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Asset Management, Resilience  
Starting on Page 15

# BEST'S REVIEW®

June 2024 • Volume 125 • Issue 6

[bestsreview.ambest.com](https://bestsreview.ambest.com)

AM BEST'S MONTHLY INSURANCE MAGAZINE




## Secondary Perils Become a Primary Headache

Secondary perils—such as severe convective storms, hail, snowstorms, drought and flooding—have become more significant problems for insurers. Page 38



*Best's Review*  
Online Archives





# Beyond transactions

Alternative  
Markets

Enterprise Risk  
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## Who'll Stop the Hail?

The June issue focuses on the rise of secondary perils. This issue also includes the three-part special presentation *How Insurance Asset Managers Are Negotiating the New Investment Environment* and an exclusive ranking of the largest European insurers.

The insurance industry is bracing for an active 2024 Atlantic hurricane season as current El Nino conditions are expected to transition to La Nina conditions later in the summer.

Colorado State University's hurricane forecast said La Nina conditions will lead to hurricane-favorable wind shear conditions. "We anticipate a well above-average probability for major hurricanes making landfall along the continental United States coastline and in the Caribbean," according to the university's April forecast. Its next forecast is expected on June 11.

The Atlantic hurricane season officially starts on June 1 and runs through the end of November. Insurers have paid out billions in claims from hurricanes over the years and many have worked to reduce their exposure in coastal areas. But now other perils, such as severe convective storms, are becoming a much more serious problem.

A quick check of BestLink data shows that in 2022, the most recent year available as of press time, the states with the highest combined ratios for homeowners multiperil were South Dakota at 192.87, Minnesota at 191.47, Florida at 162, Arkansas at 151.51 and Wisconsin at 147.31. Only one of those states is coastal.

The top global secondary perils in 2023, according to Aon's *2024 Climate and Catastrophe Insight* report were:

1. Severe convective storms in the United States with an estimated \$58 billion in insured losses.
2. A drought in the U.S. Midwest with insured losses estimated at \$6.5 billion.
3. An earthquake sequence in Turkey and Syria at an estimated \$5.7 billion in insured losses.

4. A wildfire in Maui at an estimated \$3.5 billion in insured losses.

5. A July hailstorm in Europe that caused insured losses estimated at more than \$3 billion.

In "Secondary Perils Playing Bigger Role in Expanding Catastrophe Losses," *Best's Review* reports on secondary perils and their impact on insurers.

*Best's Review* asked three artificial intelligence large language platforms about the most surprising secondary losses. Go to "Leading AI Platforms Respond to Question About Secondary Losses" to find out how they responded.

On the investment side of the business, insurers face a much different environment today compared with 2022 when the federal funds rate was hovering near zero. Fed officials now continue to hold their benchmark federal funds rate steady at its highest level in more than two decades, around 5.3%.

In June, *Best's Review* features the three-part special presentation *How Insurance Asset Managers Are Negotiating the New Investment Environment*, a joint effort with AM Best TV. The presentation includes panel discussions with insurance and investment leaders.

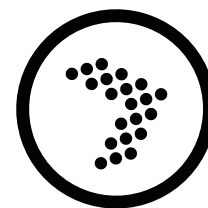
The June issue also includes an exclusive ranking of the largest European insurers.

June 28 is National Insurance Awareness Day. It serves as an annual reminder to business owners to review their policies and to make sure they have the right coverages. **BR**

**Patricia Vowinkel**  
Executive Editor  
[patricia.vowinkel@ambest.com](mailto:patricia.vowinkel@ambest.com)

## What's Coming Up

In the July issue, *Best's Review* will publish its ranking of the top global insurance brokers. This issue also includes a special focus on new developments in insurance accounting and a listing of insurance auditors.



## HOW INSURANCE ASSET MANAGERS ARE NEGOTIATING THE NEW INVESTMENT ENVIRONMENT

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**27-36**

Insurance and investment leaders spoke with AM Best TV about balancing risk and effectively managing assets amid shifting market dynamics.



Shevawn Barder



Cindy Beaulieu



Ken Griffin

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### Negotiating the Higher-Yield Insurance Asset Environment

AM Best TV hosted a panel of insurance leaders who said they believe the current economy and interest rate environment will continue to linger as the industry keeps its eye on how the Federal Reserve will respond to inflation data.



Susan Chung



David Czerniecki



Deanna Leighton

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### How Insurers Are Addressing Earlier Low-Rate Investments

It's crucial for the industry to adapt to shifting market dynamics, regulatory changes and emerging technologies in order to effectively manage assets, a panel of industry leaders told AM Best TV.



Jason Hopper



Leena Punjabi



Mark Silverstein

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### Emerging Insurance Asset Investment Risks and Opportunities

Insurance investment managers sift through an array of asset classes, balancing risk, return and liquidity to ensure the ability to pay claims. Some asset classes are more attractive than others, panelists told AM Best TV.

## ISSUES & ANSWERS

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### Asset Management • Resilience

Insurance and investment leaders discuss managing portfolios, mitigating risk and establishing resiliency in the market.



## LIFE INSURANCE

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### MassMutual Expands Use of Genetic Testing by Policy Owners To Abate Risk

The expansion comes after a research study found 70% of policy owners who chose to use the risk assessment service report intended to take preventive steps—such as seeing doctors or seeking further screening—based on their scores.





## TECHNOLOGY

Page **24** **Empathy CEO: Emerging Technology Helps Insurers Redefine Relationships**

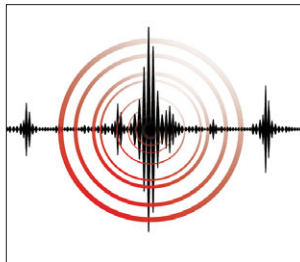
Ron Gura, co-founder and chief executive officer of Empathy, said life insurers can use technology to let machines do what machines do best and to let humans do what humans do best.



## SECONDARY PERILS

Page **38** **Secondary Perils Playing Bigger Role in Expanding Catastrophe Losses**

Some of the largest secondary perils of 2023 included an outbreak of severe convective storms in the Midwest in March. Hail damage in the United States was exceptional in 2023, especially in Texas and Colorado, according to an Aon report.



## EARTHQUAKES

Page **44** **Earthquake Activity Serves as Risk Reminder With Atypical Locales**

Seismic activity in 2023 and 2024 underscores the importance of continually evaluating risk, a Verisk expert said.



## EUROPEAN INSURERS

Page **46** **AM Best: German Non-Life Market Faces Persistent Claims Inflation**

AM Best is maintaining its Negative outlook for the German non-life insurance segment. Factors supporting the Negative outlook include subdued growth prospects on an inflation-adjusted basis, persistent claims inflation and competitive environment affecting underwriting profitability, and losses from natural catastrophes leading to volatility in results.

## BEST'S RANKINGS

Page **50** **Largest European Insurers – 2024 Edition**  
Ranked by 2022 gross premiums written.

Visit [news.ambest.com](https://www.ambest.com) for a full listing of Best's Rankings.

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Drought photo by Justin Sullivan/Getty Images and winter storm photo by Joed Viera/AFP via Getty Images.

# AM Best To Speak at Reinsurance Seminar in Boston

**June 1-5:** 50th AIO Conference and Annual General Assembly, African Insurance Organization, Windhoek, Namibia.  


**June 2-4:** CAS Seminar on Reinsurance, Casualty Actuarial Society, Boston, MA, USA. 


**June 2-5:** National Flood Conference, American Property Casualty Insurance Association, Washington, DC, USA. 

**June 2-5:** IASA Xchange Conference, Insurance Accounting & Systems Association Inc., Pittsburgh, PA, USA.   

**June 4-6:** InsureTech Connect Asia, InsureTech Connect, Singapore. 

**June 5-6:** Insurtech Insights USA, Insurtech Insights, New York, NY, USA. 

**June 12:** AM Best's Insurance Market Briefing – Milan, AM Best, Milan, Italy. 

**June 12-14:** FAIA's 120th Anniversary Convention and Education Symposium, Florida Association of Insurance Agents, Orlando, FL, USA. 

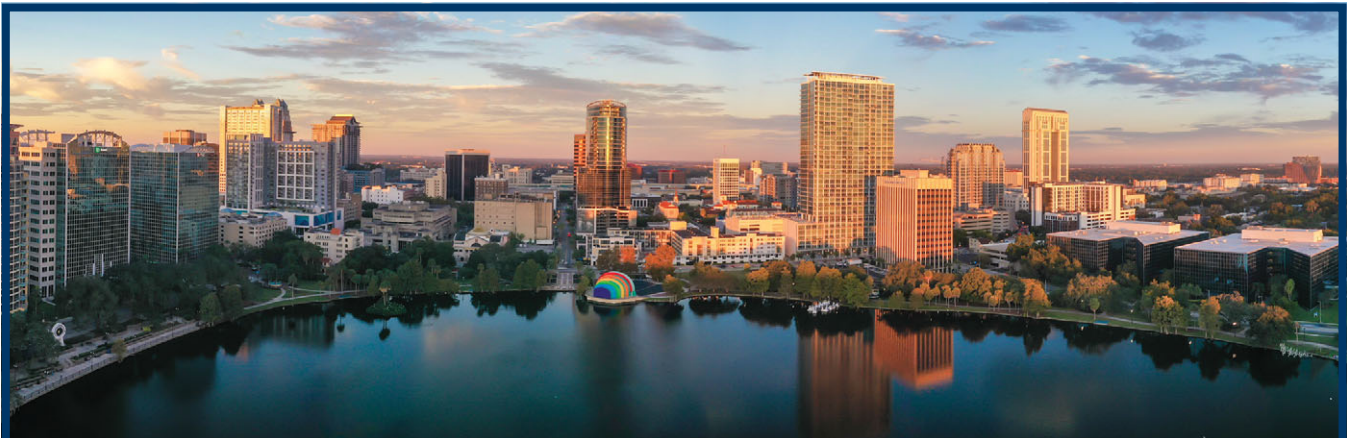


Scan for a full list of conferences and events.

 Attending  Exhibiting  Speaking  Hosting  Sponsoring  Video

## June Is Insurance Awareness Month

June 28 has been designated National Insurance Awareness Day. *Best's Review* and AM Best TV have teamed up to explore *How Insurance Asset Managers Are Negotiating the New Investment Environment* in a series of interviews with industry leaders. Coverage begins on page 27.



## CONNECT WITH US TO GET THE BEST INDUSTRY PERSPECTIVE



### Meet AM Best at the FAIA 120<sup>th</sup> Anniversary Convention

**When:** June 12-14, 2024 | **Where:** Rosen Shingle Creek, Orlando

Please join AM Best representatives at FAIA's 120<sup>th</sup> Anniversary Convention and Education Symposium. Stop by booth 408 to learn more about Best's Performance Assessment for Delegated Underwriting Authority Enterprises.

Event details are subject to change. Scan the QR code for the latest conference information.



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## Everest Group Promotes Executive To Lead Reinsurance, Insurance Businesses and Names Global Insurance Chair

Hiscox taps U.S. chief operating officer, Geico welcomes new chief legal officer and Axa XL appoints global chief underwriting officer, marine.

Everest Group Ltd. promoted Jim Williamson to lead Everest's reinsurance and insurance businesses.

Williamson most recently served as Everest's executive vice president, group chief operating officer and head of the company's reinsurance division, where he delivered record results and profitability, according to the company.

In his expanded role, which includes head of the insurance division, he will work closely with the company's global insurance leaders, as well as Jill Beggs, chief operating officer of reinsurance who leads all of the reinsurance division's global businesses.

Prior to Everest, Williamson served in various leadership positions at global insurance and advisory



**Jim Williamson**



**Mike Karmilowicz**

firms including Chubb, Ace, Hartford and Bain & Co., the company said.

Everest also announced the appointment of Mike Karmilowicz to chairman, Everest Global Insurance, where he will support the advancement of Everest's global insurance strategy, driving key strategic initiatives including the company's

priority global distribution strategies, aligning Everest's value proposition to the evolving needs of clients and partners, according to the company.

He will continue to report to Juan C. Andrade, Everest president and chief executive officer.

—Staff Report

### Sompo Japan Names Successor to Retiring CRO

Sompo Holdings Inc. appointed Koji Takahashi to succeed Emiko Maki as chief risk officer and head of reinsurance for Sompo Japan, a core subsidiary of Sompo Holdings.

Maki has stepped down from her positions within Sompo Japan after announcing her retirement.

In his role leading reinsurance, Takahashi has a dual reporting line to Christopher Donelan, chief executive officer, SompoRe, the global reinsurance operations of Sompo, the overseas insurance and reinsurance business of Sompo Holdings, according to a company statement.

Takahashi most currently served as CRO for Sompo, Asia-Pacific. He has been with the company for 33 years and has extensive experience in risk management and reinsurance, the company said.



**Koji Takahashi**

### Hiscox Welcomes New Chief Operating Officer for US

Hiscox appointed Leigh Hellrung as chief operating officer in the United States. Hellrung also will serve on the Hiscox U.S. leadership team.

Hellrung will lead all aspects of the U.S. operations across service delivery, strategy, transformation, data, and process excellence, the company said.

Hellrung has over 20 years of industry experience. Prior to Hiscox, Hellrung held customer experience, service delivery and strategic operations leadership roles with Farmers Insurance and Zurich Financial Services. In her most recent role, she was responsible for 500 employees and all aspects of the customer and agent service experience. Prior to that, Hellrung led enterprise-wide technology transformations in billing, payment and customer experience domains, according to a company statement.



**Leigh Hellrung**

Hiscox USA provides a variety of specialty risk solutions, including a broad spectrum of errors & omissions, general liability, cyber and data security, media liability, management liability, crime, entertainment, and terrorism insurance products, the company said.

### Geico Names Chief Legal Officer

**G**eico hired Tangela Richter as chief legal officer.

Richter will oversee all of Geico's legal functions as well as government and regulatory affairs, the company said.

Richter joins Geico from Wells Fargo, where she most recently served as executive vice president, deputy general counsel, and secretary. Prior to joining Wells Fargo, she held several leadership roles at companies such as American Express, Lending Club, and Capital One, according to a company statement.



**Tangela Richter**

### Hannover Re Appoints Executive Board Member, Chief Executive Officer of E+S Rück

**T**he Supervisory Boards of Hannover Rück SE and E+S Rückversicherung AG named Thorsten Steinmann to the executive board, effective Sept. 1. He will succeed Michael Pickel, who will retire on Dec. 31 after 25 years at Hannover Re.

Pickel has been with Hannover Re and E+S Rück since 2000, when he joined the executive boards of both companies from Gerling Globale Rückversicherungs-AG in Cologne, Germany.

Following a transition period, Steinmann, in his new role, will head E+S Rück, the Hannover Re subsidiary responsible for the group's German business, as chief executive officer effective Jan. 1, 2025, and will be responsible for markets in continental Europe at Hannover Re, according to the company.

Steinmann joins the company from Swiss Re, where he most recently was responsible for the reinsurance business in Germany, the Nordics, Austria, Central and Eastern Europe, the Netherlands, and Switzerland, the company said in a statement.



**Thorsten Steinmann**

Steinmann has 30 years of experience in the insurance and reinsurance industry. He joined Swiss Re in 2006 as part of the integration of GE Insurance Solutions. After holding various international leadership positions at Swiss Re, he was given responsibility for Swiss Re's reinsurance business Northern, Central and Eastern Europe in 2023 and also was appointed head of Swiss Re's German branch in the same year, according to a company statement.

### Arch Reinsurance Promotes Trio of Senior Executives

**A**rch Reinsurance Group promoted three senior executives, including Jerome Halgan to president and chief underwriting officer and Vanessa Hardy Pickering to chief financial officer of Arch Reinsurance Group.

In addition, Lester Pun was named chief operating officer of Arch Reinsurance Group.

Halgan also maintains his prior role as chief executive officer of Arch Reinsurance Ltd. In this expanded role, he also will oversee underwriting strategy, operations and approach across the company. Halgan joined Arch in 2009, and his leadership to encourage innovation, collaboration and strengthen relationships with clients has strongly contributed to the growth and continued success of the business, according to a company statement.

Hardy Pickering will work closely with reinsurance CFOs across the company to shape the future state of the finance department. Her track record of supporting strategic growth plans, leading strong teams and serving as a trusted partner makes her a natural fit for this new role, the company said. Hardy Pickering joined Arch in 2021 and most recently served as the CFO of Arch Re Ltd.



**Jerome Halgan**



**Vanessa Hardy Pickering**



**Lester Pun**



Pun will drive the execution of key transformation projects across the company, including oversight and support of its data strategy initiative. With more than 20 years of actuarial and operational experience, Pun has the practical know-how to bring Arch Reinsurance Group's future ambitions into reality, the company said. He joined Arch in 2018 and most recently served as chief actuary of Arch Re Ltd.

## HDI Global Names Management Board Members

HDI Global SE named Barbara Klimaszewski-Blettner and Dirk Höring to the board of management of HDI Global SE.

Klimaszewski-Blettner takes over responsibility for the business in Germany, as well as global claims management. Most recently, she was responsible for the German business as managing director. By optimizing structures and processes, she increased customer focus in Germany, the company said.

Prior to this, she held various management positions at Allianz Global Corporate & Specialty and Allianz Group.

The aim of bundling the global claims management at management board level is to increase the customer focus of the division, including the associated claims services, and to optimize processes worldwide, the company said.

Höring succeeds Claire McDonald as board member and chief underwriting officer for property, engineering and marine cargo insurance, as well as HDI Risk Consulting.

Höring is a highly experienced insurance executive and most recently was the head of international programs with a total of about 5,000 international programs, the company said.

Previously, he was responsible as divisional head for pricing, analytics and global portfolio steering. He also was a member of the executive board of HDI Global Network AG, a globally operating reinsurer within HDI Global SE, where he was responsible for finance, reinsurance accounting, asset and liquidity management and risk management.



**Barbara Klimaszewski-Blettner**



**Dirk Höring**

Before joining the Talanx Group, he worked as a consultant at McKinsey until 2014, according to the company.

## MSIG Holdings CEO To Step Down; Chairman To Assume Interim CEO Role

Mitsui Sumitomo Insurance Group said Johan Slabbert, chief executive officer, is leaving the company to pursue other opportunities. Takehisa Chiba, chairman of MSIG Holdings (U.S.A.) Inc., was named chairman and interim CEO of MSIG Holdings (U.S.A.) Inc., to ensure a smooth transition. Chiba will hold both positions for the time being, the company said.

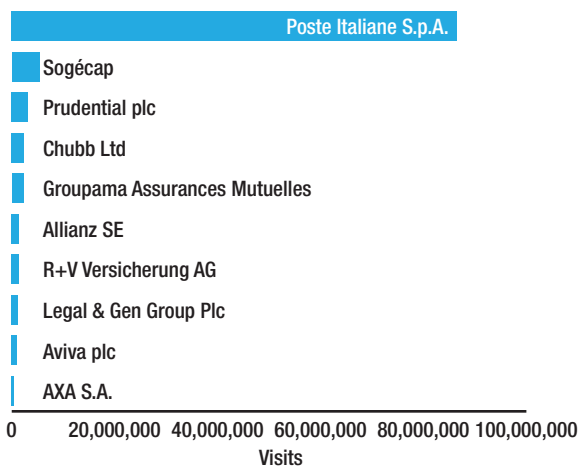
Slabbert had been CEO since January 2023 and has more than 20 years of executive leadership experience in



**Takehisa Chiba**

## Web Traffic: Visits to Largest European Insurers' Sites

Poste Italiane S.p.A. leads web analytics provider Semrush's ranking of most-visited European insurers' sites.



Source: [www.semrush.com](http://www.semrush.com).  
Reported traffic for April 2024.



Scan for a full listing of Best's Rankings.

international insurance and reinsurance markets, having held several CEO and chief financial officer roles. He joined MS AUL initially as a non-executive director and chairman of the board in May 2020, before assuming the CEO role later that year. Since 2020, he led the transformation of MS AUL and returned the company to profitable growth for the first time in many years, according to a previous statement.

Slabbert has been working within the MS&AD Insurance Group since 2017, originally as chairman of Mitsui Sumitomo Insurance Company (Europe) Ltd. He began his career at American International Group Inc. before joining Chaucer Limited as CFO, where he was also CEO for two years, and served as operating partner and CEO of Augustus Specialty LLC, according to a previous press release.

Since joining Mitsui Sumitomo Insurance Co. Ltd. (then known as Taisho Marine & Fire Insurance Co. Ltd.) in 1990, Chiba has served the company and its international subsidiary continuously. In his board chair roles with MSIG NA and MSIG USA, he is responsible for the marketing and client coordination activities and corporate governance of both entities, according to his company bio.

Chiba has more than 30 years of experience in the global insurance markets, managing insurance product development and implementation across a wide variety of industries.

MSIG North America is a member of Tokyo-based MS&AD Insurance Group Holdings Inc.

### Axa XL Promotes Exec to Global CUO, Marine

Axa XL promoted Neil Cole to global chief underwriting officer, marine.

Cole will work to set the strategic direction and support the development of the company's marine portfolios. Cole will sit within Axa XL's global chief underwriting office, which works with Axa XL's regional underwriting teams to support profitable growth, assisting with pricing, risk aggregation and global product strategy.

He will be based in London, according to a statement.

Cole has 25 years of experience in the marine industry, 10 of which were at Axa XL. He started his career in claims before moving into underwriting and specializing in international marine markets. Since 2020, Cole was global head of underwriting management and deputy chief underwriting officer, marine, the company said.



**Neil Cole**

### Chairman of ABIC and CEO of Axa XL Insurance in Bermuda To Retire

Patrick Tannock, chairman of the Association of Bermuda International Companies and chief executive officer of Axa XL Insurance in Bermuda, will retire after a career of more than four decades in the commercial insurance and reinsurance industry.

Tannock has played an instrumental role in the successful evolution of Bermuda's international business sector, particularly the Bermuda insurance market, from his days as a broker with Marsh & McLennan and underwriter at Ace Bermuda (now Chubb) to his leadership position at Axa XL, according to an Axa XL spokesperson.

He will remain with ABIC and Axa XL until his respective replacements are appointed to ensure a smooth transition, the spokesperson said.

Tannock joined Axa XL in February 2010 as president and country manager of its insurance operations, XL Insurance (Bermuda) Ltd.



**Patrick Tannock**

### Howden Fills Newly Created Chief Science Officer Role

Howden Re promoted Bhaskar Chattaraj to the newly created position of chief science officer.

Chattaraj will be responsible for delivering the next generation of catastrophe risk management models and frameworks, with a particular emphasis on machine learning and artificial intelligence, and he will lead the research and development of management frameworks and catastrophe modeling solutions. He will oversee the development of a dedicated R&D team, whose insights and innovations help clients globally to build and manage more profitable portfolios. He will be based in Minneapolis, according to a company statement.

