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AM BEST'S MONTHLY INSURANCE MAGAZINE

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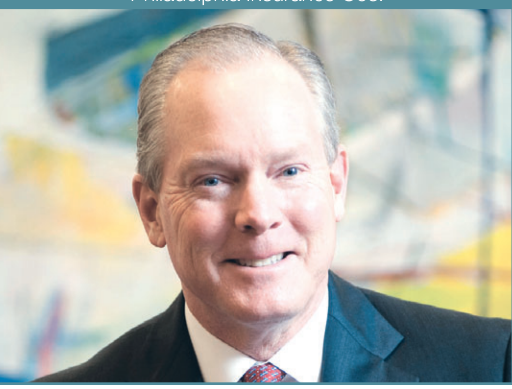

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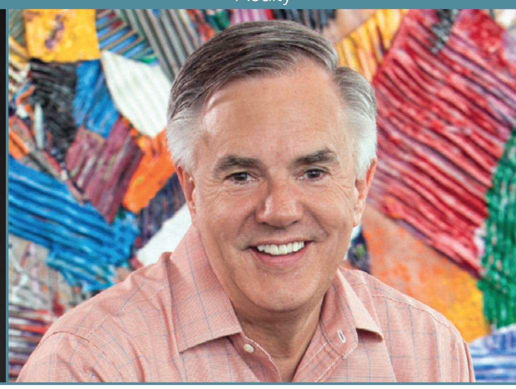

Insurance CEOs share insights into leadership and what they have learned as they've moved up the ladder. Page 50

Leadership Transition

From the Editor's Desk: Insurers seek leadership talent in Generation X, ready or not. The February issue also includes a look at the opioid epidemic and its impact on the life insurance industry.

As the next generation of insurance leaders steps into the top roles in their organizations, they face a variety of challenges, including the need to understand and implement new technology and meet changing customer expectations.

Finding people ready to meet these challenges is a concern for the industry.

The insurance industry has done little over the past decade to cultivate young executives, retain them and pave the way for them to move into top leadership roles. Many executives today have specialized expertise, but lack a broad, well-rounded perspective, headhunters say.

Part of the problem is one of numbers. Generation X is a much smaller demographic than the baby boomers. A hot job market, meanwhile, means competition for the best candidates can be fierce.

The February issue of *Best's Review* looks at the leadership transition and what the industry is doing to develop the next generation. While it's not news that senior leaders are retiring, the challenges facing the industry are now front and center.

In "Generation Next," *Best's Review* examines these leadership issues in depth, while "Retention Program" looks at new ways insurers are seeking to retain and develop talent.

In "Words of Wisdom," *Best's Review* reached out to insurance CEOs for their advice to the next generation of leaders. Featured executives include: Hamilton Insurance Group's Pina Albo, Lincoln Financial's Dennis Glass, Philadelphia Insurance Cos.' Robert D. (Bob) O'Leary, MassMutual's Roger Crandall, Pacific Life's Jim Morris, Acuity's Ben Salzmann and Nationwide's Steve Rasmussen.

Other features include a look at board succession issues in "On Board" and how internships can help insurers to attract new talent in "A Talent Advantage."

College risk management programs are another key part of the industry effort to attract and develop new talent. New Mexico State University, tucked away in Las Cruces, New Mexico, is home to a thriving college risk management program. "In the Middle of Nowhere" tells the story behind that program and offers advice to others seeking to launch a program.

February is Insurance Careers Month. AMBestTV will cover the Emerging Leaders Conference later this month. The conference will feature panel discussions with leading company CEOs, provide insights on major industry trends and share knowledge of some of the most pressing issues facing insurance. It is sponsored by the American Property Casualty Insurance Association, The Insurance Careers Movement and AM Best. For more information about insurance careers visit *http://insurancecareerstrifecta.org.*

The February issue of *Best's Review* also examines the impact of the opioid epidemic on the life insurance industry. "The Bitter Pill" focuses on the problem, which has turned into a full-blown public health crisis and is one factor in the decline in 2017 of U.S. life expectancy, according to statistics from the Centers for Disease Control and Prevention.

Every February, *Best's Review* publishes its list of the largest insurers in the world based on non-banking assets and on net premiums written. Find out who tops the list in "The World's Largest Insurers."

All of these features can be found online in a new reader-friendly version of *Best's Review*. Go to *www.bestreview.com* to read and share these articles and other *Best's Review* content.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

What are some of the things insurers do that drive risk managers crazy?

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

Reader responses will be published in a future issue.

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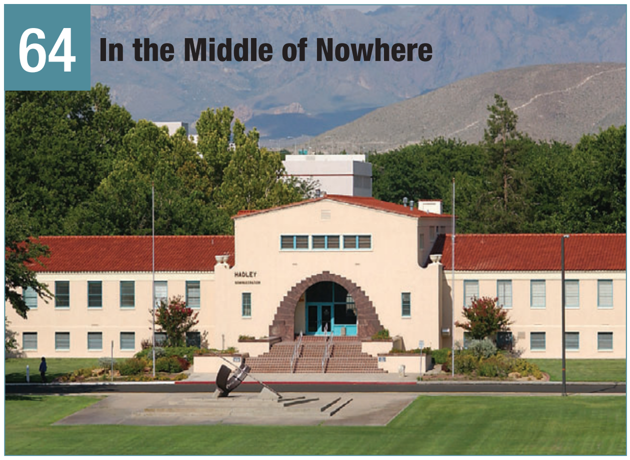

Cover design by Andrew Crespo.

Measuring Digital Maturity

AM Best's webinar focuses on measuring insurance companies' digital maturity. Also, a look at the increase of head injury claims and an upcoming webinar on asset management.

Are We There Yet? How Insurers Can Gauge Their Digital Maturity

Most insurers are investing in their digital transformation journey, but few know how to achieve improved business outcomes. A panel of insurance business and technology experts reveal the results of a new, ongoing study that measures insurance companies' digital maturity and analyzes why some are further along, while others fall short. Sectors discussed in detail include life and annuity, group benefits, and property/casualty (for both personal and commercial). Sponsored by Cognizant. (Jan. 23, 2019).

Sudden Impact: How Insurers Are Dealing With The Rise in Head Injury Claims

As concussions and head injuries are becoming more common in high school and youth sports, both the insurance and legal communities have taken notice. From the threat of death to a misdiagnosis, coaches and youth sport administrators have been put on high alert. In an hour-long webinar, a panel of legal and insurance claims experts explore the ramifications of traumatic brain injuries and what insurers, as well as school administrators, should be aware of when it comes to the issue. (Jan. 30, 2019)

View These and Other AM Best Webinars

- How the Sharing Economy Is Rewiring Claims
- Why AM Best Changed Its Market Segment Outlook for the Global Reinsurance Sector
- D2C Panel: Simplicity Is Key for Life and Annuity Insurers
- Inside Today's Surplus Lines Market
- State of the Global Reinsurance Market
- Cyber Intruders Target the Insurance Legal Community
- State of the Captive Insurance Market

Coming Soon

What Insurers Should Know About Trends Transforming Asset Management

Experts from iShares will discuss four trends that will fuel future ETF growth and how these might transform insurance general account portfolios: ETF investors are active investors; investors are cost-sensitive; bond trading evolution favors ETFs for efficient market access; and the business model for financial advice is transforming. Sponsored by BlackRock.

Tuesday, Feb. 26, 2019, 2 p.m. EST

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

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Singapore Conference, Finances and Innovation

AMBestTV reports on some nonlife insurers in Japan looking beyond their borders and other news from the Singapore International Reinsurance Conference; improving women's financial resiliency; and dealing with innovation.

Japan Risk Chairman: Japanese Nonlife Insurers Extending Reach Worldwide

Graham Clark, chairman, Japan Risk Specialist Ltd., said Japan is dominated by three large nonlife insurers, but those insurers have shown increased appetite for business in other parts of the world. Meanwhile, more than 90 monoline carriers have sprung up to serve targeted risks. Clark spoke with AMBestTV at the Singapore International Reinsurance Conference. (Oct. 29, 2018).

Lloyd's Asia-Pacific CEO: Building Up in Asia Today Will Pay Off for Decades

Angela Kelly, chief executive officer, Lloyd's Asia-Pacific, said the London-based insurance market continues to expand its Asian presence, with China, Indonesia and India predicted to become dominant players in the global economy by 2050. Kelly spoke with AMBestTV at the Singapore International Reinsurance Conference. (Oct. 29, 2018)

Angela Kelly

PwC Partner: To Support Women's Financial Futures, Focus on Key Moments

Jane Portas, partner, PwC, said directing attention to key life points through human resources and market solutions will help improve women's financial resiliency. She said data shows there are financial resilience issues for both men and women, but it's much more pronounced for women and the Insuring Futures program and a component of that, Insuring Women's Futures, is seeking to address those issues. (Dec. 21, 2018)

Jane Portas

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

Beazley Head of AP: China's Belt & Road Initiative Spurs Political Risk Cover


Lucien Mounier

Lucien Mounier, head of Asia-Pacific, Beazley, said specialty insurance is finding a foothold throughout Asia, including for sporting events, cyber coverage and more. Mounier spoke with AMBestTV at the Singapore International Reinsurance Conference. (Oct. 29, 2018)

SAP Senior Director: Innovation Is Hard But Measuring It Can Be Even Harder


Patricia Saporito

Patricia Saporito, senior director, SAP Global Center of Excellence for Analytics, said insurers have embraced the need to rapidly leverage new technologies and capabilities, but many are still wrestling with how to build innovation into their organization. (Dec. 3, 2018)

AM Best's Pliss: Good Results, Uncertain Regulation Support Stable Outlook for US Health


Doniella Pliss

Doniella Pliss, associate director, AM Best, said multiparty control in Congress is less likely to produce large-scale legislative action in health care, but state regulators could affect specific sectors. (Dec. 12, 2018)

Cyberbreaches, Promoting Gun Safety

AMBestRadio speaks with experts on cyber regulation and gun violence.

AIR's Stransky: Regulatory Expansion Drives Cyber Market

Scott Stransky, assistant vice president and director of emerging risk modeling, AIR Worldwide, said evolving cyberrisk models can't predict the next breach, but are better at identifying environments in which cyberbreaches are more likely.

UConn's Kochenburger: Insurance Can Help Prevent Gun Violence

Peter Kochenburger, professor, University of Connecticut School of Law, said insurers could help promote gun safety through policy design and how they underwrite locations where firearms are present.

Find A.M.BestRadio at *www.ambest.com/ambradio.*

Emerging Leaders Conference: Industry Trends And Issues on the Agenda in Miami Beach

Feb. 1: ILS NYC 2019, annual insurance-linked securities event, Artemis, New York.

Feb. 5 – 6: Enrollment Technology Strategy Seminar, LIMRA, Miami.

Feb. 5 – 6: ICMG Annual Conference, Inter-Company Marketing Group, Scottsdale, Ariz.

Feb. 5 – 7: NAPFA Large Firm Forum, National Association of Personal Financial Advisors, San Diego.

Feb. 6 – 7: PLUS D&O Symposium, Professional Liability Underwriting Society, New York.

Feb. 6 – 8: LIC Annual Meeting and Marketing Conference, Life Insurance Council, LOMA, Destin, Fla.

Feb. 12: AIR Cyber-Casualty Seminar, AIR Worldwide, New York.

Feb. 12: VCIA Philadelphia Road Show, Vermont Captive Insurance Association, Philadelphia.

Feb. 13 – 15: 55th Annual CIRB Meeting, Crop Insurance and Reinsurance Bureau, San Diego.

Feb. 13-15: Florida Insurance Market Summit, hosted by AON & Colodny Fass, Orlando, Fla.

Feb. 13 – 15: NAMIC Claims Conference, National Association of Mutual Insurance Companies, Phoenix.

Feb. 17 – 20: DRI 2019: The Professionals Conference, Disaster Recovery Institute International, Las Vegas.

Feb. 23 – 26: ACLI Medical Section Annual Meeting, American Council of Life Insurers, Amelia Island, Fla.

Feb. 24 – 26: Emerging Leaders Conference, American Property Casualty Insurance Association, Miami Beach, Fla.

Feb. 24 – 27: Underwriting Summit, Wholesale & Specialty Insurance Association, National Harbor, Md.

Feb. 25 – 27: IRMI ERIC (Energy Risk & Insurance Conference), International Risk Management Institute, Houston.

Feb. 25 – 27: 20th GARP Risk Convention, Global Association of Risk Professionals, New York.

Feb. 25 – 27: NAHU Capital Conference, National Association of Health Underwriters, Washington, D.C.

Feb. 26: ABI Annual Conference, Association of British Insurers, London.

Feb. 26 – 27: 17th Annual Insurance Canada Technology Conference, Insurance-Canada.ca, Toronto.

Feb. 26 – 28: Cat Risk Management 2019, Reinsurance Association of America, Orlando, Fla.

Feb. 27 – March 1: SIFMA Insurance & Risk-Linked Securities Conference, Securities Industry and Financial Markets Association, Miami Beach, Fla.

March 3 – 5: AIFA 44th Annual Conference, Association of Insurance and Financial Analysts, Naples, Fla.

March 5 – 6: 31st Annual Combined Claims Conference (CCC), Garden Grove, Calif.

March 5 – 8: Valen Analytics Summit 2019, Avon, Colo.

March 10 – 12: CICA 2019 International Conference, Captive Insurance Companies Association, Tucson, Ariz.

March 10 – 13: ReFocus Conference, American Council of Life Insurers, Las Vegas.

For a full list of conferences and events, visit *www.ambest.com/conferences/index.html*

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February: Insurance Careers Month
February is Insurance Careers Month and *Best's Review* takes a look at leadership and how insurers plan to attract top talent. See stories beginning on page 40. Also, AMBestTV will cover the Emerging Leaders Conference later this month. For more information visit *http://insurancecareerstrifecta.org.*

Liberty Rebrands, Appoints President of Ironshore Bermuda

Also: AIG names new chief financial officer, Royal London Group's CEO to step down and longtime Cumberland Insurance CEO and chairman dies at 89.

Liberty Specialty Markets, part of Liberty Mutual Insurance Group, said it will integrate its Ironshore Bermuda businesses and brands into a single business called Liberty Specialty Markets Bermuda. Steve Horton will serve as president of the new business.

Steve Horton

Liberty acquired Ironshore, a Bermuda-based specialty property/casualty writer, from Fosun in 2017. Mark Wheeler, president of international markets for Liberty Specialty Markets, said bringing the Bermuda businesses under one brand will give the company "a unified regional approach to Bermuda."

Historically, Ironshore in Bermuda had two businesses. Ironshore Bermuda opened in 2007, writing property, energy and specialty reinsurance, while Iron-Starr Excess Agency Ltd. began in 2009, writing excess casualty, financial lines and health care within Iron-Starr Excess Agency.

The new business will use the managing general agency structure, previously Iron-Starr Excess Agency, across its product lines, the company said. This will enable each business to provide Liberty capacity as well as access to third-party capacity.

"Combining these businesses gives us a unified regional approach to Bermuda," Wheeler said in a statement. "This has major advantages for both our clients and Liberty itself. We will be able to offer clients our full suite of products and experience while making it easier to build stronger and deeper long-term client relationships. We will also be able to provide our Bermuda-based clients with new products currently offered from other parts of Liberty, most notably specialty reinsurance from Liberty Mutual Re. Finally, the integration will put us in a stronger position for growth and business development in the region."

The group will be led by Horton, whose appointment is subject to approval by the Bermuda Department of Immigration. Horton, who will report to Wheeler, joined the Ironshore group in 2008 and currently serves as chief executive of Iron-Starr Excess Agency.

