleration, and how smoothly they brake.

"There's so much data that can be captured on a mobile phone" using the sensors in the phone that come standard, said Isaac Espinoza, head of reinsurance at Root. "We capture massive amounts of data that reinsurers really value because they didn't have a window into that previously."

Root also collected data on the percentage of reduced driving that took place during the COVID-19 pandemic simply by tracking mileage and shared the data with reinsurers.

Across the board, global reinsurers are showing increased interest in working with insurtech companies to better understand emerging risks, according to Carlos Wong-Fupuy, AM Best's senior director of global insurance ratings, who, like Espinoza and a lineup of executives, participated in

an InsurTech Live panel discussion in May.

It's important for companies to remain relevant, and "we're seeing interest in innovations and insurtechs all across the board," Wong-Fupuy said during the discussion, which focused on the increasing prominence of insurtechs in the reinsurance industry. The largest global reinsurers have specialized units that look at the potential solutions and monitor them closely, he said.

Innovation is the focus of a new criteria piece AM Best is using during its formal rating process. During rating meetings, AM Best analysts are having separate discussions on how innovation initiatives are being managed. "We're quite positive in that respect," Wong-Fupuy said.

Wong-Fupuy, who is actively involved in AM Best's rating process for the world's largest reinsurers, oversees a team of AM Best analysts responsible for the financial ratings of global reinsurance organizations covering the United States, Bermuda and European markets.

AM Best sees segments such as automobile, health and reinsurance as most likely to find leading positions in innovation. They don't have to undertake massive projects, Wong-Fupuy said. Even small initiatives can bring value. "The important

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thing is that there is input from different parts of the organizations,” he added.

Insurtechs use technology innovation to capture high-quality data that helps their businesses and makes them more attractive to reinsurers.

“One of the things that’s exciting for reinsurers about startups is the quality of data and how much they know about their book,” said Jerad Leigh, co-founder and CEO of Supercede, a company that created a platform for reinsurers. Supercede cleanses cedent data and trades it to reinsurers via its platform.

That rich set of data is something reinsurers, who are actuarial heavy, can appreciate. Insurtechs are also transparent with the data they share—another thing reinsurers have been receptive to, Espinoza said during the InsurTech Live discussion.

“They like that we’re nimble, we’re accessing big data, we’re focused on customer experience—a lot of things we think are the future and we’re heading in the right direction,” he said.

The better-quality data insurtechs offer is an important benefit. Traditionally, the data reinsurers received can have challenges, such as missing information or it may be formatted in ways that aren’t easily digestible. Supercede built tools to help solve those issues.

“But I think reinsurers are getting really excited for a future world where the core client data is profoundly better,” Leigh said.

Also, the speed at which insurtechs share the data is a plus. Reinsurers have the potential to interpret the data insurtechs offer, combine them with their modeling capabilities, and use it to price and develop terms and conditions for their reinsurance agreements at a speed not normally seen with traditional insurers, Wong-Fupuy said.

“The added value that insurtechs can provide is agility, with how quickly that information is gathered and how granular the information can be,” he said.

Timeliness is important, since reinsurers sometimes learn about losses nine months later when the claims start coming in, according to Frank Perkins, chief executive officer and co-founder of INARI, which offers a cloud-based blockchain platform.

The technology provided by insurtechs means reinsurers can receive that information in nine seconds rather than nine months. Combined with

the transparency of the data, insurtechs are able to create a foundational relationship with insurers, Perkins said.

The companies can also use the data to show how they’re improving their businesses. After making changes to its business, insurtechs can show how the data is evolving to represent a shift in the book, Leigh added.

An Explosion of Growth

The term insurtech began being used about five years ago, according to Espinoza. At the time, only a few companies fell into the category and, combined, they ceded perhaps up to \$100 million to reinsurers. Today, insurtechs are easily ceding \$1 billion, he said. They include well-known companies such as Root, Lemonade, Metromile, Hippo and Next—along with newer companies.

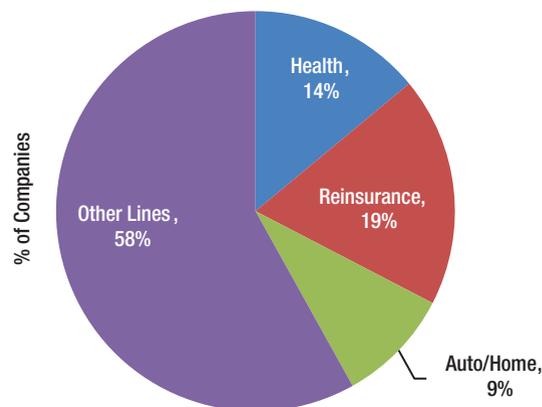
“I expect this area to grow quite a bit and be a huge part of the reinsurance industry going forward,” Espinoza said.

Insurtechs offer a way for reinsurers to remain relevant, Wong-Fupuy said, but like any startup, there are issues about costs and their financial viability. Innovation has to be translated into financial results.

Profitability has been elusive for many property/casualty insurtechs, *BestWeek* reported in May. Although Farmers Group subsidiary Toggle posted an annual profit in 2020, several other insurtechs posted net losses.

Espinoza pointed to insurtechs’ growth rates, which are much higher than traditional carriers, and their higher loss ratios. Significant growth is

Lines of Business Most Transformed by Innovation



Source: AM Best data and research



“The added value that insurtechs can provide is agility, with how quickly that information is gathered and how granular the information can be.”

Carlos Wong-Fupuy
AM Best

usually associated with poor performance or more aggressive pricing and gaining of market share. As a result, insurtechs tend to have higher loss ratios and expense ratios, and their combined ratios can suffer, he said.

Those key metrics run higher for several reasons. Insurtechs that are growing rapidly have a heavier portion of their book classified as new business, which usually brings with it a penalty on the loss ratio side, he explained. Also, expenses are higher because the companies are still making investments in their brand and are working on distribution and building a following. They also have large up-front investments in technology.

Because of this dynamic, the mindset among insurtechs is vital. “When you’re innovating, it’s sometimes new territory,” Perkins noted. “You need to have a fail fast mentality.”

Wong-Fupuy said that, as part of their rating meetings, analysts give (re)insurers the opportunity to discuss their innovation initiatives and to talk about what hasn’t been successful and what they’ve learned from it. When partnering with insurtechs, reinsurers want to be there for the medium to long term with a business that’s viable.

“There has to be trust and there has to be confidence. The reinsurer, in the end, will need to have some control over the quality of that business,” Wong-Fupuy said.

Finding the right balance between remaining relevant and watching the long-term transformation of the business turn sustainable profits are what reinsurers are looking for, he said.

Insurtechs have left a mark on the insurance industry. While the industry tends to be cautious and moves slowly when it comes to major changes, insurtechs have pushed advances in technology to

the forefront, according to *Best’s Special Report DTC: Expanding Distribution and Seeking Opportunities*.

The report called insurtechs a catalyst for transforming the industry by bringing technological advancements and an expectation among consumers about how to do business.

New insurtech entrants are driving competition and innovation, according to *Best’s Special Report Reinsurance, Autos, and Health the Most Innovative Lines of Business*. Many insurtechs are being launched to help solve legacy problems, such as operational efficiency, underwriting distribution and claims functions.

Reinsurers provide instant credibility to insurtech startups when they invest in them, according to the report. When reinsurers back startups, those companies quickly gain traction and scale, outpacing their peers.

Over the last several months, investments have been flowing to insurtechs as they continue to grow. Cyber managing general agent Coalition recently announced that it had raised \$175 million to spur growth and expansion. In May, Parametrix Insurance said it raised \$17.5 million to expand the reach of its IT downtime products, which protect businesses from significant financial damages during outages caused by third parties.

Also, managing general agent Corvus, which covers cyber risks, said in March that it had raised \$100 million in a Series C round. Also in March, Counterpart said it had raised \$10 million to expand its management liability insurance platform.

Globally, insurtech investment reached an all-time high during the first quarter of 2021. Willis Towers Watson reported global investment in the sector reached \$2.55 billion during the quarter. **BR**



Advocates for Pandemic Backstops Face Task of Convincing Policymakers

The insurance industry wants a government-assisted business interruption gap fix before the next pandemic hits.

by Frank Klimko

Industry-sponsored proposals for creating government pandemic backstops to fix the business-interruption protection gap have been received coolly by policymakers and lawmakers, whose attention is concentrated on managing the current crisis rather than preparing for the next one, according to observers.

As the COVID-19 virus emerged last year and upended the global economy, industry groups from around the world eagerly proposed a wave of partnership programs to create publicly funded backstop efforts. Although too late for the current pandemic, industry groups noted a palpable sense of urgency to develop a government-assisted BI gap fix before the next one.

For most of the last half of 2020, public-

private partnerships were tendered worldwide, in the United States, the United Kingdom, France, Germany and Switzerland. Most entailed some sort of government buy-in and provisions that would make parts or all of the cover mandatory.

Proposals include:

- A bill in the U.S. Congress that would cover most additional losses.
- A U.S. industry proposal that would cover benefits and expenses for three months.
- A Zurich North America “concept” permitting insurers to cede 100% of the risk back to the federal government.
- A Chubb North America option, the Pandemic Business Interruption Program, includes a \$750 billion program for small businesses that provides an immediate cash infusion when a pandemic is declared.
- A German proposal allowing capital to be

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accumulated two different ways.

- A French exceptional catastrophes program that would extend beyond BI losses.
- Lloyd's three different programs to tackle future pandemic losses.

None has moved, undermined by what observers say is a confluence of poor timing—because governments are still preoccupied by the existing crisis—and the lack of political will to force a new assessment on businesses still struggling to recover from COVID-19.

“The costs and benefits of insurance coverage mechanisms, which would require large financing from member states, and possibly even a direct role from the European Union, should be evaluated very carefully,” said John Berrigan, director general, European Commission. Policymakers also must consider an “evaluation possibly of the insurance sector itself to participate in such partnerships.”

Peter Caminiti, vice president and property technical director for Zurich North America, said the world governments' overarching sense of caution is well deserved. “It's really about to make sure we get it right. And, I think we are moving at a speed appropriate for us to learn,” he said. “Again, it's not over.

“We are in a much better place here in the U.S. than we were four months ago, but there are many around the world that are right in the throes,” he said. “The next pandemic may look nothing like this pandemic. So we need to make sure that we don't have a bias (based on current events) as we think about the solutions.”

Last year, the company offered a “concept” based on the Federal Crop Insurance Program. Insurers could cede 100% of the risk back to the federal government, while others could keep a portion of the risk as they got comfortable with the program. The plan would be a dynamic one, changing with the demands of the marketplace and would include some sort of mandatory participation.

Jerome Haegeli, group chief economist at Swiss Re, said it's important to recognize the dynamics of the COVID-19 pandemic and realize it will happen again. “COVID-19 was not a Black Swan event. It was due to happen, as it happened in the past. The long-term global economic environment is a very uncertain one,” Haegeli said.

For a pandemic shock, where governments

order shutdowns, there's no way the insurance industry alone can absorb the shock of an uninsurable event, he said.

“The U.S. P&C industry as a whole has about \$850 billion in capital,” Haegeli said. “If you look at the revenues of U.S. small businesses, their revenue is \$400 billion a month. There is no way the insurance industry can (indemnify) without public sector support.”

US Response

In the United States, some lawmakers coalesced around H.R. 7011, the Pandemic Risk Insurance Act of 2020 that was introduced by U.S. Rep. Carolyn Maloney, D-N.Y. It would create the Pandemic Risk Reinsurance Program.

The program would cover 95% of additional losses up to \$500 billion in a single year, with the remaining 5% spread among insurers. There is a \$750 billion cap on federal compensation. Any losses above \$750 billion would be the responsibility of private carriers. The bill has not received a vote in the House.

Sen. Kyrsten Sinema, D-Ariz., recently unveiled a bipartisan pandemic risk working group in the Senate. But there is no word whether the group supports Maloney's bill or something else.

U.S. insurance industry representatives advocated for their alternative proposal, the Business Continuity Protection Program. The BCPP would provide business revenue-replacement assistance that would reimburse up to 80% of payroll, benefits and expenses for three months. It would be managed by the Federal Emergency Management Agency. It is not an insurance product.

A Chubb North America option—the Pandemic Business Interruption Program—also has not been implemented. It includes a \$750 billion program for small businesses that provides an immediate cash infusion when a pandemic is declared, and a separate voluntary \$400 billion program for medium and large businesses, with losses paid through the industry's traditional claims-adjudication process.

Public-Private Partnerships Around the World

Germany

A German Insurance Association working group last year developed a public-private model that would mitigate future economic losses

from a pandemic. The association examined two possible models. One would build up capital via flat-rate levies and a second with a sliding scale of participation. Limited progress has been made in getting the government to move on either German model, the GIA said.

The association hopes things will pick up later this year after national elections in the fall.

France

French insurers worked to create a new program for exceptional catastrophes, CATEX (which is unrelated to the U.S. platform by the same name). Under the proposed scheme, insurers would provide €2 billion (US\$2.38 billion) of coverage per year for small businesses obligated to close due to government mandate, with the government stepping in beyond that via state reinsurer CCR. The program is not limited to pandemic shutdowns.

The coverage would be built into either fire coverage, which is mandated for businesses, or business interruption coverage.

However, Bruno Le Maire, French Minister of Economy, Finance and Recovery, in December said he would not move forward with CATEX out of fear of further disrupting already stressed-out small and medium-sized businesses with new insurance charges.

United Kingdom

Convex Chief Executive Stephen Catlin last year called on the insurance community to be proactive in finding a long-term solution to pandemic that has become known as Pandemic Re. It was designed to develop a public-private partnership solution for pandemic losses. Catlin said the effort would be a natural follow-up to Pool Re, the U.K.'s terrorist pool. After initial organizing and meetings, there have been no new developments for the program, Catlin's office said.