A highly experienced researcher in the field, he joined the business in 2009 and most recently served as head of cat modeling and research and development, the company said. He has more than 25 years of experience in building and implementing cutting-edge risk management solutions, the company said.



**Bhaskar Chattaraj**



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# The Impact of Tech: How AI Is Already Transforming Our Industry

Emerging AI solutions enable a machine to “understand” rather than simply reproduce data.

By **Bill Pieroni**

In our last column, we began a series about the impact of technology in insurance—past, present, and future. First, we looked back at 20 years of carrier performance to quantitatively demonstrate the historical effect of technology. This month, we’ll take a look at the present.

Artificial intelligence, in particular, has created a lot of interest, especially with the rise of generative AI tools, which produce outputs based on existing content. However, extended applications of both narrow and general AI will be the true transformative force within insurance. Unlike current generative AI capabilities, emerging AI solutions enable a machine to “understand” rather than simply reproduce data, and apply the results in both familiar and novel ways across a wide range of tasks.

## Key Enablers of AI

While some use cases for AI are still theoretical, we have been seeing the effects of AI leverage over the last decade, accelerated by several key factors. For example, there have been significant, scalable improvements in high-performance computing—chips are orders of magnitude cheaper, smaller and more powerful than ever before. These improvements are driving enhanced training and complex tasks from AI models.

Historically, for example, fraud detection in



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claims relied on a combination of perception, experience and data. AI models and cluster analysis enable fraud detection not only through the automation of familiar techniques, but also by inference from historically unrecognized variables that tend to cluster around fraudulent claims.

The massive influx of data (text, images, video, sensors) from the Internet of Things, as well as readily available third-party data sources, gives AI the critical mass of data to drive useful insights.

Forward-thinking carriers worldwide have been leveraging AI-like capabilities for decades. Years of experience, and extensive allocation of resources, have resulted in highly sophisticated learning algorithms. AI users can now even allow it to act in an “unsupervised” manner, deriving insights from data that users did not ask for or even anticipate.

Clearly, though, AI is not a fail-proof panacea.



For instance, current AI-enabled models can be susceptible to “hallucination”—producing incorrect, nonsensical, or fabricated outputs. These issues are primarily due to current limitations in data training, as well as inherent limitations of AI algorithms.

### **Adoption and Evolution**

AI is becoming increasingly embedded in our industry. Its evolution over the coming years will be guided by three key factors. First, the expectations of business decision-makers—not only business leaders, but also customers and shareholders—will drive meaningful adoption. Technological advances will only take root when they align with business needs, strategy and resource allocation. AI will deliver the greatest value when applied to core insurance activities: underwriting and claims.

Further, interoperability of systems will be crucial,

so AI can adequately consume data and synthesize conclusions.

Finally, synergy with continued technological advancements will increase AI impact. Advanced IoT providing data with quantum computing enabling more and more powerful processing will amplify the effects of AI profoundly.

In claims, AI could detect fraud across new products, customer segments, and geographies—not limited to the automation of a single existing task. Similarly, in underwriting, AI will be able to effectively price emerging risks that currently lack large amounts of historical data. With the flexibility to tailor responses to inputs on a case-by-case basis, it will enable dynamic pricing for customers seeking a quote, and automated adjudication of claims. This potential to enhance core insurance functions will lead to the true transformative effect of AI. **BR**



# Lawyers Find No Shortage of Lawsuit Targets in Post-Asbestos Era

Plaintiffs' attorneys are moving on to sue over issues involving climate and chemicals as the well of asbestos cases is running dry.

By **Robert Reville** and **Amanda Lyons**

**A**M Best recently reported that \$94 billion of the \$100 billion incurred in asbestos litigation had been paid out, and that it expected the full amount to be paid within eight years, ending the asbestos era. Since the 1980s, asbestos claims written on prior year policies and produced in earlier decades created the largest insurance losses in history, leading to multiple insolvencies and significant dislocation in the casualty insurance market. Now this regrettable era is over.

Asbestos attorneys are moving on, and increasingly representing plaintiffs in actions over issues that, unlike asbestos, may have insurance coverage being written today. For example, in a recent podcast, former asbestos attorney Matthew Bergman describes how he moved from representing mesothelioma plaintiffs to pursuing litigation against social media companies, which have been targets of lawsuits for harms to children and which he said is the “modern incarnation of the asbestos litigation.”

As the asbestos work dries up for plaintiff attorneys, there is a lot of opportunity in new mass torts over the last 10 years: social media, PFAS [perfluoroalkyl and polyfluoroalkyl substances], climate, opioids, hair



relaxers, talc, paraquat, and baby food, among others. Many of these mass torts have the potential to generate a scale of loss that is comparable to asbestos. Whereas asbestos was once considered a unique event, potential “next asbestos” litigation may now be annual.

If insurers increasingly have concentration of mass torts in their business and their reserves, there is increased risk of correlation [multiple policies will experience loss from a common cause], and latency [increased time to close], which will increase the risk of adverse reserve development. Indeed, the recent widespread adverse development in 2016-2019 policy years may have in part been caused by exposure to the new mass torts.

The top priority to avoid a new regrettable era will be accounting for emerging risk exposure explicitly in pricing, and reserving, and adopting appropriate underwriting standards, terms and conditions and



Reville

Lyons

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# PERSONAL INJURY CLAIMS



limits management. However, given the concentration and the scale, a growing casualty reinsurance will play an essential role in managing the risk.

The fuel of this growth opportunity will be exposure data. The cedent will use quantitative data on exposure to emerging risks to make critical decisions about their reinsurance purchase, including how much limit to buy, and what reinsurance products efficiently match the exposure. Significantly more data will need to be shared with reinsurers to price the risk and manage their own exposures.

Recently, legacy transactions have moved from being a signal of insurers in distress to an increasingly accepted routine capital management strategy, as noted in a recent AM Best Special Report. This trend will accelerate in the era of the new mass torts. Adverse development covers will protect against the increased reserve volatility, and runoff specialists will

be in a better position to manage the risk, and to match assets to liabilities.

The increased data and modeling deployed on reinsurance transactions will also unleash product innovation. Bundles of emerging risk exposure can be transferred to reinsurers on a named peril basis. This type of coverage may be particularly well-suited to clash [common cause] risk. Named peril transactions may also invite interest from capital markets.

With the dislocation of the last 50 years of asbestos in our rearview mirror, the modern incarnations of asbestos are an opportunity. With appropriate exposure-based pricing and reserving upfront, improved data sharing in the reinsurance transaction, and data-driven product innovation, the next 50 years can be a period of significant growth for casualty reinsurance and increased relevance for the casualty insurance product globally. **BR**





# HISTORY LIGHTS THE WAY FORWARD



Get perspective on how to navigate future challenges by learning about the past. *The AM Best Business Trilogy* tells the story of key players in the insurance and credit rating industries, illuminating the strong business practices that blazed a trail forward in the global marketplace.

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# BEST'S REVIEW® ISSUES & ANSWERS:

- ASSET MANAGEMENT
- RESILIENCE

Insurance and investment leaders discuss managing portfolios, mitigating risk and establishing resiliency in the market.

## Interviewed Inside:



**Dadong Yan**  
Barings



**Tim Senechalle**  
AAM



**Mark Berven**  
Nationwide Property & Casualty

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# Portfolio Finance for Insurers

Dadong Yan, Head of Barings Portfolio Finance, said portfolio finance is the next extension in the evolution of private investment grade assets. “To source portfolio finance investment opportunities, you need to invest the time to build deep, meaningful relationships with asset managers,” he said. Following are excerpts from an interview.

# BARINGS

## Can you help explain what portfolio finance is?

It's simply lending against diverse portfolios of private market assets. It's typically in the form of a senior secured loan, and the loan is cross-collateralized by the entire portfolio. The lender benefits from both significant structural subordination and having the entire portfolio as collateral. As a result, losses on individual assets are mitigated by other assets in the portfolio. The underlying collateral is what most insurance companies are already familiar with. Portfolio finance has been around for a really long time, and it's historically been done by banks and predominantly structured for bank balance sheets.

## Then how does it fit in an insurance portfolio?

It's a great question. It's because the defensive characteristics that have historically made this asset class so attractive for banks—including cross-collateralization, asset diversity, and structural subordination—are also attractive for an insurance portfolio. If you're an insurance investor, it could be complementary to your existing private investment-grade allocation and give you additional diversifying sources of incremental spread. It could also give you access to several different underlying private asset classes in a diversified, low-risk exposure.

## How do you source portfolio finance investment opportunities?

For us, we're a direct origination strategy. We partner bilaterally with asset managers on their portfolio financing needs. We focus on direct origination as it allows us to provide customized solutions that are higher value add for our borrowers. In doing so, we have the potential to achieve incremental spread for our investors. However, it's not easy to do as it takes scale and dedicated resources. That's why, for us, we've intentionally built our team with over 30 dedicated professionals focused on just this asset class. That's enabled us to originate over \$38 billion of direct investments across over 100 transactions since inception.

## Dadong Yan

Head of Portfolio Finance  
Barings



“Where we have the most success is when asset managers call us—not with the deal, but rather with a problem they're looking to solve.”

Visit the Issues & Answers section at [bestsreview.ambest.com](https://bestsreview.ambest.com) to watch an interview with Dadong Yan.

## What does it take to win in this asset class?

To win you need three key things: You have got to have scale, you need to have the direct relationships, and you have to have the track record. In addition, you need the scale of the team to directly originate and manage a diverse portfolio. Also, you need the scale of the capital base to offer that certainty of execution for these asset managers. In addition, you need to have the direct relationships for the sourcing as this leads to unique access to deals for insurance investors. Finally, asset managers want to see your track record of providing successful customized solutions. Investors want to see your track record of capital preservation and also delivering attractive risk-adjusted returns consistently over time. When you combine all of that—scale, relationships and track record—on top of a market tailwind of increasing demand for portfolio finance, that creates an exciting opportunity for insurance companies to access this asset class.





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# Continuity and Consistency

Tim Senechalle, Chief Investment Officer for AAM, said the P/C industry has a healthy balance of equity exposure. “This run of stocks over the last three or four years has put the industry’s equity balance above 50% of statutory capital yet again,” he said. Following are excerpts from an interview.



## You were just recently named chief investment officer for AAM. What are your priorities?

My top priority is continuity and consistency and the maintenance of the high level of service that our clients have come to expect from our investment management team. Our team is experienced. We’ve worked together for a good number of years, and the collaboration, the idea generation and sourcing that is the foundation of building client portfolios is an integral part of our process, and it’s led to excellent performance for clients. Ultimately, maintaining that process and delivering on that objective for clients is my top priority.

## How are AAM’s investment professionals working with clients to meet their needs?

Liquidity is one component, and rebalancing is a second. Whether you’re a personal lines-exposed company with weather and inflation challenges or an annuity writer with interest-sensitive liabilities that have changed due to rate volatility, there is kind of a changing perspective as it relates to asset liability management needs. Our portfolio managers are engaging in conversations with clients on ways to meet those needs. In some cases, we’ve set up short-duration liquidity sleeves to make sure we have adequate resources to meet obligations while not leaving money on the table in terms of investment income.

## Does elevated volatility of interest rates represent an opportunity?

It sure does. One area where we’re seeing great opportunity is with annuity writers. There’s been an incredible surge in demand from households for annuities as an alternative form of savings. Those clients that have the distribution channel and the ability to invest competitively and to earn a competitive spread against policy credits are in a position to grow their business and grow their book.

## Tim Senechalle

Chief Investment Officer  
AAM



“Having been in this market for almost 25 years and suffering through the last 10, higher rates are a welcome relief from that period of the Fed holding rates at zero.”

Visit the Issues & Answers section at [bestsreview.ambest.com](https://bestsreview.ambest.com) to watch an interview with Tim Senechalle.

## Longer term, how do you see AAM’s investment process evolving?

We need to continue to look at asset classes that complement the core components of insurance companies’ investment portfolios. Private credit continues to be the most widely discussed asset class and is growing quickly. I expect that our portfolio management team and our clients will be continuing to talk about direct lending strategies and the ways those might fit into portfolios. The push-pull of aggressive investors and aggressive asset management firms that have their hands on insurance assets and that dynamic with regulators and rating agencies is something that we’re keeping a close eye on as well. I’m not expecting that regulatory changes are going to affect our strategy or our clients in a significant way, but it might create some opportunities. Ultimately, AAM is based on a fundamental framework that builds portfolios that generate income and grow capital for clients. We think that will continue to lead to successful outcomes in the future.



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# Resilience Is Key

Mark Berven, President and Chief Operating Officer of Nationwide Property & Casualty, said that as severe weather increases, we must shift to a “predict and prevent” mindset to protect customers. “By advocating for stronger local building codes and providing risk mitigation guidance, distribution professionals can make a difference,” he said. Following are excerpts from an interview.



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## How would you describe the state of the insurance industry?

It's really a dynamic marketplace, and I think it's different depending on the segment of our business. As we talk about the last three to five years of weather trends, we continue to see the frequency of severe events escalate. Couple that with the economic environment, inflation, and labor issues means an increase in both frequency and severity. On the other side of the ledger, we're seeing some very exciting opportunities, especially as it pertains to things like artificial intelligence and coverage solutions for our clients. Finally, we're seeing tremendous growth in excess and surplus lines, which is creating innovation and opportunity. So it's a really dynamic marketplace.

## Based on the macrotrends, how should the industry respond?

By doing what we always do, which is looking to solve problems. The insurance industry is here to create solutions and solve complex problems. As an industry, we've always been great after a loss by responding and taking care of customers. And that will always be a part of what we do. But shifting the mindset, we now need to work to better predict and prevent losses. So how do we mitigate the losses? We can do that by adopting modern building codes that can create more resiliency, depending on whether it's wildfire, hail or hurricane.

## How can communities make themselves more resilient?

[The Federal Emergency Management Agency] recently conducted a study revealing that 65% of counties, cities and towns across the U.S. have not adopted modern building codes. This significant gap underscores the vital role that local distribution can play in raising awareness and addressing these issues. Carriers can guide individuals, organizations and local officials toward valuable resources. These resources can help communities learn how to establish more resilient infrastructures, ultimately promoting economic stability.

## Mark Berven

President and Chief Operating Officer  
Nationwide Property & Casualty



“While cost remains a significant factor in insurance decisions, the most effective way to control costs in the long run is by collectively focusing on predicting, preventing and mitigating losses.”

Visit the Issues & Answers section at [bestsreview.ambest.com](https://bestsreview.ambest.com) to watch an interview with Mark Berven.

## What role can distribution professionals play in helping customers mitigate risk and navigate the current insurance market?

In the current environment of inflation, cost naturally becomes a central topic of discussion. Quality relative to cost is a cornerstone of effective distribution, ensuring that customers receive value for their money. Agents and brokers have long focused on providing the right coverages to meet customer needs. However, there's an evolving aspect to distribution that goes beyond mere coverage—it's about advancing guidance on risk management. Distribution professionals are now offering advice on proactive measures customers can take to prevent losses or control costs. For instance, in the personal space, this could involve using telematics or installing water sensors in homes. On a commercial property level, thermal imaging can be employed to detect hotspots and prevent potential fires. The emphasis here is on bringing risk management directly to the client, informing them about strategies to better manage and mitigate risks. After all, no customer wants to experience an insurance claim.

# MassMutual Expands Use of Genetic Testing by Policy Owners To Abate Risk

The expansion comes after a research study found 70% of policy owners who chose to use the risk assessment service report intended to take preventive steps—such as seeing doctors or seeking further screening—based on their scores.

by Terrence Dopp

**M**assachusetts Mutual Life Insurance Co. said it will expand genetic testing for policy owners to reveal health risk factors and how people can mitigate them.

MassMutual will expand a partnership with United Kingdom-based health care and polygenic testing firm Genomics plc that offers policy owners a genetic risk assessment aimed at providing greater insight into their risk for eight major diseases, it said in a statement.

The expansion comes after a research study found 70% of policy owners who chose to use the risk assessment service report intended to take preventive steps—such as seeing doctors or seeking further screening—based on their scores.

“We’re excited to have a partner like Genomics that is equally committed to the mission of empowering individuals to live their fullest lives by understanding and acting on risk factors,” said Sears Merritt, head of enterprise technology and experience, MassMutual, in a statement. “There is high interest from policy owners to act on the information they receive, and we’re honored to lead the insurance industry forward by equipping individuals to play a more proactive role in their health journey.”

Genomics’ at-home testing regimen studies millions of small variations in DNA, generating polygenic risk scores that can signal the likelihood of certain conditions. The predictive testing can lead to higher levels of patient engagement and help doctors make more informed decisions and recommendations for patients, the statement said. In the previous research partnership, the companies

found one in five policy owners discovered they are at elevated risk for preventable diseases, MassMutual said.

The expanded program offers eligible MassMutual policy owners aged 35-70 access to polygenic testing through a saliva test that identifies hidden risks for atrial fibrillation, breast or prostate cancer, cardiovascular disease, high blood pressure, high low-density lipoprotein cholesterol, low bone density and type 2 diabetes.

“By giving individuals and their doctors much more precise information about the particular health risks they face, they can take the right actions, at the right time, to help prevent disease entirely, or to catch it early when outcomes are much better,” said Peter Donnelly, co-founder and chief executive officer, Genomics, in the joint statement. “As a leader in insurance, MassMutual is one of the first to understand the untapped value genomics brings in making proactive and preventative health choices.”

The Centers for Disease Control and Prevention said thousands of inherited genetic disorders affect millions of Americans. These disorders include both single-gene disorders, such as cystic fibrosis and sickle cell disease, and conditions that make people more likely to develop chronic diseases, such as Lynch syndrome, a risk factor for colorectal and other cancers; hereditary breast and ovarian cancer syndrome; and familial hypercholesterolemia, which heightens the risk of cardiovascular disease because of the inability to remove LDL cholesterol from the blood.

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**Terrence Dopp** is a senior associate editor. He can be reached at [terry.dopp@ambest.com](mailto:terry.dopp@ambest.com).



“There is high interest from policy owners to act on the information they receive, and we’re honored to lead the insurance industry forward by equipping individuals to play a more proactive role in their health journey.”



**Sears Merritt**  
Massachusetts Mutual Life Insurance Co.

A bill in the Delaware General Assembly would prohibit life insurance companies from buying data from direct-to-consumer genetic testing companies.

If signed into law, H.B. 286 would prohibit life insurers from purchasing information from companies such as 23andMe and Ancestry DNA. In addition, the bill would bar life insurers from nonrenewing or rejecting applications based on genetic characteristics, genetic information or the result of any genetic test not in a medical record as

a basis for an individual’s medical diagnosis, it said.

In terms of federal law, the Genetic Information Nondiscrimination Act of 2008 protects Americans from discrimination based on genetic information in both health insurance and employment, according to the National Human Genome Research Institute. The health insurance protections do not cover long-term care, life or disability insurance, but some states have additional protections against genetic discrimination, the institute said.

BR







**TECH SUPPORT:** Ron Gura, Empathy co-founder and CEO, spoke with Lori Chordas of AM Best TV at the InsurTech 2024 Spring Conference in New York about using technology to help families facing life's biggest challenges.

# Empathy CEO: Emerging Technology Helps Insurers Redefine Relationships With Insureds During Trying Times

Ron Gura, co-founder and chief executive officer of Empathy, said life insurers can use technology to let machines do what machines do best and to let humans do what humans do best.

by Lori Chordas

**R**on Gura, co-founder and chief executive officer, Empathy, said technology is helping to transform the life insurance space from transactional relationships to more engaging, supportive interactions. Gura spoke with AM Best TV at the InsurTech 2024 Spring Conference in New York. Following is an edited transcript of the interview.

## Can you tell us about Empathy and how you're helping families experiencing a loss?

We started the company in 2020 to show up for families in what we believe is life's most challenging moments. How we can save them time and money and stress when the inevitable happens? If you zoom in on that, what we actually do is we have a platform that is mixing the full range of grief and support

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needs. So, a Headspace for grief with a TurboTax for estate settlement, if you will.

## You spoke here today about redefining the customer experience in group life insurance. What were some key takeaways that you can share from that discussion?

We focused a lot of what employers are asking big carriers like MetLife and others and what they're looking to see in the marketplace. The big focus was about the user experience, in their case, the employee, and how you can really show up in the moments that matter.

We see that a lot in family care, caregiving, fertility. Maternity made a huge step in the last decade or so when it comes to showing up for employees. We're now seeing it with bereavement care in other new areas. In some way, a missing piece of the puzzle for the employee.

**Well, speaking of customer experience, how can technology be used to improve that experience?**

Technology is really great at creating more engagement. So, when you think about what’s happening in the life insurance space, a lot of these carriers are looking for ways to shift from a transaction to a relationship. What’s more engaging than something you can actually have in your pocket, get support when you need it?

When you think about the actual needs in different ways, we can streamline information and use technology the same way we use it day in and day out. Let machines do what machines do best, like prefilling documents, using APIs [application programming interfaces], using prefilled information. Let humans do what humans do best, like showing up with compassion and being on the other side of the line.

**What’s next for the industry that you’re most excited about?**

I think we’re going to see a lot more personalization. Because of data, because of technology, we’ll be able to customize experiences in a way that is not one-size-fits-all. When I think about it in my job, it’s about how can we make sure that we give a cohesive solution.

We understand that grief is made hard by logistics. Logistics are made harder by grief. You

can’t give the exact same solution, the same care plan for everyone. It has to be customized. Technology is just a great enabler to do it. The industry picks it up. We’re going to be showing up for people and for families just more often.

**And what’s next for Empathy?**

Well, we’re at a very exciting stage. We just announced our Series B last week, \$47 million Series B led by Index Ventures, and with participation with a lot of strategic carriers, including MetLife, New York Life, Mass Mutual, and others. And what’s happening now is that we’re thinking about additional moments of truth where we can build a user experience to add on top of the claim and help the carriers shift from a transaction to a relationship, even beyond the U.S.

BR



Scan to watch the interview with Ron Gura.

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# How Insurance Asset Managers Are Negotiating the New Investment Environment

Insurance and investment leaders spoke with AM Best TV about balancing risk and effectively managing assets amid shifting market dynamics.



Shevawn Barder



Cindy Beaulieu



Susan Chung



David Czerniecki



Ken Griffin



Jason Hopper



Deanna Leighton



Leena Punjabi



Mark Silverstein

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Scan to watch the full program lineup in *How Insurance Asset Managers Are Negotiating the New Investment Environment*.



# Negotiating the Higher-Yield Insurance Asset Environment

AM Best TV hosted a panel of insurance leaders who said they believe the current economy and interest rate environment will continue to linger as the industry keeps its eye on how the Federal Reserve will respond to inflation data.

by Lori Chordas

Interest rates have rebounded considerably following the height of the COVID pandemic. But insurers are keeping an eye on their investment portfolios and underwriting programs, saying it will take time for higher interest rates to quell inflation.