Also, LSM appointed Florence Bidard as head of liabilities in France. —Kate Smith

AIG Life Appoints UK Chief Executive Officer

AIG Life Ltd. (U.K.) has named Philip Willcock chief executive officer, effective March 1 and subject to regulatory approval.

Philip Willcock

He will be based in London and will report to Adam Winslow, CEO, international, life & retirement, at American International Group Inc.

Willcock is replacing Winslow as head of AIG Life (U.K.), who in June, 2018, was appointed to his current position. At that time, Winslow assumed responsibility for Laya Healthcare in Ireland while continuing to lead AIG Life (U.K.) and supporting potential further international expansion,

Willcock spent more than 20 years with Aviva in various senior positions in U.K. health and life businesses, most recently as CEO and president of Aviva's joint venture in Indonesia and CEO of Aviva Italy. He joins AIG from RPMI, where he was CEO responsible for the RailPen pension program.

Lockton Names Chief Information Officer

Lockton Inc. has named Byron Clymer chief information officer.

Byron Clymer

He will oversee strategic information technology initiatives to meet the future needs of associates and clients, and will report to Said Taiym, chief digital officer.

Clymer will lead the IT department, located in Kansas City, Mo. Lockton said Clymer has 25 years of technology, leadership and management experience. In 2016, Clymer started Approach Logic consulting services.

Broker Network Names New CEO

Broker Network Ltd. has appointed Des O'Connor the next chief executive officer as the U.K. insurance brokerage group also announced the departure of Andy Fairchild as CEO after four-and-a-half years leading the network.

O'Connor was named CEO with immediate effect. He joined Broker Network in March 2016 as chief commercial officer and has led the Broker Network Partners division.

Prior to joining Broker Network, O'Connor was chief commercial officer of Brightside Insurance. Before that he was at Arthur J. Gallagher, most recently as managing director of Gallagher Insurance Solutions.

PartnerRe Appoints Head of US Health

Kelly Munger was named head of U.S. health for PartnerRe Ltd.

Kelly Munger

Munger has experience in the health reinsurance industry, where she specialized in the U.S. group life, accident and health business for much of her 30-year reinsurance career.

As head of the U.S. health business unit, she will be based in PartnerRe's Maple Grove, Minnesota, office, reporting to Charles Goldie, chief executive officer, property/casualty.

Munger was most recently senior vice president, group reinsurance at reinsurer Scor S.E. She joined Scor in 2014 and was responsible for growth and development of the U.S. group life, accident and health business lines, overseeing business development, underwriting, operations and medical management.

Axis Capital Adds Underwriter To Growing Cyber Team

Andrew Maher has been named as a senior cyber underwriter at Axis Insurance, the insurance segment of Axis Capital Holdings Ltd., as the company expands its cyber practice.

He will be based in London and will report to Dan Trueman, global head of cyber and technology.

Maher joins Axis from Markel, where he spent two years as a senior cyber underwriter. He began his career at Beazley, where he held several underwriting roles.

Everest Insurance Canada Names Chief Underwriting Officer

Kevin Pinto has been named chief underwriting officer of Everest Insurance Company of Canada, an affiliate of Everest Re Group.

Pinto will be responsible for overseeing the strategy for the underwriting units of Everest Insurance Canada (EvCan), and for implementing and promoting best practices throughout the organization while developing and refining product offerings.

He will be based in Toronto and will report to Darin Scanzano, chief executive officer of EvCan.

Pinto was most recently CUO for Travelers Canada. Before that, he held leadership positions at both Zurich and Gerling Canada General Insurance. He has more than 30 years of experience in the Canadian insurance market.

Royal London's CEO, Chairman to Depart

Royal London Group said Phil Loney will step down as group chief executive officer by the end of 2019.

Phil Loney

Also, Rupert Pennant-Rea was to leave the U.K. life insurer at the end of 2018. Pennant-Rea has been chairman of the board for more than five years and was to be succeeded by Kevin Parry on Jan. 1, 2019, subject to regulatory approval.

Loney is leaving as CEO "to concentrate on his long-standing charitable interests in the international development sector and supporting people with learning difficulties," Royal London said. He was appointed to the board in October 2011, coinciding with his appointment as group CEO.

Rupert Pennant-Rea

Pennant-Rea is also chairman of PGI Group and an independent national director of Times Newspapers. Pennant-Rea was appointed to the board in December 2012 and was appointed chairman after the annual general meeting in 2013.

Swiss Re Names L&H Products Head; Swiss Re Corporate Solutions Names Executives

Paul Murray was named head of life and health products for Swiss Re.

Paul Murray

Murray succeeds Russell Higginbotham, who became Swiss Re's chief executive officer of reinsurance, Europe, Middle East and Africa, in September.

Murray has more than 20 years of reinsurance and insurance experience. In addition to his most recent role as chief pricing officer, he has been head of the global L&H Products Centre. Murray has been with Swiss Re since 2003 and has led teams in Asia, the United Kingdom, Ireland and Africa and worldwide, Swiss Re said. Before joining Swiss Re, he worked for an actuarial consultancy.

Earlier, Swiss Re Corporate Solutions Ltd. announced two executive appointments—Daniel Vetter as head of excess and surplus North America and Philippe Aerni as global head of casualty, financial and professional lines.

Both appointments were effective Jan. 1.

In his newly created role, Vetter will be responsible for the strategy and growth of SRCS's excess and surplus property/casualty business and will establish financial and professional lines within the unit. He will be based in New York.

In an expanded role, Aerni will be responsible for products and global markets for casualty and financial and professional lines, said SRCS. He will be based in Zurich and will take over the global casualty role from Vetter.

Vetter has more than 20 years of insurance experience. He joined Swiss Re in 2000 and most recently, was head of casualty.

Aerni has more than 17 years of insurance experience, mainly in financial and professional lines. Since joining Swiss Re in 2003, he held various positions within executive risks in underwriting and sales and later as the global head of this unit. Most recently, as head of financial and professional lines, Aerni was responsible for the global management of the segment.

AIG Names New Chief Financial Officer

American International Group Inc. has named Mark D. Lyons as its next chief financial officer as the group continues to revamp its executive team.

Lyons succeeds Sid Sankaran, who will remain at AIG "in an advisory capacity through the year-end reporting process for fiscal year 2018," AIG said.

AIG said Lyons will be also be an executive vice president and a member of the AIG executive leadership team and will report directly to Brian Duperreault, president and CEO. Lyons will remain chief actuary, general insurance, until a successor is named.

Lyons joined AIG in 2018 from Arch Capital Group Ltd., where he was executive vice president, CFO and treasurer since 2012. He joined Arch in 2002 and held various roles within Arch Insurance's U.S. operations and rose to chairman and CEO of Arch Worldwide Insurance Group. Before joining Arch, Lyons held various positions at Zurich U.S., Berkshire Hathaway and AIG.

Allianz Global Names Browne UK CEO

Sinéad Browne has been named U.K. chief executive officer of Allianz Global Corporate & Specialty SE, the specialist corporate insurer of Allianz Group.

Sinéad Browne

Browne will also continue in her role as the group's chief regions and markets officer. Her appointment is subject to regulatory approval. Browne will succeed Brian Kirwan, who was to leave the group at the end of 2018.

Tracey Hunt, currently regional head of energy, has been appointed deputy CEO for AGCS UK. Both appointments were in effect Jan. 1.

Browne, who has been with Allianz Group since 1993, has served in a number of senior management roles. She became chief operating officer for AGCS in 2012 and assumed her current role last year.

Hunt, who joined AGCS in 2012, served initially as head of growth markets, energy. She will be responsible for broker relationships and have authority over a wide range of activities. She will continue with her regional energy role.

Hiscox Names Claims Director To Succeed Retiring Veteran

Hiscox said Jeremy Pinchin will retire at the end of February as group claims director but will remain as chairman of two Hiscox units as the specialty underwriter named Grace Hanson to succeed him in the claims role.

Jeremy Pinchin

Pinchin will remain with the group as chairman of Hiscox Special Risks and of Hiscox Pension Trustees.

Pinchin joined Hiscox in 2005 as the group's first claims director and held a number of other roles in his 13 years with the group.

After his appointment as the first CEO of Hiscox's global reinsurance business in 2013 Pinchin led the creation of Kiskadee Investment Managers, Hiscox's specialist insurance-linked securities manager.

Before joining Hiscox, Pinchin worked for Lloyd's, where he was the first head of claims following the creation of the Lloyd's franchise team.

Hanson joined American International Group in 2001 and moved to Bermuda. She joined AIG sponsored start-up Allied World, where she led their global claims function. She then joined insurtech business Homesite as their corporate counsel in 2009 and then as chief claims officer.

W.R. Berkley Appoints CEO Of Accident and Health Unit

Berkley Accident and Health, a unit of W.R. Berkley Corp., has named Brad N. Nieland president and chief executive officer.

Nieland succeeds Christopher C. Brown, who has been named chairman of Berkley Accident and Health.

Brown has led Berkley Accident and Health for nearly a decade, Nieland joins Berkley Accident and Health with more than 15 years of experience in the health care and accident and health insurance sectors. Before joining Berkley, he held various positions focusing on underwriting and product management, actuarial, risk management and client relations.

He was most recently vice president of stop loss at "another leading U.S. provider of accident and health insurance," the company said.

Brown joined Berkley as president of Berkley Accident and Health in 2009 and will remain an adviser to Nieland in his role as chairman.

Among Strategic Leadership Changes, Arch Insurance Names International CEO

Arch Insurance named Hugh Sturgess as chief executive officer of its international unit as the company also made two executive appointments in Canada. Arch Insurance International includes Arch's insurance operations in Europe, Bermuda and Australia.

Sturgess will be based in London. He succeeds Matt Shulman, who was recently named CEO of Arch Insurance North America. Shulman was named to his newly created role as the insurance arm of Arch Capital Group Ltd. reorganizes its primary insurance structure.

Sturgess has been with Arch Insurance since 2005 and is currently president and CEO of Arch Insurance Canada Ltd.

In conjunction with Sturgess' appointment, Arch Insurance announced two appointments at Arch Insurance Canada Ltd.

Gale Lockbaum will become president and chief operating officer of Arch Insurance Canada. She has been with Arch Insurance Canada since 2011 and is currently chief financial officer.

Jean-Pierre Galipeault will become Arch Insurance Canada's chief regional executive. He has been with Arch Insurance Canada since 2013 and has managed its lenders business unit.

Longtime Cumberland Insurance CEO and Chairman Leo Thomas Hogan Dies at Age 89

Leo Thomas Hogan, CEO and board chairman of Cumberland Insurance Group of Bridgeton, New Jersey, died Dec. 4, 2018 from injuries sustained in a fall on the previous day. He was 89 and had been an employee of The Cumberland Group for 47 years and CEO for more than 13 years.

Raised in New York, Hogan was a U.S. Navy veteran of the Korean War. After his discharge in 1952, Hogan began his career in the insurance industry. He held successive positions at Crum and Foster–Manhattan Insurance, Safeco, and Central Mutual Insurance Co. before starting with Cumberland Insurance in 1970 as a marketing representative. He was named as a member of its board of directors in 1989. In 1996 he became president and the following year was appointed CEO and chairman of the board. Hogan retired in 2008, but continued as the board chairman of Cumberland Insurance Group. BR

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Full Force

Liberty National Life extends NASCAR series sponsorship and Kemper rebrands its subsidiaries.

Accelerating Ahead

Photo © RCR 2019

LIBERTY NATIONAL LIFE INSURANCE CO. has extended its partnership with Richard Childress Racing and the No. 31 team for this year's Monster Energy NASCAR Cup Series season.

Liberty will remain a primary sponsor for select races with Daniel Hemric and the No. 31 Chevrolet Camaro ZL1. Liberty also will be an associate sponsor for select races on the No. 3 Chevrolet driven by Austin Dillon.

Liberty National, a wholly owned subsidiary of Torchmark Corp., provides life and supplemental health insurance to middle-income Americans through in-home and workplace sales.

Its sister company, Globe Life, has additional sports marketing partnerships, including the naming rights partnership with the Texas Rangers at Globe Life Park and Globe Life Field in Arlington, Texas.

Liberty National plans to use Richard Childress Racing to leverage digital and social media assets to showcase its brand, identify business-to-business opportunities and recruit new agents and customers. Its extended partnership will also provide new opportunities, such as VIP at-track experiences, to Liberty National independent agents, agency owners and insureds.

Hemric is one of Liberty National's newest policyholders. He made his NASCAR debut in October 2013 and joined Richard Childress Racing in 2017.

Rebranded

KEMPER CORP. has announced a rebrand of its subsidiaries, including Infinity Property and Casualty Corp., to reflect the corporate name.

The transition to Kemper Auto, Kemper Personal Insurance, Kemper Life and Kemper Health is expected to take more than a year. Brands such as Infinity and Alliance United will transition over a longer time period.

The company will retain its current operating entities and include individual insurance company names in pre- and post-sale materials as legally required. For example, Kemper Auto will become the consumer-facing brand for policies written by Infinity, and Kemper Life will do the same for Reliable Life.

Kemper President and CEO Joseph P. Lacher Jr. said the new structure aligns and combines the strengths of each segment of the organization. "Our new branding is one of many parts of our transformation," he said.

The company's brand refresh includes a new logo, positioning and product line architecture. The new logo in navy blue and red embodies the characteristics of Kemper's committed team of employees and the qualities of trust, strength and reliability. Kemper's new brand positioning—"Affordable protection in an ever-changing world"—builds upon a rich history of providing insurance solutions to growing markets that meet customers' unique needs.

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

Talent Talk

Insurance industry professionals talk to AMBestTV about how they are meeting the challenge of attracting new talent to their companies.

"The goal is for Hartford [Connecticut] to become the next insurtech capital in the U.S. We have a lot of work to do. We have to bring a lot of talent from the outside world, meaning from Europe, from Asia, but also bringing and building talent, and new culture as well in the city of Hartford.

Training new entrepreneurs, we have a new insurtech course being launched as well this month. It's about bringing all the different ingredients to attract talent, build innovators and get Hartford to become an insurtech destination in the next few years."

Sabine VanderLinden
CEO
Startupbootcamp InsurTech

"Aon's Ward Group recently released a study, the survey of the mutual companies, [and it] mentions talent management, technology, and managing expenses. Those three are at the top of the list for most companies. It varies by company. Companies are getting very creative in actually managing all three of those things. They're getting creative in how they're looking at talent, how they're bringing in young talent to the industry, training that talent. They're also doing a great job in growing their businesses so they can invest in technologies and innovation to drive those outcomes and help with those business challenges."

Brad Melvin
Executive Managing Director
Aon

"We hear a lot about the executives that are going to be retiring. The industry, particularly WSIA, is doing a great job with their internship program that's very alive and well. I've met many of them [at a] conference. Many of the carriers too are recruiting talent now. I think there are more than 80 universities here in the U.S. that are providing insurance and risk management courses. That's increased from about 30 core schools years ago.

I think we're doing a great job. We're getting the message across. I'm not sure it's going to solve the 400,000 that are retiring, but we're doing a good job so far to attract folks into the industry. We can always do better though by captivating interest. Kids can have an interest even at a younger age. Our executive pool in the insurance industry could go out to high schools and talk about the exciting careers. Here in the U.S., undergrads don't always know exactly what they want to do when they're at university. In other parts of the world, kids have a good idea. Even when they're entering university, they might have an idea what they want to do. We look at it from a U.S. standpoint, obviously that's one major market where we are here. Globally, I think the insurance industry can maybe think differently and possibly get that message across to kids in the high school years. That would really serve to create some interest that would really serve us well."