And James Dalton, Association of British Insurers director of general insurance policy, confirmed a U.K. pandemic risk solution would have to wait.

"The message across all jurisdictions appears to be the same—governments are not yet ready to discuss managing the risks associated with a future pandemic given that so much energy, money and intellectual capital is being directed toward the ongoing fight against COVID-19,"

Dalton said. Lloyd's also has sought to address such risks. Last year, it announced three insurance and reinsurance frameworks—called ReStart, Recover Re and Black Swan Re—to tackle future pandemic losses and other catastrophic events. Recover Re and Black Swan Re require partnership between the insurance industry and government.

Discussions about the programs are ongoing, a Lloyd's spokesperson said.

There are some in the industry who argue against the public-private partnerships, said Kai-Uwe Schanz, deputy managing director and head of research and foresight at the Geneva Association.

"The loss potential is incalculable," Schanz said. "There are also views in the industry where people say it 'doesn't make sense.'"

The industry also worries such a partnership can create something called a "charity hazard," said Mark J. Browne, professor and faculty chair of risk management, insurance and actuarial science at St. John's University. Insurers are concerned such efforts dampen demand by fueling the perception that governments will intervene and provide disaster assistance in the event of a truly disastrous pandemic.

"If you expect somebody else to care about the risk, you are less inclined to deal with it yourself," Browne said.

Jeffrey Alpaugh, managing director and U.S. and Canada growth and industry leader for Marsh McLennan, rejected that argument.

"It's the lack of a public-private insurance program that actually creates the expectation that the government will intervene and provide support to individuals and businesses, and therefore insurance is not needed," he said. "Public-private partnerships have proven to build resilience into the economy.

"There are certain risks that require the full weight of the U.S. government to manage in partnership with the insurance industry. Pandemic risk is one of them," Alpaugh said.

Oliver Bäte, Allianz SE chairman, expressed concern as insurers adjust to a post-pandemic world. "Our society's fragility is not going to go away," he said. "Our traditional product design principles have been really tested."

Insurers need to "be a little smarter and do the fire drills before the fires actually happen," Bäte said. **BR**

BUMPER TO BUMPER: A traffic jam on the Kremlin embankment in Moscow. Due to the pandemic, the Russia motor insurance segment experienced lower claims, according to a Best's Market Segment Report.

AM Best: COVID-19 Sparked Innovation for Insurers in Russia

The pandemic presented challenges for Russian insurers in terms of both the asset and the liability sides of their balance sheets. It also highlighted the increasingly important role of technology and innovation in the industry.

by John Weber

Russian insurers expanded their digital presence during the pandemic, said Valeria Ermakova, associate director, analytics, and Todor Kitin, financial analyst, AM Best.

Russia's economy took a hit in 2020 as a result of the COVID-19 pandemic and a sharp decline in global oil prices. While these factors created volatility in Russia's insurance market, the pandemic also accelerated innovation, according to the Best's Market Segment Report *COVID-19 and the Russia Insurance Market: Negative Implications for Premium Growth, but Opportunities for Innovation*.

Following is an edited transcript of an interview with Ermakova and Kitin.

For a number of years, the life insurance segment was the main growth driver in

the Russian insurance market. However, the beginning of the COVID-19 pandemic intensified a trend of premium decline, which had already started in 2019. Later in 2020, though, the life market started to expand again. What are the reasons for this?

Kitin: Following a sharp decline in the second quarter of 2020, premium volumes in life insurance recovered through the rest of the year.

In response to the economic situation, the Central Bank of Russia reduced the interest rates several times in 2020. This made customers switch their preferences to alternative investment solutions, which typically generate higher return than bank deposits.

At the same time, the lower interests increased the borrowing activity in Russia. This, in turn, boosted sales of credit life insurance, which was another positive factor for the segment.

It's important to mention as well that in recent years the regulator has taken significant steps

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to increase public trust in life products, which was eroded by mis-selling practices in the past. The lower number of complaints and the stricter transparency requirements have increased the confidence of the customers.

This, combined with the low interest, is expected to generate steady demand and support the growth of life insurance premiums.

Let’s talk about motor insurance in Russia. The report says that the consequences of the COVID-19 pandemic were broadly positive for insurers, although there are some risks that can pressure profitability in the long term. Can you elaborate on that?

Ermakova: In Russia, the motor segment can be separated into two main segments: the compulsory motor third-party liability, or MTPL, and motor hull, which is voluntary. We discussed both segments in

our report, but for now I’m just going to talk about the MTPL.

So in general, MTPL—the compulsory nature of this segment combined with the official efforts to reduce the number of uninsured vehicles helped to prevent a drop in this line of business. In fact, we observed a slight increase in both the number of contracts and the volumes of premiums over the first nine months of 2020, compared to the same period in 2019.

The profitability, of course, benefited to some extent from lower claims frequency, especially in the second quarter due to the lockdown measures in the country.

At the same time, we are seeing some challenges that can threaten MTPL profits in the longer term. For example, the ongoing liberalization of regulatory tariffs is likely to drive down overall premium rates as insurers are willing to offer

Russia

Following is an excerpt from the *Best’s Country Risk Report*.

- The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Russia, a CRT-4 country, has a moderate level of economic risk and high levels of political and financial system risk.
- Russia’s plentiful natural resources and well-educated workforce provide potential for growth. However, ongoing international economic and financial system sanctions will constrain growth over the near term.

Economic Risk: Moderate

- Russia is a significant commodities exporter, which leaves the country exposed to shifts in global demand and pricing conditions. It is one of the world’s leading producers of natural gas and oil, as well as a top exporter of metals, including steel and aluminum.

Political Risk: High

- Current President Vladimir Putin won his fourth presidential term in March of 2018. In January 2020, he announced constitutional amendments that will extend his rule beyond 2024, when his current term ends.

Financial System Risk: High

- The Central Bank of the Russian Federation became the ultimate financial regulator for all financial institutions, including the insurance industry, in 2013. Operations for the Central Bank are carried out by its Financial Markets Service.

Vital Statistics 2019		
Nominal GDP	USD bn	1637.89
Population	mil	146.7
GDP Per Capita	USD	11,163
Real GDP Growth	%	1.3
Inflation Rate	%	4.5

United Nations Estimates		
Literacy Rate	%	99.7
Urbanization	%	74.8
Dependency Ratio	%	51.2
Life Expectancy	Years	71.9
Median Age	Years	38.7

Insurance Statistics		
Insurance Regulator	The Central Bank of the Russian Federation	
Premiums Written (Life)	USD mil	6,324
Premiums Written (Non-Life)	USD mil	16,533
Premiums Growth	%	-3.1

Regional Comparison	
	Country Risk Tier
Russia	CRT-4
Belarus	CRT-5
China	CRT-3
Kazakhstan	CRT-4
Poland	CRT-2
Ukraine	CRT-5

Source: IMF, UN, Swiss Re, Axco and AM Best

discounts to policyholders, given the very high competition in this segment.

In addition to that, we'll have issues to do with claims inflation given the increased cost of spare parts and also an acceleration of online insurance and online price comparison, which is good for the market in terms of technology, but it is likely to intensify that price-based competition even further, putting pressure on the profitability.

Let's talk about voluntary medical insurance. The report mentions a substantial premium reduction in 2020, but at the same time, healthy growth is anticipated in the future. Can you tell us more about that?

Kitin: The substantial drop in voluntary medical insurance premiums in the second and the third quarters of 2020 was largely a consequence of policyholders trying to reduce expenses during the

economic slowdown, including large corporations, SMEs, retail customers.

This negative trend was offset by a preserved profitability because in the same period of time the insurers incurred a lower level of losses, because medical services were not accessible or scheduled for later during the quarantine.

In terms of future prospects, the impact of the pandemic has led to a higher awareness amongst the population of the importance of having access to good-quality medical care.

Some Russian insurers start to respond to this by using tools such as telemedicine, wearables, various wellness programs in order to incentivize their customers and also improve their own risk selection. Other insurers are, for example, utilizing their own clinics to improve the quality of medical services.

In 2020, insurers also have accelerated sales of standardized products, which are more affordably

Best's Rankings

Largest 30 Russia Insurers 2019 Ranked by Gross Premiums Written

(US\$ thousands)

Rank	Company	Gross Premiums Written	Capital & Surplus
1	INSURANCE COMPANY OF GAZ INDUSTRY SOGAZ	3,343,165	2,884,131
2	SberBank, Life Insurance Co., LLT	2,474,284	736,275
3	AlfaStrakhovanie PLC	1,789,654	385,155
4	Ingosstrakh Insurance Company PJSC	1,778,115	1,223,214
5	SPAO RESO Garantia	1,603,124	1,364,735
6	VTB Insurance, Insurance Company Ltd.	1,414,397	591,606
7	VSK Insurance House	1,356,629	418,672
8	Rosgosstrakh Insurance Company, OJSC	1,291,251	843,649
9	AlfaStrakhovanie Life Insurance Co LLC	900,077	123,987
10	SOGAZ-Life, Insurance Company LLC	734,771	136,056
11	Renaissance Insurance Group JSC	567,944	411,772
12	Renaissance Life, Insurance Company, LLC	542,303	55,997
13	Soglasie, Insurance Company LLC	540,888	139,542
14	Capital Life, Life Insurance Co. LLC	334,938	133,774
15	Sberbank Insurance Co LLC	322,193	89,363
16	ENERGOGARANT Insurance Company, OJSC	243,834	80,865
17	Societe Generale Strakhovanie Zhizni LLC	239,796	89,768
18	Russian National Reinsurance Co. JSC	227,343	431,100
19	Rosgosstrakh Life IC Ltd	221,957	21,904
20	Yougoria Group of Insurance Cos JSC	219,105	59,846
21	Cardif Insurance Company LLC	206,668	63,281
22	Allianz Life, Insurance Company Ltd.	196,083	93,671
23	MAKS, Moscow Stock Insurance Co CJSC	176,910	86,740
24	Ingosstrakh-Life, Insurance Co LLC	143,076	44,859
25	RSHB-Life Insurance LLC	130,722	23,811
26	VSK-Life Line LLC	129,011	55,977
27	Yuzhural-Asko Insurance Co PJSC	127,944	27,703
28	ROSENERGO, National Insurance Group LLC	127,413	24,039
29	JSC Sovcombank Life	123,573	65,680
30	RSHB Insurance Company JSC	122,900	36,189

Source: 

priced. These are all reasons for higher demand for the voluntary medical insurance in the longer term.

We expect investments in product design and technology the companies make to accelerate innovation across the whole insurance market in Russia.

How does innovation affect insurance companies in Russia and have you seen any impact from the COVID-19 pandemic?

Ermakova: In general, whilst the COVID-19 pandemic presented challenges for Russian insurers in terms of both the asset and the liability side of their balance sheet, it also highlighted the increasingly important role of technology and innovation in the industry.

What we've seen is that the sudden need to work remotely caught some insurance companies by surprise, as they were still rolling out their digital platforms. For some of these insurers, the only way to reach their customers was through online bank insurance platforms operated by the banking sector.

However, this route to the market came at the expense of high commissions that insurers had to pay those intermediaries. That downside associated

with a heavy reliance on distribution through the banking channel is the risk of lower client retention.

What I mean by that is that when consumers buy a product through the banking channel, they may no longer associate the coverage that they purchase with a particular insurance brand.

This emphasizes the importance of developing in-house digital capabilities. In that respect, COVID-19 has accelerated that move toward digitalization.

In the medium term, we think that Russian insurers are likely to review their business models, and some companies have already started doing that so they adapt their services to the current consumers' expectations, consumer behaviors, making their services more accessible online. This is likely to be not just in the distribution but also with respect to underwriting and claims handling, which is what we are already seeing in some of the more mature insurance markets. **BR**

AM Best TV



Go to www.bestsreview.com to watch the interview with Valeria Ermakova and Todor Kitin.

Best's Rankings

Largest 20 Kazakhstan Insurers 2019 Ranked by Gross Premiums Written

(US\$ thousands)

Rank	Company	Gross Premiums Written	Capital & Surplus
1	Eurasia Insurance Company JSC	231,181	410,587
2	Halyk-Life, Life Insurance Subsidiary Co	184,036	76,746
3	Halyk Insurance Company JSC	156,921	136,234
4	Nomad Life Insurance Co JSC	148,276	46,741
5	Kazakhmys Insurance Co JSC	76,343	29,835
6	Nomad Insurance Company JSC	57,972	26,096
7	European Insurance Company JSC	57,710	20,473
8	JSC Insurance Company Centras Insurance	32,308	12,311
9	Oil Insurance Company JSC	32,021	18,050
10	Standard Life Insurance Company JSC	28,174	12,443
11	Kommesk-Omir Insurance Company JSC	26,758	24,683
12	Amanat Insurance JSC	26,578	11,182
13	Freedom Finance Life JSC	23,938	12,213
14	InterTeach, Kazakh Corp Health & Med Ins	23,088	9,675
15	Tsesna Garant Ins Co JSC	20,281	25,352
16	Insurance Company London-Almaty JSC	19,944	20,440
17	Basel Insurance JSC	16,974	29,141
18	ASKO Insurance Co, JSC	15,527	9,413
19	Victoria Insurance Company JSC	13,537	239,882
20	State Annuity Company, Life Ins Co JSC	10,587	13,824

Source: BESTLINK

Make Rate Filing Easier by Streamlining Data Processes

Updating state rate filings can reduce loss ratios and improve market share. However, many insurers face bottlenecks in their technological processes.

by Tim King



Best's Review contributor **Tim King** is an industry consultant, charged with defining Teradata's value-led account strategy for a portfolio of insurance clients in North America. He can be reached at tim.king@teradata.com.

According to the old insurance industry adage, any risk can be profitable if it's appropriately priced. Price too low and fall victim to adverse selection. Price too high and lose revenues to competitors.