Cindy Beaulieu, chief investment officer, North America, Conning; Ken Griffin, head of Insurance Solutions, Barings; and Shevawn Barder, chief executive officer and co-founder, AM Specialty Insurance Co., spoke about this topic during a panel discussion hosted by AM Best TV.

Panelists said the rate environment has improved considerably, as has the investment environment. The economy has transitioned very quickly from a low-rate environment to a higher-rate environment, which would be a benefit to the insurance sector, according to the panel. Following is an edited transcript of the discussion.

## How did the persistent low-rate investment environment influence insurers' approach to underwriting and pricing strategies?

**Barder:** The low interest rate environment coincided with extremely low insurance rates, which created a soft insurance market cycle. Insurers had become used to low interest rates, which put pressure on the insurance model. I would say that the low-rate investment environment, therefore, has made it significantly more important for insurance companies to focus on technical underwriting standards and pricing adequacy. Putting together a framework where business is underwritten on a technical basis with rate adequacy for profit protects

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“The importance of strategic asset allocation work when you’re thinking about managing insurance companies—you can’t just look at the assets, you can’t just look at the liabilities. You have to look at them in tandem.”

**Cindy Beaulieu**  
Conning

a company’s surplus, which will bolster profitability regardless of the economic cycle.

## How are insurers dealing with low-book yielding securities purchased when rates were near historic lows?

**Griffin:** I would say largely, insurers don’t need to deal with low-book yielding securities.



While they may have been purchased when rates were low, their current market yields are high in today's higher-yielding environment. From today's economic standpoint, returns generated from these assets are attractive compared to recent years when rates were at all-time lows.

Of course, from an accounting standpoint, many fixed-income securities are trading in a loss position since market values have fallen, but this isn't of great consequence to insurers unless there's a liquidity event that unexpectedly forces the sale of assets. This isn't to say that there's not a preference to have more funds available for initial investments in this higher rate environment for improved total return performance and to have avoided the market value losses over the past year, but this is an asset-only viewpoint, and doesn't necessarily consider that investments are made relative to the insurer's liabilities.

Now, there are more conversations around hedging these floating rate positions with the Fed expecting to begin lowering rates. Maybe on a final note, from a reinvestment perspective, I've heard from insurers that rates are so attractive now in vanilla corporate credit, they don't need to reach into higher-yielding private market ... If you can afford to take that liquidity risk, higher yields are always important. These should still be a part of your strategic asset allocation because your competitors are still reinvesting in these even higher yields.

### **Is there a potential here for improving risk-based capital?**

**Beaulieu:** There actually is. A lot of that comes down to having some organic cash flow to put back into these markets, which certainly would give you the ability to improve the overall income profile of the portfolio you have today as you're putting new money to work. The challenge for some insurers is that they don't necessarily enjoy that level of organic cash flow, or they just see a need to try to reposition the portfolio for a variety of reasons.

There was a temporary rule change that the NAIC [National Association of Insurance Commissioners] allowed for the admittance of

negative IMR [interest maintenance reserve] balances to be considered as an asset. That's been really important. We have seen several insurance companies jump right in and take advantage of that very early on. As you think about it, the ability to sell a security at a loss and then actually be able to count a portion of that as an IMR asset in your total adjusted capital calculation is very helpful and improves the numerator as the denominator decreases from the sold position. You do have the ability to improve risk-based capital.

### **Are there opportunities when selling securities at a loss?**

**Beaulieu:** There absolutely is. I touched a little bit on that in my prior response about negative IMR. What that has allowed companies to do is to take advantage of the current interest rate environment. There's been some really nice ways to do that. Markets right now are incredibly liquid. What that means is there's an ability to sell securities today that may have been harder to sell in prior rate environments and prior market environments.

Insurers are able to buy liquid assets at very attractive yields. You look out in the market today, and we're talking about buying things like agency and non-agency mortgages that are AAA-rated between 5.5[%] and 6%. You're looking at investment-grade corporates that are 5.25[%] and upwards to 6%, depending on where you are on the curve. There's absolutely a benefit to being able to sell securities at a loss, lower book-yielding securities, and reinvest and build income nicely into insurance portfolios.

### **Are there times when economic capital may be impaired when rates rise?**

**Griffin:** We all recognize that the Fed has increased interest rates in an effort to control inflation toward a lower targeted rate, but I think there's currently less appreciation for the consequences of this.

Rate hikes are an effective tool for controlling economic activity, but it is a very blunt tool which will have consequences to economic sectors that are not necessarily to blame for higher inflation. It's like



**Ken Griffin**

performing surgery on a patient, but only using a hammer. There will inevitably be collateral damage.

True economic damage to insurers can come in the form of increased credit impairments and defaults in their investments where they're not paid back their invested principal should we get a downturn in the economy. This would be a true economic loss in the value to insurers and also highlights the need for experienced and proven asset management expertise to navigate what may become very choppy waters.

Another potential economic impairment is where life insurers have allowed options to their policyholders to surrender their policies and get their full cash value back as rates spiked higher. But the insurers' investments don't prepay and, in fact, do the opposite. They may extend their maturities even longer in the case of mortgage-backed securities and callable bonds.

Another name for this is convexity risk, and it does lead to true economic loss as the durations of the assets and liabilities become misaligned, with asset values falling more than liability values. If surrenders by policyholders and their demand for their cash back is great enough, it could cause some liquidity stress to insurers if they're reluctant or unable to sell assets to pay their policyholders.

### Any additional thoughts to share?

**Barder:** The only thing I would say is that I feel that interest rates are going to be higher for longer. I think once inflation gets into a cycle in an economy, it's going to be extremely difficult to trade out of that inflationary environment. Not only that—if you look at the world economy, every country in the world is suffering from acceleration of inflation. The idea that the Fed is going to quickly drop rates back is an extreme challenge.

These are all things that the insurance industry has to look at and plan for, and then benchmark out over the longer term. It is definitely a challenge, but I think the benefit is that as insurance rates have increased, now companies are actually able to make genuine profits from the classes of business that

they're underwriting.

This is a true benefit because it really does buy them time in order to get their books to a profitable level. From that point, then they can really have the breathing room to look at the structure of their investment portfolios and manage that position.

**Griffin:** I made a couple of comments about liquidity or illiquidity not being a huge concern.

The industry's weathered it fairly well.

I would say, though, that some of this weathering is coming from strong premium inflow from annuity sales. It could be that some of the illiquidity concerns are being salvaged with the strong premium inflow.

Now, what that's going to mean, though, is when you price new products, you should be investing in today's environment and not using money, not using those proceeds to pay for old surrenders or surrenders of old policies.

It'll be an interesting time over the next few years to see how life companies have really behaved. Also, I would say that there's starting to

become a greater split as to who's writing new business and who isn't. There are some companies that aren't growing as much as others. We're starting to see some differentiation in the life space, and, particularly, the annuity space.

**Beaulieu:** The importance of strategic asset allocation work when you're thinking about managing insurance companies—you can't just look at the assets, you can't just look at the liabilities. You have to look at them in tandem. When you think about going through different economic scenarios, different interest rate scenarios, you need to take both the assets and the liabilities through those to understand how they work with each other.

That's a critical part of laying out the appropriate strategy for investing those assets for the longer term. It's something that we work very closely with our clients on here at Conning. I think it's really benefited us through these cycles and our clients through these cycles that we've been through.

We would agree that the current cycle we're in now looks like it could be with us for a little while longer, if not maybe a more permanent one of higher inflation.



**Shevawn Barder**



# How Insurers Are Addressing Earlier Low-Rate Investments

It's crucial for the industry to adapt to shifting market dynamics, regulatory changes and emerging technologies in order to effectively manage assets, a panel of industry leaders told AM Best TV.

by John Weber

In the evolving financial landscape, insurance companies are encountering many challenges and opportunities in managing their assets effectively. With shifting market dynamics, regulatory changes and emerging technologies, it's crucial for insurers to adapt their investment strategies to optimize returns while mitigating risks, industry leaders say.

AM Best TV spoke with a panel of industry leaders who shared insights, strategies and best practices for navigating this landscape, and discussed approaches to asset allocation, risk management and harnessing new investment opportunities in insurance asset management.

The panel included Deanna Leighton, vice president and portfolio manager, AllianceBernstein; David Czerniecki, chief investment officer, Nassau Financial Group; and Susan Chung, senior vice president and chief investment officer, Amica Mutual Insurance Co. Following is an edited transcript of the discussion.

## Are insurers rethinking allocations?

**Chung:** I think so. I'd say yes. A large part of it is where rates are today relative to where they've been since the global financial crisis. We had COVID and the backlash of COVID was high inflation, and then rates followed. For the first time in decades, rates have been attractive relatively from where they were for the last decade.

Yes, [insurers are] really thinking about [how], in our portfolio, we had previously had equity. We had held more equity than we would prefer because of the low-rate environment. We're rethinking about putting more into fixed income now because yields are at an attractiveness level they haven't been for about 15 years.

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"It's probably one of the biggest shifts I've seen in a long time in terms of the plethora of things that we can now look at. We keep some charts internally on what asset classes are attractive relative to the yields we have to pay on our policies and our crediting rates. For the longest time, very few asset classes fit that hurdle."

**David Czerniecki**  
Nassau Financial Group

## How has the rise in interest rates changed how insurers are managing portfolios?

**Czerniecki:** It's probably one of the biggest shifts I've seen in a long time in terms of the plethora of things that we can now look at.

We keep some charts internally on what asset classes are attractive relative to the yields we have to pay on our policies and our crediting rates. For the longest time, very few asset classes fit that hurdle.

What we saw in the last few years [was] rates having moved up quite substantially, although they're still not necessarily high by historical standards, but certainly much, much more to choose from, much more flexibility. I think we're managing a little bit more dynamically as a result.

**Chung:** It's a bit of a double-edged sword, though, because while rates are high, spreads are tight. Spreads, in fact, are probably almost at historic tightness currently.

You're really fighting this game of where the all-in yield is quite attractive, but on a relative basis, particularly if you have portfolio managers or have a mindset of a total return, it's tough to buy, load up on some of this spread product in fixed income.

**Leighton:** We're in a very interesting environment where yields are very attractive. However, spreads aren't so much. We totally are in alignment with you in terms of making sure that you're up in quality, as you're not really getting paid to go down in quality at the moment, but remaining very diversified across products.

**Czerniecki:** We've conducted similar exercises within our portfolio as rates began to come up. There was a big push into more liquid product. Public markets re-priced more quickly as that was happening, so it was easy to do.

**Leighton:** I think that leads into another point that liquidity is an interesting issue for insurance companies, particularly as allocations shift from private markets, or to private markets, from public markets, and also the usage of FHLB [Federal Home Loan Bank] programs in some cases to enhance liquidity.

The collateral is that assets that are encumbered are actually the highly liquid assets and other types of hedging programs. The interesting part about the higher-yield environment and actually the curve inversion is the opportunity cost of boosting liquidity is actually the lowest it's been in decades.



**Deanna Leighton**

## Keeping with that theme, what are you noticing in the way of liquidity for insurers?

**Leighton:** I could talk about this for a long time. I think what insurance companies really need to [look at] is, post-pandemic, interest rates have gone up, but so has rate volatility. A lot of insurance companies utilized hedging programs in order to manage that rate risk.

As rate volatility increases, the liquidity needs of those hedges also increase. Looking at the liquidity ... with those hedges with FHLB, a lot of the assets are encumbered that are highly liquid.

What we're doing is parsing through our portfolios looking at what's actually tradable. What can we actually execute? Making sure we're comfortable with the level of liquidity across portfolios.

## Are we seeing a shift in asset allocation?

**Czerniecki:** The changes in the inverted yield curve, the changes in spreads, all of that has had a fairly big impact. What we're doing here and what we're seeing amongst a lot of our peers is a general move up in quality, an increase in liquidity, and a general broader diversification of assets and asset allocation in sectors than we had seen prior to the move up in rates.

## The theme here seems to be the higher-rate environment. Does that entice insurers to take more or less risk?

**Chung:** I would say it entices insurers to take less risk. A number of reasons is, one, rates are just higher, so you don't have to take that much credit spread to benefit from the higher rates.

I think higher rates also hurt risk assets. Look at equities. Your discount rate is higher, and so your present value is lower.

## Where do you find the value and opportunity in this high-yield environment?

**Leighton:** It's an attractive yield environment, but a tighter spread environment. For that reason, our focus is building high-quality portfolios and remaining diversified and enhancing diversification.



Within credit markets ... we do like larger banks versus regionals. We still think that that's dislocated a little bit. However, [we] don't want to step down into the regional banks as much in the vein of being higher quality and continuing to invest in stable and improving credits.

**Chung:** I think the commercial real estate space generally is fraught with uncertainty, particularly on the office area. Retail clearly has been affected. What I worry about is not that we don't know what it is, but it really probably hasn't been marked properly yet.

There's a lot of extending and hoping things will be better into the future, so [it's] not quite clear. I also worry ... [that] a number of insurers have fairly large real estate allocations—not only insurers, other investors as well. Have those allocations changed, even though certain asset classes have largely been taken out of the investable space and [they're] crowding into industrial space or transport or multifamily?

**Czerniecki:** We do some commercial whole loan lending as part of our portfolio. We've had a theme for quite some time now to steer away from certain things. Now, we're not in the big markets. We don't have loans to big office buildings in Manhattan or anything like that, and we have generally been very underweight [in terms of] office and things of that nature.

A couple of things where we've mined a little bit of diamonds in the rough, we think, are certain subsectors within that medical and professional space, for instance—medical in particular, where the in-office occupancy rate is quite high. You still physically go to the doctor, you physically go have your knee replaced or whatever it is, and so we saw that as a subsector. Obviously, the shifting retail economy has put pressure on traditional retail at the same time.

That is part of what has driven the distribution, the need for distribution space and things of that nature, data centers, and it seems like that—I don't want to call it a market bottom here by any stretch of the imagination—but it certainly seems like, from everything we read about AI, that this is just the tip

of the iceberg and the amount of data centers and stuff we'll need. It's funny—there are little pockets within the whole loan space where I think there still remains some opportunity.

### What are insurers doing differently in their quest for yield?

**Chung:** We're really looking at the higher-yield opportunities, as we've said. Veering a little more to the front end of the curve, but staying up in quality because we don't know when the chips will fall and we'll hit a credit event. Also, we've thought about reducing our equity, and we have done it in some portfolios. We were holding public equities as an insurer and it's done very well for us since the financial crisis, but we are reducing credit or public equity in favor of credit, fixed income in other portfolios to take advantage of this higher-yield environment.

**Leighton:** I think another thing to focus on, too, is remembering the annuity providers and the prevalence of private equity in the space, shifting

portfolios to be, for better or worse, more aggressive, more innovative.

I think that there is still somewhat of a reach for yield because from [an] annuity pricing perspective, the portfolio spread matters in order to be competitive, too. I think that as much as there's an up-in-quality tilt, from talking to a lot of clients, there's a pressure to be competitive from a liability side as well.

**Czerniecki:** I will say that over the last several years, we're feeling a little bit more now, but over the last several years, I think as an industry, the annuity industry has been relatively disciplined.

That's in part because of the fact that there was a pretty strong tailwind of growth across the industry. A rising tide kind of thing, where everyone was growing at a nice clip. We've seen the industry come up quite a bit

I think that eased the pressure ... But I don't want to say the growth has slowed. I think it's too soon to tell. But with this drop in spreads that we've seen very recently, [a] significant drop in spreads—I think you're seeing a little bit more competitive pressure there.



**Susan Chung**

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# Emerging Insurance Asset Investment Risks and Opportunities

Insurance investment managers sift through an array of asset classes, balancing risk, return and liquidity to ensure the ability to pay claims. Some asset classes are more attractive than others, panelists told AM Best TV.

by John Weber



“Inflation is higher, rates are much higher, and while they are both likely to go down from here, they’re unlikely to go down to the levels we saw post the GFC [global financial crisis]. What this really means is the era of ultracheap, easy money is over.”

**Leena Punjabi**  
F&G Annuities & Life Inc.

**R**eal estate, hedge funds, private equity, stocks and credit instruments create many opportunities for investment managers. A panel of industry leaders and experts spoke with AM Best TV about the trade-offs of these asset classes.

Jason Hopper, associate director, AM Best; Mark Silverstein, chief investment officer, Sampo International; and Leena Punjabi, executive vice president, chief investment officer, F&G Annuities & Life Inc., joined AM Best TV to talk about emerging risks and opportunities in managing investment portfolios and matching them against potential claims. Following is an edited transcript of the discussion.

## What opportunities are you seeing in the market these days?

**Punjabi:** The perspective I’m going to share today represents my own views and not necessarily

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those of F&G. In terms of the opportunities we’re seeing in the markets today, I will say they’re not as abundant as they were in 2022 and 2023. During that period, we saw a significant and rapid increase in rates, as well as [some] banking turmoil, which meant that investors were more concerned about risk, and they were demanding higher spreads.

However, given the continuing strength in the labor markets and the economy in general that we see now, risk has taken a backseat and spreads have come in meaningfully, especially for public assets. Where we are still seeing value, though, is in private asset classes, and in particular assets that are originated and were historically also retained by banks in the banking channel.

## Would commercial loans be part of that opportunity?

**Hopper:** Yes. Life insurers specifically have been increasing their allocations to commercial mortgage loans over the last number of years. Throughout the entire low-interest rate environment over the last



decade, commercial mortgage loans offered higher yields than the typical public corporate bond. That was one positive factor.

Historically, they've performed well—very few problem loans. In general, [there has been] tighter, stricter underwriting typically than their banking counterparts. At the same time, problem loans have not been an issue.

However, over the last two years, we have seen problem loans ticking up, but still, those totals are still less than 1% of capital and surplus, so nothing large in terms of impairments that we've seen yet.

### Is real estate getting much interest these days as an asset class, and would you see that as a risk or opportunity?

**Silverstein:** Real estate is such an interesting and fascinating sector, because there are so many parts of it when you look at all the different subsegments and geographies and vintages and, of course, location, location, location. It varies from one property to another whether it's an opportunity or a risk.

**Punjabi:** To round out the discussion, from my perspective, we are staying away from commercial mortgage loans. For the most part, we do not see the spreads justify the risk, whether it's office or

multifamily or industrial.

What we're focused on really within the real estate space is residential mortgage loans. That's where we are seeing the value.

### What are your thoughts or concerns when it comes to corporate credit?

**Silverstein:** With corporate credit right now, especially in the public markets, spreads are reasonably tight and priced for a relatively healthy economic environment or, at least, a soft landing. A lot of the opportunities are actually in the private markets where you can get extra credit spread relative to the risk that you're taking.

There's not really a maturity wall problem out there except for companies that have specific, I'd say, idiosyncratic issues with their own companies, and that's always going to happen from time to time. The macroenvironment is reasonably good right now.



Jason Hopper

### Is there more volatility in the markets today than there once was, and if so, what are the impacts on portfolios?

**Punjabi:** I do think we are in a very different regime now versus the decade post the GFC [global financial crisis]. Inflation is higher, rates are much

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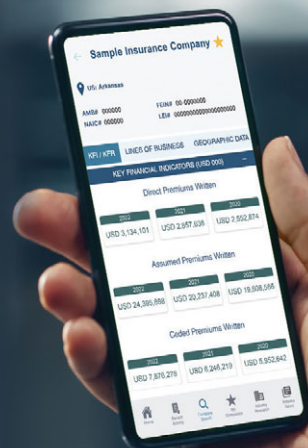
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higher, and while they are both likely to go down from here, they're unlikely to go down to the levels we saw post the GFC. What this really means is the era of ultracheap, easy money is over.

Central bank policy across the globe will likely diverge from here. I also think the trade-off between inflation and growth will be hard to navigate for central banks. The result of all of this is going to bring more volatility, more dispersion and more unknowns.

### How are insurers looking at alternative asset classes these days?

**Hopper:** This is another asset class that's been continuously growing over the last number of years, specifically within the life annuity space. Private-equity investment, as was mentioned earlier, is a growing asset class. Overall, alternatives are up about 6% in 2023, based on our preliminary data.

Hedge funds have fallen out of favor or have continued to fall out of favor, similar to the last number of years. Overall, alternative assets are not typically correlated to the broader market, which is helpful in times of uncertainty, which we've been going through since 2020 or so. That was a benefit overall to overall investment portfolio yield.

Alternatives, on the other hand, tend to be less liquid than your typical corporates, structured securities, and things like that, which again falls back to critical asset liability management. The alternative space typically does not fully back liabilities. It could sometimes be more of a capital play or a spread play. Private credit, which was also mentioned earlier, has been a favored asset class.

### Should it be a surprise that hedge funds have fallen out of favor?

**Silverstein:** I'm not really surprised, in part because hedge funds generally haven't produced the kinds of returns that people had become accustomed to getting before the financial crisis. Especially now, with rates higher, you can earn a pretty good return out of private credit and even high-yield credit.

It feels like in the markets that more of the economic

return of a company is going to the creditors. By investing in high-yield investments, especially for an insurance company, you can generate more of your economic return through income instead of through gains, and it's more predictable, which is always nice for a company whose earnings are continuously monitored.

### How do you manage liquidity?

**Silverstein:** It's critical, especially as a property and casualty insurer, that we manage our liquidity to ensure that we are never in a liquidity pinch. Fortunately, it's a lot easier for an insurance company than a bank to do that. We really don't have a fear of a run on the bank.

Our biggest concern is a scenario where we suddenly have claims much higher than would have been expected in normal time. In our case, as I said, as a property/casualty insurer, we can have various catastrophic events happen out there, and if we have exposure to them, then we're going to have larger claims in the short run than we may have anticipated.

We think about liquidity through a series of different scenario analyses. We're always trying to estimate how bad things could be in terms of different types of events and where the liquidity needs to be in terms of which entities that we have, and how long they would take that we would need cash flow versus how fast we could get that cash flow.

### How might regulatory changes impact insurance portfolios?

**Punjabi:** It's a good question. There is a lot happening on the regulatory front. The insurance industry has changed quite a bit post-GFC, as well as investment portfolios have changed in search for yield. It does make sense that regulators feel they need to catch up and we fully support that.

What we are really pushing for is a thoughtful and transparent data and analysis by process so there are no unintended consequences on investment portfolios as well as policy borders.

Like we talked about, there is a lot of scrutiny on structured assets, but they do provide diversification. They give you access to markets and industries that you probably don't have access to.



Mark Silverstein





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**COSTLY BLAST:** Winter Storm Elliott moved through Nashville, Tennessee, on Dec. 23, 2022, bringing sleet, snow and subfreezing temperatures. The widespread storm system prompted severe weather warnings that affected millions of Americans.