James Evan-Cook
President
IPS Search

"Our latest labor outlook study showed that nearly 68% of companies are expecting to increase their staff over the next 12-month period. We're still finding that companies are aggressively recruiting new talent into the organizations.

One of the other things that companies are trying to find is bringing diversity of skills and backgrounds into the organization as well so that they have the right type of employee makeup that can think about e-commerce or digital marketing or the changing needs of consumers. It's finding the right type of talent that have those backgrounds as well.

Certainly for any insurance company but for mutuals [having an advantage or a disadvantage when attracting and retaining talent], in particular, that we're there in the time of need. It creates a better opportunity for somebody that has more of a, perhaps, social bent that they want to bring back to the community or to their consumers. We provide that opportunity."

Jeffrey Rieder
Head of Insurance
Ward Group

"I think mutuals have a great opportunity to continue to grow and expand to hire in millennials and take advantage of their understanding of technology, their connection to our growing customer base. We've been using something called reverse mentoring at GuideOne which is all about bringing in younger generations with new ways of doing things and using them to teach some of our more tenured employees how to do things differently and how to think differently."

Elisabeth Sandersfeld
Senior Vice President, Chief Financial Officer
GuideOne

"The talent that we're looking to develop is more along the lines of, how do we actually understand the customer? How do we know their risks? How do we know where they're trying to go with their business, and then be able to bring in all the capabilities that exist in the firm? As we develop our own teams, we're looking for that kind of capability in people."

Eric Andersen
CEO
Aon Benfield

Visit *www.ambest.tv* to watch the video interviews with these executives.

Keep a High Profile

A complete and updated social media presence shines a light on your professionalism and can give others career paths to follow.

One of the challenges of building an insurance career is the opacity of our profession's paths. If you ask a member of the general public what jobs they think of when it comes to insurance, I bet they come up with two: agent and adjuster. The challenge is compounded by the fact that even inside the ecosystem titles mean different things at different companies. When you start out in a call center or an agency, looking for a career path can be intimidating.

Insurance has always been a relationship business, and those of us who have been around a while know that many of our most interesting opportunities have come from the networking we have done. As someone who is naturally an introvert, I remember my early forays into networking and how painful they were. Something I discovered early on was to learn something about a person before I met them for the first time. It was, in theory, good advice. But, often, I was meeting someone from a completely different part of the large company where I worked, and my teammates often did not know the person.

Carly Burnham

Seeing the history of our role models online is a **great way to learn about what adventures are out there** and how we can follow in their footsteps.

So, I did what any good millennial would do. I turned to social media. I was lucky that this company had an internal platform that usually had at least information about people's roles at the company, and I would, of course, try LinkedIn, too. It will come as no surprise that LinkedIn profiles were often bare-bones or completely nonexistent. I believe this is a great disservice to our industry and to our individual careers. Keeping an up-to-date public profile is one of the easiest ways to build your own brand and make it known that vibrant careers are possible in insurance.

If you have a bare-bones profile or you've neglected to keep it updated since putting it together, I recommend starting by updating the three areas listed below. Taking these first steps will help to make your profile useful for your own career and for modeling a path for newer entrants to the insurance industry.

- **Photo:** It is always nice to put a face with a name. You will seem more friendly and inviting to people who are curious about you. That being said, I think it's worth keeping this relatively current. I've gone through a few different hairstyles since creating my profile, and if I want anyone to recognize me at an event, I know it's best to check this every few months and make sure it's still a good representation of me.
- **Education:** Listing your alma mater and any activities you were involved in allows the potential for a personal connection. It also highlights the diversity of backgrounds in our industry. We know that most people do not study insurance, and seeing what our colleagues have studied can begin to inform us of their perspectives and help us to know what knowledge they have that is useful in the role that they're in.
- **Roles:** When preparing your chronological resume, don't just list your titles and the years you were in each. Give an explanation of what you did in that role. "Business Analyst" can mean anything. Explain what your achievements were, and if you want extra credit, give some idea of your day-to-day responsibilities, too. You wouldn't traditionally share the day-to-day in a resume, but in your social media presence, it can help new entrants to the industry find roles of interest. If they're looking up to you as a role model, understanding your background at this level will help them model after your career path when it makes sense.

We live in an exciting time where career pathing and development opportunities abound. Our industry is still relationship-driven and offers the opportunity to really "Build Your Own Adventure." Seeing the history of our role models online is a great way to learn about what adventures are out there and how we can follow in their footsteps. BR

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

Regulatory Update

New insurance commissioners named, gender ban in auto insurance rate setting and the continuing impact of Brexit are in focus.

New Head of N.Y. DFS: New York Gov. Andrew Cuomo has nominated Linda Lacewell as superintendent of the New York State Department of Financial Services. She would succeed outgoing Superintendent Maria Vullo, who is stepping down Feb. 1. The nomination must clear the state Senate.

Lacewell previously served as Cuomo's chief of staff and counselor, overseeing executive chamber operations, as well as ethics and law enforcement matters. She also served as special counsel to Cuomo when he was the state's attorney general, overseeing a public pension fund pay-to-play investigation and the out-of-network health insurance investigation.

Auto Insurance: California has issued new rules, which ban automobile insurers from using a driver's gender when setting rates. The new regulations went into effect Jan. 1. The rules bring private auto insurance prices into line with the provisions of voter-approved Proposition 103, which prohibits unfair and discriminatory pricing, said Carmen Balber, executive director of Consumer Watchdog, a California advocacy group.

Gender had previously been approved as an optional rating factor, Balber said. Testing by the Consumer Federation of America has shown, in some markets, one insurer would grant a price break for female drivers while another insurer

Lloyd's Exec: Succeeding In Innovation Requires Support

Trevor Maynard, head of innovation, Lloyd's, said the market has pursued several initiatives aimed at fostering innovation.

by Yvette Essen

The insurance market needs to be innovative. That's something that Lloyd's has been pushing and progressing on in recent years.

Trevor Maynard, head of innovation for Lloyd's, spoke with AMBestTV at the 2018 Insurance Market Briefing in London. He observed that companies that form innovation-focused teams with senior support often achieve progress.

What are some of the things that you've been doing with regards to encouraging innovation at Lloyd's?

Lloyd's has been encouraging innovation. It set up a new innovation a couple of years ago, which I run. We've always done a lot of thought leadership work, but recently we have opened something called Lloyd's Lab, which is an accelerator at the heart of the Lloyd's market. It's brought startups in to answer specific questions, to work with the market on innovation.

> "We've had a lot of interest in the lab, which I think shows that people have got the message and that they need to change soon. They need to change in quite a big way."
>
> **Trevor Maynard**
> **Lloyd's**

Is Lloyd's moving at the right pace in terms of innovation?

I think that the businesses understand the need to innovate. It's great to see the amount of energy and enthusiasm with the lab. I would report some good progress there, but I also think there's more to do. We're all aware of the need to modernize.

What is the need to modernize? Why is there a need to modernize?

There's a need to modernize in lots of ways. Obviously, we've got things like needing to cut expenses out of the market, but also the world is changing really rapidly. If we don't think about how the new world is going to operate, things like the sharing economy and those sorts of issues ... if we don't have a proposition to offer that new world, then obviously, we'll get left behind.

You have to modernize to make sure you're meeting the needs of your customers.

Traditionally, the market has actually been quite slow to adopt change, specifically with regards to technology. Is that changing at all?

I think it is changing, yes. I think that the managing agents are supporting Lloyd's Lab and have put forward some excellent mentors to work with the companies. We've had a lot of interest in the lab, which I think shows that people have got the message and that they need to change soon. They need to change in quite a big way. BR

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Lloyd's Confirms 2019 Electronic Placement Targets

To support electronic risk placement, Lloyd's brokers need to connect to a recognized electronic platform by June.

by David Pilla

The Corporation of Lloyd's said it confirmed first-half 2019 targets for electronic placement following approval from Lloyd's Board and Council.

For the first quarter, each syndicate will be required to have written no less than 40% of its risks using a recognized electronic placement system, with the target increasing to 50% in the second quarter, said Lloyd's in a statement.

A quote target will also be introduced in the second quarter, and all targets will now apply to both lead and follow business, Lloyd's said.

Lloyd's added to support electronic risk placement adoption across the market, Lloyd's brokers will be required to connect to a "recognized electronic placement platform" by June 1, 2019. "Lloyd's will be working closely with (London & International Insurance Brokers' Association) to achieve this," the market said.

"Since we implemented this mandate across the Lloyd's market, we've seen a marked increase in the adoption of electronic trading, which is fast-tracking our transformation," Shirine Khoury-Haq, Lloyd's chief operating officer, said in a statement. "The latest developments, including quote targets and the Lloyd's broker requirement, are essential next steps in our journey to digitize our market and to provide the best possible service to our clients."

> "Since we implemented this mandate across the Lloyd's market, we've seen a marked increase in the adoption of electronic trading, which is fast-tracking our transformation."
>
> **Shirine Khoury-Haq**
> Lloyd's

"LIIBA welcomes this development and the leadership shown by Lloyd's," Chris Croft, LIIBA chief executive officer, said in a statement. "Overall the broking community is fully committed to electronic placement and the number of brokers on the platform has risen sharply in the last year. The association and our board members will continue to reach out to all sections of the market to help them to achieve both the mandate and the benefits of operating digitally."

The mandate was issued in the first quarter of 2018 following discussions with members of the Lloyd's market, the Lloyd's Market Association, LIIBA and the International Underwriting Association, Lloyd's said. Lloyd's added the mandate is designed to accelerate the market's digital transformation to ensure the market realizes the benefits of electronic placement "and has already driven impressive adoption across the Lloyd's market."

Lloyd's announced the mandate for electronic placement that will require Lloyd's syndicates to write at least 10% of their risks electronically each quarter for a total of 30% through the end of 2018.

Lloyd's noted by the end of the 2018 third quarter, 29.8% of "in scope" contracts were placed electronically in the Lloyd's market, nearly reaching the fourth-quarter target of 30%. "Syndicates meeting and exceeding the targets will receive a rebate on their annual subscriptions," Lloyd's said. BR

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

Regulatory Update

in the same market would surcharge those same drivers.

Claims: The California Supreme Court has rejected an appeal by PacifiCare Life and Health Insurance Co., upholding the state's Fair Claims Settlement Practices Regulations and paving the way for $91 million in penalties imposed by state regulators.

The state's highest court rejected the company's appeal from an adverse ruling by the California Court of Appeals, Fourth Appellate District. There were no written findings attached to the denial. The regulations under litigation prescribe how insurers must process insurance claims.

Insurance Commissioner Dave Jones applauded the ruling, noting the California Department of Insurance found PacifiCare committed 908,547 separate violations of the Unfair Insurance Practices Act. Jones imposed fines aggregating $173,603,750. The state Supreme Court decision involves just $91 million in penalties, the CDI said. An additional related case involving another $82 million in penalties reversed by the Superior Court has been appealed by both sides, according to the CDI.

Brexit: Representatives of the United States and the United Kingdom have signed a final covered agreement to protect international insurers and reinsurers that might be exposed to adverse market conditions with the anticipated U.K. exit from the European Union in March.

The U.S.-U.K. Covered Agreement will provide regulatory certainty as the United Kingdom prepares to leave the EU, according to a joint statement by the U.S. Department of the Treasury and the Office of the U.S. Trade Representative.

The new agreement — which became necessary with the planned March 29 Brexit —largely tracks the existing

Regulatory Update

agreement between the United States and the EU, according to a letter sent by U.S. negotiators to congressional leaders. The United Kingdom is the world's fourth-largest insurance market; many U.S. insurers and reinsurers do business in the United Kingdom.

American Council of Life Insurers President and Chief Executive Officer Susan Neely supported the U.S.-U.K. covered agreement.

Under the U.S.-EU covered agreement, states must eliminate collateral requirements for EU reinsurers that meet certain conditions for financial strength and market conduct within five years.

Should states fail to do so, the Federal Insurance Office has authority under the agreement to pre-empt within 42 months any state law that still imposes collateral on EU reinsurers.

New Commissioner: Wisconsin Gov. Tony Evers named American Family Insurance Chief Legal Officer Mark Afable to serve as insurance commissioner. Afable succeeds Ted Nickel, who was appointed to the position eight years ago by Republican Gov. Scott Walker. His term concluded on Jan. 7.

Afable joined American Family Insurance in 1994 as associate general counsel and director of government affairs. During his 24 years at American Family he also served as vice president, government affairs and compliance; vice president of claims; executive vice president, overseeing claims and integrated sales and service divisions; and chief legal officer, said spokeswoman Linda Wagener.

Earlier, he worked at Allstate and was counsel for the National Association of Independent Insurers. His appointment as insurance commissioner is subject to state Senate approval.

Canopius' CEO: West's Reaction To Asia's Rise Uncertain

Asian governments show a general commitment to building a regional economic powerhouse.

by *Best's Review* Staff

The governments in Asia have built an economic powerhouse and the region is set to be an increasingly important focus for the future. Mark Newman, CEO of MENA & APAC, Canopius, spoke with AMBestTV about the outlook at the Singapore International Reinsurance Conference.

What are you most concerned about in terms of the markets in Asia Pacific, the current political, economic conditions, and increasing intensity of catastrophes throughout the region?

At a macro level, I think the regional and government tensions that exist are something which are temporary and will subside. The governments in Asia worked incredibly hard over the last one, two, three, four decades to build this economic powerhouse which is Asia.

They will do everything they absolutely can to avoid political or economic trade wars, and certainly physical wars. The challenge from a macro perspective is as the economic balance shifts, perhaps, from West to East, I don't think anybody can argue it's moving in that direction. How the European and North American communities react to that shift economically is what's key. I'm sure, through diplomacy and elections nationally, etc., that will dissipate and nonissue.

> "From an industry perspective, Asia Pacific is the place today and very much for the future."
>
> **Mark Newman**
> Canopius

From an industry perspective, Asia Pacific is the place today and very much for the future. What we are seeing is definitely increased natural catastrophe activity. It's a clear challenge for the industry. We heard this morning from one of the key brokers, estimated $25 billion of natural catastrophe loss already [in 2018] in the region. It's a combination of increased frequency, severity. When you combine that with increased accumulation of assets, megacities, concentration of people, increased and often silent accumulation of assets in these areas, that's a fairly toxic cocktail for the industry, for both insurance and reinsurance. When you combine that potential in threat and reality of natural catastrophes with increased attritional loss ratios, which we have seen globally, and in particular in this region, too, as a combination of softer pricing, increased commissions, some poor underwriting, and general broadening of terms and conditions. That's a fairly explosive mix when natural catastrophes and poor underwriting come together.

What concerns me is when those collide, you are likely to see a knee jerk reaction from a pricing perspective in the region. I don't think that's valuable to anybody, to consumers, to policy holders, brokers, insurers, and reinsurers. It doesn't tend to last. Nobody budgets for it. Nobody prices appropriately for it. It comes and it goes just as quickly. That, to me, is one of the things that I worry about. BR

Marketing Makeover

To attract young talent, the industry must do a better job selling itself.

By **Stephen Catlin**

There are a handful of subjects about which I am truly passionate. One of those is that the insurance industry does not communicate the value of its product—insurance protection—nearly as well as it should. It doesn't matter if an insurer or broker deals in commercial or personal lines; we don't emphasize nearly enough the essential value that insurance provides.

Another subject about which I care a great deal is the need for the insurance industry to attract first-rate talent.

Insurance is truly a people business. Sure, one company's policy may be superior to another's, but where insurers and agents/brokers really differentiate themselves is with the level of service they provide to their policyholders. A company cannot provide excellent service if it does not employ excellent people.

These two subjects—the need for people to better appreciate what the insurance industry does and the need for the industry to attract great talent, especially young talent—are joined at the hip.