With the industry beleaguered by slow data processes, tedious rate filing reviews and a lack of agreement among team members on which systems to use, insurers are inhibited from using agile ways to competitively price products.

Given the inherent internal business buy-in and external regulatory hurdles to setting rates by updating state rate filings, speed to market is key—and the industry's data speaks for itself. Take Allstate: After declaring a renewed focus on rate filings, the company showed sustained year-over-year improvement in its loss ratio relative to the industry while holding market share nearly constant. And so the verdict is in—rate filings matter and insurers must take a hard look inward to understand the bottlenecks in place that stop them from achieving that goal.

If excellence in the rate filings process is so important, then why do carriers struggle with it so much? The answer comes down to three major realities, the first of which is analytical complexity. The seemingly straightforward task of creating model-ready data takes up time needed for modeling decisions and reduces the ability to verify and discuss different outcomes. Also, as the prevalence of machine learning techniques like gradient boosting expands, the traditional generalized linear model (GLM) approach to pricing is increasingly commoditized. Whether a carrier chooses to augment its GLMs with automated algorithms or embrace a broader ensemble of machine learning techniques, the net impact is increasing computational demands.

The second hurdle is competitive intelligence. This entails the laborious activity of sifting through mountains of competitors' rate filings. Despite common industry solutions, insurers still manually comb through thousands of pages

Acknowledging the need for multi-genre analytics, a robust text analytics capability is required to digest and leverage competitor rate filings.

looking for the few nuggets most relevant to pricing a given line of business and coverage. Analytically driven operational improvements can speed up this task.

The third hurdle is to develop the requisite trust with internal decision-makers and state regulators. Trust is required to overcome inherent skepticism of analytics, machine learning and artificial intelligence, and it comprises three pillars:

- **Explainability:** Make the AI-generated solutions clearly understandable to all involved.
- **Fairness:** Prove to state, provincial, or national level jurisdictions that the new pricing is not discriminatory.
- **Lineage:** Users of any analytical, model or AI output must have a clear line of sight into the data used to generate the desired outputs and action-supporting insights.

To realize the profitability and market share benefits of more agile pricing strategies, insurers must have the appropriate pricing platform in place to align with the aforementioned key challenges. Acknowledging the need for multi-genre analytics, a robust text analytics capability is required to digest and leverage competitor rate filings. The property/casualty

segment of the insurance industry alone generates 20,000 rate filings per month, and, while there is no shortage of non-applicable data in this massive amount of documentation, tremendous value hides in plain sight once the relevant competitor filings are found.

To deliver the requisite transparency and build trust with everyone involved, data movement must be reduced if not outright eliminated. Chronic data movement, defined as a perpetual replication of the same data by disparate stakeholders, erodes faith in data quality while soaking up time and valuable resources to complete data validations and checks. A unified pricing platform reaches the data it needs while minimizing replication so that most of the effort is spent on business strategy rather than underlying mechanics.

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Commercial Insurance Brokers — Disruptors Are Headed for You

Outdated technology has brokers at a disadvantage with newcomers ready to pounce.

by John Rodgers, Andrew Solar, Yogesh Sheth and Jordan Heichel

Uber shook up the transportation business and Airbnb stole market share from the lodging industry. Countless digital-first startups are entering established industries and taking over. And usually, they began with a capability and then applied it to change how a given industry operates. Uber started with an app, not a car. Airbnb started with a tenant looking for a place, not the property itself. As the digital age matures, some of the most antiquated, complex industries have been flipped upside down by players that never existed until a few years ago. Viewed from the other side, these industries were disrupted from the outside,

seemingly from out of nowhere. The lesson is that legacy industries need to take a fresh look at their business models and be the ones to disrupt themselves.

This trend toward disruption will continue as the tech generation grows up. As baby boomers exit the workforce and the millennial generation develops a larger influence, there will be an exponential demand for speed, efficiency and simplicity. Those three words have never exactly described the insurance brokerage industry. However, those insurance players that focus on this shift have a chance to emerge as the winners of a new, tech-enabled future. How should an insurer play to win in this scenario? What business model changes are required?

What the Future Looks Like

The commercial (business-to-business) insurance brokerage space is ripe for disruption, unless legacy brokerages can get there first. The current industry is inefficient, labor intensive and digitally immature—but does it have to be? If you had to build a new commercial brokerage firm, would you invest in a technology platform or recruit high-paid brokers to gain market share?

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Rodgers

Solar

Sheth

Heichel

How valuable is the broker-client relationship? Commercial insurance brokers need to ask themselves whether they want to disrupt or be disrupted. By investing in digital transformation, incumbents can become more agile, fend off new entrants and disrupt the disruptors.

Short-Term Pain Leads to Long-Term Gain

Many commercial insurance brokers currently operate across disparate processes and obsolete systems that were accumulated through years of acquisitions. Undermaintained and largely disintegrated, these systems require upgrades and standardization to facilitate true digital transformation.

A hybrid model can bridge the path to full digitalization across the enterprise and allow team members to focus on value-added, revenue-generating client work in the medium term. The greatest value, however, will be in developing the organization to deliver a digital transformation platform and position the company to progress forward as the future of the industry.

Imagine a world where a contract can be quoted and bound at the click of a button. A world where clients can access local and international markets without paying additional fees and enjoy a multitude of product offerings, depending upon risk appetite, that are not available through traditional channels.

A future where markets can introduce new products at breakneck speeds while capturing data to drive rapid testing to improve the underwriting process. A future vision that includes initiating a claim using an application and settling a claim within just days of document submission. A future where risk managers can access a dashboard that allows them to immediately view and drill down into global exposure categories.

This is the future of the commercial insurance market.

Recognizing that this ideal vision is capital intensive and requires a monumental organizational

shift, legacy insurance brokers should employ the hybrid approach by developing an end-to-end digital platform to handle low-value tasks while offering high-touch brokerage services for the most valued activities. The digital platform, which would initially focus on a discrete business line, serves as the basis for long-term digital evolution. In parallel, work can be done that allows brokers to maintain their primary fiduciary responsibility of ensuring that clients get optimal deals, leaving mundane, repetitive tasks, such as workflow automation and straight-through processing, to technology.

One place brokerage firms could start would be collections and billing, where there are low-value potential targets for automation. The platform should be built to support a lean process across the entire business-to-business insurance value chain from contract issuance to servicing. The

hybrid model serves to better leverage the value of brokers, allowing them to focus on high customer impact activities; and it simultaneously builds the platform to serve as a roadmap for enhancing the business model.

Though it remains complex, outdated and complicated, the insurance brokerage industry will ultimately see that digitalization creates speed,

efficiency and simplicity. The shift is already in motion at the outer edges of the industry. Brokers have been resistant to digital transformation, as it is time consuming and expensive and does not directly improve their sales pipeline, given the longstanding relationship-based business model.

However, brokers should recognize the urgency to amplify the digital journey to protect the business not only from yet-to-be-revealed outside disruptors, but also from system obsolescence and operational risk from within. With digital transformation comes efficiency gains, improved customer satisfaction, and, ultimately, back-office empowerment to gain market share. Focusing brokers on higher-value work and increasing the use of technology will give the industry the needed lift to reach this optimal point. **BR**

Brokers should recognize the urgency to amplify the digital journey to protect the business not only from yet-to-be-revealed outside disruptors, but also from system obsolescence and operational risk from within.

AM Best: Insurers Reassessing Cyberrisk Due to Ransomware, Aggregation Risks

Cyber insurers are reacting to the consequences of ransomware attacks as a new AM Best report says the trend in cost containment is disturbing.

by John Weber

First-quarter cyber insurance premium rates rose 18% as insurers are seeing the containment and defense costs of ransomware may outpace the actual ransom, said Christopher Graham, senior industry analyst, AM Best.

Following is an edited transcript of the interview.

How will cyber insurers respond to some of these more high-profile attacks?

The first and most obvious thing we're seeing is rates increasing. Premium rates seem to be up about 18% in the first quarter of 2021.

We'll see more defined term limits in terms of dollars, what the policy terms on the ransomware are. In the more extreme situations, we've seen something overseas, Axa shutting down ransomware payments in France.

What are the industry challenges concerning claims data?

It's hard to collect the claims data, because what makes a claim, in some cases? How many times do you even have claims with maybe no payment? How



“All these things make the cost far more than just the cost of the ransomware, to the point that you could have, on smaller claims, the defense and cost containment being more than the actual ransomware claim.”

Christopher Graham
AM Best

many times do you see claims going for \$5 million or \$4.5 million, which is what we saw in the Colonial Pipeline? It's the rumored number. It's going to be very volatile on claims, and that's going to make any analysis difficult.

The Best's Market Segment Report describes the trend in defense and cost containment as disturbing. Why?

When you look at some of the defense and cost containment aspects of the Colonial Pipeline—they had to shut down the flow of oil through their pipeline. That has a cost to it. Then they had to reopen. That has a cost. There's the legal cost of negotiating the payment on the ransomware. All these things make the cost far more than just the cost of the ransomware, to the point that you could have, on

smaller claims, the defense and cost containment being more than the actual ransomware claim. **BR**

AM Best TV



Go to www.bestreview.com to watch the interview with Christopher Graham.

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Best's Rankings

U.S. Property/Casualty — 2020 Direct Premiums Written by Line (\$ Thousands)

Business Line	Direct Premiums Written	% of Total	% Chg	Adjusted Loss Ratio		Leading Writer	AMB #	% Market Share	% of Writer Total DPW	Second Leading Writer	AMB #	% Market Share	% of Writer's Total DPW
				2019	2018								
Private Passenger Auto Liability	\$148,169,885	20.3	-2.2	57.9	66.2	State Farm Group	000088	15.9	35.7	Progressive Ins Group	000780	14.4	51.1
No-Fault	16,408,253	2.3	-5.2	59.7	63.7	Progressive Ins Group	000780	17.9	7.0	Berkshire Hathaway Ins	000811	17.4	6.2
Other Liability	131,761,632	18.1	-1.8	57.7	66.6	State Farm Group	000088	16.0	31.9	Progressive Ins Group	000780	14.0	44.1
Homeowners Multiple Peril	110,520,134	15.2	6.0	66.8	58.5	State Farm Group	000088	17.8	29.8	Allstate Ins Group	000008	8.8	24.9
Private Passenger Auto Physical Damage	101,966,129	14.0	-0.4	56.0	63.1	State Farm Group	000088	16.5	25.4	Berkshire Hathaway Ins	000811	13.1	28.9
Other Liability	88,196,138	12.1	13.0	63.4	63.3	Chubb INA Group	018498	8.0	29.2	Assurant P&C Group	018523	4.8	50.8
Occurrence	55,149,217	7.6	8.5	66.4	68.9	Assurant P&C Group	018523	7.7	50.8	Chubb INA Group	018498	7.5	17.2
Claims -Made	31,758,898	4.4	22.4	57.7	52.3	Chubb INA Group	018498	8.7	11.5	XL Reins America Group	018557	8.0	36.0
Excess Workers' Compensation	1,288,022	0.2	0.0	63.3	59.3	Tokio Marine US PC Group	018733	45.5	6.4	W. R. Berkley Ins Group	018252	14.3	2.7
Workers' Compensation	51,162,012	7.0	-9.0	48.9	47.6	Travelers Group	018674	7.3	13.0	Hartford Ins Group	000048	5.8	24.2
Commercial Multiple Peril	46,515,114	6.4	4.6	61.2	55.6	Travelers Group	018674	8.1	13.1	Liberty Mutual Ins Cos	000060	5.4	6.9
Non-Liability	30,391,239	4.2	7.4	66.5	57.4	Travelers Group	018674	7.6	8.0	Chubb INA Group	018498	6.6	8.3
Liability	16,123,876	2.2	-0.2	51.6	52.4	Travelers Group	018674	9.0	5.0	Liberty Mutual Ins Cos	000060	6.5	2.9
Commercial Auto Liability	34,997,640	4.8	0.7	68.4	73.4	Progressive Ins Group	000780	12.6	10.5	Travelers Group	018674	6.3	7.7
No-Fault	835,123	0.1	-8.4	55.2	32.3	Progressive Ins Group	000780	12.4	0.2	Amer Transit Ins Co	004660	9.5	27.1
Other Liability	34,162,517	4.7	0.9	68.7	74.5	Progressive Ins Group	000780	12.6	10.3	Travelers Group	018674	6.4	7.6
Inland Marine	25,936,458	3.6	-2.0	63.9	49.0	Liberty Mutual Ins Cos	000060	14.9	10.7	CNA Ins Cos	018313	13.6	30.0
Fire	16,788,327	2.3	13.6	61.1	54.0	FM Global Group	018502	6.5	21.1	Amer Intl Group	018540	5.5	6.9
Allied	16,587,447	2.3	16.6	83.3	58.6	FM Global Group	018502	11.1	35.8	Zurich Ins US PC Group	018549	5.2	6.3
Mult Peril Crop	10,825,797	1.5	5.1	91.2	95.0	Chubb INA Group	018498	17.9	8.0	Sompo Hldgs US Group	018878	17.7	35.7
Comm Auto Phys Damage	10,981,139	1.5	2.6	50.9	57.6	Progressive Ins Group	000780	10.7	2.8	Travelers Group	018674	5.9	2.2
Medical Professional Liability	10,144,216	1.4	3.3	57.4	58.1	Berkshire Hathaway Ins	000811	16.9	3.7	Doctors Co Ins Group	018083	9.5	86.1
Surety	6,932,850	1.0	-0.7	22.8	19.1	Liberty Mutual Ins Cos	000060	13.3	2.5	Travelers Group	018674	13.1	3.2
Mortgage Guaranty	5,746,837	0.8	3.4	35.7	6.7	Arch Ins Group	018484	20.5	25.7	Mortgage Guar Group	003014	19.3	100.0
Farmowners Multiple Peril	4,738,558	0.7	3.2	69.1	59.2	Nationwide Group	005987	11.7	3.0	Farm Bureau P&C Group	004233	7.4	22.4
Group Accident & Health	4,729,574	0.6	-7.9	66.9	66.2	Chubb INA Group	018498	12.8	2.5	Fairfax Financial (USA) Group	003116	11.5	7.3
Earthquake	4,278,144	0.6	18.1	7.9	0.3	CA Earthquake Authority	012534	19.7	100.0	FM Global Group	018502	8.0	6.7
Product Liability	4,243,280	0.6	1.0	47.5	49.3	Chubb INA Group	018498	10.3	1.8	Zurich Ins US PC Group	018549	7.5	2.3
Ocean Marine	4,171,312	0.6	5.8	55.0	58.4	Amer Intl Group	018540	15.0	4.7	Berkshire Hathaway Ins	000811	8.5	0.8
Warranty	3,401,030	0.5	-0.5	56.4	61.4	AmTrust Group	018533	24.8	17.5	Courtesy Ins Co	010863	13.3	79.1
Federal Flood	3,045,673	0.4	2.5	26.1	41.4	Wright National Flood Insurance Company	012582	23.8	99.7	Assurant P&C Group	018523	17.5	6.4
Other Accident & Health	2,333,905	0.3	-3.1	85.5	90.0	State Farm Group	000088	31.6	1.1	CNA Ins Cos	018313	10.9	2.2
Credit	2,326,005	0.3	4.5	57.0	43.2	Allianz US PC Ins Companies	018429	16.2	7.5	Great Amer P & C Ins Group	004835	13.5	4.7
Aircraft	2,210,034	0.3	15.0	59.9	72.4	Starr Intl Group	018756	17.8	10.3	Amer Intl Group	018540	12.2	2.0
Boiler and Machinery	2,158,196	0.3	11.5	55.0	34.2	FM Global Group	018502	34.9	14.7	Amer Intl Group	018540	7.1	1.1
Fidelity	1,324,962	0.2	2.3	42.8	32.4	Chubb INA Group	018498	17.3	0.9	Travelers Group	018674	16.7	0.8
Private Crop	1,115,706	0.2	0.9	126.7	99.2	Zurich Ins US PC Group	018549	19.9	1.6	Sompo Hldgs US Group	018878	16.9	3.5
Private Flood	735,094	0.1	27.5	62.0	22.8	Zurich Ins US PC Group	018549	13.4	0.7	Assurant P&C Group	018523	13.2	1.2
Financial Guaranty	476,488	0.1	28.7	89.8	59.5	Assured Guar Group	004017	72.3	100.0	Build America Mutual Assur Co	014981	12.9	100.0
Burglary and Theft	454,677	0.1	3.2	69.6	49.7	Travelers Group	018674	26.2	0.4	Hiscox USA Group	018750	9.3	8.3
International	46,088	0.0	-3.4	-0.5	286.0	Chubb INA Group	018498	51.4	0.1	IAT Ins Group	018567	35.4	1.1
Aggregate Write-ins	1,403,105	0.2	-13.0	70.1	49.7	XL Reins America Group	018557	28.2	5.6	Queen City Assur, Inc.	075149	9.9	82.7
Total P/C Industry	728,661,954	100.0	2.3	60.2	61.2	State Farm Group	000088	9.1	100.0	Berkshire Hathaway Ins	000811	6.3	100.0