# Secondary Perils Playing Bigger Role in Expanding Catastrophe Losses

Some of the largest secondary perils of 2023 included an outbreak of severe convective storms in the Midwest in March. Hail damage in the United States was exceptional in 2023, especially in Texas and Colorado, according to an Aon report.

by Anthony Bellano

It takes only one blockbuster hurricane making landfall in a populated area to cause widespread devastation and billions of dollars in insured loss. Hurricane Idalia, the only hurricane to make landfall in the United States last year, was not that hurricane.

U.S. insured losses from natural catastrophes totaled about \$65 billion in 2023, according to a March Best's Market Segment Report, *US Property/Casualty: Weather, Reinsurance, and Inflation Drive Results — Again*. Of those insured losses, Idalia, which made landfall in August in northern Florida's Big Bend region, caused only an estimated \$1.5 billion, said Aon's *2024 Climate and Catastrophe Insight* report.

The bulk of the U.S. insured damage in 2023 was

not caused by a hurricane or an earthquake, but by a large number of severe convective storms. Insured losses for U.S. severe convective storms totaled about \$58 billion in 2023, according to the Aon report.

"No single event hit us too hard. It was more with the frequency of the events that we saw," said Matthew Westhoff, head of North American Commercial Property at Beazley.

"Losses related to natural catastrophes since the 1980s have increased tenfold, and that same trend applies to secondary perils," Insurance Information Institute Chief Executive Officer Sean Kevelighan said. "Insurers are using new technology to understand what is referred to as 'secondary perils' because it is an increasing risk, as are all natural catastrophes."

Worldwide, losses from severe thunderstorms have steadily increased by 7% annually in the last 30

Photo by SETH HERALD/AFP via Getty Images

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years, according to Swiss Re. The year 2023 marked an increase of almost 90% compared to the previous five-year average (\$32 billion) and more than doubled the previous 10-year average (\$27 billion).

Secondary perils, such as severe convective storms, hail, wildfires and snowstorms, are smaller to midsize events, or the secondary effects that follow a primary peril. Other examples are post-hurricane flooding, storm surges, tidal waves and fire following an earthquake. Tornado outbreaks, which are often spawned from major storms, fit this classification.

For years, insurers have worried about hurricanes and earthquakes. Now secondary perils are a growing concern.

In the U.S., some of the largest secondary perils of 2023 included an outbreak of severe convective storms that hit the Midwest March 1-3, generating \$5 billion in insured losses, according to the Aon report.

Hail damage in the United States was exceptional in 2023, especially in Texas and Colorado, according to the Aon report. While hail caused the majority of the total severe convective storm losses, wind impacts were still significant. In addition, multiple noteworthy tornado outbreaks occurred in 2023, including the third largest tornado outbreak in U.S. history, which occurred March 31 and April 1.

The Lahaina wildfire, the worst natural disaster to strike Hawaii since it became a state in 1959, meanwhile, caused \$3.5 billion in insured losses, according to Aon. Prolonged drought resulted in \$6.5 billion in insured losses in the United States, with the highest losses recorded in Kansas, Texas, Minnesota, Iowa and Nebraska, according to the Aon report.

Last year started with the heavy rains, resulting in atmospheric rivers and mudslides in California, as well as a winter storm and deep freeze across the Northeast in February, David Blades, associate director, Industry Research & Analytics, AM Best, said.



“The thought of these perils being secondary needs to be changed and a more standardized definition that helps focus some of the research and resources that are being put into getting a better understanding of these perils and where they’re going is important for the whole industry.”

**David Blades**  
AM Best

“It’s going to become the new normal in terms of catastrophic events,” Blades said. “The momentum had been building, but that first six months, where we saw so much attention paid to the elevated losses from severe convective storms in different states at different times—that led to severe convective storms being more top of mind in 2023 and as companies

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“We see primary insurers raising deductibles, changing their deductibles to percentage deductibles, employing additional risk-management scenarios on a deterministic basis and doing some sensitivity testing.”

**Tehya Duckworth**  
Munich Reinsurance America

began thinking about 2024 strategies and beyond,” Blades said.

Indeed, the pattern continued in the first quarter of 2024. Severe convective storms caused an estimated \$11 billion in global insured losses in the first quarter, which was more than half the estimated \$20 billion in natural catastrophe losses from all natural perils, according to Gallagher Re.

**Other Significant Perils**

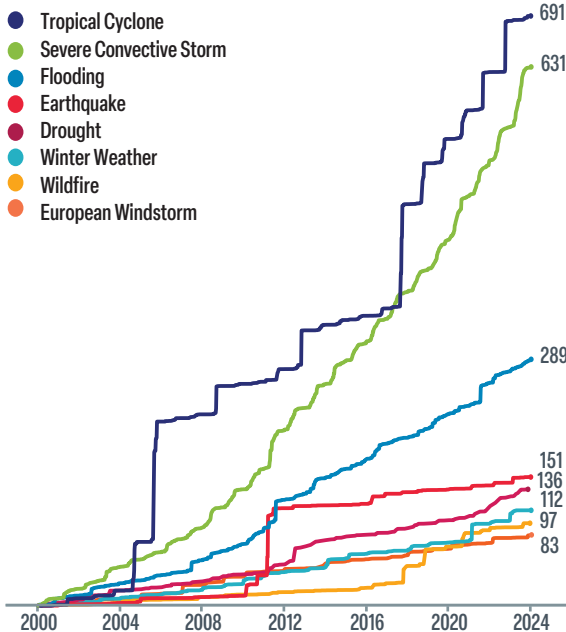
While secondary perils played a major role in the insured losses of 2023, there have been a number of significant events in other years as well.

Some of the most costly severe convective storms include the Midwest derecho in August 2020, which caused an estimated \$10.9 billion in insured losses; the Joplin, Missouri, tornado in May 2011, which caused an estimated \$9.5 billion in insured losses; and a hailstorm in San Antonio in April 2016, which caused an estimated \$4.1 billion in insured losses, according to the Aon report.

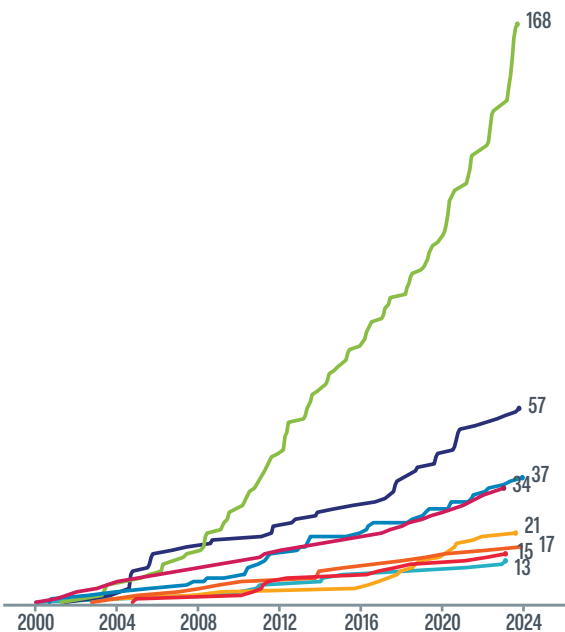
A polar vortex and freeze in Texas in February 2021 caused an estimated \$17.5 billion in insured losses, according to the Insurance Information Institute. A derecho in Ontario and Quebec in May 2022 caused an estimated \$1 billion in insured

**Cumulative Global Insured Losses by Peril**

Insured Losses (2023 US\$ Billions)



Count of billion-dollar events



Source: Aon 2024 Climate and Catastrophe Insight report.



“Any place you have a sizable amount of property exposure, you need to look at it with a discerning eye, and make sure we’re prepared for the unknown.”



**John Dickson**  
Aon Edge

losses, according to the Insurance Bureau of Canada.

In 2023, New Zealand, Italy, Greece, Slovenia and Croatia all recorded their costliest weather-related insurance events on record, according to the Aon report.

“Parts of southern Europe, particularly Italy, were hit by a repeated storm activity during the month of July,” according to the Aon report. “This resulted in exceptional insurance payouts in Italy and the costliest weather-related event on record for the country.”

Total payouts related to multiple hailstorm events in July were expected to reach €3.7 billion (\$4.1 billion), according to the report.

### **Insurers Feel the Impact**

Insurers have been reporting losses due to the storms and other secondary perils.

State Farm reported a 2023 net loss of \$6.3 billion, down from a \$6.7 billion net loss a year earlier. The underwriting loss for its property/casualty group of companies, however, widened to

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\$14.1 billion from a \$13.2 billion underwriting loss in the prior year on continued elevated claims severity and significant, widespread catastrophes.

The company said it paid \$12 billion in catastrophe losses in 2023, a year marked by significant severe convective storms.

American Family Insurance Group reported a record-high \$3.5 billion in catastrophe claims in 2023, according to the company’s 2023 earnings statement. That was up from \$2.8 billion in 2022, driven by spring storms in the Midwest, Hurricane Ian in Florida and other states in September and Winter Storm Elliott in December.

Conifer Holdings Inc., meanwhile, reported a \$25.9 million loss in 2023, with much of that coming in the fourth quarter.

The company strengthened its reserve position in an effort to put adverse development behind it, Conifer CEO Nick Petcoff said in the company’s earnings statement. “The remainder of the loss was largely driven by earlier in the year convective storm losses from the Oklahoma homeowners business, which is in run-off,” he said. The company said it does expect to continue underwriting the low-value homeowners business written in Texas and the Midwest.

Even though Beazley Plc reported profit before tax of \$1.25 billion in 2023, up from \$584 million, secondary perils had an impact on the company’s property portfolio.

“All those events can chip away at the loss ratio.

As a company, what we’re doing now is that we’re trying to transition into more of a forward-looking model, trying to anticipate what these storms will look like moving forward, and what parts of the country they’re going to impact. We’re looking at our rates, our pricing, making sure we’re giving our underwriters the best possible tools to evaluate the risk and price for the risk,” Beazley’s Westhoff said.

Other insurers also are taking steps to respond to the problem.

“We see primary insurers raising deductibles, changing their deductibles to percentage deductibles, employing additional risk-management scenarios on a deterministic basis and doing some sensitivity testing,” said Tehya Duckworth, senior vice president, property and treaty underwriting manager, Munich Reinsurance America. “We are also seeing a lot of rate being taken in the market, modified underwriting guidelines, and especially focusing on things like roof age, roof material and condition.”

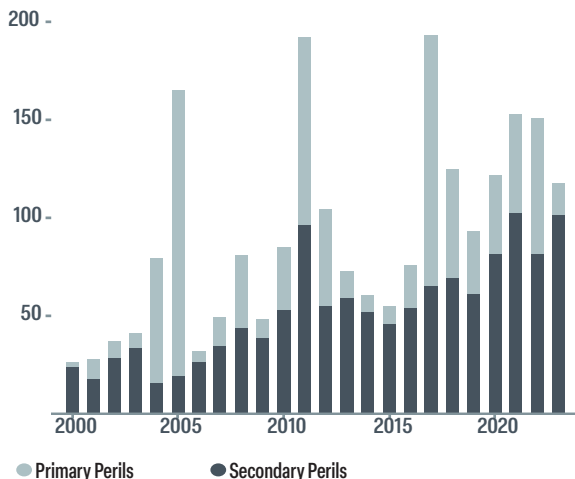
### Geographic Risks

Duckworth said insurers are also de-risking their portfolio. Knowing where to concentrate a portfolio becomes increasingly difficult, though, as catastrophe risk shifts atypically to unexpected areas, such as deep freezes in Texas and Tennessee.

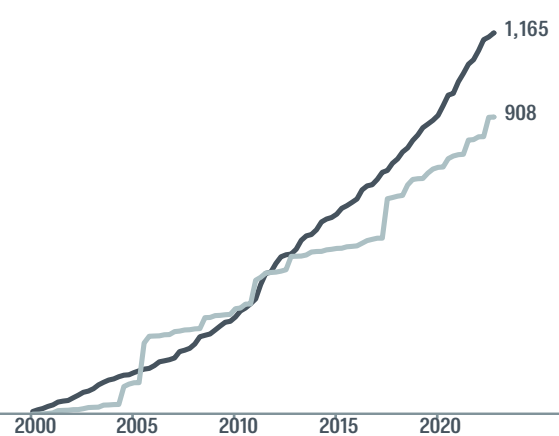
“We do think a state like Texas needs to look at their building standards as we talk about secondary perils,” the Insurance Information Institute’s

## Global Insured Losses From Primary and Secondary Perils (2023 US\$ Billions)

Annual Insured Losses



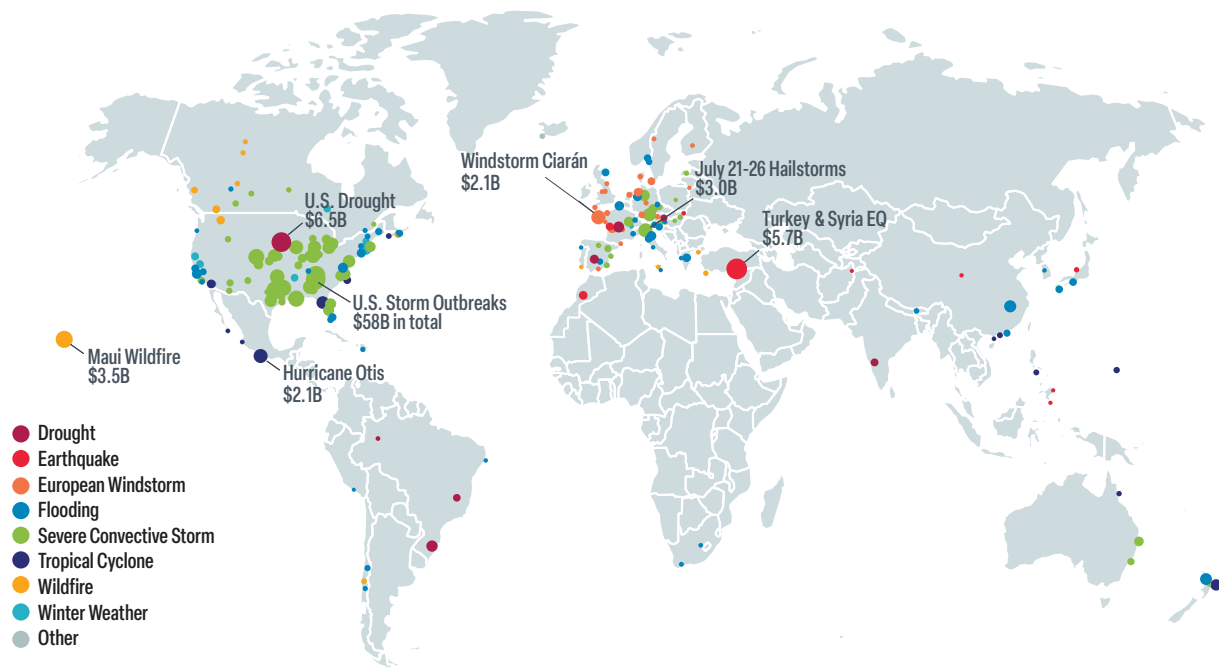
Cumulative Insured Losses



Source: Aon 2024 Climate and Catastrophe Insight report.



## Notable 2023 Insured Loss Events



Source: Aon 2024 Climate and Catastrophe Insight report.

Kevelighan said.

“Hurricane Harvey was primarily an inland flood event, and because the building codes weren’t up to standard, the flood insurance takeup rate was less than 10% in the area. Those two things combined can create significant losses that arguably could be prevented.”

Insurers can no longer focus on reducing risk in coastal states and California, Aon Edge President

and Chief Executive Officer John Dickson said.

“It’s not just Dade County, Palm Beach, Florida. It’s not just Houston, Texas. It’s not just San Francisco that could shake and fall to pieces with the next earthquake,” Dickson said.

“Any place you have a sizable amount of property exposure, you need to look at it with a discerning eye, and make sure we’re prepared for the unknown.”

### Top 10 Costliest Severe Convective Storm Events: Insured Loss (1900-2023)

Date(s)	Event	Location	Insured Loss (Nominal US\$ Billions)	Insured Loss (2023 US\$ Billions)
August 2020	Midwest Derecho	United States	9.2	10.9
April 2011	2011 Super Outbreak	United States	7.6	10.3
May 2011	Joplin Tornado/SCS	United States	7.0	9.5
May 2003	United States SCS	United States	3.3	5.5
July 2013	Storm Andreas	Europe	3.8	5.0
March 2023	United States SCS	United States	4.9	5.0
March-April 2023	Tornado Outbreak	United States, Canada	4.3	4.4
May 2019	United States SCS	United States	3.7	4.4
June 2023	United States SCS	United States	4.3	4.3
April 2016	San Antonio Hailstorm	United States	3.2	4.1

Source: Aon 2024 Climate and Catastrophe Insight report.

AM Best’s Blades believes insurers need to reassess how they identify secondary perils so they can better understand them.

“The thought of these perils being secondary needs to be changed and a more standardized definition that helps focus some of the research and resources that are being put into getting a better understanding of these perils and where they’re going is important for the whole industry,” he said.

BR



# Earthquake Activity Serves as Risk Reminder With Atypical Locales

Seismic activity in 2023 and 2024 underscores the importance of continually evaluating risk, a Verisk expert said.

by Anthony Bellano

It's been an active period for earthquakes that began in 2023 and continued this year with activity in Japan, Taiwan and Hawaii—with one notable seismic event that drew media attention because of its atypical location, shaking parts of New Jersey and New York City.

Arash Nasserri, senior manager and principal engineer in the research and modeling group on the extreme event solutions team at Verisk, said the recent amount and locations of seismic activity are not entirely unusual. But they underscore the importance of evaluating earthquake risk and insured losses on an ongoing basis.

“There’s no direct relationship between recent events and a changing earthquake risk landscape to indicate that the risk is increasing, or the hazard is changing, or the probability of global extreme event is changing,” Nasserri said. “We just happened to see a very active year last year.”

This trend also included the 7.8 magnitude Kahramanmaraş earthquake sequence that struck Turkey and Syria in February 2023, which Aon said resulted in \$5.7 billion in insured losses. That was followed by an earthquake in Morocco and a series of earthquakes in Afghanistan.

As for the earthquake that hit Japan on New Year’s Day, AM Best said it expected the negative

impact on the credit ratings of the country’s major domestic non-life insurers to be limited given their strong capital buffers.

A government-backed reinsurance scheme for earthquake insurance exposures should mitigate residential losses, AM Best said in its commentary *AM Best Expects Insured Losses From Japan’s January 2024 Earthquake To Have Limited Credit Ratings Impact*. The impact on large domestic non-life insurers’ earnings is also likely to be manageable and offset by underwriting profit from the voluntary automobile line.

In a separate commentary, AM Best said the April 3 earthquake in Taiwan was not expected to add significant net claims and lead to a capital event for the Taiwan non-life industry. Insured losses from the 7.2 magnitude earthquake were unlikely to exceed 2016 Meinong earthquake levels based on the greater distance of this earthquake from the economic centers and science parks, AM Best said in its commentary *Taiwan Earthquake Claims Unlikely To Exceed 2016 Levels*.

After a 4.8 magnitude earthquake hit New Jersey two days after the Taiwan event, New Jersey Manufacturers Insurance Co. Media Relations Manager Linda Coles said the company saw an increase in policyholder inquiries about earthquake coverage.

“That event brought back that thought to people’s mind that it can happen, and it’s important

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**Anthony Bellano** is an associate editor. He can be reached at [anthony.bellano@ambest.com](mailto:anthony.bellano@ambest.com).

to not get complacent with risk assessment,” Verisk’s Nasser said. Earthquakes with a magnitude of 2.5 to 5.4 on the earthquake magnitude scale are often felt but cause minor damage. Since earthquakes are measured on a logarithmic scale, each full point in the scale reflects an increase of 10 times the ground motion recorded by a seismograph.

More damaging earthquakes should be expected along the central and northeastern Atlantic Coastal corridor, including in Washington, D.C., Philadelphia, New York and Boston, according to the United States Geological Survey’s National Seismic Hazard Model for 2023.

The model, put together by a team of more than 50 scientists and engineers, also found “there is a chance for greater shaking in the seismically active regions of California and Alaska.” Hawaii has a greater chance of shaking because of recent volcanic eruptions and “seismic unrest on the islands.”

Nasser said Verisk uses USGS data as one of its sources in the updates for its U.S. earthquake model, but it also used additional data sources such as analysis of GPS data showing slow movement of the earth’s crustal plates. Understanding exposure and its vulnerability is critical, as well.

“More buildings are going up in areas that were not developed before,” Nasser said. “Now you’re going to have more properties exposed to risk. Then there’s the vulnerability. More knowledge about how to make buildings more resilient and resistant becomes available. Building codes keep improving and their adoption and enforcement changes. That combination of hazard, exposure and vulnerability drive the risk.”

It could come into play in the New Madrid Seismic Zone, also known as the New Madrid Fault Line, which runs through five states in the Midwest. Three large earthquakes with magnitudes up to 7.5 occurred in the zone in 1811 and 1812, but the area was far less densely populated then, according to the American Geosciences Institute.

Nasser said that different states are taking different approaches when it comes to insurance. The California Earthquake Authority was created after the 1994 Northridge earthquake to help simplify earthquake coverage in the state. It currently provides two-thirds of the residential earthquake insurance policies sold in California and is one of the largest providers of residential earthquake insurance in the world, according to its website.



“Parametric insurance relies on the intensity of the underlying event itself instead of the ultimate loss caused by that event.”

**Megan Linkin**  
Swiss Re Corporate Solutions

“That idea of providing accessible insurance coverage for residential homes is global,” Nasser said. “Countries like Turkey and New Zealand have also implemented similar insurance products.”

Megan Linkin, senior parametric natural catastrophe structurer, Swiss Re Corporate Solutions, recently spoke about the value of parametric insurance to cover earthquakes with AM Best TV. She said it’s transparent, claims can be settled easily, and the use of funds is very flexible.

“Parametric insurance relies on the intensity of the underlying event itself instead of the ultimate loss caused by that event,” Linkin said. “So, in the case of earthquakes, for example, we would use if the insured has a portfolio of locations throughout California—throughout, for example, Tennessee in the New Madrid earthquake zone, if they have a portfolio of locations that are exposed to earthquakes. We could use the ground shaking at each of those locations caused by the earthquake to determine how much payout is due under a parametric earthquake policy.”

BR





**NIGHT LIGHTS:** An aerial view of Munich, Germany.

# AM Best: German Non-Life Market Faces Persistent Claims Inflation

AM Best is maintaining its Negative outlook for the German non-life insurance segment. Factors supporting the Negative outlook include subdued growth prospects on an inflation-adjusted basis, persistent claims inflation and competitive environment affecting underwriting profitability, and losses from natural catastrophes leading to volatility in results.