Please allow me to provide an example. The son of a colleague is in his last year of university, studying economics and politics. He is looking forward to beginning full-time work and is now starting to apply to graduate training programs sponsored by companies in all sorts of industries, including banking, retailing and transportation. When his father asked him if he had thought of applying to work for an insurer, the young man scrunched up his face and said, "But that's really boring. Besides, no insurers have come to recruit on our campus."

> Now, I've worked in the insurance industry since 1973, and I can tell you that insurance is certainly not boring! The world could not survive without insurance.

Two lessons can be learned here.

One is that young people often reject insurance as a career because they think it's "boring." Now, I've worked in the insurance industry since 1973, and I can tell you that insurance is certainly not boring!

The world could not survive without insurance. Planes wouldn't be able to fly … you wouldn't be able to drive a car without insurance.

Something as essential to the world's economy as insurance is certainly not uninteresting. One could argue that insurance, because of its nature, is probably more exciting than the banking industry, which is perceived by many as being a real glamorous profession.

The other lesson to be learned here is that the insurance industry must do a better job of selling itself to a lot of different audiences, not only its existing customers, but also young people.

Since insurance is not considered to be a "sexy" profession, insurers, agents and brokers must market themselves to ensure that we get the cream of the crop when it comes to talent.

Does your company have a graduate training or internship program? Does it actively recruit on college campuses? Even more basic, what is your company doing to illustrate to wide audiences the pivotal role that insurance plays in protecting businesses and people?

I am proud to have been part of the insurance industry for the past 45 years. During this time, the industry has transformed itself from often being a sleepy enterprise to become a modern, dynamic and vital part of the economic infrastructure.

It's about time we shouted out our story so that we can attract the talent we need so we can continue to flourish. BR

Best's Review contributor **Stephen Catlin** is the founder of Catlin Group and former executive deputy chairman of XL Catlin. He is a member of the International Insurance Society's Insurance Hall of Fame. He can be reached at *bestreviewcomment@ambest.com*.

Risk Adviser

Try Another Way

Insureds have options prior to litigation to obtain claim resolution.

By
Lance Ewing

A better philosophy for a denied property claim would be: Negotiate, mediate, arbitrate and only then litigate.

Alan King the comedian and actor once quipped: "The other day my house caught on fire. My lawyer said, 'Shouldn't be a problem. What kind of coverage do you have?' I said, Fire and theft. The lawyer frowned. 'Uh oh, wrong kind of insurance. Should be fire OR theft.'" Or so the story goes.

Insurance policies are truly claims policies. Insureds pay their premium with the anticipation that the claim will be paid when the loss occurs to their business or property. Yet many times, that is not the case.

When there is a claim dispute, many corporate risk managers and homeowners jump from receiving the denial of the claim to "Let's sue the insurance carrier." A better philosophy for a denied property claim would be: Negotiate, mediate, arbitrate and only then litigate. Litigation against an insurance carrier should be the arrow of last resort in the quiver. Litigation puts the outcome of the dispute in the hands of a third party and removes the decision-making from the two parties that know the issues better than strangers (jury) or a judge. And numerous times, the judge will send the case to mediation or arbitration anyway.

So what alternatives are available to the policyholder when the denial arrives? First, check the policy as the process for disputes is normally outlined in the policy. Second, reach out to the agent or broker to get their viewpoint and to connect with the carrier on your behalf. Begin the negotiation process as early as possible by reaching out to the carrier to explain why the claim should be covered. Keep the merits of the claim simple, discuss other lines of coverage currently with the carrier, be willing to compromise and speak to the long-term client carrier relationship. Negotiating tips with the adjuster or carrier can include: Agree on what is covered under the policy and obtain payment for those areas; set up weekly calls and document the dates, times and summation of the calls; review the latest appraisal of the property; and remain professional and polite. Negotiation should be exhausted before mediation.

Mediation is an excellent alternative to filing a lawsuit. It tends to have a high success rate because it limits the dispute issues and allows a neutral third party to provide insight into both parties' disagreements. The mediation is confidential and nonbinding which allows flexibility and the opportunity for both parties to see the other sides' reasoning and merits of the loss face-to-face.

In arbitration, the stakes get higher but it is another alternative to litigation as it is often less costly than court and has the advantage of a compressed timetable for the completion of discovery. A potential downside to arbitration is that the decision of the arbitrator(s) is normally final and binding with almost no right of appeal. Yet, the upside of confidentiality, lower costs, faster resolution, mutual ground rules and less hostility tend to outweigh litigation. There are many public and private entities specializing in mediation including the American Arbitration Association.

Most insurance companies don't like lawsuits. They can be expensive with insurance companies having to compensate private defense counsel to represent them. The fact is that more than 95% of litigation matters settle before going to trial. Think negotiating, mediating or arbitrating before litigating. BR

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The AI Insurer

With losses averted, the business model for the AI insurer is a shadow of its former self.

By
Edward H. Vandenberg

The future of augmented intelligence will be enabled by an ensemble of technologies, such as deep learning, IoT and blockchain, supported by real-time data access and a 'sensored' world of people and things.

On a horizon that includes customer expectations of mobile real-time services and intelligent customer interactions, the trinity of blockchain, internet of things and artificial intelligence will help transform the insurer we know today.

AI-enabled insurers will have a different core consumer function, provide more agile services and will execute a business model that will be relevant to customer demand and social purpose using a dynamic, real-time ecosystem. In the language of AI, here is a forward-looking view of key future insurer functions and activities.

In some lines of business, carriers will shift to helping individual policyholders prevent and avoid accidents by using sensors, prediction models and cloud-based services. They will also detect environmental conditions and usage when an insured loss is imminent.

With losses averted, claim payments are avoided and repairs are unnecessary. For the AI insurer, the business model is a shadow of its former self, where the insurer financed and assisted with claims processing and repairs after the claim occurred. This has broad implications for the financial foundation of insurers as claim reserves will no longer be available for investment.

In order for intelligent agents to function, the devices and data they provide must have control processes applied. This is comparable to loss control field activities that occur today, extended to certifying IoT devices in the loop of AI. Supporting functions of the AI insurer include inspecting things to be insured and certifying sensors so that accurate data sets are maintained throughout the life of the contract.

Smart contracts will democratize the funding of exposure in an automated auction, not unlike reinsurance markets at Lloyd's of London, but in a virtual and global financial marketplace. The financial function will consist of facilitating the financing and clearing of insured exposure moments at the lowest possible cost.

Policyholders will be subscribers that order insurance for future moments via mobile devices and prevalent AI consumer interfaces, such as Amazon Alexa. The future of augmented intelligence will be enabled by an ensemble of technologies, such as deep learning, IoT and blockchain, supported by real-time data access and a "sensored" world of people and things. The end game includes reduced operating expenses and higher net operating margins.

Despite monitoring, alerts and advanced warning, claims and repairs will still occur. However, with monitored vehicles, equipment and smart contracts, the claims process will be dramatically improved by providing repair and replacement services at the lowest cost/highest quality by facilitating an auction and clearing process for physical claims services.

Certainly this transition will be incremental. But if the FAANG (Facebook, Apple, Amazon, Netflix, Google) companies enter the game, we'll see the world's largest legacy insurers forced into a "slow follower" position with not enough time or resources to save the enterprise.

While this is a drastic shift, it is one where we'll see fewer accidents and injuries, and technology will reduce the impact of loss on everyone. Perhaps the question today is: What is the transition path of carriers and who will lead among peers and enjoy the advantages of meeting disruption head on? BR

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Money? Or Not?

The use of bitcoin and other forms of cryptocurrency brings up questions in several financial sectors, including insurance.

By
Alan Rutkin

Policyholders, insurers and courts will need to wrestle with the meaning and consequences of both cryptocurrency and other related issues.

What is money? Up until recently, insurance and cyber activity created conventional questions, generally revolving around the acronym of ACAI.

- **Act**: Was there hacking or some other covered act?
- **Causation**: Did the act "directly cause" the damages?
- **Authorization**: Was the actor authorized?
- **Intent**: Did the policyholder act intentionally?

These questions were new, but they fit within analytical categories that are old (act, cause, damages, etc.).

Two recent cases in the cyber arena raise an entirely new question: the meaning of money. These cases were decided just this past fall, *Kimmelman v. Wayne Insurance Group* and *Posco Daewoo America Corp. v. Allnex USA*. Both cases are from trial courts. In fact, Posco is explicitly not for publication (it can't be used as a precedent). But, these are the first cases on the issue, and for that reason they should be noted.

In *Kimmelman*, the policyholder sought coverage for approximately $16,000 of stolen bitcoin.

Under the policy, the insurer's obligation depended on the status of bitcoin. If bitcoin was viewed as money, the insurer would apply a sublimit, and the policyholder's recovery would be only $200. If bitcoin was viewed as property, the insurer would be required to pay more.

To argue that bitcoin is money, the insurer cited various media articles referring to it as such. The insurer also noted the widely used term "virtual currency."

On the other hand, the policyholder noted that the IRS has stated that "for federal tax purposes, virtual currency is to be treated as property."

Based on the IRS, the court allowed the policyholder's action to proceed as a claim for property.

In *Posco*, a thief hacked into the policyholder's computer system. The thief emailed one of the policyholder's customers. The customer, after receiving the thief's notice, sent its payment to the thief, rather than the policyholder.

The policyholder sued its customer. The customer argued that its payment to the thief satisfied its obligation to the policyholder. That is, the customer argued that the policyholder should bear the cost of the theft. The policyholder argued that its insurer should bear the loss.

The policyholder had coverage for "computer crime." That is, the insurer agreed to "pay the Insured for the Insured's direct loss of, or direct loss from damage to, Money, Securities, and Other Property directly caused by Computer Fraud."

But was the customer's payment to the thief a loss of the policyholder's money?

The court viewed the issue as: Who "owned" the mispaid money?

Ultimately, the court concluded that the policyholder had not sufficiently pleaded that it owned the money. Therefore the court dismissed the case against the insurer.

These cases really identify more questions than answers.

The cases are too few to suggest a trend. They're too new to appreciate appellate consequences. And they're too split to declare anyone a winner (insurers and policyholder can each arguably point to one victory).

These cases do, however, point to a new concern. Policyholders, insurers and courts will need to wrestle with the meaning and consequences of both cryptocurrency and other related issues. BR

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BEST'S REVIEW®
ISSUES & ANSWERS: CAREER DEVELOPMENT

Industry experts explain how they are helping insurers find, train and educate people to handle the demanding and sophisticated responsibilities vital to tomorrow's insurance industry.

Interviewed Inside:

Laura Boylan
Philadelphia Insurance Companies

Matt Masiello
SIAA

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

Developing Next Gen Talent

Laura Boylan, VP Human Resources for Philadelphia Insurance Companies said it is critical for insurers to consider the next wave of talent right now. "We always talk about the talent shortage in the insurance industry. As talent is coming into the industry, they are looking for opportunities that will help advance their careers and provide a meaningful purpose to that career." The following are excerpts of an interview.

How should insurers view the next generation of talent?
They are the future of our industry. That's an important view to consider, and as an industry, we have a significant responsibility to make sure we're doing what we can to make our industry relevant and exciting for the next generation of talent. We have a lot of obstacles in attracting talent based on previous stereotypes and things that may have prevented the insurance industry from seeming to be an appealing career opportunity. There's a lot that insurance has to offer. The more that we can promote that, and make that visible to incoming talent and next generations of talent, it will benefit the industry in the long term.

Is new talent coming from the traditional channels?
There's still a tendency to go through the traditional channels. We sometimes ask interns in our training programs, how did they come to the insurance industry. Typically, the answer is they were either referred because they have family that's in the industry, or they just stumbled into it by accident. We all recognize that in order to increase the diversity of our talent pools, to reach nontraditional audiences that may not be aware of insurance, we have to go to unique and different channels for those types of candidates.

What is PHLY doing to address the talent gap?
We're looking for different ways such as social media campaigns and expanding our college recruiting to reach new and diverse audiences. We make sure that we have programs that allow recruits and current talent to advance their careers. As an example, our women's leadership program helps to address women's interests in developing their careers. It's just as important to make sure our current talent has the right structure, flexibility and opportunities for internal mobility so people can move, either vertically or horizontally, within the organization.

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"Having development programs that are available to address the needs of the next generations of talent is critically important to the insurance industry."

Laura Boylan
Vice President Human Resources
Philadelphia Insurance Companies

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

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

Evolution of the IA Channel

Matt Masiello, CEO of SIAA, the largest independent agency alliance in the nation, said that agencies are increasingly looking for more than market access and profit-sharing opportunities. "We are 100% focused on being the total solution for the independent agency, not just today, but for its entire life cycle," he said. The following are excerpts from a recent interview.

What is the incentive to becoming an SIAA member?
Market access—standard and non-admitted markets—including enhanced, fixed quarterly revenue and more profit-sharing, remains the number one reason agency owners consider joining a network or group. But that's table stakes now. SIAA is delivering on its promise to be the total solution through agency development programs, education and technology partnerships.

How does SIAA assist in the growth of an agent's career?
Over the last eight years, SIAA has diligently grown its Training & Learning Center (TLC), offering on-demand courses and training for everything from developing an agency's small commercial book of business to target marketing or time management. When you couple that with the in-agency support of our dedicated field teams, we have confidence we are positioning our members to succeed now and 10 years from now.

How is SIAA evolving to keep up with the market?
We've created, and continue to develop, programs to help agents evolve with changing consumer trends, with agency operations, with technology and in the digital space. SIAA works closely with its partners to identify market and technology trends and be an active participant in the changes we are seeing in the independent agency channel, rather than simply reacting to those changes. We are preparing agents and agencies for the future.

Where do you see SIAA headed over the next decade?
We see SIAA continuing to be a total solution for independent agents—but as the consumer and the industry evolve, we invest in services and benefits that evolve along with them. We will grow and improve how we perform as part of an insurance company's distribution system. We want to improve the client experience and improve the processes involved in how business is transacted.

SIAA®
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- Highest levels of compensation.
- Clients and companies always belong to the agent.
- Agency development, mentorship and training customized for unique goals.

"SIAA strives to maintain its quality—with member agents serving as trusted advisers to their clients who choose the independent agency channel for their insurance needs."

Matt Masiello
Chief Executive Officer
SIAA

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

World's Largest Insurers

China's Ping An sees big gain as AM Best's top 25 insurer lists show stability.

by David Pilla

A Chinese multiline insurer broke into the top five among AM Best Co.'s annual top 25 insurers list ranked by 2017 net premiums written, while the top 25 in terms of nonbanking assets saw a life insurer drop from first to fifth place in mostly stable rankings.

Among the top five insurers measured by 2017 net premiums written, a standout change from the previous year is Ping An Insurance (Group) of China Ltd., which moved to No. 4 from the previous year's ninth place.

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

Four of the top five kept the same positions from the previous year.

UnitedHealth Group stayed on top (measured by earned premiums rather than NPW) and Axa S.A. remained at No. 2, followed by China Life Insurance (Group) Co. at No. 3. Allianz SE remained at No. 5. For UnitedHealth, 2017 earned premiums rose 9.95% to $158.45 billion.

When it reported 2017 results, UnitedHealth's chief executive officer said the group expected President Donald Trump's corporate tax reform bill to improve the company's earnings and cash flows in 2018 by $1.7 billion.

The boost comes after an estimated $400 million

World's Largest Insurance Companies

Based on 2017 non-banking assets.