Note: Data for some companies in this report has been received from the NAIC.
Reflects Grand Total (includes Canada and U.S. Territories)
Source: [BESTLINK](#) — State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

U.S. Commercial Multi Peril – 2020 Direct Premiums Written

(\$ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2020	2019	2018	2020	2019	2018	
1	1	Travelers Group	018674	\$3,761,318	2.0	8.1	8.3	8.2	50.0	50.5	54.3	13.1
2	2	Liberty Mutual Ins Cos	000060	2,489,556	1.3	5.4	5.5	5.6	64.9	46.5	59.2	6.9
3	4	Chubb INA Group	018498	2,447,893	6.6	5.3	5.2	5.0	74.2	61.0	66.8	10.1
4	3	Nationwide Group	005987	2,410,502	1.1	5.2	5.4	5.6	75.5	54.9	61.8	13.0
5	5	Hartford Ins Group	000048	2,155,384	2.5	4.6	4.7	4.7	52.2	52.2	49.5	17.4
6	6	Tokio Marine US PC Group	018733	2,028,560	0.0	4.4	4.6	4.7	55.4	58.6	55.1	22.1
7	7	State Farm Group	000088	1,698,880	3.3	3.7	3.7	3.8	72.5	58.0	55.5	2.6
8	8	Farmers Ins Group	000032	1,571,531	2.1	3.4	3.5	3.7	60.2	48.9	75.5	7.8
9	10	Auto-Owners Ins Group	004354	1,343,582	9.2	2.9	2.8	2.8	60.6	53.6	62.6	14.5
10	9	Cincinnati Ins Cos	004294	1,321,891	5.3	2.8	2.8	2.9	63.6	61.6	54.8	23.8
11	12	CNA Ins Cos	018313	1,225,626	8.8	2.6	2.5	2.5	66.2	46.5	61.3	10.4
12	11	Hanover Ins Group Prop & Cas Cos	004861	1,164,029	1.6	2.5	2.6	2.6	54.5	47.2	50.9	22.8
13	13	Erie Ins Group	004283	997,809	3.8	2.2	2.2	2.2	42.4	51.6	49.8	13.1
14	14	Allstate Ins Group	000008	953,532	2.1	2.1	2.1	2.2	44.5	46.3	55.7	2.4
15	19	Amer Intl Group	018540	820,575	24.1	1.8	1.5	1.6	58.2	79.6	63.5	6.1
16	17	W. R. Berkley Ins Group	018252	781,496	4.2	1.7	1.7	1.8	54.6	48.6	53.1	11.5
17	20	Berkshire Hathaway Ins	000811	759,293	16.1	1.6	1.5	1.2	73.5	68.8	64.2	1.6
18	16	Amer Family Ins Group	000124	749,888	-1.4	1.6	1.7	1.8	74.7	79.8	87.3	6.6
19	21	Zurich Ins US PC Group	018549	691,236	8.1	1.5	1.4	1.4	73.0	73.4	66.6	5.1
20	18	Allianz US PC Ins Companies	018429	689,845	-1.2	1.5	1.6	1.5	45.5	64.2	25.7	13.6
21	23	Greater NY Group	003326	612,269	23.1	1.3	1.1	1.0	48.5	49.5	48.1	96.7
22	22	Church Mutual Ins Group	018887	599,232	11.5	1.3	1.2	1.2	80.7	65.7	90.7	56.2
23	25	AmTrust Group	018533	526,901	11.9	1.1	1.1	1.3	63.7	62.7	62.5	11.0
24	15	Markel Corp Group	018468	518,431	-35.8	1.1	1.8	1.7	80.9	68.2	75.3	8.6
25	26	Fairfax Financial (USA) Group	003116	469,958	3.5	1.0	1.0	1.0	64.4	53.8	50.2	6.3
Top 25 Writers				\$32,789,217	3.2	70.5	71.5	71.9	61.6	55.6	59.4	8.0
Total U.S. P/C Industry				\$46,515,114	4.6	100.0	100.0	100.0	61.2	55.6	60.6	6.4

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

Source: [BESTLINK](#) — State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

U.S. Homeowners Multiple Peril – 2020 Direct Premiums Written

(\$ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2020	2019	2018	2020	2019	2018	
1	1	State Farm Group	000088	\$19,717,032	5.4	17.8	17.9	18.4	71.5	58.8	61.9	29.8
2	2	Allstate Ins Group	000008	9,773,497	2.3	8.8	9.2	9.2	54.9	51.9	68.3	24.9
3	3	USAA Group	004080	7,362,747	7.7	6.7	6.6	6.2	69.2	68.4	83.4	29.9
4	4	Liberty Mutual Ins Cos	000060	6,991,283	3.6	6.3	6.5	6.7	59.9	51.0	51.3	19.3
5	5	Farmers Ins Group	000032	6,043,865	1.7	5.5	5.7	5.9	73.1	38.7	78.8	30.1
6	6	Travelers Group	018674	4,866,357	14.7	4.4	4.1	3.8	60.5	55.8	69.3	16.9
7	7	Amer Family Ins Group	000124	4,442,467	9.5	4.0	3.9	3.7	62.3	61.8	65.7	39.2
8	8	Nationwide Group	005987	3,344,181	3.1	3.0	3.1	3.2	75.4	57.5	76.8	18.1
9	9	Chubb INA Group	018498	3,113,149	4.1	2.8	2.9	2.9	56.4	62.5	91.9	12.9
10	12	Progressive Ins Group	000780	1,897,225	15.2	1.7	1.6	1.4	77.2	67.0	66.7	4.5
11	10	Auto-Owners Ins Group	004354	1,830,043	3.5	1.7	1.7	1.7	62.5	56.2	71.1	19.7
12	11	Erie Ins Group	004283	1,809,611	3.6	1.6	1.7	1.7	62.2	68.5	66.0	23.8
13	13	Universal Ins Hldgs Group	018752	1,432,075	17.8	1.3	1.2	1.1	67.2	82.3	100.6	94.4
14	15	Amer Intl Group	018540	1,109,690	0.5	1.0	1.1	1.2	48.0	86.3	219.0	8.3
15	14	Farmers Auto & Home Group	003933	1,109,315	-0.3	1.0	1.1	1.1	64.7	52.4	58.3	30.6
16	17	CSAA Ins Group	018460	980,648	3.6	0.9	0.9	0.9	77.8	25.1	164.3	24.7
17	18	Amica Mutual Group	018522	948,950	0.4	0.9	0.9	0.9	63.0	57.3	65.5	40.6
18	19	United Ins Group	018881	935,027	8.6	0.9	0.8	0.8	84.2	67.1	102.4	65.5
19	16	Hartford Ins Group	000048	926,852	-2.6	0.8	0.9	1.0	10.3	44.0	88.1	7.5
20	21	Heritage Ins Hldgs Group	018891	901,569	12.3	0.8	0.8	0.8	53.7	63.6	70.2	82.8
21	20	Auto Club Enterprises Ins Group	018515	855,256	0.6	0.8	0.8	0.8	42.0	52.4	48.3	19.1
22	23	Tokio Marine US PC Group	018733	833,398	17.3	0.8	0.7	0.6	57.9	67.7	65.4	9.1
23	22	COUNTRY Financial PC Group	000302	754,557	2.7	0.7	0.7	0.7	79.9	65.2	60.5	28.3
24	24	Assurant P&C Ins Group	018523	753,966	6.9	0.7	0.7	0.7	49.9	38.6	52.2	9.0
25	32	Citizens Property Ins Corporation	011712	749,996	44.1	0.7	0.5	0.5	48.1	73.8	75.6	63.4
Top 25 Writers				\$83,482,756	5.5	75.5	75.9	76.2	64.7	57.0	72.1	21.2
Total U.S. P/C Industry				\$110,520,134	6.0	100.0	100.0	100.0	66.8	58.5	72.7	15.2

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

Source: [BESTLINK](#) — State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

U.S. Medical Professional Liability – 2020 Direct Premiums Written

(\$ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2020	2019	2018	2020	2019	2018	
1	1	Berkshire Hathaway Ins	000811	\$1,714,357	3.3	16.9	16.9	16.7	48.0	55.3	54.2	3.7
2	2	Doctors Co Ins Group	018083	962,440	4.6	9.5	9.4	9.7	45.9	43.0	41.0	86.1
3	3	ProAssurance Group	018559	796,086	-7.5	7.9	8.8	8.7	58.4	78.7	49.7	71.6
4	4	CNA Ins Cos	018313	609,085	8.9	6.0	5.7	5.7	70.4	59.5	52.6	5.2
5	5	Coverys Companies	018359	522,585	7.1	5.2	5.0	4.8	74.0	63.0	47.7	79.3
6	6	MCIC Vermont (A RRRG)	012014	425,006	6.6	4.2	4.1	3.6	85.9	105.9	86.2	96.0
7	7	MAG Mutual Companies	018940	369,185	12.1	3.6	3.4	3.3	55.8	98.7	57.7	90.2
8	8	Liberty Mutual Ins Cos	000060	262,878	20.7	2.6	2.2	1.8	72.0	35.9	50.1	0.7
9	10	Constellation Ins Group	018840	172,709	2.4	1.7	1.7	1.8	56.0	63.8	52.6	94.1
10	9	PRI Group	018957	169,778	-0.1	1.7	1.7	1.9	15.9	-32.7	10.1	98.8
11	12	ISMIE Mutual Group	018644	166,321	6.3	1.6	1.6	1.6	50.9	43.5	43.1	100.0
12	11	Controlled Risk Ins Co of VT, Inc	011814	164,353	-1.7	1.6	1.7	1.7	63.4	60.6	56.1	93.7
13	14	Chubb INA Group	018498	151,194	9.0	1.5	1.4	1.6	144.9	38.9	76.3	0.6
14	15	W. R. Berkley Ins Group	018252	146,002	15.0	1.4	1.3	1.1	47.9	46.8	36.4	2.1
15	13	Curi Hldgs Group	018072	139,522	-2.6	1.4	1.5	1.3	43.6	42.8	30.7	100.0
16	16	Alleghany Corp Group	018640	134,294	7.2	1.3	1.3	1.4	55.9	49.2	40.1	6.2
17	18	Physicians Ins Mutual Group	018103	126,221	12.3	1.2	1.1	1.0	57.7	53.3	54.3	88.2
18	17	State Volunteer Mutual Ins Co	003706	113,726	-4.1	1.1	1.2	1.3	24.1	35.5	28.0	99.9
19	24	COPIC Ins Group	018866	102,082	14.0	1.0	0.9	0.9	34.5	45.8	23.7	94.4
20	20	NCMIC Group	018579	96,928	-1.4	1.0	1.0	1.0	47.2	30.7	22.2	89.7
21	26	Fairfax Financial (USA) Group	003116	94,095	14.4	0.9	0.8	1.0	76.4	57.3	50.5	1.3
22	23	Mutual Ins of Arizona Group	018867	85,457	-6.4	0.8	0.9	1.0	51.4	30.3	38.0	100.0
23	25	Markel Corp Group	018468	85,267	-0.7	0.8	0.9	0.8	41.2	65.5	36.2	1.4
24	22	Natl Group	018249	82,979	-12.8	0.8	1.0	1.0	33.7	21.1	41.2	100.0
25	27	Hallmark Ins Group	018605	77,161	11.4	0.8	0.7	0.6	53.0	52.0	52.1	10.5
Top 25 Writers				\$7,769,711	3.2	76.6	76.7	76.1	57.1	57.3	47.3	5.3
Total U.S. P/C Industry				\$10,144,216	3.3	100.0	100.0	100.0	57.4	58.1	49.0	1.4