**Editor's Note:** The following is an excerpt from a December 2023 Best's Market Segment Report, *Market Segment Outlook: Germany Non-Life Insurance*. Visit [www.ambest.com](http://www.ambest.com) to access the full report.

## **Subdued Growth Prospects on an Inflation-Adjusted Basis**

The persistent heightened claims inflation environment is challenging the German non-life

insurance segment's growth prospects. Current forecasts indicate that the non-life segment is likely to experience premium growth on a nominal basis, although premium levels will be static or show marginal growth on a real basis. Premium growth levels are reflecting inflation-driven rate adjustments but remain subdued by the weak economic growth perspective and an increasingly competitive environment.

Premium growth in Germany's non-life insurance





segment has historically been closely correlated with the state of the economy. Germany's economy slipped into a technical recession in early 2023, defined by two consecutive quarters of contraction.

The International Monetary Fund (IMF) expects gross domestic product (GDP) to contract by 0.5% in 2023, attributed to reduced manufacturing output, subdued private consumption due to consistent rising living costs, and weakness in interest-rate-sensitive sectors. The latest trajectory could potentially lead to the German economy falling into recession again in the final quarter of 2023, or early 2024.

All major non-life insurance business lines achieved growth in 2022, benefiting largely from robust price momentum in some lines, and positive, although subdued, economic growth.

AM Best assumes that the effects of inflation on insured values will result in favorable increases in premium levels, either through repricing or automatic rate adjustments. However, during 2023, real premium growth has been adversely impacted

by weak economic development, a driver we might see continuing into the first half of 2024.

### **Persistent Claims Inflation and Competitive Environment Affecting Underwriting Profitability**

During 2022, the German economy experienced a notable and tenacious surge in inflation which adversely impacted technical results of the non-life segment. High inflation is expected to elevate claims expense figures over the medium term. German non-life insurers have the flexibility to manage temporary increases in prices. However, AM Best believes that the nature and intensity of the claims-cost inflation will remain a challenge for the segment. Stubbornly high building costs, coupled with motor repair prices that have risen persistently over recent years, continue to maintain pressure on profitability.

This inflation pressure is expected to lead to a further increase in claims cost over the next 12 months that is unlikely to be offset by comparable premium increases. Although the German non-life segment has shown relatively good underwriting discipline in the past, AM Best believes that expected claims inflation, in particular in the motor segment—the largest non-life line—has largely been underestimated by the market.

AM Best expects the motor segment to report a technical loss in 2023, driven by relatively weak rate adjustments in the face of a consistent rise in claims cost and a rebound of claims frequency after the pandemic. Insurers raised premium rates at the main motor policy renewal round in January 2023 to combat the inflation-linked drop in technical results. However, most German non-life insurers failed to fully predict the intensity of claims inflation seen during the first nine months of 2023. In addition, cautious price increases, due to competitive pressures, during the prior year renewals by some market players would have partly required some insurers to price in claims inflation even more severely at this renewal round to achieve profitability.

Claims expenses are expected to remain magnified by high inflation pressures on the costs of repair and spare parts as well as lingering supply chain issues, with those pressures only expected to ease gradually during 2024. Although inflation has started to trend steadily lower as at September

2023, claims inflation trends tend to still show a time delay relative to the development of the consumer price index, because high labor and replacement parts costs take time to work their way through.

AM Best believes that the competitive market environment also contributed to rate adjustments that have not met adequate technical pricing levels. AM Best also assumes that claims inflation pressure might challenge some insurance companies' reserving practices, which is likely to result in reserve strengthening in the future and would weigh further on reported underwriting profitability.

Despite the high-inflation operating environment, several market players still appear preoccupied with the preservation of their market share, which contributes to inadequate rate adjustments and challenges technical profitability of the segment.

The situation is also aggravated as insurers tend to entice new customers with entry-level tariffs that are lower than those offered to existing customers. Traditionally, the vast majority of policyholders would renew their motor policies at the beginning of the year, which resulted in little flexibility to price-in developing claims inflation trends. However, there has been a trend in the market to spread out renewals across the year, which helps pricing flexibility.

Rising claims expenditure also posed a challenge for the personal property segment—the second largest non-life segment, as higher building costs (reflecting larger wage bills and material expenses) led to a technical loss of this subsegment in 2022. The loss came despite robust rate adjustments following the large flooding event (storm Bernd) in 2021 and a broadly average experience of large weather event impacts in 2022.

However, there is some uncertainty as to whether those rate increases will prove to be sufficient to match elevated inflationary claims cost in the short term, as premium adjustments are predominantly based on a claims indexation mechanism, which is backward-looking by design. Over the next 12-15 months, an expected gradual decline in inflation pressure on building cost and the “catch-up effect” on price adjustments is likely to lead to more balanced technical results in the personal property segment.

## Natural Catastrophe Losses Lead to Volatility in Results

The German property market is subject to volatility in its results due to its exposure to potentially large weather losses that can significantly add to the segment's claims burden.

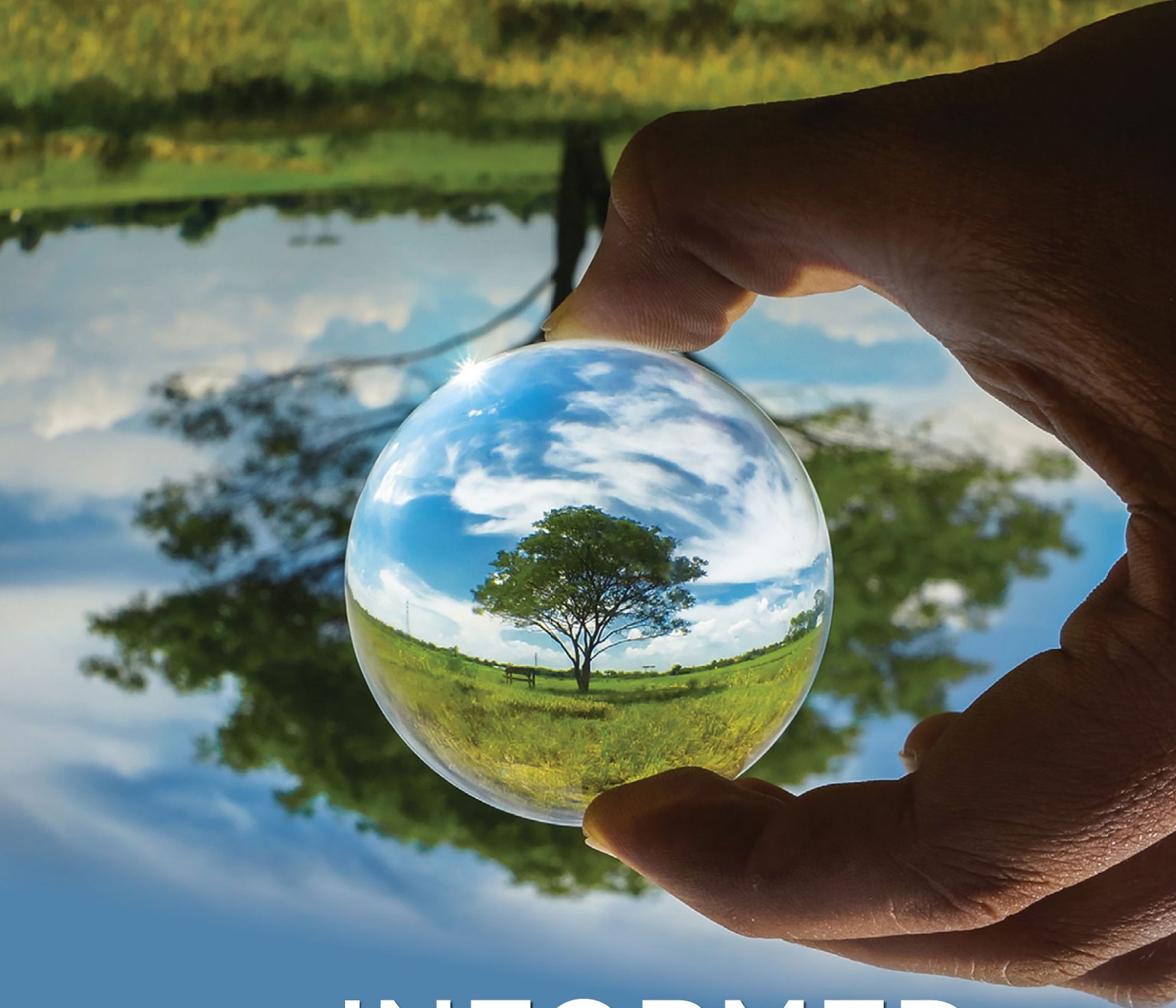
While the weather-related loss occurrences in 2022 and 2023 to date have been in line with long-term averages, evolving climate risk could lead to more volatility in the frequency and severity of weather-related events in the years to come. In 2021, extreme flooding claims significantly impacted Germany's property segment, which resulted in combined natural catastrophe losses of €12.6 billion, as reported by the German insurance association, Gesamtverband der Versicherer (GDV). Natural catastrophe claims experience in Germany is averaging slightly above €4 billion a year on a gross basis over the last decade.

Natural catastrophe events have caused earnings volatility in the past as the product risk in the property segment is dominated by severe weather events. However, the impact of natural catastrophe events on the market's capitalization has proven to be low.

AM Best believes that most German non-life insurers are well positioned to manage the financial impact of weather-related catastrophes, as most carriers benefit from adequate access to reinsurance capacity and comprehensive aggregate reinsurance covers. However, the cost of reinsuring natural catastrophe events has risen sharply because of general hardening conditions in the reinsurance market. The market responded by increasing attachment points for reinsurance cover, which is likely to result in greater earnings volatility for primary writers.

Although economic losses stemming from the last big natural catastrophe event in 2021 were substantial, AM Best notes that the penetration of comprehensive natural catastrophe insurance cover remains relatively modest in Germany, despite an increase in recent years. According to the GDV, more than 90% of policyholders that have residential building insurance are insured against hail and windstorm. However, only around 50% have currently comprehensive cover against elemental perils, such as flood and torrential rain (compared to 19% in 2012). Public information and awareness campaigns are ongoing and appear to be





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the main factor for the increased purchase activity. While the 2021 floods prompted a temporary spike in demand for comprehensive cover, takeup has subsequently fallen back in 2022 and the protection gap remains high.

There have been many proposals from market participants and policymakers how to address this protection gap in light of increasing frequency and severity of flood events over the past years. Options

under consideration comprise the implementation of comprehensive compulsory coverage or automatic inclusion of flood risk with an opt-out option, which policymakers favor.

The insurance industry has called for government involvement in areas such as adapting legislation around building codes and re-building permits, as well as the provision of a better service to the public through making risk exposure information more accessible. **BR**

## Best's Rankings

### Largest European Insurers – 2024 Edition

Ranked by 2022 gross premiums written.

(US\$ Thousands)

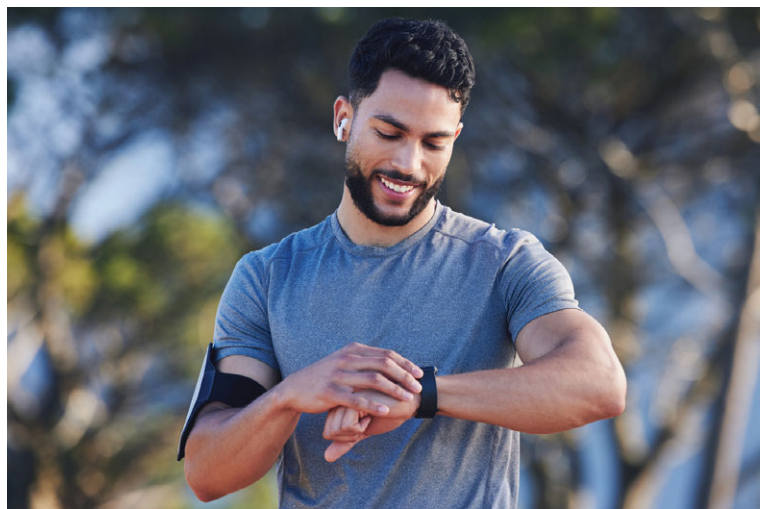
Rank	AMB#	Company/Group	Country of Domicile	Gross Premiums Written	Capital & Surplus	Profit/(Loss) After Tax
1	085085	AXA S.A.	France	\$106,147,384	\$42,334,030	\$7,320,288
2	085014	Allianz SE	Germany	100,568,547	54,959,819	7,668,365
3	085124	Assicurazioni Generali S.p.A.	Italy	85,168,821	17,298,132	3,404,959
4	086577	Munich Reins Co	Germany	71,679,247	22,489,386	3,650,535
5	050457	Zurich Ins Group Ltd	Switzerland	58,848,000	26,635,000	4,923,000
6	085202	Lloyd's	United Kingdom	56,333,703	47,766,348	(927,537)
7	085068	HDI V.a.G.	Germany	56,053,165	8,962,442	2,671,435
8	058303	Chubb Ltd	Switzerland	51,978,000	50,519,000	5,246,000
9	058595	Swiss Re Ltd	Switzerland	47,889,000	12,699,000	480,000
10	086056	CNP Assurances	France	38,491,306	18,279,687	2,414,756
11	093310	Crédit Agricole Assurances	France	37,720,412	8,652,803	1,878,119
12	086317	BNP Paribas Cardif S.A.	France	26,983,420	3,434,855	713,237
13	085419	MAPFRE S.A.	Spain	26,202,383	7,782,931	1,157,195
14	052281	Société de Groupe d'Assur Mut Covéa	France	23,510,651	19,599,082	719,317
15	085925	Prudential plc	United Kingdom	23,344,000	16,960,000	(11,000)
16	085909	Aviva plc	United Kingdom	22,819,341	15,179,524	(1,373,816)
17	084341	Achmea B.V.	Netherlands	22,516,079	9,904,171	112,111
18	086155	SCOR SE	France	21,068,251	5,444,304	(322,451)
19	086310	R+V Versicherung AG	Germany	19,931,129	4,356,298	(262,659)
20	033231	Poste Italiane S.p.A.	Italy	18,724,606	9,495,234	1,613,325
21	071674	Aéma Groupe	France	17,222,878	5,480,345	54,506
22	085588	Groupama Assurances Mutuelles	France	16,784,558	8,008,968	484,745
23	086120	Legal & Gen Group Plc	United Kingdom	16,513,537	14,676,555	2,762,106
24	083060	Sogécap	France	15,778,110	3,129,723	628,304
25	086244	Swiss Life Hldg AG	Switzerland	15,290,171	11,007,104	1,575,692
26	045594	BPCE Assurances	France	14,989,656	2,133,178	344,396
27	058994	NN Group N.V.	Netherlands	14,564,769	18,972,317	1,672,050
28	083511	Coöperatie VGZ U.A.	Netherlands	14,199,818	2,620,361	(209,400)
29	089578	Groupe des Assurances du Crédit Mutuel	France	14,181,609	9,615,917	900,029
30	087877	VIENNA INSURANCE GROUP AG Wiener Versich	Austria	13,409,754	4,509,876	495,733

Sources:  and AM Best research; data as of April 22, 2024.

# AM Best: Insurers Navigate Data Privacy, Regulatory Challenges With Wearable Technology

Wearables—such as smartwatches and activity trackers that monitor users’ health and fitness metrics—will have a “huge impact” on the life/health sector, AM Best Senior Director Sridhar Manyem told AM Best TV at the recent InsurTech Hartford Symposium 2024.

by Lori Chordas



**S**ridhar Manyem, senior director, AM Best, said key issues for insurers in terms of the data associated with wearable technology include data privacy, regulatory challenges and using the data ethically and compliantly.

Manyem spoke with AM Best TV at InsurTech Hartford Symposium 2024. Following is an edited transcript of the interview.

## How is the wearables industry evolving, and what’s the impact on the life/health sector?

I think wearables are definitely going to have a huge impact on the life/health sector, especially in terms of the post-underwriting process. Doing the process of underwriting using nontraditional health information is still a little bit fuzzy. But once you do the underwriting, during the post-underwriting process, using these wearables to track a person’s well-being, a person’s proclivity toward physical activity and monitoring their [key performance indicators] definitely provides insurers with the ability to manage claims a lot

better, to manage the individual’s health and fitness a lot better. It’s not just about reducing claims. It’s about increasing the policyholder’s well-being. So, we may see a lot of increase, or at least an attempt to increase, in monitoring these wearables.

## Do you expect that to drastically change the sector and, if so, how?

I don’t think it’s going to completely disrupt the sector but I think it’s definitely going to be an improvement in terms of the sector’s attitude toward consumers, the consumer’s attitude toward the sector, and in general, improving the well-being of the customers. Maybe in due course, having access to this kind of data will definitely help improve the insurance companies’ underwriting and other processes as well.

## What are some of the issues or challenges we see today around the use of wearables and wearables data?

In terms of using wearables, I think the key things are about regulations and data privacy: consumers willing to share their personal, [personally identifiable information] or HIPAA-

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“It’s not just about reducing claims. It’s about increasing the policyholder’s well-being. So, we may see a lot of increase, or at least an attempt to increase, in monitoring these wearables.”

**Sridhar Manyem**  
AM Best

related information, and insurers trying to make sure that data is kept confidential and being used in the manner intended and explaining to the regulators you were treating consumers fairly and you were doing the right thing for the consumers. So, I think there are issues, especially as regulations around [artificial intelligence], Internet of Things, regulations around data privacy, are still evolving.

Insurers need to monitor these rules, regulations, make sure that they’re doing things right in terms of the customers, in terms of ethics, and making sure that they’re also doing the right things in terms of regulatory filings, and making sure that they are not violating any of these laws.

**You also spoke here at the symposium on a panel about using data in pricing unpriced risks. Insurers have always been about data. How has that changed? How is that evolving? And are there some new innovations around data today?**

The unpriced risks discussion was really a very interesting discussion for me because as the economy is evolving, as the society is evolving, people are moving toward more of the shared economy in terms of either using shared economy assets like Airbnb or Uber, or using that for employment, like driving an Uber or renting out an Airbnb. So the dynamics of the insurable property is changing between personal use, commercial use, and one of the key points of discussion we had with Y-Risk, which is a subsidiary of Hartford, is: How do you insure for these risks? These risks, especially things like Airbnb or Uber, they have a natural proclivity, if you will, toward telematic devices,

Internet of Things devices, and therefore there’s been an increase in the data. And how do you use this data, not just to underwrite or price, but to monitor risks so that you prevent these risks before they happen?

**Talent and the employment landscape is a big topic in AI and insurance. How has the employment landscape changed?**

I think there’s a couple of things to distinguish. One is the structural aspect of employment and the cyclical aspect of employment. If you look at the cyclical aspect, which is how are insurers managing their expenses through the cycle and one of the levers that they can pull is employees. I think that has always been around. In terms of when loss costs are increasing, expense ratios are increasing, insurers try to dial back by trying to restructure and doing more with fewer employees. Another lever that gives the insurers the advantage is the technology lever, which is using technology to make things a little bit more efficient.

The second aspect that I talked about was more the structural aspect. What are the skills needed as the world is changing? Do you have enough people to fill those skills? I think that is going to change a little bit, especially with the use of technology. Do you have enough people who can use this ChatGPT technology, large language models? Do you have employment like prompt engineers who can actually train these AI models?

The scope of employment is going to change a little bit because of these technologies, but other than that, I think insurers are still going to need people, they’re still going to need underwriters. They’re not going to be replaced, but they’re going to be supplemented by the use of these technologies.



# ILLUMINATE THE DETAILS OF **INSURER** **PERFORMANCE**

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**What current or future challenges do you see around the use of data, and what can the industry do to address those concerns?**

I think there's some issues. In general, some of the bigger insurance companies have been around for a long time. I think we spoke in the panel about how the Hartford's been around since 1810, MassMutual's been around since [the mid-1800s]. These companies have been around for a long time and they have a treasure-trove of data about claims, about mortality, about underwriting.

Just because they have this data, it doesn't mean that they can be used for the future, because most of this data is based on past trends and past issues. They've got to normalize this data so that it can be ready for future use. For example, if you're using climate-related data, you've got data since 1810, but the climate is changing, exposure is changing. So, how do you use that data in order to predict the future.

If you have enough data on workers' compensation, you also need to recognize that there's been OSHA, there's been improvements in frequency, improvements in severity. You take this data that you have and try to project it forward so

that you can use it for underwriting, pricing, claims management.

I think a certain amount of having the data, using it for the future, that's something that insurers need to be cognizant of. Also the proliferation of data from the IoT devices, collecting temperature data or water levels, or moisture, or humidity—there's a million ways to collect data from these IoT devices these days. So, how do you gather the data and make sure that you can use it for underwriting and pricing and that's another challenge that insurance companies are facing.

BR



Scan to watch the interview with Sridhar Manyem.

FIND OUT WHAT **INSURANCE INDUSTRY EVENTS** ARE ON THE HORIZON

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# For Electrical Contractors, Risk Extends Beyond the Grid

*Best's Underwriting Reports* and *Best's Loss Control Reports* provide insights into the risks and lines of coverage for electrical contractors.

**E**lectricity-related accidents are among the leading causes of workplace fatalities and injuries, the Electrical Safety Foundation said in a recent report. Citing the Occupational Safety and Health Administration, the foundation, which focuses on electrical safety and the education of electrical professionals, noted that there were more than 1,300 workplace fatalities involving electricity in the United States between 2011 and 2022.

Not surprisingly, the occupation with the most fatalities during that span was electricians, a field that saw 195 deaths, according to the report. Another 109 deaths were reported among electrical power installers and repairers, and 37 fatalities were reported among electrician apprentices. But the fatalities extended into other fields: Nearly three-quarters, or 70%, of the 1,322 workplace fatalities in this period occurred in “non-electrically related occupations,” including 119 deaths among construction laborers. There were another 117 deaths among laborers, excluding construction.

Exposure in construction and other fields can manifest in various ways. “The greatest exposure to workers is electrocution or electrical shocks, burns, and arc flash or flashover, which can explode in a tremendous amount of electricity,” according to a *Best's Underwriting & Loss Control Resources* report titled *Electrical Contractors*.

And making contact with electricity isn't always the risk. “Electrical contractors also are required to do physical work. Standing for long periods of time, climbing, lifting, and bending can cause back and neck strain. Additionally, electrical contractors often are required to perform work in confined spaces and are exposed to asbestos and other types of dust inhalation,” the report said. “If working on construction sites, electricians could also face possible cuts, falls, and other common construction-related injuries. Any office employees will face hazards such as slips, trips, and falls, as well as repetitive motion injuries (RMIs) and eye fatigue from working at computers.”

Underwriters should pay a significant amount of attention to workers' compensation when



considering coverage for electrical contractors, but there are other considerations to take into account.