2017 Asset Rank	2016 Asset Rank	AMB#	Company Name	Country of Domicile	2017 Net Non-Banking Assets USD (000)	% Change*
1	3	085014	Allianz SE	Germany	1,027,938,687	2.03
2	2	085085	AXA S.A.	France	991,924,406	-2.53
3	4	058182	Prudential Financial Inc.	United States	831,921,000	6.12
4	5	090527	Japan Post Insurance Co, Ltd.	Japan	722,993,900	-4.36
5	1	058175	MetLife Inc.	United States	719,892,000	-19.90
6	7	058334	Berkshire Hathaway Inc.	United States	702,095,000	13.09
7	6	090826	Nippon Life Insurance Company	Japan	700,033,576	2.66
8	9	086120	Legal & General Group Plc	United Kingdom	682,625,365	8.13
9	8	085925	Prudential plc	United Kingdom	666,519,046	4.98
10	10	085124	Assicurazioni Generali S.p.A.	Italy	643,443,323	3.05
11	11	085909	Aviva plc	United Kingdom	597,354,712	0.51
12	12	066866	Manulife Financial Corporation	Canada	581,270,008	1.23
13	18	086446	Ping An Ins. (Group) Co. of China Ltd.	China	572,539,339	21.97
14	13	090906	National Mut Ins. Fed. Agricultural Coop.	Japan	553,063,387	0.73
15	15	052446	China Life Insurance (Group) Company	China	552,931,023	7.23
16	19	086056	CNP Assurances	France	507,128,176	0.99
17	16	046417	Dai-ichi Life Holdings, Inc.	Japan	504,404,493	3.11
18	14	058702	American International Group, Inc.	United States	498,301,000	0.01
19	17	085244	Aegon N.V.	Netherlands	474,772,470	-6.96
20	22	093310	Credit Agricole Assurances	France	451,670,664	4.36
21	20	085485	Life Insurance Corporation of India	India	438,128,381	10.62
22	21	086976	Zurich Insurance Group Ltd.	Switzerland	422,065,000	10.39
23	23	090828	Meiji Yasuda Life Insurance Company	Japan	390,923,610	2.80
24	25	091242	Sumitomo Life Insurance Company	Japan	339,102,929	4.90
25	24	061691	New York Life Ins. Company	United States	337,116,000	6.05

*Percent change is based upon local currency

Source: BESTLINK

to $500 million reduction in premium revenues due to minimum loss ratio and lower net health insurance fee recapture effects, said David S. Wichmann, CEO of UnitedHealth Group, in an earnings conference call at the time.

As a result of the change to the U.S. corporate tax law, UnitedHealth increased its outlook for 2018, saying it expected cash flows from operations in 2018 to range from $15 billion to $15.5 billion. The company expects its tax rate to be around 24%. For the full-year 2017, UnitedHealth Group's net earnings rose 5% to $10.82 billion. Full-year revenue jumped 9% to $201.2 billion.

In fiscal 2017, Ping An's NPW rose 30.08%, while that of China Life rose 14.41%. Net premiums written for Axa fell 1.28% in 2017, while that of Allianz rose 1.40%. Three of the top five insurers—Axa, Ping An and Allianz—are multiline companies.

Ping An's move into the top five makes it the second Chinese insurer to make that group. Three of the top 10 insurers by premiums in 2017 are China-based, the same three that made the top 10 in 2016. In addition to China Life and Ping An, People's Insurance Company (Group) of China Ltd. remains at No. 10.

Among insurers ranked by premium that have climbed furthest from the previous year, Centene Corp. rose from No. 25 to No. 18; Berkshire Hathaway Inc. rose from 16th to 11th place; and Prudential plc rose from 18th to 13th place.

Although UnitedHealth remained top, among the insurers that fell farthest in terms of premiums are three other health insurers—Anthem Inc., Aetna Inc. and Humana Inc. Anthem fell from fourth to sixth place. Aetna fell to No. 14 from No. 11 and Humana fell from 13th to 15th place.

Also among those that saw NPW fall are Zurich Insurance Group Ltd., which went to 23rd from 20th, and Japan Post Insurance Co. Ltd., to No. 25 from No. 19.

Measured by 2017 net nonbanking assets, all

World's Largest Insurance Companies

Based on 2017 net premiums written.

2017 Premium Rank	2016 Premium Rank	AMB#	Company Name	Country of Domicile	2017 Net Premiums Written USD (000)	% Change*
1	1	058106	UnitedHealth Group Incorporated [1]	United States	158,453,000	9.95
2	2	085085	AXA S.A.	France	104,463,098	-1.28
3	3	052446	China Life Insurance (Group) Company	China	97,640,660	14.41
4	9	086446	Ping An Ins. (Group) Co. of China Ltd.	China	90,263,540	30.08
5	5	085014	Allianz SE	Germany	86,777,631	1.40
6	4	058180	Anthem, Inc.	United States	84,205,200	7.49
7	6	070936	Kaiser Foundation Group of Health Plans [2]	United States	83,617,409	11.49
8	7	085124	Assicurazioni Generali S.p.A.	Italy	77,501,208	-0.49
9	8	020013	State Farm Group [2]	United States	69,862,637	2.69
10	10	085320	People's Ins. Co. (Group) of China Ltd.	China	68,905,913	10.18
11	16	058334	Berkshire Hathaway Inc.	United States	62,242,000	32.68
12	14	086577	Munich Reinsurance Company	Germany	56,966,802	0.48
13	18	085925	Prudential plc	United Kingdom	56,597,465	13.48
14	11	058700	Aetna Inc. [1]	United States	53,894,000	-4.27
15	13	058052	Humana Inc. [1]	United States	52,380,000	-1.21
16	15	090826	Nippon Life Insurance Company	Japan	50,630,016	3.01
17	17	085485	Life Insurance Corporation of India	India	48,949,052	5.88
18	25	051149	Centene Corporation [1]	United States	46,115,000	20.01
19	22	046417	Dai-ichi Life Holdings, Inc.	Japan	45,963,888	9.31
20	12	090906	National Mut. Ins. Fed. Agricultural Coop.	Japan	45,181,014	-22.73
21	23	050962	Tokio Marine Holdings, Inc.	Japan	42,512,056	3.03
22	21	052662	MS&AD Insurance Group Holdings, Inc.	Japan	42,337,961	-3.46
23	20	086976	Zurich Insurance Group Ltd.	Switzerland	41,136,000	-3.82
24	…	090598	China Pacific Insurance (Group) Co. Ltd.	China	40,838,755	20.64
25	19	090527	Japan Post Insurance Co., Ltd.	Japan	39,562,030	-16.23

* Percent change is based upon local currency. [1] Premiums shown are earned premiums. [2] AM Best consolidation; U.S. companies only
Source: BESTLINK

of the top five insurers remained as part of that group, although MetLife dropped to No. 5 from its top position in 2016. Allianz SE moved to the top slot from No. 3 and Axa S.A. again remained in its No. 2 spot.

Prudential Financial Inc. advanced one slot to No. 3 and Japan Post Insurance Co. Ltd. moved to No. 4 from No. 5.

When MetLife released its 2017 results in February 2018, its chief executive officer said the life insurance group had an "operational failure" as it increased its reserves by $510 million pretax after a review found deficiencies in the way it looked for unresponsive annuitants.

MetLife looked back 25 years and found about 13,500 annuitants who didn't receive benefits.

The company will begin their payments once the annuitants elect to do so and will pay interest on back payments, Steven A. Kandarian, chairman, president and CEO, said in a conference call at the time.

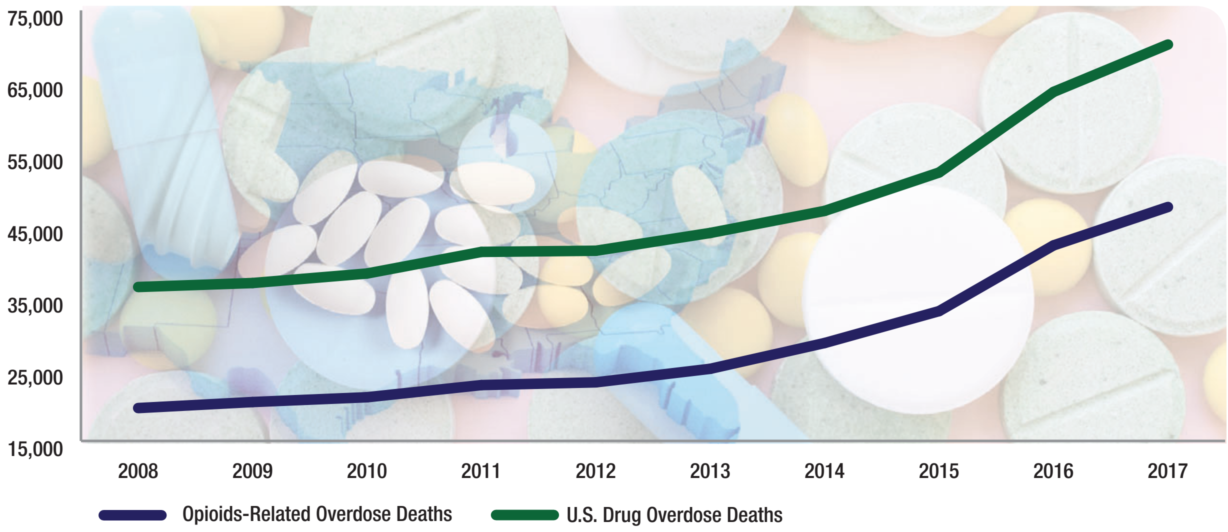
"Simply put, this is not our finest hour," Kandarian said. "We had an operational failure that never should have happened, and it is deeply embarrassing."

The charge relates to group annuity business going back decades. Some people in pension plans had earned a benefit but were years or decades away from retirement and had often left their companies. In the 1990s, MetLife began releasing reserves when the company couldn't establish contact with an annuitant after two tries.

For the full year in 2017, MetLife's net income climbed to $3.64 billion from $627 million a year earlier. Premiums increased 3% to $45.84 billion. Total revenues rose 2% to $62.09 billion.

Top gainers by assets include Ping An, which rose to 13th from 18th place; and CNP Assurances, which rose to No. 16 from No. 19. Another French company, Credit Agricole Assurances, rose to No. 20 from No. 22.

Insurers that slid more than one notch by assets from the previous year are American International Group Inc., which fell to 18th from 14th place; and Aegon N.V., to No. 19 from No. 17. BR



Source: CDC

The Bitter Pill

Industry observers are seeing signs that claims from opioid deaths are rising, while shifts toward simplified underwriting and the middle market could increase exposure.

by Jeff Roberts

The stranger on the other end of the phone would tell her almost nothing.

Cheryl Canzanella just wanted to hear that her husband was all right. She wanted to hear something, anything, beyond what little the medical worker said: He was in the hospital, and she had to get there.

An addiction that began with a sore back and a prescription for an opioid painkiller had progressed into a "path of destruction" that consumed Colin Goodell's life, said Canzanella, a MassMutual brokerage director.

He lost his dream job just months after their 2011 wedding. Cash and possessions began disappearing from their Florida home. And then came the vicious cycle of rehab and relapse.

One final relapse, an accidental overdose involving fentanyl, would claim his life on that hot, August Monday in 2017. A drug habit that started with a gym injury ended with Goodell's death. He was just 38 years old.

"I don't look like someone affected by the opioid epidemic," Canzanella said. "I want people to see that I'm an everyday person in a business suit, working a professional job. This can happen to anybody.

"What I share with people is it's not that difficult of a path to go from legally prescribed pain pills

Key Points

Claims Rising: Opioid claim costs rose slightly in 2017 for some, but not all group life carriers, according to a 2018 Munich Re survey.

Impacting the Workplace: Two-thirds of human resources professionals said their companies are impacted by opioid use today or will be in the future, according to a survey by The Hartford.

Assets Lost: Some financial advisers have reported clients draining financial protection and wealth management accounts to pay for rehab, legal costs and other expenses stemming from their own addiction or that of a loved one.

Jeff Roberts is a senior associate editor. He can be reached at *jeff.roberts@ambest.com*.

to illegal heroin out on the street. The face of this epidemic is not homeless people."

They are clients and family members of clients, Canzanella tells her fellow advisers and life insurance colleagues at industry events and speaking engagements. They are people like her husband and surviving loved ones like herself, a woman who became a widow before her 40th birthday due to the opioid epidemic.

While the life insurance industry has been only marginally affected by the crisis compared to the general population or even the workers' compensation space, it is not immune. Group life and even some individual life insurers have witnessed a small increase in morbidity stemming from overdoses involving the highly addictive class of narcotics.

"The issue with the opioid crisis is that it impacts everyone," said Swiss Re's Yommy Chiu, vice president, life and health R&D manager. "It's not just affluent people or lower socioeconomic people.

"Don't get me wrong: The magnitude is different with people in lower socioeconomic groups who don't have the financial means to get treatment. But what we've seen is there is no boundary to this. Men. Women. The rich. The poor. They're all touched by this crisis."

Opioid claim costs rose slightly in 2017 for some, but not all group life carriers, according to a 2018 Munich Re survey. Almost two-thirds of life underwriters reported seeing an increase in the number of insurance applicants with a history of opioid use in the previous year, a 2017 survey by the reinsurer found.

And drug abuse death rates among the insured population generally increased—albeit slightly—from 2009 to 2014, according to Munich Re.

Many insurers have added opioid screening

Genesis of a Crisis

The opioid epidemic was born out of the best intentions—and a healthy dose of greed.

A shift in the medical establishment's thinking about pain control in the 1990s launched an industrywide quest to effectively manage it.

Doctors began to liberally prescribe opioids, a class of highly addictive, semi-synthetic drugs that include prescription pain relievers such as oxycodone and hydrocodone. Pharmaceutical companies marketed them aggressively, claiming time-release versions such as OxyContin were safer and less prone to abuse.

By the early 2000s, the crisis had taken root.

"The first wave was this chronic pain treatment," said Swiss Re's Yommy Chiu, vice president, life and health R&D manager.

People became hooked trying to alleviate chronic pain and even following seemingly innocuous incidents such as car accidents, gym injuries and dental procedures.

The pursuit of profits by the pharmaceutical and medical industries soon led to a burgeoning opioids economy. Some doctors grossly overprescribed, even to those without a legitimate medical need. The explosion of "pill mills" flooded communities throughout the nation with powerful, addictive narcotics.

The second wave began around 2012 when the epidemic became a visible threat, and regulatory action was taken.

Access to pills was curbed. Consequently, their street value skyrocketed. And drug manufacturers altered the medication itself through "abuse-deterrent" formulas, making it harder to crush and therefore snort or inject it, as well as limiting the high.

Some 11.5 million people misused prescription pain relievers in 2015 alone, according to a government study. When those addicted could no longer find or afford the pills, they turned to heroin.

"Many are surprised how many people are abusing," said Cheryl Canzanella, a MassMutual brokerage director. Her husband, Colin Goodell, died of an opioids overdose in 2017.

"But like my husband, the minute they don't have access to it—your health insurance stops covering it or you're not able to afford it—things start falling apart."

The third wave of the epidemic arrived about five years ago when deadly fentanyl-laced heroin took over the market. An avalanche of fatal overdoses followed due to its extreme potency.

"Fentanyl-laced heroin came in and really started to kill people," Chiu said.

Fentanyl was a factor in 28,466 fatalities in 2017, rising from 19,413 a year earlier.

The Department of Health and Human Services declared the opioid crisis a national public health emergency in 2017.

By then, nearly a third of Americans had been prescribed opioid painkillers. And as many as one in five people given a 10-day supply can become long-term users, according to research.

“People are going right through their savings trying to save their loved ones. These are our clients. And we’re losing assets over this.”

Cheryl Canzanella
MassMutual

protocols and propensity models to bolster their risk assessments.

However, opioid-related deaths have barely impacted the fully underwritten, high net worth segments and have not warranted pricing changes, said Tim Morant, vice president and actuary, biometric research for Munich Re North America.