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

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

Source: [BESTLINK](#) – State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

U.S. Total Auto – 2020 Direct Premiums Written

(\$ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2020	2019	2018	2020	2019	2018	
1	1	State Farm Group	000088	\$41,077,401	-2.4	13.9	14.1	15.0	57.5	61.9	62.7	62.1
2	2	Progressive Ins Group	000780	38,744,095	5.8	13.1	12.2	11.0	55.2	62.1	61.3	92.8
3	3	Berkshire Hathaway Ins	000811	35,202,599	-3.5	11.9	12.2	12.0	64.6	72.8	70.3	76.2
4	4	Allstate Ins Group	000008	26,946,866	-3.9	9.1	9.4	9.3	52.4	59.4	57.5	68.7
5	5	USAA Group	004080	15,772,997	3.6	5.3	5.1	5.0	65.3	82.0	81.3	64.1
6	6	Liberty Mutual Ins Cos	000060	13,536,457	-0.4	4.6	4.5	4.7	56.7	66.2	64.1	37.4
7	7	Farmers Ins Group	000032	10,444,024	-6.4	3.5	3.7	3.8	56.6	61.8	61.3	52.0
8	9	Travelers Group	018674	7,750,724	0.6	2.6	2.6	2.5	55.3	63.9	64.6	26.9
9	8	Nationwide Group	005987	7,437,417	-6.1	2.5	2.7	2.9	61.1	61.1	61.1	40.2
10	10	Amer Family Ins Group	000124	5,450,547	-9.6	1.8	2.0	2.1	55.2	65.8	69.8	48.1
11	11	Auto-Owners Ins Group	004354	4,543,629	2.2	1.5	1.5	1.4	60.3	66.4	65.9	48.9
12	12	Kemper PC Companies	018908	4,189,287	4.2	1.4	1.3	1.3	59.1	61.3	62.6	92.7
13	13	Erie Ins Group	004283	4,080,727	1.5	1.4	1.3	1.3	59.1	73.8	72.6	53.6
14	14	Auto Club Enterprises Ins Group	018515	3,566,844	-1.5	1.2	1.2	1.2	57.9	68.6	69.2	79.8
15	16	CSAA Ins Group	018460	2,824,483	-5.6	1.0	1.0	1.1	50.6	60.8	63.3	71.1
16	15	Mercury Gen Group	004524	2,779,959	-7.6	0.9	1.0	1.0	50.8	61.6	65.4	76.9
17	17	Hartford Ins Group	000048	2,640,230	-5.8	0.9	0.9	1.0	55.1	63.3	63.7	21.3
18	18	Farmers Auto & Home Group	003933	2,318,314	-9.0	0.8	0.9	0.9	53.5	63.3	58.4	64.0
19	24	Old Republic Ins Group	000734	1,883,081	16.7	0.6	0.5	0.5	73.7	73.9	66.8	39.4
20	19	Auto Club Group	000312	1,841,433	-11.0	0.6	0.7	0.7	60.4	63.2	85.1	69.4
21	22	Sentry Ins Group	000086	1,833,127	9.4	0.6	0.6	0.5	57.9	61.3	65.3	67.2
22	20	Chubb INA Group	018498	1,685,377	-5.0	0.6	0.6	0.5	64.0	58.9	69.4	7.0
23	25	Zurich Ins US PC Group	018549	1,622,780	13.8	0.6	0.5	0.5	76.9	69.2	79.6	11.9
24	23	Hanover Ins Group Prop & Cas Cos	004861	1,571,711	-3.8	0.5	0.6	0.6	58.1	67.8	67.7	30.7
25	21	MAPFRE North America Group	018801	1,526,465	-10.4	0.5	0.6	0.7	53.2	64.8	66.6	66.3
Top 25 Writers				\$241,270,574	-1.2	81.5	81.6	81.5	58.1	65.4	65.1	55.1
Total U.S. P/C Industry				\$296,114,793	-1.1	100.0	100.0	100.0	58.2	65.7	65.3	40.6

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

Source: [BESTLINK](#) – State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

U.S. Workers' Compensation – 2020 Direct Premiums Written

(\$ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2020	2019	2018	2020	2019	2018	
1	1	Travelers Group	018674	\$3,737,454	-11.3	7.3	7.5	7.4	62.6	50.3	48.4	13.0
2	2	Hartford Ins Group	000048	2,992,054	-11.1	5.9	6.0	5.8	49.7	48.6	46.7	24.2
3	3	Zurich Ins US PC Group	018549	2,495,405	-5.5	4.9	4.7	4.6	48.6	52.9	46.6	18.3
4	5	Chubb INA Group	018498	2,294,598	-5.6	4.5	4.3	4.3	23.2	43.2	25.0	9.5
5	4	Liberty Mutual Ins Cos	000060	2,140,149	-12.6	4.2	4.4	4.3	55.1	45.4	13.6	5.9
6	6	Berkshire Hathaway Ins	000811	1,998,778	-13.5	3.9	4.1	4.0	43.1	41.9	47.0	4.3
7	7	AmTrust Group	018533	1,956,224	-9.9	3.8	3.9	4.5	35.0	42.2	44.1	40.7
8	9	AF Group	018680	1,668,319	-4.4	3.3	3.1	2.7	56.1	52.1	46.0	76.2
9	8	State Ins Fund WC Fund	004029	1,610,727	-19.3	3.2	3.6	3.9	89.0	70.4	68.8	100.0
10	11	Old Republic Ins Group	000734	1,302,498	-7.6	2.6	2.5	2.5	54.7	54.6	54.4	27.3
11	10	Amer Intl Group	018540	1,188,757	-18.2	2.3	2.6	2.9	55.6	41.4	65.3	8.9
12	12	Great Amer P & C Ins Group	004835	1,165,279	-11.2	2.3	2.3	2.3	40.9	39.3	45.7	17.4
13	13	W. R. Berkley Ins Group	018252	1,087,052	-13.8	2.1	2.2	2.4	48.7	45.8	44.9	16.0
14	14	State Compensation Ins Fund	004028	1,076,840	-10.7	2.1	2.1	2.3	80.5	38.8	71.6	100.0
15	16	ICW Pool	002967	964,004	-7.4	1.9	1.9	1.7	43.3	47.7	50.4	92.5
16	15	TX Mutual Ins Co	011453	923,314	-13.7	1.8	1.9	1.9	54.1	52.3	58.8	100.0
17	18	CNA Ins Cos	018313	814,943	-1.5	1.6	1.5	1.4	48.5	40.8	54.9	6.9
18	17	Fairfax Financial (USA) Group	003116	700,029	-17.8	1.4	1.5	1.6	31.4	31.7	30.3	9.4
19	19	Starr Intl Group	018756	662,253	-5.3	1.3	1.2	1.1	37.1	25.7	50.2	17.4
20	21	Arch Ins Group	018484	631,585	-0.7	1.2	1.1	1.0	44.0	51.6	47.6	13.8
21	20	Employers Ins Group	018602	570,760	-17.0	1.1	1.2	1.3	39.0	44.3	42.8	100.0
22	23	CopperPoint Ins Group	018724	569,547	1.5	1.1	1.0	0.9	42.8	47.9	42.0	85.2
23	22	Pinnacol Assur	003471	512,025	-13.0	1.0	1.1	1.1	60.2	57.4	54.4	100.0
24	24	Markel Corp Group	018468	497,736	-9.7	1.0	1.0	0.9	40.6	38.9	36.3	8.2
25	25	Everest Re US Group	005696	493,543	-10.3	1.0	1.0	0.9	42.9	42.7	39.5	18.3
Top 25 Writers				\$34,053,873	-10.4	66.6	67.6	67.7	50.0	47.1	46.5	14.0
Total U.S. P/C Industry				\$51,162,012	-9.0	100.0	100.0	100.0	48.9	47.6	46.8	7.0

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

Source:  — State/Line (P/C Lines) - P/C, US; Data as of: June 11, 2021

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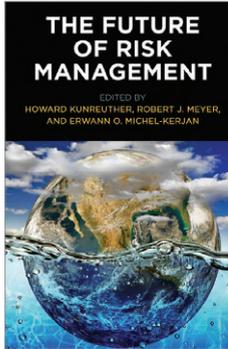
Essays Detail How to Prepare for and Mitigate Risks of Future Catastrophes

Howard Kunreuther and his co-editors also highlight the importance of combining risk assessment with risk perception.



The Future of Risk Management

Howard Kunreuther has long been studying the ways that society can better manage low-probability, high-consequence events related to technological and natural hazards.



Over the years, Kunreuther, the James G. Dinan Professor Emeritus, Operations, Information and Decisions Department at the Wharton School of the University of Pennsylvania, and co-director of the Wharton Risk Management and Decision Processes Center, also has explored how global

challenges such as climate change and terrorism reveal the interdependent and interconnected nature of hazards. Disasters that occur in a geographic region can potentially have widespread effects across the world.

Kunreuther, along with Robert J. Meyer of the Wharton School and Erwann O. Michel-Kerjan of McKinsey & Co., recently published a book of essays highlighting past research, recent discoveries and open questions by leading risk management and behavioral science experts. Following is an edited transcript of an interview with AM Best TV.

What does the book say about how risk managers prepare for and handle future low-probability, high-consequence events?

AM Best TV



Go to www.bestreview.com to watch the interview with Howard Kunreuther.

Unfortunately, risk managers often fail to appropriately prepare for risks and hazardous events, perceiving many of these events as below their threshold level of concern. They feel that “extreme events are not going to impact me, my organization or government.” It’s only after a disaster that they then recognize that it would have been a good idea to prepare for potential catastrophes by developing risk management strategies to reduce potential adverse consequences from these events.

What role can insurance play in preparing for and reducing those losses?

Insurance plays a very important role, as it is one of the few policy tools that can reward people for undertaking protective measures by reducing their premiums and provide funds to cover future losses.

But to be most effective, insurance rates must be risk-based to signal to people the degree of hazard they face. However, some households cannot afford risk-based rates, so the public sector could provide vouchers or tax credits to cover a portion of the cost of insurance.

What do you hope people take away from the book?

I hope people come away with an understanding that risk management addresses two central elements: One that we are all aware of is risk assessment—what do experts say about the risk? The second area, often not considered, is risk perception. People misperceive risk because of the cognitive biases and emotions, particularly with respect to low-probability exposures. If we can appreciate the importance of combining risk assessment with risk perception, then successful risk management strategies can be developed and implemented in companies, countries and, we hope, globally.

BR

—Lori Chordas

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

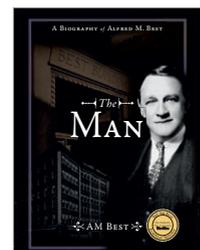
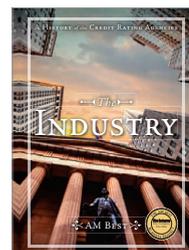
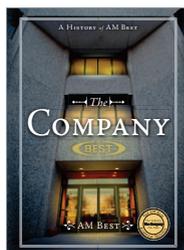
AM Best Trilogy

AM Best details the history of AM Best, the history of 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



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App Helps Drivers Shop for Car Insurance and Provides Reminders

The CarInsurance app enables users to save on auto coverage, said Penny Gusner, consumer analyst.



CarInsurance.com App

Insurers are taking advantage of innovation and technology to use speed and convenience as selling points. CarInsurance.com has developed an app to expand the company's brand by connecting with those looking to map out their finances in a quick and convenient way.

The app—available only at carinsurance.com—provides ways to save on car insurance by comparison shopping using a “car insurance estimator,” said Penny Gusner, CarInsurance’s senior consumer analyst. Following is an edited transcript of an interview with Gusner.

What does the new CarInsurance.com app do?

The first part of it is that you can input who your car insurance company is and when the expiration date is, and you'll get a reminder—depending on when you put the reminder for—so that you remember to shop for insurance, which is the second part of the app, so you can comparison shop.

What inspired you to launch the app?

We love trying to solve consumer problems. We've had people write in, asking questions that you think would be simple, like, “How do I remember who my insurance

company is, and how do I figure out my expiration date?”

How does the app work?

It's super simple. You download it, and then you decide: Do you want to put in the renewal information? If you do, then you click on that, and you choose. We have the company list. Choose your company, put in the expiration date, and then decide if you want the reminder to come four weeks, two weeks, one week or one day before your expiration date.

Is there a specific target audience for your app?

The target audience is everyone, anyone that drives, anybody that has car insurance. It's super simple. I had my 13-year-old teen test it out. She doesn't drive yet, but I was like, “Can you use it? Can anybody use it?”

Is one of your chief goals to expand your customer base?