“Electrical contractors install, maintain, repair, and replace electrical systems and machinery in homes, offices, factories, and manufacturing plants,” according to the report. “The complex profession requires a great deal of training, skill, and experience. Much of the work also demands physical labor. Electrical contractors must be adept both in knowledge and hands-on capability.”

*Best's Underwriting Reports* has identified nine lines of coverage for electrical contractors: Automobile Liability; General Liability: Premises and Operations; General Liability: Products - Completed Operations; Surety; Workers' Compensation; Crime; Property; Business Interruption; and Inland Marine.

*Best's Hazard Index* ranks the risk of exposures for the lines of business as Low (1-3), Medium (4-6), High (7-9), and Very High (10).

Following are excerpts from the Lines of Coverage reports that show the highest index rankings:

## Best's Hazard Index

Line of Coverage	Best's Hazard Index
Workers' Compensation	7
Automobile Liability	4
General Liability: Products - Completed Operations	4
Inland Marine	4

## MSCI ESG Score

MSCI ESG Industry Risk Intensity Score for the following GICS Classification:	Construction & Engineering
ESG Risk Intensity Score	8

Review methodology behind MSCI ESG Ratings at [www.msci.com/esg-and-climate-methodologies](http://www.msci.com/esg-and-climate-methodologies).

## Lines of Coverage

### Workers' Compensation

Contractors located in the United States must adhere to Occupational Safety and Health Administration (OSHA) rules and recommendations for employee safety. Similarly, the Health and Safety Executive oversees workplace safety in the United Kingdom, while the Canadian Centre for Occupational Health and Safety serves an identical function in Canada. If the insured is located outside of the United States, it is recommended that the underwriter be familiar with the locale's applicable worker safety regulations.

### Automobile Liability

The Automobile Liability exposure for electrical contractors will be minor. Workers will drive daily to customers' premises. Most electrical contractors have at least one van, truck, or minivan for business use. Larger firms will have a fleet of vehicles used to transport employees and their equipment to worksites. Vehicles also may be used to pick up supplies or to run local errands. If employees use their personal vehicles for business purposes, a non-owned vehicle exposure will exist. Common hazards include inclement weather, traffic congestion, road construction, driving during hours of darkness, fatigue, poor road conditions, shifting cargo and distracted driving.

### General Liability: Products - Completed Operations

In general, electrical contractors will have a minor General Liability: Products — Completed Operations

exposure. Injuries or property damage from fire resulting from improper design or installation are the insured's greatest exposures. Other concerns arise from ungrounded outlets, receptacles, fixtures, or appliances; the malfunction or disruption of equipment or machinery from incorrectly installed panels and circuits; and from poorly installed junction boxes, floor receptacles, wall outlets, or switches.

An additional exposure exists if the insured repairs existing equipment or modifies manufactured equipment, machinery, fixtures, or appliances. The products installed by the insured typically will not be manufactured by the insured; however, if the insured makes any modifications to those products or designs, there will be increased exposure. In most cases, the insured's work will be inspected by a local regulatory agency once the work is completed.

### Inland Marine

Electrical contractors will have a minor Inland Marine exposure because materials, tools, and equipment are transported to and from worksites, usually on a daily basis; these materials, tools, and equipment generally are covered with an Equipment floater. A similar floater can cover portable electronic gear (e.g., laptop computers, GPS units) taken off-site. Valuable Papers and Records coverage may also be needed.

## Loss Control

### On-Site Inspection:

- What is the layout of the premises?
- Are telephone and electrical cords routed along walls and away from doorways and walkways?
- Are cords that must cross walkways covered with a mat or otherwise secured to the floor?
- Are automated external defibrillators (AEDs) located on site?
- Are first aid kits located conveniently throughout the premises?

### Items To Investigate:

- Is the insured in compliance with all worker safety regulations applicable to its area of operation?
- Are current certificates of operation for all elevators available for review?
- Are underlying personal insurance at

acceptable limits available for review for drivers who operate their own vehicles for business purposes?

- How does the insured protect and account for its electricians' tools?
- Are all workers instructed to operate in strict accordance with all state and local building codes and ordinances?
- Are all codes checked before work is started?
- How many workers does the insured employ, and what are their training, experience and duties? **BR**

– Anthony Bellano



Scan for more on this and other risk classifications in Best's Underwriting & Loss Control Resources.



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**LOOKING FORWARD:** Bryan Falchuk drew on case studies from his book series *The Future of Insurance: From Disruption to Evolution* to share new stories about the industry on *The Future of Insurance* podcast.

## From Print to Podcast: *The Future of Insurance* Builds on Book Series

Insurance veteran Bryan Falchuk gathers industry luminaries—from leading executives at traditional carriers to insurtech founders and other thought leaders—to glean forward-looking insights into the sector.

by John Weber

**A** 25-year career in property/casualty insurance and a book series inspired Bryan Falchuk to share new stories about the industry on *The Future of Insurance* podcast, which blends insights from executives at pillars of the industry with leaders at the latest insurtech companies.

Falchuk, who is president and chief executive officer of the Property & Liability Resource Bureau trade group, hosts guests who offer views on the industry's opportunities to reinvent itself, drawing on case studies from his book series *The Future of Insurance: From Disruption to Evolution*. Following is an edited transcript of the interview.

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**John Weber** is a senior associate editor. He can be reached at [john.weber@ambest.com](mailto:john.weber@ambest.com).

**So tell us a little bit about the podcast. What was the impetus for putting it together?**

You mentioned the book series and that's been coming out since 2020 now. And as much as I love the books, to wait a year [to a] year and a half to share more stories with people and to dig into additional stories, that's not enough. You know, we need more as an industry. We need more guidance and examples of companies that are doing something innovative.

The cool thing about it is I've also had the people that are featured in the cases in the books on the podcast. It's just another way to dig into these stories and hear firsthand what are people doing in this industry to help us move forward, to serve people better. And that's a pretty cool, cool way to spend my days.

“It’s just another way to dig into these stories and hear firsthand what are people doing in this industry to help us move forward, to serve people better. And that’s a pretty cool, cool way to spend my days.”

**Bryan Falchuk**

*The Future of Insurance* podcast

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### **Could you tell us about the podcast itself? What sort of subject matter do you tackle?**

The book series came out in 2020, and it was a bit after that [the podcast started]. There are 125 episodes recorded. ... I do them in seasons, five seasons of 25 episodes each, which is great. The conversations that I get to have are generally with C-suite folks from different insurance carriers, [as well as] some solution and service providers that focus on insurance.

### **Who is a typical guest?**

Most of them—I’d say probably 80[%], 85%—are somewhere in the very senior ranks of insurance companies. That can be 100-plus-year-old carriers all the way down to startups. And some of them are technically not insurance companies. And that mirrors my books. When we’re talking about the startups generally, I’ll try to get the founder in.

The solution providers, the venture capitalists, the thought leaders—they’re bringing a bit more well-rounded perspective looking across the piece, and especially for the [venture capitalists], the show is called *The Future of Insurance*. [We ask:] What do you see coming up, and where do you think we’ve gotten these things wrong so far?

### **Who are your listeners?**

It’s been largely carrier people. I think over half of the listeners are from various carriers, which is great because that’s the sort of audience that I’m speaking to. But then the rest are a mix of intermediaries. So brokers and agents, certainly the investment community, solution and service providers, tons of that—that’s probably 35% of the listeners.

They’re using it for different purposes, but ultimately to move themselves forward.

### **How do you cut through the white noise to make your podcast stand out in a very crowded media market?**

I gave up on it—which is probably not the answer you’re expecting. I wrote a book years and years ago when I was still working at a carrier, and I had all of these ups and downs.

I was like: Is Oprah putting this on her [Favorite Things] Christmas list? Or will my mother even buy it?

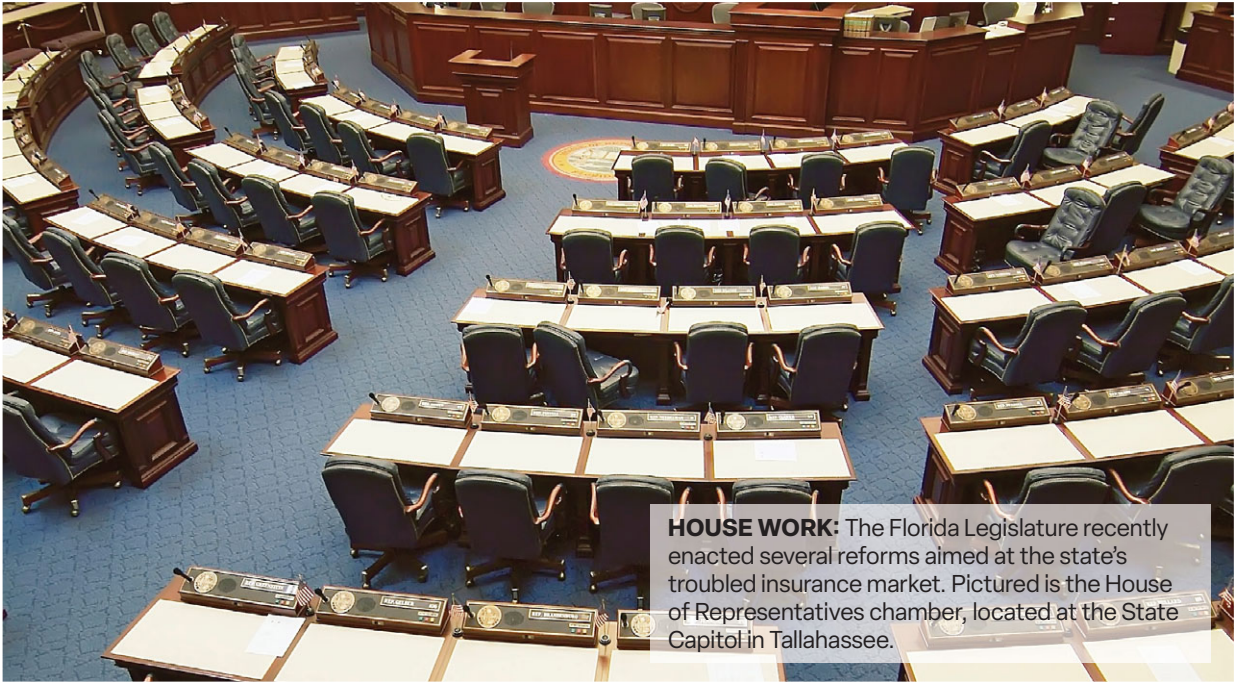
My clips on YouTube get thousands and thousands of views, and that’s really neat. Unfortunately, it means a 30-minute interview is really just about pulling out five minutes of content. That’s the world of information consumption today.

But those clips are impactful. And those clips get a lot of comments and get people thinking. So again, if my point is [doing this] for some random number of downloads of a full episode of an insurance podcast, which—I don’t care where your bar [is] set, you’re never going to be that big—then you’re going to fail. But if your reason for doing it is to impact the industry and you see people engaging with these clips, even if it’s not the full thing, then you’re winning. **BR**



Scan to watch the interview with Bryan Falchuk.





## Large Florida Homeowners Writer Plans To Lower Rates

Florida Peninsula Insurance President Clint Strauch credited state legislators for enacting changes intended to reform the market. Legislative efforts included eliminating the one-way attorney fee structure, limiting the use of the assignment of benefits and other measures favored by the insurance industry to reduce litigation.

by Renée Kiriluk-Hill

**T**he Florida insurance market appears to be stabilizing, Florida Peninsula Insurance President Clint Strauch said, and the company plans a 2% rate reduction midyear for homeowner and condo policies.

“This should come as great relief to many Florida homeowners who have been suffering through this insurance crisis,” he said in a statement. Florida Peninsula is the state’s fourth-largest homeowners multiperil writer.

The company’s analytics team used advanced calculations to recommend the decrease, he said.

Strauch also credited the “hard work of our state legislators” to enact changes intended to reform the market.

Legislative efforts included eliminating the one-way attorney fee structure, limiting the use of the assignment of benefits and other measures favored by the insurance industry to reduce litigation.

Updated rates take effect for new Florida Peninsula customers on July 15 and on Aug. 1 for renewing

policyholders.

Florida Peninsula Group’s annual net income jumped to \$88.8 million last year from \$4 million a year earlier, according to Best’s Financial Report.

Florida allows property/casualty writers to enact rate changes prior to approval, understanding that a denial would force them to return premium to policyholders.

Group subsidiaries Florida Peninsula Co. and Edison Insurance Co. were approved for a string of homeowners multiperil rate hikes ranging from 4% to 21.9% since 2019, according to Best’s State Rate Filings.

In early 2023, Florida Peninsula Co. increased preferred homeowners rates 14.3% and other homeowners rates 14.8%. The increases were cleared this year.

The group writes home, condominium and renter policies.

Ovation Home Insurance Exchange, whose attorney-in-fact Ovation Risk Managers is led by Florida Peninsula Insurance Co. Chief Executive Officer Paul Adkins, is also joining the Florida market.

It is the eighth new regional writer in the state in less than two years.

**Renée Kiriluk-Hill** is a senior associate editor. She can be reached at [renee.kiriluk-hill@ambest.com](mailto:renee.kiriluk-hill@ambest.com).

**BR**

# Florida Homeowners Multiperil Approved Rate Filings by Overall Effect With Increases of 14% or Greater

Based on an effective date beginning on Jan. 1, 2023, through Jan. 1, 2025.

Group Name	Company Name	AMB#	Overall Effect	Effective Date	Program	Best's State/Line - P/C, US Market Share %
Universal Ins Holdings Group	Universal Ins Holdings Group	018752	37.00%	2/15/2023	Non-Specific	10.00%
Universal Ins Holdings Group	Universal Property & Casualty Ins Co	012123	37.00%	2/15/2023	Non-Specific	9.81%
Heritage Ins Holdings Group	Heritage Ins Holdings Group	018891	26.00%	9/27/2023	Apartments/Condominiums	2.79%
Heritage Ins Holdings Group	Heritage Property & Casualty Ins Company	014558	26.00%	9/27/2023	Apartments/Condominiums	2.75%
Farmers Insurance Group	Farmers Insurance Group	000032	18.80%	4/1/2023	Mobile/Manufactured Home	1.92%
Farmers Insurance Group	Foremost Insurance Co Grand Rapids, MI	002189	18.80%	4/1/2023	Mobile/Manufactured Home	0.66%
Farmers Insurance Group	Farmers Insurance Group	000032	16.10%	5/15/2023	Mobile/Manufactured Home	1.92%
Farmers Insurance Group	Foremost Property and Casualty Ins Co	001897	16.10%	5/15/2023	Mobile/Manufactured Home	0.09%
Allstate Insurance Group	Allstate Insurance Group	000008	14.90%	1/29/2023	Non-Specific	3.21%
Allstate Insurance Group	Castle Key Indemnity Company	012128	14.90%	1/29/2023	Non-Specific	2.46%
Allstate Insurance Group	Allstate Insurance Group	000008	14.90%	1/29/2023	Non-Specific	3.21%
Allstate Insurance Group	Castle Key Insurance Company	010648	14.90%	1/29/2023	Non-Specific	0.75%
Kin Insurance Group	Kin Insurance Group	018977	14.90%	7/5/2023	Hail/Wind/Hurricane	1.20%
Kin Insurance Group	Kin Interinsurance Network	020690	14.90%	7/5/2023	Hail/Wind/Hurricane	1.20%
Allstate Insurance Group	Allstate Insurance Group	000008	14.90%	1/8/2023	Tenants/Renters	3.21%
Allstate Insurance Group	Castle Key Indemnity Company	012128	14.90%	1/8/2023	Tenants/Renters	2.46%
Clear Blue Insurance Group	Clear Blue Insurance Group	018868	14.90%	3/26/2023	Non-Specific	0.27%
Clear Blue Insurance Group	Clear Blue Insurance Company	022327	14.90%	3/26/2023	Non-Specific	0.14%
	Trusted Resource Underwrts Exch	020873	14.90%	8/15/2023	Non-Specific	0.10%
	Southern Oak Insurance Co	012991	14.90%	2/5/2024	Hail/Wind/Hurricane	1.18%
USAA Group	USAA Group	004080	14.90%	8/14/2023	Non-Specific	4.21%
USAA Group	Garrison Property and Casualty Ins Co	012120	14.90%	8/14/2023	Non-Specific	0.25%
USAA Group	USAA Casualty Insurance Company	004049	14.90%	8/14/2023	Non-Specific	1.16%
USAA Group	USAA General Indemnity Company	004865	14.90%	8/14/2023	Non-Specific	0.62%
USAA Group	United Services Automobile Association	000934	14.90%	8/14/2023	Non-Specific	2.17%
	Southern Oak Insurance Co	012991	14.90%	12/15/2023	Non-Specific	1.18%
Florida Peninsula Group	Florida Peninsula Group	018790	14.80%	1/15/2023	Non-Specific	4.53%
Florida Peninsula Group	Florida Peninsula Insurance Company	013087	14.80%	1/15/2023	Non-Specific	2.26%
Florida Family Group	Florida Family Group	018761	14.80%	1/1/2023	Non-Specific	1.10%
Florida Family Group	Florida Family Insurance Company	011975	14.80%	1/1/2023	Non-Specific	0.63%
	Southern Oak Insurance Co	012991	14.80%	1/1/2023	Mobile/Manufactured Home	1.18%
	Armed Forces Ins Exchange	003240	14.80%	11/20/2023	Various Sublines	0.03%
AU Holding Company Group	AU Holding Company Group	018943	14.80%	6/1/2023	Various Sublines	0.27%
AU Holding Company Group	Centauri Specialty Insurance Company	013118	14.80%	6/1/2023	Various Sublines	0.27%
AU Holding Company Group	AU Holding Company Group	018943	14.80%	12/1/2023	Non-Specific	0.27%
AU Holding Company Group	Centauri Specialty Insurance Company	013118	14.80%	12/1/2023	Non-Specific	0.27%
IAT Insurance Group	IAT Insurance Group	018567	14.80%	6/16/2023	Non-Specific	0.19%
IAT Insurance Group	SafePort Insurance Company	003785	14.80%	6/16/2023	Non-Specific	0.06%
Florida Family Group	Florida Family Group	018761	14.70%	1/1/2023	Non-Specific	1.10%
Florida Family Group	Florida Family Home Insurance Company	013984	14.70%	1/1/2023	Non-Specific	0.48%
Universal Ins Grp Puerto Rico	Universal Ins Grp Puerto Rico	018672	14.70%	6/1/2023	Non-Specific	0.38%
Universal Ins Grp Puerto Rico	Universal North America Insurance Co	011600	14.70%	6/1/2023	Non-Specific	0.38%
Producers National Group	Producers National Group	018798	14.70%	11/25/2023	Mobile/Manufactured Home	0.04%
Producers National Group	Unique Insurance Company	011998	14.70%	11/25/2023	Mobile/Manufactured Home	0.03%
	Slide Insurance Company	021343	14.60%	1/4/2023	Various Sublines	2.89%
	American Traditions Ins Co	013075	14.60%	1/6/2023	Non-Specific	0.92%
HCI Insurance Group	HCI Insurance Group	018848	14.50%	1/1/2023	Non-Specific	3.77%
HCI Insurance Group	TypTap Insurance Company	022603	14.50%	1/1/2023	Non-Specific	1.64%



Group Name	Company Name	AMB#	Overall Effect	Effective Date	Program	Best's State/Line - P/C, US Market Share %
	Vyrd Insurance Company	021309	14.30%	10/2/2023	Non-Specific	0.17%
Florida Peninsula Group	Florida Peninsula Group	018790	14.30%	1/15/2023	Preferred Program	4.53%
Florida Peninsula Group	Florida Peninsula Insurance Company	013087	14.30%	1/15/2023	Preferred Program	2.26%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	14.10%	12/1/2023	Various Sublines	0.53%
Liberty Mutual Insurance Cos	First Liberty Insurance Corporation	010764	14.10%	12/1/2023	Various Sublines	0.18%
Liberty Mutual Insurance Cos	Liberty Mutual Fire Insurance Company	002282	14.10%	12/1/2023	Various Sublines	0.36%
W. R. Berkley Insurance Group	W. R. Berkley Insurance Group	018252	14.00%	8/21/2023	Various Sublines	0.09%
W. R. Berkley Insurance Group	Berkley Insurance Company	003630	14.00%	8/21/2023	Various Sublines	0.09%
Auto Club Group	Auto Club Group	000312	14.00%	8/1/2023	Non-Specific	1.31%
Auto Club Group	Auto Club Insurance Company of Florida	013083	14.00%	8/1/2023	Non-Specific	1.31%

## Florida Homeowners Multiperil Approved Rate Filings by Overall Effect With Decrease in Rate

Based on an effective date beginning on Jan. 1, 2023, through Jan. 1, 2025.

Group Name	Company Name	AMB#	Overall Effect	Effective Date	Program	Best's State/Line - P/C, US Market Share %
The Cincinnati Insurance Cos	The Cincinnati Insurance Cos	004294	-27.00%	8/1/2023	Non-Specific	0.17%
The Cincinnati Insurance Cos	Cincinnati Indemnity Company	010650	-27.00%	8/1/2023	Non-Specific	
The Cincinnati Insurance Cos	Cincinnati Insurance Company	000258	-27.00%	8/1/2023	Non-Specific	0.15%
QBE North America Ins Group	QBE North America Ins Group	005658	-9.60%	4/1/2023	Tenants/Renters	0.64%
QBE North America Ins Group	Praetorian Insurance Company	002643	-9.60%	4/1/2023	Tenants/Renters	0.04%
Hartford Insurance Group	Hartford Insurance Group	000048	-6.80%	8/1/2023	Hail/Wind/Hurricane	0.16%
Hartford Insurance Group	Hartford Insurance Co of the Midwest	002612	-6.80%	8/1/2023	Hail/Wind/Hurricane	0.16%
Farmers Insurance Group	Farmers Insurance Group	000032	-5.80%	1/9/2023	Hail/Wind/Hurricane	1.92%
Farmers Insurance Group	Farmers Casualty Insurance Company	003288	-5.80%	1/9/2023	Hail/Wind/Hurricane	0.09%
Allstate Insurance Group	Allstate Insurance Group	000008	-5.60%	8/1/2023	Hail/Wind/Hurricane	3.21%
Allstate Insurance Group	Century-National Insurance Company	003090	-5.60%	8/1/2023	Hail/Wind/Hurricane	
BAMR US PC Group	BAMR US PC Group	018991	-3.30%	5/1/2024	Tenants/Renters	0.02%
BAMR US PC Group	American National Property & Casualty Co	003533	-3.30%	5/1/2024	Tenants/Renters	0.02%
	Electric Insurance Company	002146	-2.10%	3/1/2023	Non-Specific	0.04%
US Coastal Insurance Group	US Coastal Insurance Group	018896	-2.00%	7/1/2023	Apartments/Condominiums	0.20%
US Coastal Insurance Group	US Coastal Property and Casualty Ins Co	022613	-2.00%	7/1/2023	Apartments/Condominiums	0.20%
	Trusted Resource Undrwrts Exch	020873	-2.00%	10/15/2023	Hail/Wind/Hurricane	0.10%
American International Group	American International Group	018540	-1.60%	12/1/2023	Hail/Wind/Hurricane	1.48%
American International Group	AIG Property Casualty Company	002349	-1.60%	12/1/2023	Hail/Wind/Hurricane	1.02%
American International Group	American Home Assurance Company	002034	-1.60%	12/1/2023	Hail/Wind/Hurricane	0.01%
Lemonade Insurance Group	Lemonade Insurance Group	018982	-1.10%	10/3/2023	Hail/Wind/Hurricane	0.03%
Lemonade Insurance Group	Lemonade Insurance Company	023019	-1.10%	10/3/2023	Hail/Wind/Hurricane	0.03%
USAA Group	USAA Group	004080	-0.90%	4/1/2023	Hail/Wind/Hurricane	4.21%
USAA Group	Garrison Property and Casualty Ins Co	012120	-0.90%	4/1/2023	Hail/Wind/Hurricane	0.25%
USAA Group	USAA Casualty Insurance Company	004049	-0.90%	4/1/2023	Hail/Wind/Hurricane	1.16%
USAA Group	USAA General Indemnity Company	004865	-0.90%	4/1/2023	Hail/Wind/Hurricane	0.62%
USAA Group	United Services Automobile Association	000934	-0.90%	4/1/2023	Hail/Wind/Hurricane	2.17%

Note: The State Rate listings include multiple rows with the filing company (or companies) and its group together.  
Source: Best's State Rate Filings; data as of May 3, 2024.