But for some insurers, that might be subtly changing as overdoses skyrocket due to fentanyl use.

“We are starting to see what I would call a signal,” Chiu said. “How big the trend can be ballooning out is the big, ultimate question.

“To be very technical, our findings are not statistically significant yet, but there is a strong signal, which tells me there’s evidence that we’re seeing increases of claims specifically for drug-related deaths.”

And many in the industry are concerned about higher exposure in the future as insurers seek greater penetration into the underserved middle market and make further investments in accelerated and simplified underwriting.

While simplified underwriting is faster and more accommodating to changing customer expectations, it eliminates precise paramedical exams and screening tests. In their place, data from medical records, credit histories and prescription drug and motor vehicle databases are used.

“The life industry is moving away from fully underwritten policies to simplified,” Chiu said. “They want to reduce and take away the traditional exam. The question is, if we take that away, what is our exposure risk to the people coming in and now purchasing life insurance?

“That has amplified the interest of many carriers. It’s not simply the crisis itself. For the industry as a whole, it’s how we’re moving toward less traditional underwriting.”

The epidemic is impacting more than just morbidity. Some financial advisers and agents have reported a loss of assets as clients drain financial protection and wealth management accounts to pay for rehab, legal costs and other expenses stemming from their own addiction or that of a loved one.

Canzanella receives requests from other life insurers to educate their advisers on how to recognize the signs opioid addiction and help clients facing it.

“People are going right through their savings trying to save their loved ones,” said Canzanella, who is based in Jacksonville, Florida. “These are our clients. And we’re losing assets over this.”

Workplace Threat

The faces stare back from obituaries and memorials, forever frozen in time.

They are the faces of the 70,237 people in the United States who died in 2017 of drug overdoses, smashing the record set only the previous year (63,632). More than 47,000 of them died from an opioid overdose.

The epidemic has swelled into a full-blown public health crisis, penetrating deep into American society. Death rates are increasing across many segments of the population and impacting all subsets, according to the 2018 Munich Re white paper, *Opioids’ impact on group life mortality.*

That impact is also what makes it a threat at the workplace and to group life carriers.

Sixty-seven percent of human resources professionals said their companies are impacted by opioid use or will be in the future, according to a survey The Hartford released in November. It also found 65% see opioid addiction financially impacting their company today.

Those numbers mirror a 2017 survey by the National Safety Council, which reported prescription drug abuse affected 70% of employers, "There's evidence that we're seeing increases of claims specifically for drug-related deaths."

Yommy Chiu
Swiss Re

increasing absenteeism, accidents and overdoses.

Workplace overdose deaths have increased at least 25% annually since 2010. More than 215 workers died from an unintentional overdose while at work in 2016, a 32% jump from 2015, according to the Bureau of Labor Statistics.

"The impact on the group life space is different than the individual life space because some carriers might focus on more blue-collar groups versus white-collar groups," Morant said. "So there could be a different socioeconomic impact for the group life space, and it could vary by carrier. This is consistent with the discussions we have had with our clients."

It might be one reason nine out of 10 life underwriters were concerned about the potential impact of opioid addiction on mortality among the insured, according to a 2017 Munich Re survey.

Life insurers could find themselves facing greater exposure as they try to reach new customers in the underpenetrated middle market.

"It's been this elusive aim of the industry," Morant said. "Companies have been trying to get to that market. Well, when entering into a different market, we would expect the experience with this epidemic to be different than what we have historically seen in the individual life space."

Taking Measures

After all, U.S. life expectancy fell in 2015 and 2017 and remained stagnant in 2016, following decades on the rise, according to the Centers for Disease Control and Prevention.

Largely attributed to the opioid epidemic, it is the longest period of general decline since 1915 through 1918, when World War I raged and a flu pandemic killed 675,000 Americans.

Drug overdose deaths have more than quadrupled since 1999, while opioid fatalities have risen sixfold.

Those staggering statistics explain why insurers have taken steps the past two years to protect their businesses and prevent opioid-related overdoses. The measures include opioids screening and predictive analytics using big data and artificial intelligence.

Insurance labs such as ExamOne introduced expanded screening protocols for both prescription and illicit opiates in 2017 to improve the risk selection process.

ExamOne's test can detect synthetic and semi-synthetic opioid use, including fentanyl, hydrocodone, hydromorphone, oxycodone and heroin.

"Several life insurers are considering or have been adding a screen for opioids into their requirements based on certain age, demographics or face amount guidelines," said Dr. Gina Guzman, vice president and chief medical director, Munich Re U.S. (Life). "We don't recommend screening everybody because it's not clear that a broad screening program would bring great benefit at this time."

She added that few applicants seeking to purchase fully underwritten individual life insurance have tested positive. That corresponds with Munich Re data that shows high face value clients who underwent fluid tests have been touched far less by the crisis than other population groups.

"It is definitely a concern because it's an upward trend," Morant said. "But the contribution of claims from the opioid epidemic has been less than 3% of the claims and has been less than 1% in the large face amount market.

"The absolute claims level has been contained within pricing margins. A company who focused on simplified issue, guaranteed issue or final expense might have a different outcome than what we have seen."

Some carriers have developed predictive analytics in their risk assessments, using machine learning to identify those with a higher propensity of addiction to mitigate the cost of screenings.

The data they're mining includes prescription drug databases, behavioral health claims, chronic disease history and even identifying those who smoke.

"We find that there's a very high correlation between higher opioid mortality and smoking status, with smokers having the higher opioid-related mortality," Munich Re's Morant said. "So we have suggested that there's probably a benefit to screen people that are either verified smokers or those who through these propensity models have shown to be highly likely to be smokers."

'A Signal'

The truth is no one knows exactly how many fatal opioid overdoses occur annually.

Multiple studies have found they are widely undercounted across the nation. Without an accurate number, public health officials and insurers have no way of knowing the full extent of the problem.

So many reinsurers and group life companies are studying their historic group claims looking for links to the epidemic.

The reasons for the undercount range from differing and inconsistent reporting and classification methods on death certificates, to the cost of toxicology screens and autopsies (which can reach $2,400 per decedent) to pressure from families who don't want "drug overdose" listed as the official cause of a loved one's death.

In fact, opioid-related overdoses are undercounted by 20% to 35%, according to a study published in February 2018 in the journal *Addiction*.

Chiu said life insurers may want to broaden their focus beyond overdose deaths to include accidental deaths.

"There is an increase in accidental deaths," she said. "It would be interesting to look to discern that population of people who use opioids and who get into car accidents or other accidents and it's fatal. Right now that's not accounted for in terms of opioid-related mortality."

More Than Morbidity

Canzanella's voice remained even, but subdued, as she shared her story.

She knows it can help others. And guiding advisers to recognize and help those who were in her situation is now "a calling."

"They have clients who are experiencing this," Canzanella said. "I get a lot of feedback that they're grateful to get a glimpse into what potentially may be happening with their clients."

Families facing addiction can suffer financial strains that are almost as devastating as their emotional scars.

Advisers have witnessed clients liquidate retirement accounts and borrow from their life insurance to fund mounting treatment facility bills and legal costs such as lawyers' fees, bail and court fines.

In some cases, financial advisers have seen drug-addicted children move back home, dependent on their parents. And in others, older adults find themselves guardians of their grandchildren, whether due to their children's incarceration, a declaration finding them unfit as parents or fatal overdoses.

People will bankrupt themselves or drain their retirement savings to help a loved one, Canzanella said. One woman told her she spent more than $100,000 trying to help her son, who eventually passed away.

"That's the lengths at which people will go to save their kids," Canzanella said. "We're not going to stop them from doing it. But I can share what the consequences are of taking that action."

She advises helping clients avoid penalties and taxes from withdrawals, reallocating assets to make them liquid and updating legal language that prevents clients from excessive spending. She also suggests rewriting trusts and legacy plans to limit or withhold benefits if a son or daughter suffers from addiction.

And she advises parents to buy life insurance on their children for guaranteed insurability.

"I've been pretty surprised to see how many people are opening up to me once I've shared this story or they hear my presentation," Canzanella said. "Then they say, 'Here's what's going on in my family.' … 'Here's what's going on with our clients.' … 'We just lost a client.'"

Despite the sharp increase in drug-related deaths in 2017, fatal overdoses in some areas have leveled in 2018. Maybe the epidemic is peaking.

But as the epidemic shifts, so does the life insurance industry.

The number of opioid deaths "is not uniform across life insurers," Chiu said. "It is very dependent on the underwriting practice and the product, whether fully underwritten—something like universal life—versus simplified, such as final expense.

"And it's still going to be a continuing problem in the case of different types of products such as simplified issue." BR

A Growing Need

Limra's Hartshorn: Asia, Latin America challenged by their burgeoning senior populations.

by John Weber

Governments around the globe are stressed by rising numbers of older people, many who lack financial support but are likely to live longer than previous generations, said Larry Hartshorn, corporate vice president and director, corporate research, Limra and Loma. Hartshorn spoke with AMBestTV at the Limra Loma conference in New York.

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

“The population in the Latin American markets, the ages 60 and over, in the next 15 years, will surpass those 15 and under. That puts a lot of financial stress on the marketplace.... In the next 20 years, the age 60-plus population in Asia will triple.”

Larry Hartshorn
Limra and Loma

LIMRA has done a lot of research in recent years on retirement trends in Latin America and Asia. What were some of the findings?

The retirement aspect is a global trend. Latin America, Asia probably more than others. There’s really three big findings, three reasons why we’re doing this. There’s a lot of economic stressors. The government sponsored pension funds are having to take a close look at their own solvency. Very often, the result is individuals having to take more responsibility for their own financial security.

Second reason is medical advancements. Longevity, life expectancy is increasing. The middle market’s increasing at the same time in a lot of markets. For those that can, they can participate more in their own health care, but the stressors are there nonetheless.

The third reason, and perhaps the biggest reason, is the rapid pace of aging. The population in the Latin American markets, the ages 60 and over, in the next 15 years, will surpass those 15 and under. That puts a lot of financial stress on the marketplace for the working population to contribute into those government sponsored systems, but then a lot of pressure on that population to have to support themselves perhaps more than their predecessors. In the next 20 years, the age 60-plus population in Asia will triple. Those are the three big findings.

How do you find consumers are changing in those markets?

We’ve completed a market study across Asia, nearly 10,000 consumers, really identifying what do they feel their preparedness level is and what are they seeking, the products they’re seeking, the benefits they’re seeking. They’re screaming for annuities, for lifelong guaranteed income. That’s the same across all these markets in Asia. We’re extending that exact same research to Latin America market now. We’re just starting. We’ll publish in 2019 and expect to find many of the same results.

However, consumers’ cultural differences, I’m sure they’ll be a little different. The Asian markets tend to have the very defined family structure. It was a big piece of financial security in older years. That’s changing a bit. Latin America has very strong family culture, but it also has perhaps an even stronger friends and family. Who is that friends and family network? How do they connect? That doesn’t always contribute to perhaps their individual financial security, but it is how referrals are done. It is how this industry interacts with that consumer group.

Based on your research, what would you say the big takeaway is for life insurers doing business in emerging markets?

Globally, consumers are in charge. We’ve all heard the term consumerism. It’s not new, but it is perhaps most relevant right now. Social networking, digital life. What is the definition today of friends and family? It includes the digital family.

The industry players have to accept that, acknowledge that, and realize that their avenue into engaging with customers, growing customers, keeping customers happy is truly the definition of consumerism. The consumers are going to say what they want. Can we meet that? We’re trying to do more and more consumer research to help along that way. Yes, the industries have been responding quite well. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Larry Hartshorn.

Leadership 2.0

As CEOs and other top industry leaders retire, many insurers are finding that they have not done enough to develop the next generation and they now lack a deep bench of candidates to step into those roles.

In this section, *Best's Review* looks at the industry's leadership problem, as well as some of the programs insurers have launched to try to retain and develop top talent.

Other features include advice from CEOs on leadership, a look at board succession planning, the industry's use of internship programs and how New Mexico State University, located far from the world's major insurance centers, came to have a thriving risk management and insurance program.

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Generation NeXt

With boomers retiring and leadership requirements changing, the industry could face a leadership gap if it fails to develop its internal talent, especially Gen X.

by Kate Smith

Of the 50 chief executive officer searches The Jacobson Group has done in the past four years, each was to replace a baby boomer.

"Literally, all have been the result of retirement," Greg Jacobson, co-CEO of The Jacobson Group, said.

It's a trend that's bound to continue. And it's also a trend that could prove problematic for insurers.

As baby boomers set off into retirement, the insurance industry is facing a potential leadership shortage. Not only has the industry failed to attract enough talent to replace those retiring, but it also has failed to prepare existing talent—particularly Generation X—to take over the top management spots.

"Organizations have missed the boat on talent development across the board," said Limore Zilberman, a consultant at executive search firm Russell Reynolds Associates. "They more recently have done better in focusing on the talent development of their senior leaders. But by the time you're a senior leader, if you haven't collected all the arrows for your quiver along your whole career path, you're at a real disadvantage when it comes to being considered for CEO succession."

This problem is not new per se; experts say the industry has never excelled at training leaders. But the issue is now magnified by three key factors—retirement, a hot job market and digital transformation.

Senior leaders are retiring en masse, triggering panic over the institutional knowledge walking out the door. Unemployment rates have been at or near record lows, which has created talent wars for top performers. And the insurance industry is going through a time of significant transformation, which means tomorrow's leaders need different skill sets than their predecessors.

The collision of those forces has brought leadership development to the front burner.

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

Key Points

Executive Exodus: As baby boomers retire, the industry could struggle to fill the leadership gap.

Silent Generation: Companies focus on millennials and baby boomers, but training Generation X should be a priority.

Broad Exposure: In an industry of specialists, companies need more generalists.

While simple numbers do play a role in the looming leadership shortage, the size disparity of generations is not the driving factor. (Generation X, which logically should be next in the leadership line, is significantly smaller than the baby-boom generation.)

The bigger issue is a lack of internal talent development both downstream within organizations and across the whole life cycle of employees. Middle management, which should be a breeding ground for future leaders, has been neglected, experts say. And even those who are being groomed may not be receiving the right training, as many organizations fail to recognize the need to change their leadership qualifications.

"Too many companies say, 'This is what our great CEO has done for us, so we're looking for someone who's like our great CEO,'" Jacobson said. "But, wait a second, the great CEO took the organization from one place to another place. What are the next 10 years going to look like? Who can take you through the next changes?"

Identifying and preparing those next gen leaders will be key to staving off a leadership gap.

"I wouldn't say the crisis is here yet," Laurie O'Shea, the global sector leader of Korn Ferry's insurance practice, said. "I would say, if we wait any longer we'll have a leadership gap on our hands."

Narrow Lanes

Insurance has been an industry of silos. Employees traditionally have lived in the underwriting world. They've lived in the claims world. They've lived in the finance world.

"This was an industry that was built on specialization," Zilberman said. "People were hired because of their technical prowess and because of their technical acumen and their technical contribution.

"Organizations have kept people in very narrow swim lanes and have been very focused on their technical contributions."

Leadership training, per se, was not a big focus.

"I wouldn't say the insurance industry ever invested a lot in leadership development. I would say they were the beneficiaries of specialization and trusted that great technical leaders could lead organizations," O'Shea said. "And in the past, that was very, very true. Think of all the extraordinary actuaries, CFOs, people who came up through the technical side of the business who have been chief executive officers in our industry and have done very well," O'Shea said.

That worked well enough in the past, but experts say it won't work in the future. Technology is creating new demands on talent and leadership.

"Albeit [technical acumen] is still important in the success of an insurance company and the insurance industry as a whole, the landscape of leadership is going to change," Zilberman added. "The expectations of leadership are going to change. Our technical talent is not necessarily well-poised to take on broader leadership capabilities."