That's a goal, but our main goal is to get the brand out, and also to help people. That's what we do on a daily basis: Answer questions, help build tools, guides.

Really, we're just there to help people. That's our main goal. If they know who we are, that's great. But if we can help people, then that's even better. **BR**

—Tom Davis

AM Best TV



Go to www.bestreview.com to watch the interview with Penny Gusner.

Tom Davis is managing editor. He can be reached at tom.davis@ambest.com.

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Interest in Insurance Asset Management and ESG Investing Stays Strong

Other trending content includes coverage of Allstate, insurtech earnings and a feature on how life insurers are underwriting COVID-19.

Trending: *Best's Review*

1. The Push for Responsible Investing
2. Smaller and Midsized Insurers Negotiate a Complex Investment Landscape
3. The Changing Relationship Between Asset Management, Values-Based Investing and Diversity and Inclusion
4. Beware the Sirens of Environmental, Social and Governance Investing
5. Life Insurers Ponder How to Underwrite COVID-19 Survivors

Trending: BestWire \$

1. Buffett Predicts Progressive or Geico Will be Top Auto Insurer in Five Years
2. Judge Denies APCA's Bid to Block Washington Credit Scoring Ban
3. Allstate Exec: Auto Rates Down as Much as 10% Across 79% of Country; More Cuts Planned
4. Allstate President: National General Independent Agents Getting a Wealth of Lines to Sell
5. P/C Insurtech Earnings: Profits Largely Out of Reach While Avenues of Growth Expand

Trending: AM Best Webinars

1. State of the Medical Professional Liability Market
2. IFRS 17—What Will Users Do?
3. AM Best's Briefing: Ransomware Threatens Profitability, How Will Cyber Insurers React?
4. COVID-19's Impact on the Future of Insurance Claims Management
5. Using New Data to Classify, Describe, and Select Commercial Businesses

Trending: AM Best TV - News Coverage

1. Liberty Mutual: Insurance Is a Socially Responsible Product
2. Travelers: EPLI Facing New Risks Including Biometrics, COVID-19
3. Panel: Roof Losses Approaching 50% of All Homeowners Claims
4. McKinsey: AI Will Be 'Ubiquitous' in Insurance Industry
5. Bold Penguin: 'We're All Moving to an Amazon-Like Experience'

These were the top trending items from April 23-June 23. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

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Trending Research Includes Reports on Innovation, Ransomware and ESG

Other trending research includes a report on IFRS 17, the Florida market and Best's Impairment Rate and Rating Transition Study.

Trending: Best's Special Reports

1. Pandemic Speeds Up Pace of Insurer Innovation \$
2. Key Performance Indicators More Meaningful Under IFRS 17
3. Investor Pressure Adds Momentum for Reinsurers to Integrate ESG Factors
4. Best's Impairment Rate and Rating Transition Study—1977 to 2020 \$
5. Reinsurance, Autos, and Health the Most Innovative Lines of Business \$

Trending: Best's Market Segment Reports

1. Ransomware and Aggregation Issues Call for New Approaches to Cyber Risk \$
2. D&O: A Very Cautious Seller's Market \$
3. Continued Uncertainty Clouds the Horizon for MPL Insurers \$
4. Market Segment Outlook: India Non-Life Insurance
5. Individual Annuity Providers Still Challenged by Low Interest Rates \$

Trending: Best's Commentary

1. Florida's Difficult Market Continues to Challenge Insurers
2. Colonial Pipeline Attack Throws Spotlight on Cyber Insurance Market
3. Regulation 187 Overturned by Division of New York Supreme Court
4. P/C Insurers Return Nearly \$13 Billion in Premiums as COVID-19 Reduces Exposure
5. US Supreme Court Decision Upholding the ACA is Favorable for US Health Insurers

Trending: AM Best TV - Research Coverage

1. As Insurers Move to Implement IFRS 17, Uncertainties Remain
2. April Inflation Spike May Be 'Disconcerting,' but Likely Temporary
3. Insurers Reassessing Cyber Risk Due to Ransomware, Aggregation Risks
4. Health Insurer M&A Brings Diversification, Scale
5. Even Without Hurricanes, Florida Insurers Face Hurdles

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Panel Examines Issues and Trends in the Wholesale Insurance Market

Professionals also discuss the effects of the COVID-19 pandemic on the auto insurance industry.

Streaming Live

Emerging Trends and the Wholesale Insurance Market: How the Industry is Adapting

As social inflation continues to impact businesses, the wholesale market is becoming an attractive option for brokers to place niche risks. Panelists will discuss the issues and trends shaping the market. **This complimentary AM Best webinar is sponsored by Liberty Mutual Insurance.**

Tuesday, Aug. 3, 2 p.m. ET.

AM Best's Briefing: Despite the Many Challenges of 2020, Captives Continue to Outperform Their Commercial Peers

A panel of AM Best analysts and industry leaders will review market, regulatory and risk issues affecting the captive insurance sector.

Wednesday, Aug. 4, 2 p.m. ET.

AM Best's Briefing: Global Reinsurance Market Perspectives

AM Best analysts and industry executives will discuss the impact of recent claims that were dominated by the pandemic and higher frequency of natural disasters. Panelists also will cover pricing trends in an environment where risk is becoming more difficult to price, while new capital is being deployed cautiously.

Tuesday, Aug. 31, 10 a.m. ET

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

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

On Demand

How Auto Insurers Are Leveraging Market Disruptions Accelerated by COVID-19

Almost every segment of society, including the U.S. auto insurance industry, was impacted by COVID-19's far-reaching and substantial consequences. From trends in auto insurance shopping and claims, to driving behavior and policy renewals, everything was, and in some cases still is, being disrupted. In a one-hour webinar, a panel of insurance professionals explores actionable insights that can help organizations make the best decisions now and in the future. **This complimentary AM Best webinar was sponsored by LexisNexis Risk Solutions.**

Webinar Highlight

How Active Risk Management Drives Better Customer Engagement

A panel of insurance professionals and consultants examines how active risk management is becoming an essential element of insurance success. **This webinar was sponsored by LexisNexis Risk Solutions.**

View These and Other AM Best Webinars

- AM Best's Cyber Briefing: Ransomware Threatens Profitability. How Will Insurers React?
- Bridging the Troubled Water Protection Gap
- AM Best's Briefing: Navigating D&O Pricing, Capacity, Rising Jury Awards

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TransUnion: One in Three Consumers Cut Back on Homeowners, Auto Coverage During COVID-19

Also, industry professionals discuss employees' return to the workplace and how the most successful insurers will use artificial intelligence to the fullest.

On Demand

TransUnion: One-Third of Consumers Reduced Insurance During Pandemic

One in three consumers reduced their homeowners insurance or auto coverage during the COVID-19 pandemic, said Mark McElroy, executive vice president, insurance, TransUnion.



Mark McElroy

McKinsey: AI Will Be 'Ubiquitous' in Insurance Industry

The most successful insurers will incorporate artificial intelligence into every aspect of their business, said Doug McElhane, partner, McKinsey's insurance practice.



Doug McElhane

CSAA Insurance: Flexibility a Must as Employees Return to Workplace

After a year of employees working from home, employers must offer flexibility to those returning to the workplace, said Melissa Jones, chief human resources officer, CSAA Insurance Group.



Melissa Jones

III: When the Sky Is Falling, Insurance Has You Covered

Standard policies will cover a damage claim from falling debris, whether human-made or meteorites, said Loretta Worters, vice president, Insurance Information Institute.



Loretta Worters

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Allianz Utilizes Seven-Step Plan to Deal With the Increase in the Number of Wildfires

Also, AM Best Audio explores the added demand for employee leave programs in the age of COVID-19.

Allianz Looks to Mitigate Wildfire

Tom Varney, regional manager of North America Allianz Risk Consulting, Allianz Global Corporate & Specialty, discusses the uptick in the number of wildfires and the company's seven-step plan to handle the issue.

Employee Leave Programs Gain Traction Amid Pandemic

Jennifer Hader, vice president product management, Guardian Life, discusses the increased demand for employee leave programs with the goal of a comprehensive absence management experience that supports optimal return-to-work outcomes. **BR**

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AM Best: Cannabis Insurance Market Poised for Growth

The federal illegal status of cannabis has limited many carriers from coming to the market and opening it up.

by John Weber

Two-thirds of U.S. states have legalized cannabis in some form, opening up many opportunities for insurers, said David Blades, associate director, and Christopher Graham, senior industry research analyst, AM Best.

Best's Special Report: Cannabis Market Growth Expected but Federal Laws Remain a Roadblock discusses how federal legislation could remove major obstacles that have left large insurers on the outside of this nascent market. Following is an edited transcript of the interview.

What's the main conflict here between federal laws and state-level legalization efforts?

Blades: Well, with more than two-thirds of the states across the U.S. having legalized cannabis for either recreational or medicinal use, it's still a Schedule 1 Drug, meaning that it's illegal under federal law. That dichotomy basically puts governance of cannabis on a state-by-state basis. The states are developing their own guidelines for the governance of cannabis from their own individual standpoints. From that perspective, you create a very fractured market.

In addition, what the illegal status from a federal standpoint also creates—when you're talking about interstate commerce—is that the importing and exporting of cannabis products from one state to another is also illegal, even when you're dealing with two states where it's legalized to some capacity in those states.

Again, it's the federal status, the Schedule 1 Drug status, that's really limiting the potential and the openness for the market overall. That's limiting the capacity for insurance carriers to come to the plate with the insurance products they want to generate for the overall marketplace.

In terms of legislation looking at legalizing cannabis, there hasn't been any law that's gotten momentum in terms of both houses of Congress. There is the Safe Banking Act of 2021 that has

passed the House, but again, it hasn't gained momentum in the Senate yet.

We haven't yet seen both houses of Congress come together and get a strong push behind a federal legalization bill that can really get us to the precipice of seeing cannabis being legalized.

That is what is limiting the market and limiting the interaction that some insurance carriers would like to be able to come into the marketplace with and take advantage of a multibillion-dollar industry.

That's what we're waiting for and what would be the game changer—federal legislation that does actually gain momentum and passes both houses of Congress would be the game changer for this marketplace. Right now, there are many that consider the cannabis industry a multibillion-dollar industry that doesn't have a true risk management solution that has been established and put in place for that industry.

Who's been the main provider of coverage?

Graham: So far, it's been largely surplus lines carriers. There have been a few captive insurers popping up, and we've seen a limited number of admitted carriers limited to the state of California.

What's the growth potential for the cannabis industry, and the prospects for insurers?

Graham: Projections are showing this to be around \$40 billion a year by the middle of the decade. There's a whole supply chain involved. That's growing the product, distributing it, insuring it on premises. Every aspect of insurance would somehow be involved here. Look at a state like New Jersey, where you're allowed to keep six plants on your personal property. Does that open up the possibility for homeowners coverage to include cannabis? A lot of opportunity. **BR**

AM Best TV



Go to www.bestreview.com to watch the interview with David Blades and Chris Graham.

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

This edition lists all Credit Rating actions that occurred between June 1 and June 30, 2021. 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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH								
↕	H	Amer Family Life Assur Co of Columbus Aflac Incorporated	006051	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Nebraska
↕	H	Amer Family Life Assur Co of New York Aflac Incorporated	006063	A+ aa-	Stable Positive	A+ aa-	Stable Stable	New York
☑	L	Annuity Investors Life Insurance Company Massachusetts Mutual Life Insurance Co	009088	A+ aa-	Stable Stable	A+ u aa- u	Developing Developing	Ohio
🚩	L	Best Meridian Insurance Company BMI Financial Group, Inc.	060007	A- u a- u	Negative Negative	A- a-	Stable Stable	Florida
🚩	L	Blue Cross Life Insurance Co. of Canada	068557	A- u a- u	Negative Negative	A- a-	Stable Stable	New Brunswick
↕	H	Colonial Life & Accident Insurance Co Unum Group	006238	A a	Stable Stable	A a	Negative Negative	South Carolina
↕	H	Continental American Insurance Company Aflac Incorporated	007411	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Nebraska
🚪	L	Corporate Solutions Life Reinsurance Co VA Capital Company LLC	009083	NR nr		B+ bbb-	Stable Stable	Delaware
↕	H	Delta Dental Insurance Company Dentegra Group Inc	009147	A a	Stable Positive	A a	Stable Stable	Delaware
↕	H	Delta Dental of California Dentegra Group Inc	068800	A a	Stable Positive	A a	Stable Stable	California
↕	H	Delta Dental of New York, Inc. Dentegra Group Inc	064594	A a	Stable Positive	A a	Stable Stable	New York
↕	H	Delta Dental of Pennsylvania Dentegra Group Inc	064557	A a	Stable Positive	A a	Stable Stable	Pennsylvania
⊕	L	ELCO Mutual Life and Annuity	008005	B+ bbb-	Stable Stable	B bb+	Positive Positive	Illinois
↕	H	First Unum Life Insurance Company Unum Group	006514	A a	Stable Stable	A a	Negative Negative	New York
⊕	H	Friday Health Plans of Colorado, Inc. Friday Health Plans, Inc.	068945	C ccc	Stable Positive	C- ccc-	Positive Positive	Colorado
☑	L	Great American Life Insurance Company Massachusetts Mutual Life Insurance Co	006474	A+ aa-	Stable Stable	A+ u aa- u	Developing Developing	Ohio
☑	L	Manhattan National Life Insurance Co Massachusetts Mutual Life Insurance Co	006842	B++ bbb+	Stable Stable	B++ u bbb+ u	Developing Developing	Ohio
↕	H	Paul Revere Life Insurance Company Unum Group	006899	A a	Stable Stable	A a	Negative Negative	Massachusetts
↕	H	Provident Life and Accident Insurance Co Unum Group	006968	A a	Stable Stable	A a	Negative Negative	Tennessee
↕	H	Provident Life and Casualty Insurance Co Unum Group	006969	A a	Stable Stable	A a	Negative Negative	Tennessee
⊕	H	Starmount Life Insurance Company Unum Group	009370	A a	Stable Stable	A- a-	Stable Stable	Maine
↕	L	SWBC Life Insurance Company Southwest Business Corporation	009027	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Texas
—	L	Trans-City Life Insurance Co. Trans-City Life Insurance Co.	008051	B++ bbb+	Stable Stable	A- a-	Negative Negative	Arizona
New	H	Triple-S Advantage, Inc. Triple-S Management Corporation	065001	B++ bbb+	Stable Stable	NR nr		Puerto Rico
↕	L	Triple-S Blue, Inc., I.I. Triple-S Management Corporation	006135	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Puerto Rico
🚩	H	Unified Life Insurance Company	060366	B++ u bbb+ u	Negative Negative	B++ bbb+	Stable Stable	Texas