—Patricia Vowinkel



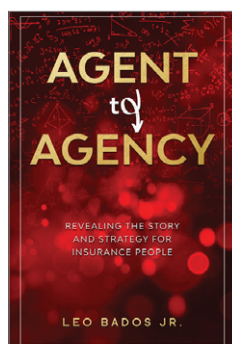
Scan for the full list or to get more on this and other Best's State Rate Filings.

# Author: Building a Successful Agency Begins With Perseverance and a Leap of Faith

BI&I Group Vice President and Chief Operating Officer Leo Bados Jr. discusses ways for agencies to build teams.

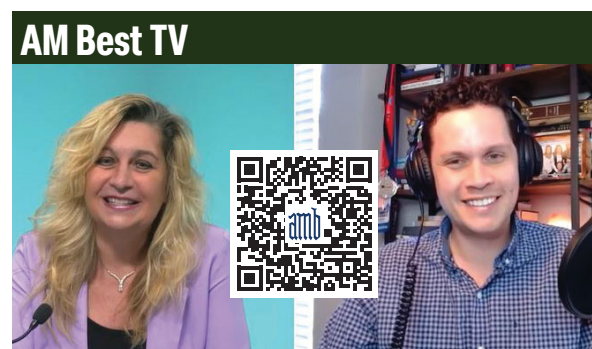


## Agent to Agency: Revealing the Story and Strategy for Insurance People



Perseverance, dedication and being unafraid to take risks are among the building blocks needed to create a successful insurance business, according to Leo Bados Jr., BI&I Group vice president and chief operating officer and the author of *Agent to Agency: Revealing the Story and Strategy for Insurance People*. Agency owners also need to find ways to break free of routines; build a

business with wisdom by unveiling successes that can be emulated; and explain their mistakes so as not to repeat them, said Bados, who also wrote *How to Build an Online Insurance Agency*. Following is an edited transcript of an interview with Bados.



Scan to watch the interview with Leo Bados Jr.

### How did the idea for your latest book come about?

My father, who previously owned an insurance business in Honduras, and I migrated to the U.S. in 2005. We received our insurance licenses in 2014 and wanted to create something of our own and that we could call home. With my entrepreneurship and previous experience building online businesses, I decided that instead of having a physical brick-and-mortar business, why not create an online agency? I designed a logo and created a website and system to submit applications and quote online.

### How can agents and business leaders build a successful insurance business that allows them to scale faster, stronger and with more longevity than their peers?

In his book *The Third Industrial Revolution*, Jeremy Rifkin talks about using technology as a foundation to get to places faster. We are doing that today in business by connecting via technology and Zoom calls and growing into markets that were previously difficult to enter. This technology is also resilient to market changes.

### In what new and innovative ways can agency owners find more leads today?

Become part of Google's or Bing's SEO [search engine optimization] and have a system or profile connected online that people can easily look at to request information. Also, create symbiotic relationships with other agencies. Through specialization, you'll be able to become a niche expert in a field those other agency owners may not specialize in.

BR

—Lori Chordas

Lori Chordas is a senior associate editor. She can be reached at [l.chordas@ambest.com](mailto:l.chordas@ambest.com).

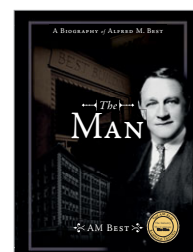
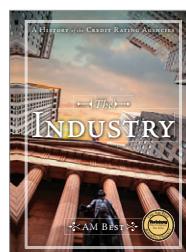
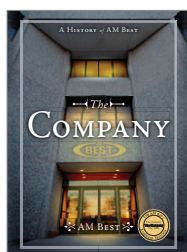
## AM Best Business Trilogy

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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# Top Stories Include an Interview With the CEO of TruStage and a Feature About Parametric Insurance Contracts

Other popular items include coverage of the Baltimore bridge collapse and AM Best's downgrade of State Farm General Insurance Co.'s credit ratings.

## Trending: Best's Review

1. Private Equity Pouring Into DUAЕ Market as Investors Seek Liquidity, Growth
2. New TruStage CEO Seeks Novel Ways of Reaching End Customer
3. Parametric Insurance Contracts May Apply to Tougher Risks
4. InsurTech NY's MGA Lab Helps Startups Become Fully Operational Digital MGAs
5. AM Best: US Individual Life Payout Ratios Decline



Private Equity

## Trending: BestWire \$

1. AM Best Downgrades Credit Ratings of State Farm General Insurance Co.
2. Marine Mutual Britannia Confirms Insurance Role in Baltimore Bridge Ship Collision
3. North Carolina Commissioner Races Competitive on Both Sides
4. AM Best Places Credit Ratings of Church Mutual Insurance Group's Members Under Review With Negative Implications
5. American National Exits Homeowners in Nine States, Including Louisiana, California



Credit Ratings

## Trending: Best's News Via AM Best Mobile App \$

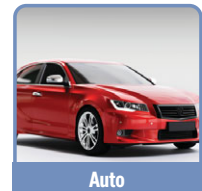
1. Eighth Regional Insurer Approved for Florida Market
2. Aon CEO: NFP Acquisition Opens M&A Pipeline, Middle Market Expansion
3. Cayman Islands Poised for Reinsurance Growth, Local Industry Leaders Say
4. Best's News: Improvements in Florida Not Enough to Reopen Homeowners
5. Progressive First-Quarter Net Income Jumps Fivefold



Florida

## Trending: AM Best Informational Webinars

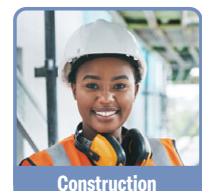
1. Solving the Profitability Puzzle — Addressing Auto Insurance Quote Manipulation
2. Inside the Evolving Independent Insurance Adjuster Business Model



Auto

## Trending: AM Best TV - Best's News

1. US Assure's Ferguson: US Construction on Upswing
2. American Modern Insurance Group CEO: Independent Agents Weigh In on Future of Insurance
3. USI's Banchon and McBride: Property Insurance Market Shows Signs of Recovery
4. PLUS Attendees: AI Is Blurring the Lines Between D&O and Cyber Liability Coverages
5. Swiss Re's Tobler: Systemic Cyberrisks Require Larger-Scale Solutions



Construction

These were the top trending items from Feb. 22-April 22, 2024. Mobile app articles were the top stories from April 1-30, 2024. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

The above content can be viewed on demand at [bestsreview.ambest.com](https://bestsreview.ambest.com) or by visiting AM Best's home page at [www.ambest.com](https://www.ambest.com).

\$ Full access to all content may require a subscription.

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# Trending Research Features a Special Report on Reserve Management

Other trending research includes Market Segment Outlooks on global non-life reinsurance and London market insurance.

## Trending: Best's Special Reports

1. Heightened Risk Landscape Creates New Challenges for Reserve Management **\$**
2. Benefits and Reserves Outpace Revenue Growth, Dampening Earnings for Publicly Traded US L/A Insurers **\$**
3. First Look: 2023 US Property/Casualty Financial Results **\$**
4. First Look: 2023 US Life/Annuity Financial Results **\$**



## Trending: Best's Market Segment Reports

1. Disciplined Deployment of Capital Pays Off in Record-Breaking Year for ILS **\$**
2. Market Segment Outlook: Global Non-Life Reinsurance
3. US Life/Annuity Insurers Stay the Course as They Prepare for 2024 Uncertainty **\$**
4. Market Segment Outlook: London Market Insurance



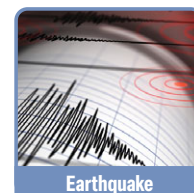
## Trending: Best's Commentary

1. UAE Insurers Adapt to Changing Weather Trends as Latest Flooding Costs Mount
2. Taiwan Earthquake Claims Unlikely To Exceed 2016 Levels
3. Narrowing Margins in Medicare Advantage
4. Increased Regulatory Scrutiny of Bancassurance To Impact Vietnam Insurance Industry



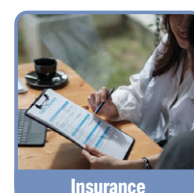
## Trending: Best's Research Via AM Best Mobile App

1. Best's Commentary: Taiwan Earthquake Claims Unlikely To Exceed 2016 Levels
2. Best's Market Segment Report: Market Segment Outlook: London Market Insurance
3. Best's Special Report: First Look: 2023 US Life/Annuity Financial Results **\$**
4. Best's Special Report: Benefits and Reserves Outpace Revenue Growth, Dampening Earnings for Publicly Traded US L/A Insurers **\$**



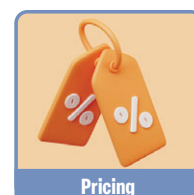
## Trending: AM Best Analytical Briefings

1. AM Best's Briefing — 2024 Outlook: Is the Industry Equipped To Manage Increasing Uncertainty?
2. AM Best's Briefing — Casualty: How Insurers Are Managing Social Inflation and Mass Tort Risk



## Trending: AM Best TV - Best's Research

1. AM Best's Blades: Pricing Competition, Lower Demand Lead to Decreased Industry Premium
2. AM Best: Weather, Reinsurance Drive P/C Market Segment
3. AM Best: Eurozone Inflation on Track Despite Inflationary Impact of Houthi Disruption
4. AM Best: US Life/Annuity Insurers Stay the Course Amid 2024 Uncertainty



These were the top trending research and commentary reports from Feb. 22-April 22, 2024. Mobile app reports were from April 1-30, 2024.

**\$** Payment or subscription required.

Best's News & Research Service subscribers can download PDF copies of all Best's Special Reports, Best's Commentaries and Best's Market Segment Reports along with supporting spreadsheet data at [www.ambest.com](http://www.ambest.com).

Note: Best's Research includes Best's Special Reports, Best's Market Segment Reports, Best's Commentary and AM Best Analytical Briefings.



## Panelists Explore the Latest Market Dynamics for Delegated Underwriting Authority Enterprises

Professionals also examine recent auto insurance trends, discuss marketing and rebranding strategies and review the U.S. medical professional liability sector.

### On Demand

#### AM Best's Briefing – Delegated Underwriting Authority Enterprises: Keeping Up With Market Dynamics

Senior AM Best analytical and research staff and Conning insurance research experts explore recent developments in the delegated underwriting authority enterprise sector. Topics of discussion include the growth in the market based on NAIC statutory filing disclosures and Conning's reestimation of the DUA market share given data gaps. Participants also talk about the implications of increased private-equity ownership of DUAEs, examine recent events in the fronting market, explore DUAE/insurer relationships, and review benchmarking metrics of performance assessment outcomes. Moderator Sridhar Manyem, senior director of research, AM Best, is joined by panelists Alan Dobbins, director, insurance research, Conning; Lauryn Kothavale, vice president, insurance research, Conning; and Dawn Walker, associate director, DUA, AM Best.

#### Key Insights for the Road Ahead: Top 5 Auto Insurance Trends of 2023

As U.S. auto insurers steer into an increasingly bumpy future, a panel of industry experts explores five key auto insurance trends that can help smooth the road ahead. Participants discuss how insurers have addressed profitability challenges amid continued rising costs as well as how consumers responded to extreme market conditions. Moderator John Weber, senior associate editor, AM Best, is joined by panelists Adam Pichon, SVP Global Insurance Analytics, and Tanner Sheehan, VP &

GM, US Claims, both of LexisNexis Risk Solutions. **This AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

#### IMCA and AM Best Marketing Leader Lunch With Berkley Select's Lisa Rowland

In this roundtable discussion, Lisa Rowland, assistant vice president of marketing and distribution at Berkley Select, talks rebranding strategies; innovation in marketing; the creation of strategic marketing campaigns; and methods for attracting the next generation of marketing talent to the insurance industry. Joining Rowland are Dave Evans, senior associate, Aartrijk, and IMCA CMO Council member, and John Weber, senior associate editor, AM Best. **This AM Best Webinar was a joint presentation of the Insurance Marketing & Communications Association (IMCA) and AM Best.**

#### AM Best's Briefing - Medical Professional Liability Sector: The State of the US Market

AM Best analytics personnel and insurance industry leaders review the state of the U.S. medical professional liability insurance sector. The discussion follows the publication of AM Best's annual special report on the state of the medical professional liability market. Participants include Sharon Marks, director, and Vicky Riggs, associate director, both of AM Best; Robert White, chief operating officer, The Doctors Company; Eric Anderson, interim president and CEO, MPL Association; and Megan Sullivan-McIntyre, head of TransRe's medical malpractice team. **BR**



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## Civil Unrest Growing Dramatically in Frequency and Severity, Swiss Re Executive Says

Also, professionals discuss public entities' rising need for cyber coverage and the insurance threat that self-photographers pose to fine art.

### On Demand

#### Swiss Re's Pande: Civil Commotion Climbed 3,000% From 2000 to 2020

Swiss Re's Chief Property Underwriter Mohit Pande said strikes, riots and similar public disturbances are growing in frequency and severity as rising concentrations of populations in major cities create a higher density of valued assets within a heightened risk landscape.



Mohit Pande

#### Conning's Bradford To Become CEO of Generali Investments

In a wide-ranging interview, Conning CEO Woody Bradford discusses his new role at Generali Investments, his continued affiliation with Conning, and investment strategies of the two companies, including how they mesh.



Woody Bradford

#### Munich Re: Need, Risk for Cyber Coverage Rising for Public Entities

Public entities such as municipal governments are increasingly the targets of cyberthreats, said Munich Re Specialty's Lauren Tredinnick, president, public entity solutions, and AVP Maria Long, cyber underwriter & risk management portfolio leader.



Lauren Tredinnick



Maria Long

#### Chubb's Doyle: Self-Photographers Pose Insurance Threat to Fine Art

Laura Doyle, senior vice president, fine art and valuable collections product leader for Chubb, discusses how people taking selfies with cellphones are creating a risk of fine-art damage at museums by inadvertently backing into priceless artifacts.



Laura Doyle



Scan to see new and archived video from AM Best TV.



## Cybersecurity, Geopolitical Risks Top Concerns for Chief Risk Officers, According to EY-IIF Risk Survey

Also, AM Best Audio examines how the insurance industry is addressing the risk challenges posed by clean energy storage projects.

#### EY-IIF Risk Survey Captures Chief Risk Officers' Concerns

Isabelle Santenac, EY's global insurance leader, discusses the findings of an EY-Institute of International Finance survey that finds cybersecurity at the top of the list followed closely by geopolitical risks among the biggest concerns for chief risk officers.

#### Challenges of Insuring Clean Energy Storage Projects

Christopher Giuffre, chief strategy officer and co-founder of USQRisk, discusses the unique aspects of clean energy storage and how the insurance industry is addressing those risk challenges. **BR**



Scan to listen to new and archived audio from AM Best Audio.

This edition lists all Credit Rating actions that occurred between April 1 and April 30, 2024. 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](http://www.ambest.com/ratings/access.html) or download the ratings app at [www.ambest.com/sales/ambmobileapp](http://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	
<b>AMERICAS LIFE/HEALTH</b>								
Downgrade	L	Columbian Life Insurance Company Columbian Mutual Life Insurance Company	068009	C+ u b- u	Negative Negative	C++ u b u	Negative Negative	Illinois, USA
Downgrade	L	Columbian Mutual Life Insurance Company Columbian Mutual Life Insurance Company	006243	C+ u b- u	Negative Negative	C++ u b u	Negative Negative	New York, USA
Rating Withdrawal	H	Health Alliance Medical Plans, Inc. <sup>1</sup> The Carle Foundation	068039	NR nr		B bb	Negative Negative	Illinois, USA
Rating Withdrawal	H	Health Alliance-Midwest, Inc. <sup>2</sup> The Carle Foundation	064392	NR nr		B bb	Negative Negative	Illinois, USA
Outlook Change	H	Life Insurance Company of Alabama	006637	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Alabama, USA
Downgrade	L	Merit Life Insurance Co. Steven W. Pasko	006703	B++ u bbb+ u	Developing Developing	A- u a- u	Developing Developing	Oklahoma, USA
Outlook Change	L	Old Republic Life Insurance Company Old Republic International Corporation	006863	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Illinois, USA
Rating Withdrawal	H	PacificCare of Colorado, Inc.	068639	NR nr		A+ aa-	Stable Stable	Colorado, USA
Under Review	H	ShelterPoint Insurance Company ShelterPoint Group, Inc.	008994	A- u a- u	Positive Positive	A- a-	Positive Positive	Florida, USA
Under Review	H	ShelterPoint Life Insurance Company ShelterPoint Group, Inc.	009877	A- u a- u	Positive Positive	A- a-	Positive Positive	New York, USA
Outlook Change	L	Southern Farm Bureau Life Insurance Co	007053	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Mississippi, USA
Outlook Change	L	Trans World Assurance Company TWA Corporation	007136	B++ bbb	Stable Positive	B++ bbb	Stable Stable	California, USA
Outlook Change	L	Unity Financial Life Insurance Company Hardy, LLC	006454	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Ohio, USA
<b>AMERICAS PROPERTY/CASUALTY</b>								
Initial Rating	P	Amherst Specialty Insurance Company RTC Financial Group, LLC	021748	A- a-	Stable Stable			Texas, USA
Outlook Change	P	ARAG Insurance Company ARAG Holding SE	010790	A a+	Positive Positive	A a+	Stable Stable	Iowa, USA
Rating Affirmation	P	Argo Re Ltd. Brookfield Reinsurance Ltd.	013313	A- a-	Positive Positive	A- u a- u	Developing Developing	Bermuda
Rating Affirmation	P	Argonaut Great Central Insurance Company Brookfield Reinsurance Ltd.	002219	A- a-	Positive Positive	A- u a- u	Developing Developing	Illinois, USA
Rating Affirmation	P	Argonaut Insurance Company Brookfield Reinsurance Ltd.	002056	A- a-	Positive Positive	A- u a- u	Developing Developing	Illinois, USA
Rating Affirmation	P	Argonaut-Midwest Insurance Company Brookfield Reinsurance Ltd.	003078	A- a-	Positive Positive	A- u a- u	Developing Developing	Illinois, USA
Rating Affirmation	T	ARIS Title Insurance Corporation Brookfield Reinsurance Ltd.	014152	A- a-	Positive Positive	A- u a- u	Developing Developing	New York, USA

<sup>1</sup>The ratings of bb/B were affirmed on April 25, 2024, and subsequently withdrawn.

<sup>2</sup>The ratings of bb/B were affirmed on April 25, 2024, and subsequently withdrawn.