The industry therefore needs to train its specialists to become generalists.

"Have we gotten here because we're an industry filled with specialists? I would say yes, and a leadership gap can exist if we don't continue to develop general managers inside of organizations," O'Shea said. "I don't think this is a problem that gets solved by musical chairs.

"The systemic answer is a greater investment in learning and development, and focusing on taking these extraordinary specialists and identifying early which specialist has the learning agility, the leadership, the inspiration, the vision, and the technological savvy to be able to step up and become a general manager."

New Leaders

In today's environment of constant technological change, companies need a different type of leader to carry them into tomorrow.

Zilberman calls them "the best athletes."

"They're agile, they're adaptable, they're quick learners, they're good problem solvers, they're forward-looking," she said. "Frankly, that is the skill set insurance companies should be focused on. Those types of people can be put at the helm to manage the lower ranks of the organization that might carry more of that technical expertise."

Learning agility—the ability to adapt to change, see around corners and anticipate what's coming—may be the most valuable tool in a modern executive's kit, experts say.

"It's incumbent upon insurance organizations to put the dollars behind the people that they believe are learning agile and can become general managers," O'Shea said.

Not everyone has that ability, though. And not everyone who grew up within the traditional silos of insurance will have the capacity to lead in the new operating model.

"Our talent was brought up in an industry that was so traditionally organized, and that is not going to be the right operating model moving forward," Zilberman said. "Frankly, those individuals might not have the right general

“Organizations have kept people in very narrow swim lanes and have been very focused on their technical contributions.”

Limore Zilberman
Russell Reynolds Associates

management skill set to make the transition with insurance companies that want to be known for their technology capabilities.”

Jacobson said the problem can be seen across the C-suite. It’s always been difficult to find CEOs, he said, with searches taking six to nine months in total. But it’s becoming increasingly difficult and costly to find qualified candidates across the broader senior leadership landscape.

Part of the difficulty relates to corporate expectations. Many companies are searching for a unicorn—an executive without flaws. “Companies have to recognize that there are no perfect candidates,” Jacobson said. “Every individual has areas where they need development, regardless of their position.”

But there also is some truth to the notion that qualified candidates are lacking.

“It’s a background numbers game,” Jacobson said. “There just aren’t as many people who have

"Compensation is going up very significantly for the top positions because the supply and demand is out of balance."

Greg Jacobson
The Jacobson Group

the experience required for the next-level role.

"You can see it in compensation. Compensation is going up very significantly for the top positions because the supply and demand is out of balance."

Restoring balance requires a greater investment in Gen X.

"We're so focused on how to attract and retain and challenge millennials. And we're so focused on baby boomers. But it's the Gen X generation that needs the investment, because they're the leaders of the future for the industry as a whole," Zilberman said. "We need to equip them with the right skill set to be able to succeed in a landscape that is going to look very, very different."

With employee assessments readily available, experts say, it's easy enough to identify which employees have industry experience, but also are nimble enough to embrace new ways.

"We've been very good thus far at gathering assessment information," O'Shea said. "The real question the industry is faced with is: With all the data you have on your people, what are you going to do to exponentially accelerate and help create a leader, a general manager?"

Training Ground

The solution, experts say, lies in exposure. In practical terms, that could mean more rotational assignments to expose potential leaders—particularly the Gen Xers—to various parts of the business.

"The 36- to 53-year-olds can still come up through the underwriting ranks, the product management ranks or the financial officer ranks," O'Shea said. "But are we really preparing them to move from finance to underwriting to product? If you start them at 36 and have the right rotation for them, then when they are 45 or 48 and getting ready to be CEO, they won't have had a siloed experience." Zilberman agreed that cross-functionality should be a priority.

"Going forward, what you need to do to cover the gap is ensure that you're giving your internal talent a lot more internal mobility and that you're really breaking down the organizational silos across functions," Zilberman said.

"You need to find ways in which talent, especially your high-performing talent, can work cross-functionally and contribute cross-functionally.

"I do think that organizations have a ripe opportunity to think about this cross-pollinization of talent internally."

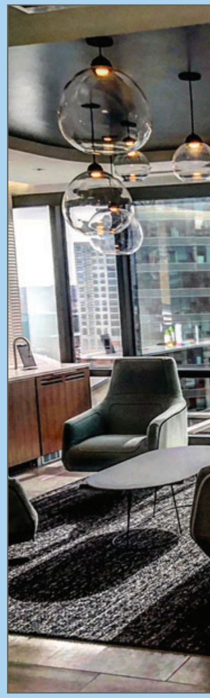
Zilberman also suggested organizations focus on experiential learning and an apprenticeship model, which would help transfer knowledge from baby boomers.

"There is a ton of institutional knowledge that is literally about to walk out the door," she said.

The industry still has a few years to course correct, experts say. But time is not on its side.

"Insurance companies need to own this," O'Shea said. "The development of general managers, the development of what is needed in a new type of leader, has to be embraced throughout the enterprise. It can't be thought of as, 'We only need to do this at the time of the CEO transition.'

"There is only one CEO role in every company. They might turn over every four or five years. In preparing for a CEO transition, you need to be thinking three to five years in advance about who the candidates are, what their developmental needs are and how to develop them. But the bigger issue is we are an industry of specialists. If we begin to take the 30-somethings and invest in their development to begin to think like enterprise leaders, to think about disruption and what's needed in the future, that's where the systemic change will come." BR



FACELIFT: Swiss Re's offices (above) have been redesigned to increase workspace flexibility.

Retention

With the U.S. unemployment rate dropping to a 49-year low of 3.7% in 2018—and insurance industry unemployment dropping to a 10-year low of 1.2%—it's tougher than ever to hang on to top employees.

"There's no question in my mind that retention has to be your No. 1 priority," Brian Wood, vice president of human resources for Cincinnati Financial, said. "If retention starts to get away from you and we get into a labor market like the one we have now, things can get really hard really fast."

Retention is key to talent development, and talent development is key to succession planning. To be successful tomorrow, companies must train their future leaders today. Part of the challenge in that is keeping top performers content.

"We've had really, really low unemployment for a long, long period of time," said Greg Jacobson, co-chief executive officer of executive search firm The Jacobson Group. "There is fierce competition for the most talented people in the industry. Companies, in some situations, are not hanging on to the people that will become their succession planning candidates."

When it comes to retaining talent in a competitive job market, benefits and incentives go a long way. According to a poll by employment website Glassdoor, nearly 80% of workers would prefer new or additional benefits to a pay increase.

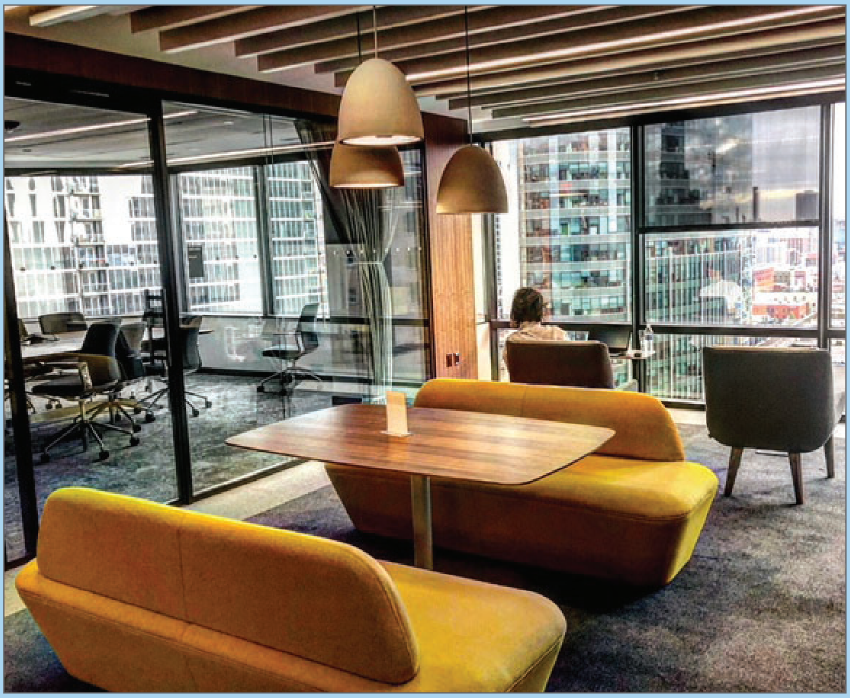
But not all benefits are created equal. A Glassdoor Economic Research study showed three core benefits—health insurance, paid time off and retirement plans—had the highest correlation with employee satisfaction.

"You can't assume that traditional medical, retirement and pay will not continue to be an important aspect of getting things right," said John Novak, head of human resources—Americas for Swiss Re. "Our goal is to always be at or above market in our core benefits. That's a big selling point for us. We're in the insurance industry. If we can't get it right, who can?"

While nailing the basics is crucial, some companies have gone above and beyond to retain and develop talent. From student loan repayment

Photos courtesy of Swiss Re.

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



Plan

Carriers get creative to keep employees happy.

by Kate Smith

benefits to stock options to paid sabbaticals, insurers are trying to become more creative in finding ways to keep employees happy.

United Educators, for instance, offers a four-week paid sabbatical to employees at 10 years of service (and every five years thereafter). Frontline Insurance gives employees $200 per month to use at local restaurants. And PURE pays $100 per month toward its employees' student loans, placing it among the 4% of companies that offer a student loan reimbursement benefit, according to the Society for Human Resource Management.

Swiss Re, Aflac and Cincinnati all have turnover rates below the industry average of 10.8%. *Best's Review* interviewed their human resources leaders to find out which programs and benefits play the biggest role in helping them hang on to top talent.

Modern Living

Glassdoor ranked Swiss Re No. 15 on its list of companies with the top benefits and perks for 2017. The site singled out the reinsurer for embracing flexibility in the workplace, which is manifested in Swiss Re's "Own the Way You Work" program. Five years ago, Swiss Re embarked on a redesign of not only its workspaces but also its work style.

"There was an acknowledgment in the marketplace that traditional ways of working—showing up at 8, having your hour lunch, leaving at 5—was going by the wayside," Novak said. "This wasn't only a generational change. It wasn't simply that younger workers were looking for flexibility; it was the whole workforce.

"We also were seeing that from a technology and a workspace perspective, there were new tools coming online, so from most anyplace in the world you were able to conduct business. The workspace was changing, moving away from standard offices and cubes to a more open and agile environment. Putting all of that together we came up with Own the Way You Work."

The idea wasn't to simply create flexible schedules where employees could agree with their manager to work two days a week from home, although that is indeed part of the program. The intent was to create a flexible environment.

"That could be as simple as needing quiet space where you can put your head down and get work done," Novak said. "Or it could mean being able to deal with personal issues away from the office, so thus, work from home. Sometimes it could mean being physically co-located with your team members so you can collaborate in a live environment.

"The vast majority of our offices have moved to a completely agile, open-space environment. When people come in, they can log in or sit wherever they want."

Nearly 80% of Swiss Re's global offices have been designed for increased flexibility.

Novak said Swiss Re considers Own the Way You Work as a key part of its employer value proposition.

"We get high marks [in pulse surveys] in terms of employees saying they feel Swiss Re gives them the flexibility to work in a way that fits their personal schedule," Novak said. "And when we look at our employer brand and position ourselves in the marketplace, this is front and center along with our commitment to social responsibility."

The idea that you can be flexible and don't have to work 10 hours physically in the office every day does take some getting used to, especially for managers, Novak said.

"We spend a lot of effort and time training our managers how to manage teams in an agile environment, how to be flexible, how to collaborate when you're not physically in the office, how to communicate effectively using tech like Skype and instant messaging and other tools," he said.

Parental leave, flexible benefit plans, a diverse workforce and opportunities to live and work overseas also contribute to Swiss Re's turnover rate of less than 10%.

"Our goal is, of course, to retain the vast majority of the workforce every year," Novak said. "That said, you do want some attrition because it allows for reasonable succession and people to progress. So truly zero attrition is as bad as too high attrition in some respects."

Relationship Status

With an average tenure of close to 18 years, Aflac is doing something right to keep its employees satisfied. The company landed a spot on *Benefits News*' 2017 list of 10 companies with the most innovative benefits.

Matthew Owenby, chief human resources officer, said Aflac's focus on creating individual relationships with employees is central to Aflac's success.

A key component to that is Aflac's personalized development plans for every employee. Aflac's Career Success Center meets individually with employees to create custom career packages that map out skills and experiences to achieve.

"This is the non-'Dilbert' version of HR," Owenby said, referring to the comic strip about a micromanaged office. "We like for things to be self-directed. We employ a mature professional workforce. They need to have ownership of their career, but we need to be a partner with them to help that. We are here to serve our employees, and that really means serve them. If they want to meet 10 times about their career development plan in a month, we're going to meet 10 times with them."

For its young workforce—40% of its workforce is made up of millennials—talent development is particularly important.

"While I don't buy the idea that millennials are different as a cohort demographic, I do believe they have a higher level of expectation from their employer than Generation X," Owenby said. "It's not uncommon for Generation X to allow a company to manage his or her career. It is very unusual for a millennial to allow a company to manage their career without any input.

"They want to have a clear line of sight. 'Tell me how I get from Point A to Point B to Point C. And please tell me what my long-term, defined as three- to five-year, opportunities will be.' So career development is critical to maintaining the millennials."

For its more tenured employees, Aflac offers help with resume writing and interviewing skills. The goal is to make internal candidates as strong as external ones when competing for open positions.

"We noticed years ago that our internal resources were not happy with the process of internal movement. We dug into the reasons behind that," Owenby said. "Since we have long-tenured employees, very few have gone through a formal interview and a formal resume writing process. So they were at a big disadvantage to people who were applying from the outside.

"One of the services we offer is we will sit down with you and build you a modern version of your resume, as well as teach you interview styles and approaches, so you're on equal ground with external applicants."

Since 2015, more than 1,200 of its 5,200 employees have received promotions through Aflac's career development process, Owenby said.

Beyond its talent development initiatives, Aflac also gives awards for tenure and provides on-site childcare facilities and health clinics.

"We are heavily focused on having relationships with our employees and making them feel cared

“We want people to be here a long time, and it’s very difficult to quit a good relationship.”

Matthew Owenby
Aflac

for, for the purposes of caring for our customers and caring for our business,” Owenby said. “We want people to be here a long time, and it’s very difficult to quit a good relationship.”

Cumulative Value

Cincinnati starts with the basics, then adds a mountain of perks on top.

“You have to have a good foundation. Your health benefit, your leave of absence benefit and your retirement plan all have to be really good,” Wood said. “The other things we stack on top of that are the things that would differentiate us from other employers in the marketplace.”

Cincinnati’s list of perks is long—think free lunches, vacation giveaways and a company picnic at an amusement park—but some of its biggest differentiators are financial incentives.

Not only does the company offer bonuses for obtaining professional designations, but it also offers stock options to all exempt level employees.

“I don’t put that in the perk bucket, but I will say it’s fundamental to our compensation structure,” Wood said. “We do stock options and restricted stock units for all exempt level staff every year. We also expand that and do what we call ‘holiday shares.’ Those go to all of our associates, whether they’re hourly or salaried. They get a share of stock for every year you work here up until a maximum of 10.”

Stocks are a great way to build employees’ long-term wealth while also building loyalty.

“I’d be reluctant to say one or the other of our perks affects retention. The stock piece, though, does,” Wood said. “The ties to the company that stock creates are pretty incredible.

“When you’re a shareholder of the company, you’re more likely to make decisions based on what is best for the long-term health of the company.”