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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH (CONTINUED)								
↕	H	Unum Life Insurance Company of America Unum Group	006256	A a	Stable Stable	A a	Negative Negative	Maine
AMERICAS PROPERTY/CASUALTY								
☑	P	21st Century Advantage Insurance Company Zurich Insurance Group Ltd	011587	A a	Stable Stable	A u	Developing Developing	Minnesota
☑	P	21st Century Auto Ins Co of New Jersey Zurich Insurance Group Ltd	011684	A a	Stable Stable	A u	Developing Developing	New Jersey
☑	P	21st Century Casualty Company Zurich Insurance Group Ltd	010614	A a	Stable Stable	A u	Developing Developing	California
☑	P	21st Century Centennial Insurance Co Zurich Insurance Group Ltd	000876	A a	Stable Stable	A u	Developing Developing	Pennsylvania
☑	P	21st Century Indemnity Insurance Company Zurich Insurance Group Ltd	011768	A a	Stable Stable	A u	Developing Developing	Pennsylvania
☑	P	21st Century Insurance Company Zurich Insurance Group Ltd	003247	A a	Stable Stable	A u	Developing Developing	California
☑	P	21st Century North America Insurance Co Zurich Insurance Group Ltd	003641	A a	Stable Stable	A u	Developing Developing	New York
☑	P	21st Century Pacific Insurance Company Zurich Insurance Group Ltd	002359	A a	Stable Stable	A u	Developing Developing	Colorado
☑	P	21st Century Pinnacle Insurance Company Zurich Insurance Group Ltd	012021	A a	Stable Stable	A u	Developing Developing	New Jersey
☑	P	21st Century Premier Insurance Co Zurich Insurance Group Ltd	002123	A a	Stable Stable	A u	Developing Developing	Pennsylvania
⚑	P	Aegis Security Insurance Company ECFPK Insurance Holdings, LLC	003716	A- a- u	Negative Negative	A- a- u	Negative Negative	Pennsylvania
☑	P	American Federation Insurance Company Zurich Insurance Group Ltd	011877	A a	Stable Stable	A u	Developing Developing	Texas
☑	P	American Pacific Insurance Company, Inc. Zurich Insurance Group Ltd	012039	A a	Stable Stable	A u	Developing Developing	Hawaii
⚑	P	American Surety Company Eighth Amendment Holdings, Inc.	002557	B++ bbb+	Stable Stable	A- a-	Negative Negative	Indiana
⚑	P	Architects & Engineers Ins Co, A RRG* AELC Risk Managers, LLC	010752	NR nr		B++ bbb+	Stable Negative	Delaware
New	P	Ashmere Insurance Company AU Holding Company, Inc.	002755	A a	Negative Negative	NR nr		Florida
↕	P	Associated Mutual Insurance Cooperative	004829	B++ bbb	Negative Negative	B++ bbb	Stable Stable	New York
↕	P	Bay State Insurance Company Andover Companies Pool	002053	A a+	Stable Stable	A a+	Stable Negative	Massachusetts
☑	P	Bristol West Casualty Insurance Company Zurich Insurance Group Ltd	012404	A a	Stable Stable	A u	Developing Developing	Ohio
☑	P	Bristol West Insurance Company Zurich Insurance Group Ltd	012461	A a	Stable Stable	A u	Developing Developing	Ohio
☑	P	Bristol West Preferred Insurance Company Zurich Insurance Group Ltd	013761	A a	Stable Stable	A u	Developing Developing	Michigan
⊕	P	Buckeye State Mutual Insurance Company Buckeye State Mutual Insurance Company	003137	B+ bbb-	Stable Stable	B bb+	Stable Stable	Ohio
↕	P	California Healthcare Ins Co, Inc. A RRG	011230	A- a-	Positive Positive	A- a-	Stable Stable	Hawaii
↕	P	Cambridge Mutual Fire Insurance Company Andover Companies Pool	002054	A a+	Stable Stable	A a+	Stable Negative	Massachusetts
⚑	P	Capacity Insurance Company Team Focus Insurance Group, LLC	010738	B+ bbb- u	Developing Developing	B+ bbb-	Negative Negative	Florida
☑	P	Civic Property and Casualty Company Zurich Insurance Group Ltd	011778	A a	Stable Stable	A u	Developing Developing	California

*Ratings were downgraded to B++/bbb+ from A-/a- on June 9, 2021. Ratings were withdrawn on June 9, 2021.

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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
☑	P	Coast National Insurance Company Zurich Insurance Group Ltd	000177	A a	Stable Stable	A u a u	Developing Developing	California
⚠	P	Concert Insurance Company Freedom Underwriters LLC	010574	B+ u bbb- u	Positive Positive	B+ bbb-	Stable Stable	Illinois
New	P	Dairyland American Insurance Company Sentry Mutual Holding Company	020961	A+ aa-	Stable Stable	NR nr		Wisconsin
↕	P	Danbury Insurance Company NLC Insurance Companies Pool	011046	A- a-	Negative Negative	A- a-	Stable Stable	Massachusetts
—	P	Economy Fire & Casualty Company Zurich Insurance Group Ltd	002276	A a	Stable Stable	A u a+ u	Negative Negative	Illinois
—	P	Economy Preferred Insurance Company Zurich Insurance Group Ltd	003831	A a	Stable Stable	A u a+ u	Negative Negative	Illinois
—	P	Economy Premier Assurance Company Zurich Insurance Group Ltd	002761	A a	Stable Stable	A u a+ u	Negative Negative	Illinois
☑	P	Exact Property and Casualty Company Zurich Insurance Group Ltd	011779	A a	Stable Stable	A u a u	Developing Developing	California
—	P	Farmers Casualty Insurance Company Zurich Insurance Group Ltd	003288	A a	Stable Stable	A u a+ u	Negative Negative	Rhode Island
—	P	Farmers Direct Prop and Cas Insurance Co Zurich Insurance Group Ltd	002496	A a	Stable Stable	A u a+ u	Negative Negative	Rhode Island
—	P	Farmers Group Prop and Cas Insurance Co Zurich Insurance Group Ltd	003733	A a	Stable Stable	A u a+ u	Negative Negative	Rhode Island
☑	P	Farmers Insurance Company of Arizona Zurich Insurance Group Ltd	004158	A a	Stable Stable	A u a u	Developing Developing	Arizona
☑	P	Farmers Insurance Company of Idaho Zurich Insurance Group Ltd	004159	A a	Stable Stable	A u a u	Developing Developing	Idaho
☑	P	Farmers Insurance Company of Oregon Zurich Insurance Group Ltd	004305	A a	Stable Stable	A u a u	Developing Developing	Oregon
☑	P	Farmers Insurance Company of Washington Zurich Insurance Group Ltd	004306	A a	Stable Stable	A u a u	Developing Developing	Washington
☑	P	Farmers Insurance Company, Inc. Zurich Insurance Group Ltd	003100	A a	Stable Stable	A u a u	Developing Developing	Kansas
☑	P	Farmers Insurance Exchange Zurich Insurance Group Ltd	002171	A a	Stable Stable	A u a u	Developing Developing	California
☑	P	Farmers Insurance Hawaii, Inc. Zurich Insurance Group Ltd	002784	A a	Stable Stable	A u a u	Developing Developing	Hawaii
☑	P	Farmers Insurance of Columbus, Inc. Zurich Insurance Group Ltd	002577	A a	Stable Stable	A u a u	Developing Developing	Ohio
☑	P	Farmers New Century Insurance Company Zurich Insurance Group Ltd	012089	A a	Stable Stable	A u a u	Developing Developing	Illinois
—	P	Farmers Property and Casualty Ins Co Zurich Insurance Group Ltd	004675	A a	Stable Stable	A u a+ u	Negative Negative	Rhode Island
☑	P	Farmers Specialty Insurance Company Zurich Insurance Group Ltd	001879	A a	Stable Stable	A u a u	Developing Developing	Michigan
☑	P	Farmers Texas County Mutual Insurance Co Zurich Insurance Group Ltd	004097	A a	Stable Stable	A u a u	Developing Developing	Texas
☑	P	Fire Insurance Exchange Zurich Insurance Group Ltd	002172	A a	Stable Stable	A u a u	Developing Developing	California
☑	P	Foremost County Mutual Insurance Company Zurich Insurance Group Ltd	003634	A a	Stable Stable	A u a u	Developing Developing	Texas
☑	P	Foremost Insurance Co Grand Rapids, MI Zurich Insurance Group Ltd	002189	A a	Stable Stable	A u a u	Developing Developing	Michigan
☑	P	Foremost Lloyds of Texas Zurich Insurance Group Ltd	001753	A a	Stable Stable	A u a u	Developing Developing	Texas
☑	P	Foremost Property and Casualty Ins Co Zurich Insurance Group Ltd	001897	A a	Stable Stable	A u a u	Developing Developing	Michigan
☑	P	Foremost Signature Insurance Company Zurich Insurance Group Ltd	001754	A a	Stable Stable	A u a u	Developing Developing	Michigan

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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
↕	P	Hingham Mutual Fire Insurance Company NLC Insurance Companies Pool	000478	A- a-	Negative Negative	A- a-	Stable Stable	Massachusetts
⊕	P	Home and Farm Insurance Company Buckeye State Mutual Insurance Company	010251	B+ bbb-	Stable Stable	B bb+	Stable Stable	Ohio
⊕	P	Illinois Casualty Company ICC Holdings, Inc.	000492	A- a-	Stable Stable	B++ bbb+	Stable Stable	Illinois
☑	P	Illinois Farmers Insurance Company Zurich Insurance Group Ltd	004083	A a	Stable Stable	A u a u	Developing Developing	Illinois
↕	P	KW Specialty Insurance Company Kramer-Wilson Company, Inc.	020593	A- a-	Negative Negative	A- a-	Stable Stable	Delaware
↕	P	Merrimack Mutual Fire Insurance Company Andover Companies Pool	002055	A a+	Stable Stable	A a+	Stable Negative	Massachusetts
—	P	Metropolitan Lloyds Ins Co of Texas Zurich Insurance Group Ltd	011417	A a	Stable Stable	A u a+ u	Negative Negative	Texas
☑	P	Mid-Century Insurance Company Zurich Insurance Group Ltd	002173	A a	Stable Stable	A u a u	Developing Developing	California
☑	P	Mid-Century Insurance Company of Texas Zurich Insurance Group Ltd	000270	A a	Stable Stable	A u a u	Developing Developing	Texas
↕	P	Mississippi Farm Bureau Casualty Ins Co Southern Casualty Holding Company	000513	A a	Negative Negative	A a	Stable Stable	Mississippi
↕	P	Multinational Insurance Company Ancon Investment Corporation	014362	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Puerto Rico
☑	P	Neighborhood Spirit Prop and Cas Co Zurich Insurance Group Ltd	011780	A a	Stable Stable	A u a u	Developing Developing	California
↕	P	New London County Mutual Insurance Co NLC Insurance Companies Pool	000696	A- a-	Negative Negative	A- a-	Stable Stable	Connecticut
New	P	Oklahoma Property and Casualty Ins Co AU Holding Company, Inc.	010359	A a	Negative Negative	NR nr		Oklahoma
⊕	P	Pittstown Cooperative Fire Insurance Co Security Mutual Insurance Company	022399	A a	Stable Stable	A- a-	Positive Positive	New York
New	P	Point Insurance Company Sentry Mutual Holding Company	020962	A+ aa-	Stable Stable	NR nr		Wisconsin
New	P	Quanta Insurance Company, Inc. Quanta Services, Inc.	020881	A- a-	Stable Stable			Texas
☑	P	Safepoint Insurance Company** Safepoint Holdings, Inc.	022029	NR nr		C++ b	Negative Negative	Florida
⊕	P	Security Mutual Insurance Company Security Mutual Insurance Company	000827	A a	Stable Stable	A- a-	Positive Positive	New York
☑	P	Security National Insurance Company Zurich Insurance Group Ltd	010796	A a	Stable Stable	A u a u	Developing Developing	Florida
⊕	P	Southern Mutual Church Insurance Company	001847	A a	Stable Stable	A- a-	Positive Positive	South Carolina
↕	P	Southern Vanguard Insurance Company InsVest, LLP	012223	A- a-	Negative Negative	A- a-	Stable Stable	Texas
☑	P	StarStone Insurance Bermuda Limited Enstar Group Limited	088985	A- a-	Stable Stable	A- u a- u	Negative Negative	Bermuda
☑	P	Texas Farmers Insurance Company Zurich Insurance Group Ltd	003312	A a	Stable Stable	A u a u	Developing Developing	Texas
↕	P	Thames Insurance Company, Inc. NLC Insurance Companies Pool	003774	A- a-	Negative Negative	A- a-	Stable Stable	Connecticut
☑	P	The Gray Casualty & Surety Company BCP Surety Group SPV, LLC	011955	A- a-	Stable Stable	A- u a- u	Developing Developing	Louisiana
☑	P	Toggle Insurance Company Zurich Insurance Group Ltd	011109	A a	Stable Stable	A u a u	Developing Developing	Delaware
—	P	Trans City Casualty Insurance Company Trans-City Life Insurance Co.	011062	B++ bbb+	Stable Stable	A- a-	Negative Negative	Arizona

**Ratings were removed from under review and downgraded to C++/b from B-/bb- on June 24, 2021. Ratings were withdrawn on June 24, 2021.