**Outlook:** Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Nonlife); L = Life; H = Health; T = Title; C = Composite. **Opinion Modifiers:** u = Under Review; sf = Structured Finance; i = Indicative Credit Rating Modifier; s = Syndicate Credit Rating Modifier

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
<b>AMERICAS PROPERTY/CASUALTY (CONTINUED)</b>								
Downgrade	P	Auto Club Casualty Company Automobile Club of Southern California	012338	A+ aa-	Stable Stable	A+ aa	Stable Negative	Texas, USA
Downgrade	P	Auto Club County Mutual Insurance Co Automobile Club of Southern California	001758	A+ aa-	Stable Stable	A+ aa	Stable Negative	Texas, USA
Downgrade	P	Auto Club Family Insurance Company Automobile Club of Southern California	010789	A+ aa-	Stable Stable	A+ aa	Stable Negative	Missouri, USA
Outlook Change	P	Auto Club Group Insurance Company The Auto Club Group	004089	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Downgrade	P	Auto Club Indemnity Company Automobile Club of Southern California	012339	A+ aa-	Stable Stable	A+ aa	Stable Negative	Texas, USA
Outlook Change	P	Auto Club Insurance Association The Auto Club Group	002139	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Outlook Change	P	Auto Club Property-Casualty Insurance Co The Auto Club Group	000650	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Downgrade	P	Automobile Club Inter-Insurance Exchange Automobile Club of Southern California	000185	A+ aa-	Stable Stable	A+ aa	Stable Negative	Missouri, USA
Outlook Change	P	Bricktown Specialty Insurance Company Trisura Group Ltd.	021059	A- a-	Stable Stable	A- a-	Negative Negative	Oklahoma, USA
Downgrade	P	Brotherhood Mutual Insurance Company	000221	B++ bbb+	Stable Negative	A- a-	Negative Negative	Indiana, USA
Under Review	P	Coastal Select Insurance Company GeoVera Investment Group, Ltd.	012042	A u a u	Developing Developing	A a	Stable Stable	California, USA
Rating Affirmation	P	Colony Insurance Company Brookfield Reinsurance Ltd.	003283	A- a-	Positive Positive	A- u a- u	Developing Developing	Virginia, USA
Rating Affirmation	P	Colony Specialty Insurance Company Brookfield Reinsurance Ltd.	002619	A- a-	Positive Positive	A- u a- u	Developing Developing	Illinois, USA
Outlook Change	P	Echelon Insurance CAA Club Group	087031	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Ontario, CAN
Downgrade	P	Farm Bureau County Mut Ins Co of Texas Texas Farm Bureau	012107	A- a-	Negative Negative	A a	Negative Negative	Texas, USA
Outlook Change	P	Federated Mutual Insurance Company Federated Mutual Insurance Company	000384	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Minnesota, USA
Outlook Change	P	Federated Reserve Insurance Company Federated Mutual Insurance Company	020557	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Minnesota, USA
Outlook Change	P	Federated Service Insurance Company Federated Mutual Insurance Company	004273	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Minnesota, USA
Rating Affirmation	P	Florida Farm Bureau Casualty Ins Co Southern Casualty Holding Company	003590	B++ bbb+	Stable Negative	B++ u bbb+ u	Negative Negative	Florida, USA
Rating Affirmation	P	Florida Farm Bureau General Insurance Co Southern Casualty Holding Company	011337	B++ bbb+	Stable Negative	B++ u bbb+ u	Negative Negative	Florida, USA
Outlook Change	P	Fremont Insurance Company The Auto Club Group	000405	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Under Review	P	GeoVera Insurance Company GeoVera Investment Group, Ltd.	012075	A u a u	Developing Developing	A a	Stable Stable	California, USA
Under Review	P	GeoVera Specialty Insurance Company GeoVera Investment Group, Ltd.	011678	A u a u	Developing Developing	A a	Stable Stable	Delaware, USA
Outlook Change	P	Granite Re, Inc. Federated Mutual Insurance Company	011379	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Minnesota, USA
Outlook Change	P	Granite Security Insurance Company Vermont Mutual Insurance Company	000427	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Vermont, USA

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<b>AMERICAS PROPERTY/CASUALTY (CONTINUED)</b>								
Upgrade	P	Hamilton Re, Ltd. Hamilton Insurance Group, Ltd.	091712	A a	Stable Stable	A- a-	Positive Positive	Bermuda
Downgrade	P	Interinsurance Exchange of the Auto Club Automobile Club of Southern California	000186	A+ aa-	Stable Stable	A+ aa	Stable Negative	California, USA
Rating Withdrawal	P	JRG Reinsurance Company Ltd. Fleming Intermediate Holdings LLC	088623	NR nr		B++ u bbb+ u	Negative Negative	Bermuda
Outlook Change	P	Meemic Insurance Company The Auto Club Group	004435	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Outlook Change	P	MemberSelect Insurance Company The Auto Club Group	002140	A a	Negative Negative	A a	Stable Stable	Michigan, USA
Downgrade	P	Midwest Family Advantage Insurance Co Midwest Family Mutual Insurance Company	020590	A- a-	Stable Stable	A a	Stable Stable	Iowa, USA
Downgrade	P	Midwest Family Mutual Insurance Company Midwest Family Mutual Insurance Company	002327	A- a-	Stable Stable	A a	Stable Stable	Iowa, USA
Downgrade	P	Motor Club Insurance Company Automobile Club of Southern California	013778	A+ aa-	Stable Stable	A+ aa	Stable Negative	Rhode Island, USA
Outlook Change	P	Northern Security Insurance Co, Inc. Vermont Mutual Insurance Company	002546	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Vermont, USA
Rating Affirmation	P	Peleus Insurance Company Brookfield Reinsurance Ltd.	011035	A- a-	Positive Positive	A- u a- u	Developing Developing	Virginia, USA
Rating Affirmation	P	RAM Mutual Insurance Company	004814	B++ bbb+	Stable Negative	B++ u bbb+ u	Negative Negative	Minnesota, USA
Downgrade	P	Rockingham Casualty Company Rockingham Mutual Group, Inc.	001954	B++ bbb+	Stable Negative	A- a-	Negative Negative	Virginia, USA
Downgrade	P	Rockingham Insurance Company Rockingham Mutual Group, Inc.	001955	B++ bbb+	Stable Negative	A- a-	Negative Negative	Virginia, USA
Downgrade	P	Rockingham Specialty, Inc. Rockingham Mutual Group, Inc.	020785	B++ bbb+	Stable Negative	A- a-	Negative Negative	Virginia, USA
Rating Affirmation	P	Rockwood Casualty Insurance Company Brookfield Reinsurance Ltd.	002723	A- a-	Positive Positive	A- u a- u	Developing Developing	Pennsylvania, USA
Under Review	P	SafePort Insurance Company Goose Creek Capital Inc.	003785	A- u a- u	Developing Developing	A- a-	Negative Negative	Florida, USA
Rating Affirmation	P	Somerset Casualty Insurance Company Brookfield Reinsurance Ltd.	012126	A- a-	Positive Positive	A- u a- u	Developing Developing	Pennsylvania, USA
Rating Affirmation	P	Southern Trust Insurance Company Investors Management Corporation	004040	A- a-	Negative Negative	A- u a- u	Developing Developing	Georgia, USA
Downgrade	P	Texas Farm Bureau Casualty Ins Co Texas Farm Bureau	013850	A- a-	Negative Negative	A a	Negative Negative	Texas, USA
Rating Affirmation	P	Texas Farm Bureau Mutual Insurance Co Texas Farm Bureau	000892	A- a-	Negative Negative	A- u a- u	Negative Negative	Texas, USA
Rating Affirmation	P	Texas Farm Bureau Underwriters Texas Farm Bureau	004359	A- a-	Negative Negative	A- u a- u	Negative Negative	Texas, USA
Outlook Change	P	The Members Insurance Company The Auto Club Group	013811	A a	Negative Negative	A a	Stable Stable	North Carolina, USA
Outlook Change	P	Trisura Guarantee Insurance Company Trisura Group Ltd.	066523	A- a-	Stable Stable	A- a-	Negative Negative	Ontario, CAN
Outlook Change	P	Trisura Insurance Company Trisura Group Ltd.	020786	A- a-	Stable Stable	A- a-	Negative Negative	Oklahoma, USA
Outlook Change	P	Trisura Specialty Insurance Company Trisura Group Ltd.	020575	A- a-	Stable Stable	A- a-	Negative Negative	Oklahoma, USA

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				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
<b>AMERICAS PROPERTY/CASUALTY (CONTINUED)</b>								
Outlook Change	P	Universal Insurance Company The Auto Club Group	003680	A a	Negative Negative	A a	Stable Stable	North Carolina, USA
Outlook Change	P	Vermont Mutual Insurance Company Vermont Mutual Insurance Company	002547	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Vermont, USA
Upgrade	P	Wawanesa General Insurance Company Automobile Club of Southern California	011976	A+ aa-	Stable Stable	C++ u b+ u	Positive Positive	California, USA
<b>EUROPE, MIDDLE EAST &amp; AFRICA</b>								
Under Review	P	Custodian and Allied Insurance Limited Custodian Investment Plc	093617	B u bb u	Negative Negative	B bb	Negative Negative	Nigeria
Upgrade	P	Hamilton Insurance DAC Hamilton Insurance Group, Ltd.	091318	A a	Stable Stable	A- a-	Positive Positive	Ireland
Upgrade	P	MS Amlin AG MS&AD Insurance Group Holdings, Inc.	078117	A+ aa-	Stable Stable	A a	Stable Stable	Switzerland
<b>ASIA-PACIFIC</b>								
Outlook Change	P	Shinkong Insurance Company Limited	090622	A a	Stable Positive	A a	Stable Stable	Taiwan
Outlook Change	C	Uzbekinvest Export-Import Ins Co JSC Ministry Invest Foreign Trade Rep of UZ	093728	B bb	Stable Stable	B bb	Negative Negative	Uzbekistan
<b>AMERICAS</b>								
Upgrade	C	Acerta Compañía de Seguros, S.A. Grupo Prival, S.A.	092691	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Panama
Upgrade	P	Armour Secure Insurance S.A. de C.V. Trebuchet Group Holdings Limited	091459	B+ bbb-	Stable Stable	B bb	Stable Positive	Mexico
Upgrade	C	ASSA Compañía de Seguros S.A. Grupo ASSA, S.A.	086937	A a+	Stable Stable	A a	Stable Positive	Panama
Under Review	P	GeoVera Reinsurance, Ltd. GeoVera Investment Group, Ltd.	093520	A u a u	Developing Developing	A a	Stable Stable	Cayman Islands
Initial Rating	P	Momento Seguros, S.A. de C.V. Momento Seguros Holdings Limited	043326	B bb+	Stable Stable			Mexico
Rating Affirmation	P	RF&G Insurance Company Limited G.A. Roe & Sons Limited	095896	B++ u bbb u	Negative Negative	B++ u bbb u	Negative Negative	Belize

## Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			ICR	Outlook/ Implications	ICR	Outlook/ Implications	
Rating Affirmation	Argo Group International Holdings, Inc.	058448	bbb-	Positive	bbb- u	Developing	Delaware, USA
Rating Affirmation	Argo Group US, Inc.	058324	bbb-	Positive	bbb- u	Developing	Delaware, USA

**Outlook:** Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Nonlife); L = Life; H = Health; T = Title; C = Composite. **Opinion Modifiers:** u = Under Review; sf = Structured Finance; i = Indicative Credit Rating Modifier; s = Syndicate Credit Rating Modifier

## 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.

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Version 121719

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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

## Merger, Acquisitions and Name, Ownership and Domiciliary Changes

North American Insurance, Granite Mutual and James River Casualty are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

### LIFE/HEALTH

#### Merger

**Preferred Care Network of Florida Inc. (AMB# 065032)**, Miami, FL, USA. Effective Jan. 26, 2024, the Florida Office of Insurance Regulation approved the company's request to surrender its Florida Certificate of Authority. Subsequently, on Jan. 31, 2024, the company merged with and into its parent, United HealthCare Services Inc.

#### Name Change

**Catholic Financial Life (AMB# 008188)**, Milwaukee, WI, USA. This company changed its name to Trusted Fraternal Life on March 4, 2024.

#### Acquisition & Ownership Change

**North American Insurance Co. (AMB# 060015)**, Oklahoma City, OK, USA. This company was sold as a shell by Oxford Life Insurance Co. to Kighththead US Holdings Inc. on Jan. 1, 2024.

### PROPERTY/CASUALTY

#### Name Changes

**Granite Mutual Insurance Co. (AMB# 000427)**, Montpelier, VT, USA. This company converted from a mutual insurance company to a stock insurance company and changed its name to Granite Security Insurance Co. on Jan. 1, 2024.

**Midwest Builders' Casualty Mutual Co. (AMB# 013913)**, Topeka, KS, USA. This company changed its name to Waypoint Mutual on April 1, 2024.

#### Acquisitions & Ownership Changes

**First Founders Assurance Co. (AMB# 013001)**, Chester, NJ, USA. This company was acquired by Trisura Guarantee (US) Holding Co., a subsidiary of Trisura Group Ltd., from The Sheppard Group LLC on March 26, 2024.

**Wawanesa General Insurance Co. (AMB# 011976)**, San Diego, CA, USA. This company was acquired by Interinsurance Exchange of the Automobile Club from The Wawanesa Mutual Insurance Co. on March 31, 2024.

#### Domiciliary Change

**James River Casualty Co. (AMB# 013985)**, Upper Arlington, OH, USA. This company redomesticated to Ohio from Virginia on Feb. 16, 2024. BR

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## In Other News ...

A roundup of news from publishers around the globe. Access to some sites may require registration or subscription.



**At \$2.1bn, cat bonds will be TWIA's biggest source of funding for 2024**

Artemis

**Asia Pacific: ADB says silver generation could generate additional productivity**

Asia Insurance Review

**The federal government now offers its 2.1M employees generous fertility benefits**

BenefitsPro

**Decoded: Adhering to the Insurance Code of Conduct in 2024**

Bermuda Re+ILS

**MedRisk acquires Conduent's claims business**

Business Insurance

**Delaware Senate passes amended captive regulation**

Captive Insurance Times

**Workers' comp captive suitability continues, gateway for further lines**

Captive Intelligence

**Guernsey Finance opens London office**

Captive International

**Fla. Regulators' Effort to Remove Insurer Execs May Not Pass Constitutional Muster**

Carrier Management

**16 Nabbed in Florida Sting Operation for Failing to Get Workers' Comp Coverage**

Claims Journal

**Supply chain cyber risk concentrated in 15 top vendors with 'below average' cybersecurity**

Commercial Risk

**Swedish risk managers discuss impact of Nato membership**

Commercial Risk Europe

**Connected risk cover will change industry, says working group**

Emerging Risks

**FTC's Non-Compete Ban Could Lead to 'Draconian' NDAs, Non-Solicit Agreements**

FundFire

**Agile 'syndicate-in-a-box' starts underwriting at Lloyd's**

Global Reinsurance

**Hong Kong and Shanghai to cooperate on captives and ILS**

Global Risk Manager

**Payer CEOs Earn as Much as 392 Times More Than Median Worker**

Health Payer Specialist

**Biba weighs in with "grave concerns" on FCA 'name and shame' proposals**

Insurance Age

**CIOs act further on climate investing in 2023, as Nat Cats give underwriters a 'breather'**

Insurance Asset Risk

**In climate risk analysis, do not be blindsided by numbers**

Insurance Day

**Perils ups Storm Ciaran estimate to EUR2.04bn**

Insurance Insider

**Mexico secures \$175mn of Pacific named storm coverage with IBRD bond**

Insurance Insider ILS

**Social inflation: Defense cost analysis shows first signs of adverse trends in problematic lines**

Insurance Insider US

**Cracks in O'Hare Columns Aren't Insured Property Damage, Just Bad Product – Court**

Insurance Journal

**Commercial rate cycle on buyers' side after first decline since 2016**

Insurance News

**Interrelated megatrends driving volatility and causing enterprise-wide risks**

Insurance Portal

**FCA warns against Tempcover clone targeting TikTok**

Insurance Post

**Insurtech funding plummets in Q1 2024**

Insurance Times

**Australian cyclone pool's aggregate building exposure exceeds US\$1trn**

InsuranceAsia News

**Full steam ahead for US bulk annuity market**

InsuranceERM

**Dispute referee to consult on disclosure guide**

InsuranceNews.com.au

**E&S casualty pricing hits inflection point; property still 'supportive'**

Intelligent Insurer

**Using Generative AI Starts with Trust**

Leader's Edge

**These Three Insurers Fell Short in Analysts' Earnings Estimates for Q1**

Life Annuity Specialist

**Turkiye: Insurers aim to improve penetration rate to 3%**

Middle East Insurance Review

**Big Commercial Insurers with Five Consecutive Years of Underwriting Gains**

P&C Specialist

**NSW Government launches Netstrata review following excessive insurance brokerage fees allegations**

(Re)in Asia

**TWIA reinsurance renewal proceeds at pace. \$750m placed, plus \$1.4bn cat bond**

Reinsurance News

**The DOL Should Challenge the Fifth Circuit's Opinion**

Retirement Income Journal

**Prescribing Care: How Risk Management Can Support Health Care Workers**

Risk & Insurance

**SG trader dismissals shine spotlight on intraday limit controls**

Risk.net

**Eight cyber priorities for risk managers**

Strategic Risk

**6 Lessons From Charlie Munger on Investing and Business**

ThinkAdvisor

**Feltmate says task force must act fast**

Thompson's World Insurance News



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## Workers' Comp Law Facet Often Overlooked

Virginia state law has a four-part test for injury, but the analysis of claims adjusters and defense attorneys often focuses on just two elements, constraining their legal strategy, a law firm says.

**W**orkers' compensation adjusters and insurance defense attorneys in Virginia often overlook an elementary defense relating to the definition of an injury by accident, according to Kalbaugh Pfund & Messersmith.

Under state law, every claimant alleging an injury by accident is required to establish an identifiable incident; that occurred at some reasonably definite time; an obvious, sudden mechanical or structural change in the body; and a causal connection between the incident and the bodily change. The analysis of both claims adjusters and defense attorneys is often focused on only the first two prongs of the test, the law firm said.

Kalbaugh Pfund & Messersmith offered some

recommendations:

- When taking recorded statements, it is helpful to focus on exactly when the claimant began to feel pain in the affected body part and if there was a previous injury.
- Often, MRIs and X-rays will appear virtually the same as pre-accident diagnostics. Those diagnostics may be used to solicit an opinion as to whether the objective evidence shows a "mechanical or structural change in the body."
- The takeaway is that even evidence of a specific incident or testimony that the claimant suffered the familiar "snap, crackle, pop" at the time of the alleged accident is not necessarily sufficient to establish a compensable injury by accident.

## Marshall Dennehey Practice Wins Award

The firm also hired a new medical malpractice litigator for its Pittsburgh office.

**M**arshall Dennehey was designated the 2024 Litigation Department of the Year for Appellate Law by ALM's Pennsylvania Legal Awards.

The eight-attorney Pennsylvania appellate team, led by practice group chair John J. Hare, has been retained to challenge many of the largest verdicts

that were rendered or pending in Pennsylvania courts in 2023. Pennsylvania-based members of the practice group include Audrey L. Copeland, Kimberly A. Boyer-Cohen, Carol A. Vanderwoude, Thomas A. Specht, Shane Haselbarth, Kimberly A. House and Joshua W. Brownlie.

### New Medical Malpractice Litigator Joins Firm

Alyson J. Kirleis, a medical malpractice insurance litigator, has joined Marshall Dennehey's Pittsburgh office as a shareholder



**John J. Hare**



**Alyson J. Kirleis**

in the Health Care Department, the law firm said.

Previously, she was a partner with Davies McFarland & Carroll.

An experienced litigator, Kirleis brings more than 35 years of experience defending health care providers against claims and lawsuits, the law firm said.

She has successfully handled hundreds of matters, including trials, mediations and appeals throughout western Pennsylvania. **BR**

## Best's Insurance Professional Resources

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## Louisiana Governor Signs Insurance Reform Legislation

One of the new laws is aimed at reducing insurance litigation, establishing a timeline for the claims process to make it easier for policyholders and insurers to understand the claims process.

Louisiana Gov. Jeff Landry recently signed a raft of four bills aimed at stabilizing the state's property insurance market, including one that allows carriers to nonrenew up to 5% of their three-year policies each year.

Other measures create a timeline for the claims process in an effort to reduce litigation, update rate and form filing approvals and remove the sunset of Louisiana's home-fortifying program, Insurance Commissioner Tim Temple said in a statement announcing the enactments.

"Our hope is that this package of bills will start to create more balance in the law and in the market such that we can drive the cost of property insurance down so it's more affordable for our citizens," Landry said in a statement.

One of the bills, HB 611, removes the three-year rule for new policies, which puts Louisiana in line with every other state and lets insurers more effectively manage risks, Temple said. That rule pertains to policyholders who have held policies with an insurer for at least three years.

Another bill, SB 323, is aimed at reducing insurance litigation by establishing a timeline for the claims process to make it easier for policyholders and

insurers to understand what their responsibilities are during the claims process. It also creates a cure process to give the parties more time to resolve disputes before turning to litigation, the statement said.

Under SB 295, the Louisiana Department of Insurance will update its form and filing procedures to move to a so-called file-and-use system rather than a prior-approval model. The fourth bill, HB 120, removes the end date from the Louisiana Fortify Homes Program to increase resiliency by strengthening homes and businesses against future risks.

"The only way to fix our insurance crisis is by creating a stable and predictable market that attracts insurance companies to compete in our state," Temple said. "These bills provide real, proven solutions to the problems that have been plaguing our market."

As the new Louisiana commissioner, Temple earlier this year set out plans for easing insurers' regulatory burden. Among the steps he suggested was amending Louisiana's unique "three-year rule," which was championed by former Insurance Commissioner Jim Donelon.

—Terrence Dopp

## NJ Launches Insurtech Hub With Innovation Firm Plug and Play, Prudential

The New Jersey Economic Development Authority and Plug and Play signed a nonbinding letter of intent to form a limited partnership known as NJ FAST, state officials said.

The New Jersey Economic Development Authority and innovation company Plug and Play have launched an accelerator hub focused on insurtech and fintech startups, Gov. Phil Murphy said.

The New Jersey-based hub, which will be known as the Fintech Accelerator at Stevens Institute of Technology, marks the first location on the U.S. East Coast for Plug and Play. Plug and Play is a Silicon

Valley-based firm and innovation platform known for connecting startups, corporations, venture capital firms and government agencies, according to a statement. Prudential Financial Inc. will serve as the founding corporate partner of NJ FAST and Stevens Institute of Technology, in Hoboken, will be the founding academic partner of the Strategic Innovation Center.

—Terrence Dopp

# MASTHEAD BACKSTAY

Background illustrations on both mastheads are of HMS Victory. To learn more about The Nelson Collection at Lloyd's, visit [www.ambest.com/nelson](http://www.ambest.com/nelson).

## AM Best Business Development

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# Leading AI Platforms Respond to Question About Secondary Losses



Insured catastrophes can cause billions of dollars in damage. The secondary losses also can be surprisingly large as large language model programs examine deeper implications of catastrophic events.

**W**hich insured catastrophe had the most surprising level of secondary losses? *Best's Review* prompted three artificial intelligence large language models with that question and, unsurprisingly, they each had a different answer.

The following are edited versions of how each responded.

## Anthropic's Claude 3

The 9/11 terrorist attacks in 2001 resulted in a surprising level of secondary losses that extended far beyond the immediate property damage and loss of life. These secondary losses included widespread business interruption, a sharp decline in the aviation industry, a broader economic downturn, long-term health issues for first responders and survivors, complex liability claims, and significant losses for reinsurers. The total insured losses from the attacks are estimated at around \$40 billion, making it one of the costliest insured events in history. The surprising extent of these secondary losses highlighted the complex and interconnected nature of modern risks and the challenges insurers face in accurately assessing and pricing for such events. As a result, the insurance industry has placed a greater emphasis on understanding and managing secondary losses, particularly for catastrophic events, by developing more sophisticated risk models, reassessing policy terms and exclusions, and working with policyholders to develop more comprehensive risk management strategies.

## ChatGPT-4

The 2011 Tōhoku earthquake and tsunami led to immense primary losses from destruction in Japan. Surprisingly,

the secondary losses, especially from the Fukushima Daiichi nuclear disaster, were also catastrophic. The nuclear meltdown caused extensive environmental contamination and displaced many residents, posing prolonged insurance challenges. Globally, businesses, especially in the automotive and electronics sectors, faced significant interruptions due to disrupted supply chains. Additionally, liability claims against plant operators and safety inspectors added to insurers' burdens. Health and environmental claims for cleanup and decontamination required extended financial support from insurance policies. This event forced the insurance industry to reassess nuclear risk, leading to adjusted coverage terms and pricing. These secondary losses underscored the complexity of modern risks and their far-reaching impacts on global industries and insurance sectors.

## Google Gemini Advanced

Hurricane Sandy, primarily remembered for its catastrophic effects in New York and New Jersey, unleashed widespread power outages far beyond the areas of direct impact. This resulted in immense secondary losses including:

- **Business interruption:** Countless businesses faced extended closures due to power loss, suffering major revenue setbacks even without direct physical storm damage.
- **Food spoilage:** Homes, stores, and restaurants lost vast quantities of food to spoilage caused by prolonged outages.
- **Infrastructure disruptions:** Damage to the electrical grid extended disruptions to critical services such as transportation and water systems.

**BR**

—Staff Reports





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