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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
↕	P	Triple-S Propiedad, Inc. Triple-S Management Corporation	000370	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Puerto Rico
☑	P	Truck Insurance Exchange Zurich Insurance Group Ltd	002174	A a	Stable Stable	A u a u	Developing Developing	California
New	P	Westfield Specialty Insurance Company Ohio Farmers Insurance Company	020985	A a+	Stable Stable			Ohio
↕	P	Wisconsin Municipal Mutual Insurance Co	010683	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Wisconsin
EUROPE, MIDDLE EAST & AFRICA								
↕	P	National Takaful Company (Watania) PJSC MB Holding Company LLC	092651	B bb+	Stable Stable	B bb+	Positive Positive	United Arab Emirates
New	P	Orient UNB Takaful PJSC	095842	A a+	Stable Stable	NR nr		United Arab Emirates
↕	P	Protector Forsikring ASA	091925	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Norway
☑	P	StarStone Insurance SE Enstar Group Limited	088986	A- a-	Stable Stable	A- u a- u	Negative Negative	Liechtenstein
ASIA-PACIFIC								
↕	L	Aflac Life Insurance Japan Ltd. Aflac Incorporated	095857	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Japan
+	L	China Reinsurance (Hong Kong) Co Ltd China Investment Corporation	071783	A a	Stable Positive	A- a-	Stable Stable	Hong Kong
↕	P	CMB Wing Lung Insurance Company Limited China Merchants Bank Co., Ltd.	084822	A- a-	Positive Positive	A- a-	Stable Stable	Hong Kong
↕	P	Dhipaya Insurance Public Company Limited	089383	A- a-	Stable Stable	A- a-	Negative Negative	Thailand
New	P	FuSure Reinsurance Company Limited Tencent Holdings Limited	074619	A- a-	Stable Stable			Hong Kong
↕	P	Health Services Welfare Society Limited	091066	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	New Zealand
↔	L	Lifetime Income Limited Retirement Income Group Limited	094359	NR nr		B- u bb- u	Negative Negative	New Zealand
New	P	Zhongyuan Agricultural Insur Co., Ltd.	071388	B++ bbb+	Stable Stable	NR nr		China
AMERICAS								
🇧🇲	L	Best Meridian International Ins Co SPC BMI Financial Group, Inc.	086911	A- u a- u	Negative Negative	A- a-	Stable Stable	Cayman Islands
↕	L	Dentegra Seguros Dentales, S.A. Dentegra Group Inc	091484	A a	Stable Positive	A a	Stable Stable	Mexico
↕	P	Energy Insurance Mutual Limited Energy Insurance Mutual Limited	085496	A a	Stable Stable	A a	Stable Positive	Barbados

Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
↕	Aflac Incorporated	058003	a-	Positive	a-	Stable	Georgia
+	ICC Holdings, Inc.	046504	bbb-	Stable	bb+	Stable	Illinois
↔	Sirius International Group, Ltd.	051995	nr		bbb-	Stable	Bermuda
↕	Unum Group	058110	bbb	Stable	bbb	Negative	Delaware

Rating Action: (⊕) Upgrade; (⊖) Downgrade; (New) Initial Rating; (☑) Under Review; (↕) Change in Outlook; (↔) Rating Withdrawal; (☑) Rating Affirmation.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.

GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – (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.

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

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

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

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

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

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

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

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

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

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Version 121719

Mergers, Acquisitions, State Action and Name, Domiciliary and Ownership Changes

Greenhouse Life, United International and Global Hawk Property and Casualty are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

LIFE/HEALTH

Merger

Munich American Life Reinsurance Co. (AMB# 061665), Atlanta. This company merged with and into Munich American Reassurance Co. on Jan. 1, 2021.

Name Changes

Care Wisconsin Health Plan - Trilogy Health Insurance Inc. (AMB# 065017), Madison, Wis. This company changed its name to My Choice Wisconsin Health Plan Inc. on Jan. 1, 2021.

Greenhouse Life Insurance Co. (AMB# 062272), Scottsdale, Ariz. This company changed its name to Wysh Life and Health Insurance Co. on April 1, 2021.

HealthNow New York Inc. (AMB# 064602), Buffalo, N.Y. This company changed its name to Highmark Western and Northeastern New York Inc. on April 27, 2021.

University of Maryland Health Advantage Inc. (AMB# 062074), Timonium, Md. This company changed its name to CareFirst Advantage DSNP Inc. on Jan. 19, 2021.

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Acquisitions & Ownership Changes

Corporate Solutions Life Reinsurance Co. (AMB# 009083), Wilmington, Del. This company was acquired by Venerable Insurance and Annuity Co. from Equitable Holdings Inc. on June 1, 2021.

Great American Life Insurance Co. (AMB# 006474), Cincinnati. This company was acquired by Massachusetts Mutual Life Insurance Co. from American Financial Group Inc. on May 28, 2021.

Greenhouse Life Insurance Co. (AMB# 062272), Scottsdale, Ariz. This company was acquired by Wysh Financial Services LLC, a subsidiary of Northwestern Mutual Life Insurance Co., from Reinsurance Company of Missouri Inc. on April 1, 2021.

Harvard Pilgrim Health Care Inc. (AMB# 068973), Wellesley, Mass. Health Plan Holdings Inc. became the parent of the company as a result of the combination of both companies' respective nonprofit organizations on Jan. 1, 2021.

HealthNow New York Inc. (AMB# 064602), Buffalo, N.Y. This company became a controlled affiliate of Highmark Inc. within the definition of Blue Cross and Blue Shield Association rules on March 1, 2021.

Solstice Benefits Inc. (AMB# 065121), Plantation, Fla. This company and its subsidiaries were acquired by Specialty Benefits LLC, a subsidiary of UnitedHealth Group Inc. on March 31, 2021.

Solstice Health Insurance Co. (AMB# 065075), New York. This company was acquired by Specialty Benefits LLC, a subsidiary of UnitedHealth Group Inc., on March 31, 2021.

True Health New Mexico Inc. (AMB# 062239), Albuquerque, N.M. This company was acquired by Bright Health Management Inc. from EH Holding Co. Inc. on March 31, 2021.

Tufts Health Freedom Insurance Co. (AMB# 061905), Concord, N.H. This company's parent, Tufts Health Freedom Plans Inc., was acquired by United HealthCare Services Inc., a subsidiary of UnitedHealth Group Inc., from Tufts Associated Health Plans Inc. on Jan. 1, 2021.

Domiciliary Change

Greenhouse Life Insurance Co. (AMB# 062272), Scottsdale, Ariz. This company redomesticated to Wisconsin from Arizona on April 1, 2021.

PROPERTY/CASUALTY

Merger

United International Insurance Co. (AMB# 010660), New York. This company changed its name to SureChoice Insurance Co. on March 29, 2021.

Acquisitions & Ownership Changes

American Country Insurance Co. (AMB# 021036), Chicago. The stock, charter and state licenses of American Country Insurance Co. were acquired by Buckle Corp. from Atlas Financial Holdings Inc. on May 25, 2021. A portion of the purchase price was paid to the statutory liquidator of American Country Insurance Co. at closing by Buckle Corp.

American Service Insurance Co. Inc. (AMB# 021037), Elk Grove, Ill. The stock, charter and state licenses of American Service Insurance Co. Inc. were acquired by Buckle Corp. from Atlas Financial Holdings Inc. on May 25, 2021. A portion of the purchase price was paid to the statutory liquidator of American Service Insurance Co. Inc. at closing by Buckle Corp.

Crystal Ridge Specialty Insurance Co. Inc. (AMB# 023285), Chicago. This company was acquired by Vantage Risk Holdings Corp. from Hiscox Insurance Co. Inc. on June 1, 2021.

The Gray Casualty & Surety Co. (AMB# 011955), Metairie, La. This company was contributed by The Gray Insurance Co. to BCP Surety Group Holdings LLC in exchange for a 20% equity stake in BCP Surety Group Holdings LLC and cash on June 1, 2021.

United International Insurance Co. (AMB# 010660), New York. This company was acquired by SureChoice Holdings Inc. from American European Insurance Co. on March 1, 2021.

State Action

Global Hawk Property and Casualty Insurance Co. (AMB# 022294), Wilmington, Del. This company was placed into insolvent liquidation on Jan. 7, 2021.

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Top Insurers, Reinsurers Form Climate Change Group Net-Zero Insurance Alliance

All eight founding members are already individually setting science-based 2025 decarbonization targets for their respective investment portfolios in line with a net-zero transition.

Eight of the world's top insurers and reinsurers committed to accelerating in aiding the transition to net-zero emissions economy under the Paris Agreement on climate change by forming an alliance, convened by the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance.

The companies have committed to transition their insurance and reinsurance underwriting portfolios to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5 C above pre-industrial levels by 2100, the Net-Zero Insurance Alliance said in a statement. Each company will decide how it will achieve this objective.

The eight founding members of the alliance are Axa, which is chairing the group; Allianz; Aviva; Generali; Munich Re; Scor; Swiss Re and Zurich Insurance Group. The group said it is seeking climate leadership as investors through the NZIA as well as its membership in the United Nations-convened Net-Zero Asset Owner Alliance, established in 2019.

All eight NZIA founding members are already individually setting science-based 2025 decarbonization targets for their respective investment portfolios in line with a net-zero transition, the NZIA said.

The member companies will individually set science-based intermediate targets every five years and independently report on their progress publicly and yearly, the NZIA said.

"With this new Net-Zero Insurance Alliance, we are raising our climate ambition further by using



"With this new Net-Zero Insurance Alliance, we are raising our climate ambition further by using our underwriting, claims, and risk management practices to help ensure and enable the transition to a resilient net-zero global economy."

Thomas Buberl
Axa

our underwriting, claims, and risk management practices to help ensure and enable the transition to a resilient net-zero global economy," Thomas Buberl, chief executive officer, Axa, said in a statement.

As a founding member, Scor will transition all operational and attributable greenhouse gas emissions from its insurance and reinsurance underwriting portfolios to net-zero emissions by 2050, and support the implementation of corporate disclosure frameworks and global policy frameworks relevant to the net-zero transition and the insurance industry, the reinsurer said in a separate statement.

"Collective action is the only way we can address the grand challenge of our time: climate change," Laurent Rousseau, CEO, Scor, said in a statement.

Scor said it is committed to a phased withdrawal of insurance and facultative reinsurance coverage from unabated coal-fired power plants by 2030 for OECD countries and by 2040 for the rest of the world. The reinsurer said this commitment extends to its portfolio of reinsurance treaties and begins by strengthening Scor's underwriting guidelines for 2022 to screen for all reinsurance treaties with more than 10% coal-related premiums.

Insurance companies must be one element in the battle against climate change, and all parties must put low-income and isolated communities—those most vulnerable to the effects of extreme weather events caused by climate change—at the center of solutions, said members of a climate insurance working group.

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—David Pilla

Masthead: Backstay

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Roll Up Your Sleeves: Insurers Offer Incentives to Entice Individuals to Get Their COVID-19 Shots

Several insurers around the world are offering reduced premiums and discounts on travel and other services to individuals who receive at least one dose of the vaccine.

by Lori Chordas

Every day a growing number of individuals across the globe are rolling up their sleeves to receive a COVID-19 vaccination, aiming to move the world closer to immunity and an end to the pandemic.

Yet, millions still remain reluctant to make that move.

Companies across various industries including insurance are hoping to change that with the use of unique and creative incentives to woo vaccine skeptics.

In May, India-based Reliance General Insurance announced that it was offering inoculated adult customers a one-time, 5% discount on the purchase or renewal of the company's Health Infinity policy.

The company said in a news release the incentive program reiterates Reliance General's commitment to ensuring safety for its members and provides additional ease to customers purchasing or renewing the health care policy.

As of mid-July, only 22.03% of individuals in India, the world's second-most populous country, had received at least one dose of the COVID-19 vaccine, according to Our World in Data. In April, the nation suffered a disastrous outbreak of infections from a widespread second wave that, reports cite, claimed more lives each day than in any period in 2020.

In other areas of the world, John Hancock in the United States and its parent company Manulife Financial in Canada, Asia and Europe also are trying

to boost the number of inoculated individuals by awarding life insurance customers participating in the companies' Vitality program with 400 Vitality Points that can be used for reduced insurance premiums, travel and retail discounts and savings on healthy food and wearable fitness devices.

Since 2015, Vitality, which combines the financial protection of life insurance with a

technology-enabled program, has offered education, support, incentives and rewards to help customers live longer, healthier lives. Just by sharing proof of their COVID-19 vaccination, customers can accumulate points that are typically earned by participating in everyday activities such as exercising and eating well.

As of mid-June, nearly 10,000 Vitality members had uploaded a photo of their vaccine card to the program's website or app to receive their 400 Vitality Points, said John Hancock President and CEO Brooks Tingle. Preventive care, he said, is a large part of the Vitality program, "and the decision to incentivize customers to get their COVID-19 vaccination is a meaningful way to recognize those who are investing in their health."

Insurers aren't alone in the vaccination incentive crusade. Food chains such as Krispy Kreme, Shake Shack and White Castle have offered free food to those who show their vaccination cards, while retailers and grocery chains such as Target, Safeway and Albertsons are offering discounts to inoculated shoppers. Many professional sports teams, too, have at the start of their seasons handed out vouchers for free or discounted tickets or merchandise or held vaccination clinics during games.



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

BR



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