Cincinnati also partners with The Institutes on training programs. It pays for its associates’ study materials, online practice exams and exam-sitting fees for professional designations. Employees who pass the CPCU exam receive a bonus and a company-paid trip to the CPCU annual conference.

“The last few years the conference has been in Hawaii, so we’ve sent them to Hawaii along with their spouses,” Wood said. “We want to make it as special as we can.”

Cincinnati also rewards employees with free vacations. The company owns four condominiums in Fort Walton Beach, Fla., and its associates occupy those four units for 10 months out of the year. Department heads give away vacation weeks to employees who deserve extra recognition. “It’s a pat on the back,” Wood said.

The company also provides stipends for the cafeteria and free tickets to the Cincinnati Zoo, university sporting events and local arts events. Employees and their family members are invited to the annual picnic at King’s Point amusement park, which closes to the public for the day. Plus, employees who have tickets to opening day of the Cincinnati Reds don’t have to use PTO to attend the game.

The cumulative value of its offerings shows in Cincinnati’s turnover rate, which is below 7%.

“We’re less concerned about what everyone else is doing and more concerned that we’re doing the right things that allow us to attract and retain folks,” Wood said. “And it works really well. We’re hanging onto really good people.” BR

Learn More

Swiss Re (AM Best # 058595)

Aflac (AM Best # 069824)

Cincinnati Financial (AM Best # 058704)

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

Words of Wisdom

Insurance industry leaders share their insights into leadership and what they have learned as they've moved up the ladder.

Senior Associate Editors **Lori Chordas**, **Jeff Roberts** and **Kate Smith** contributed to this story. They can be reached at *bestreviewcomment@ambest.com*.

Today's insurance CEOs may be in a top role now, but it wasn't always that way. Along the way, they had to develop their skills, build networks, take chances and learn from experience. *Best's Review* reached out to several insurance industry CEOs and asked them to share with rising executives some of the lessons they've learned and offer words of advice that might help the next generation as it prepares to move into leadership roles.

Take Risks

If I had to choose one subject to stress as the critical area of focus for our industry, it would be talent. And by talent, I mean the 21st century version: a combination of multifaceted skills, bold perspective, innovative mindset and unshakable courage. Our current and developing leaders need to possess a broad and deep array of attributes in order to succeed, and to lead, in our rapidly evolving industry.

Why? Because insurance has taken far too long to acknowledge and respond to the winds of change. Rapid advances in data science and technology, a lack of interest in the sector as a career, the rise of diversity and inclusion as a business imperative, and the expectations of a multigenerational workforce demand a reshaping of how our companies are managed.

Today's leaders need impeccable technical skills as well as effective "softer skills"—a bit of a misnomer, as the empathy and compassion included in that description can be much harder to master than professional qualifications. But in today's working environment, they're also critical.

My best advice for charting a satisfying and successful career in insurance is to ignore the maxim "Stay in your lane." You can't gain the skills, perspective, mindset and courage I mentioned earlier by restricting your experiences and opportunities for growth.

I know that my career has been enriched by taking advantage of every opportunity—no matter how large or how small—and taking a few risks along the way. Doing this introduced me to people I'd never have met and took me to places I'd never have gone if I'd been rigid in my focus.

So stay open, flexible and curious, and have the courage to get in over your head from time to time. You'll develop the talent you need to be a leader—and you'll be surprised at where that talent takes you.

Pina Albo
CEO
Hamilton Insurance Group

Focus on Strengths

So often, we tend to focus on our weaknesses and areas for development as we look to advance our careers. More important, I believe, is recognizing and developing your strengths. Once you understand these, you will more confidently approach new and different career opportunities.

Dennis R. Glass
President and CEO
Lincoln Financial Group

Be a Team Player

My advice to future leaders in the industry would look something like this:

• Accept the fact that you are not the smartest person in the room and listen to what others have to say. A leader needs to make decisive decisions, but the backdrop for those decisions most often comes from others. Once the decision is made, have your team execute and make sure the people responsible for providing the key points in favor of this decision get the credit.

• Get close to your employees and meet with them on a regular basis. You will be amazed at what you can learn from employees on ways to improve efficiency and workflow.

• Avoid the use of the word "I" as much as possible. Replace "I" with "We" whenever you can.

• One of the main reasons someone gets to a leadership position is because they are well-liked and well-respected. Remain approachable and do not retreat to the ivory tower once you reach the top position. Answer your own phone and get your own coffee.

• Avoid implementing any process designed to catch someone doing something wrong. Trust your people 100% of the time—until they give you a reason not to.

• Check your ego at the door every day. Just because others might think you are the most important person in the company doesn't mean you have to. You win as a team and lose as a team. It's not all about you.

• Be polite and respectful to everyone you work with. There is nothing wrong with a CEO saying "please and thank you" to others on a regular basis.

Robert D. (Bob) O'Leary
President and CEO
Philadelphia Insurance Cos.

Aim High, Then Recharge

We all know the world today is moving incredibly fast, led by rapid developments in technology that are causing disruption in multiple industries—including ours. To thrive in an environment like this, I have two pieces of advice.

First, whatever your role is or where you sit in your organization, shoot for the moon. Establish big, bold, audacious goals that stretch the limits of what you think you can accomplish. The people who are running companies that are redefining the customer experience—whether it's Amazon, Apple or Netflix—think this way. They are never content with where they are today and know there is always a way to do better. When you think about the role our industry plays in providing security and peace of mind for hundreds of millions of people, it's important for all of us to think this way. And if you fail or face setbacks along the way, don't let that stop you. Learn from your mistakes so you can deliver a better outcome next time.

On your way to the moon, you may need to recharge, and that's my second piece of advice—take time to unplug and refresh. We're all tied to our devices 24/7, so this is harder than ever, but disengaging does wonders for your mindset and outlook. Over the past few years, I've become a big believer in getting the right amounts of exercise, meditation and sleep. In fact, I am going to a weeklong retreat in February for a complete "digital detox" where the only thing on my agenda is to read, think and reflect. And you know what? The company will still be there when I get back—and I'll be more invigorated and revitalized to rejoin it.

Roger Crandall
Chairman, President and CEO
MassMutual

Clients Matter

The best advice and mentoring I received early in my career was to get as close to the customer as I could. This wasn't easy for someone trained as a product actuary, but I had a mentor who helped create opportunities for me to interact with producers, and eventually with their clients. I learned a lot, and continue to practice that same advice today with the goal of trying to understand what's going on in clients' lives and how I can help solve those challenges.

Jim Morris
Chairman, President and CEO
Pacific Life

Stay the Course

Three words will make more of a difference in your career path than any other: Never give up.

I was never the first person picked on the playground in grade school. I'd wave my hands in the air saying, "pick me!" but I was always the last one picked. Yet I never gave up. I played my hardest. In my professional career, I was often passed over for promotion. When I was offered a position, I was usually the second or third choice. But I took every opportunity, gave it my best, and I never gave up. It sounds so simple, but persistence will propel your career—ultimately into a leadership role if you choose. I guarantee it.

Also within the lesson of never giving up is the importance of action. When I fail, I always want to fail by action. I never want to fail by passive fear. When you encounter an obstacle—and you will—it's difficult to overcome your initial paralysis. It's daunting, even frightening. But if you don't act, failure is guaranteed. Yes, take time to analyze the situation, but then take fearless and decisive action. I would rather go down swinging. I would rather fail while giving it my best rather than have inaction determine the outcome.

Lastly, have fun in everything you do. Wait—have fun in your job? Absolutely. Your workday never ends if you're not having fun. Find anything in your work and career that you like doing, and then find ways to do more of that. Find ways to make your role in life as enjoyable as possible. Life is simply too short not to have fun.

Ben Salzmann
President and CEO
Acuity

Be a Good Listener

Throughout my career and at Nationwide, I have been fortunate to be surrounded by colleagues who are smart, have a natural curiosity and an ability to build strong relationships and demonstrate influence. In addition to those personal characteristics, identifying opportunities for continuous learning and seeking out individuals who will question your ideas creates better outcomes. Combined, these are all qualities that are central to advancing in leadership.

As influence increases, leaders should be confident in setting high goals and accountable when managing through challenges. It's important to be open to taking calculated risks to achieve success. For example, early in my tenure as CEO I knew I wanted members of my leadership team to have broader experiences. With that in mind, I asked most of them to lead business areas in the organization with which they had little or no experience. In doing so, their learning would open the door for them to share new perspectives, and possibly challenge past practices. It also created an environment for more holistic strategic planning discussions as a leadership team. This has become an effective ongoing practice for Nationwide.

Each of these thoughts on leadership connect to one crucial recommendation for those who want to have a significant leadership position —never stop listening. Effective listeners gain insight that unlocks the potential for endless success.

Steve Rasmussen
CEO
Nationwide

On Board

Julie Daum, of executive search firm Spencer Stuart, discusses the new skill set requirements needed in the boardroom and the ongoing search for next-generation directors.

by Lori Chordas

Organizations and institutional shareholders are now demanding a younger presence at the boardroom table.

They're vetting "next-gen directors" who have an invaluable digital skill set and perspective on areas such as digital marketing, e-commerce and cybersecurity, said Julie Daum, who leads the North American Board Practice at Spencer Stuart, an executive search and leadership advisory firm.

Statistics bear that out. More than one-third of directors appointed to a Standard & Poor 500 board in the past two years lacked experience as a public company director, according to the *2018 U.S. Spencer Stuart Board Index*. The report examines the latest data and trends in board composition, board governance practices and director compensation among S&P 500 companies.

This year more than half of new directors at those organizations will be stepping into the boardroom for the first time, said Daum, who has conducted more than 1,000 board member assignments for companies such as Whole Foods, Amazon, Nike and numerous spin-off boards.

Technology, globalization, regulation, management turnover and other business disruptors are driving big changes in the boardroom and prompting the need for agile boards with the expertise to navigate those evolving threats and opportunities.

The unprecedented pace of change is also "reshaping" the way companies are addressing board succession, Daum said.

No longer is a CEO or individuals with prior board experience a must-have. Companies now

Key Points

Across the Board: Workforce dynamics are changing and so too must corporate boards.

Young Blood: Younger directors are gaining more of a foothold in the boardroom, bringing technology skills and currency to their roles.

Getting the Job Done: Insurance boards are also embracing diversity and experience to influence change inside their organizations.

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

are seeking director candidates with a new type of talent and a different perspective, she said.

Diversity is also increasingly becoming part of the board succession planning discussion.

For the second consecutive year, women and minorities compose half of the incoming class of S&P 500 directors, according to the *U.S. Spencer Stuart Board Index*.

Best's Review talked with Daum about what steps insurers can take to plan a strategic approach to board succession and the need to cast a wider and deeper net to identify qualified candidates.

What trends are you seeing around board succession planning today, and how has that process recently changed?

Boards have traditionally relied on retirement age for refreshment, waiting until someone reached mandatory retirement age to replace them.

The most common mandatory retirement age is 72, set by 43% of S&P 500 boards with a retirement age requirement.

Today's boards recognize that the world is rapidly changing and there's a need for new skill sets in the boardroom.

While wisdom is needed in the room from people who have served on boards for a while, you also really need people who understand the current competitive environment.

It's important for insurers to think about board composition and to have a plan in place that includes identifying necessary skill sets and comparing that to those already in place on the board. The board must have a mechanism to ensure board refreshment, pinpoint talent shortfalls and a process to fill in the gaps. Also, boards must evaluate the contributions of the sitting directors who have to ensure their skill sets are still valuable.

Today, there's a larger focus on what skills companies need in the boardroom and how they can get those. That has to be an annual conversation rather than a discussion that arises only when a board opening is available.

What are some of the new skill sets desired by boards today?

Boards are looking for people with technology backgrounds; who have been through transformation and disruption; who understand how to interact with customers in many ways; and, depending on the board or company, have global experience.

It used to be that every board looked for CEOs of companies of the same or larger size. But now companies recognize that they need people with technology, data analytics and digital experience as well as other skills. They need people who are active, not retired, and who will be staying current.

Also, financial talent remains a priority. Boards continue to be more focused on recruiting financial experts with experience as CFOs or investment professionals, and less interested in accounting and banking backgrounds.

What should insurers now be thinking about when planning for board succession? How can insurance boards take a more strategic approach to planning for their own succession?

The first thing is to take a step back and ask, 'In an ideal world what is it we need in the room?' If you had a blank sheet of paper, how would you design the board? You should periodically review the skills and experiences of the current directors to identify potential gaps. Finally, prioritize the skill sets you need. For example, it might be nice to have someone with global experience, but it may not be a mandatory requirement.

What trends do you see around the rise of the "next-gen director"? How is that young talent bringing a different approach and perspective, along with a more diverse voice, to the role?

There isn't much board turnover in the United States. In fact, the rate at which S&P 500 board seats turn over is quite slow at only 8% in a given year.

We are slowly seeing younger people come into the room. Last year, 17% of the incoming class of S&P 500 directors were age 50 or younger. And about one-third of new directors last year never served on a board before.

Companies need to bring in new voices and people with different sets of experiences. On the other hand, younger people don't have board, and as much executive, leadership experience so it might take them awhile to understand the role of director. They will have a learning curve, but they do bring currency to the board and a new perspective on reaching customers.

Today, insurers are increasingly moving online to reach customers. That's different from the traditional approach of relying directly on brokers to make those connections. This new approach requires new skill sets, such as tech-savvy, digital experience, that probably never existed on the board because there wasn't a need for it in the past.

What are companies looking for from these next-gen directors in terms of knowledge about technology, digital transformation and social communication?

That's really where companies are looking to these younger individuals. Insurers in the past looked for individuals with insurance experience, perhaps someone older who held many different jobs in the industry. But if boards really want to understand how to interact with today's customers, they need to look at someone younger, perhaps someone who may not even know anything about insurance.

While boards can largely benefit from bringing in younger directors, what else must insurers do to prepare those directors for success through onboarding, integration and an open-minded attitude toward their contributions?

Boards concentrate on the recruitment process, which can be difficult and time-consuming. But today there is also a greater need for a thoughtful onboarding process to help young directors get smart about a company, get to know other board members and the management team and to have someone on the board who acts as a mentor or buddy to help them understand how the board operates. That's quite different than how it used to be done when there was very little orientation for new board members. New members just sat down with a CFO or CEO and off they went. But now there's a recognition that more time and training is needed to bring a new director up to speed as quickly as possible.

> "A board seat is valuable real estate. So it's important to make sure you understand what an individual can contribute."
>
> **Julie Daum**
> Spencer Stuart

What should future young directors do to take the initiative and shape a program to help them get inside the business?

They need to spend time getting to know the industry and the company, its strategies, challenges, products and services, key customers, major investors and the culture of the board. For example, someone moving onto the board of a manufacturing company should do a site visit. A new director in the insurance industry could attend an industry trade show or a carrier's annual meeting for its top producers. It's important for young directors to educate themselves quickly about the business.

What potential challenges are companies now contending with when it comes to board succession planning, and what's needed to overcome those hurdles?

One challenge is the tradition on most boards that directors stay on the board until they hit retirement age. Boards need to change the conversation and evaluate their board to make sure people are relevant and contributing. If a company brings on a 45-year-old director with digital experience, is it realistic to think he or she will stay on the board for 30 years until retirement age? Of course not. So boards need to start having those conversations with all directors to understand how long they plan on staying on the board, and evaluate if they're contributing to the post and have the necessary skill sets going forward.

Are boards still faced with pressure about gender diversity, and what should companies do to address those concerns?

It's amazing that we're even still having this conversation in 2019. But institutional investors have shone a light on this issue because companies with diverse boards perform better.

For the second year in a row, women and minorities made up half of the incoming class of S&P 500 directors.

And women are assuming more board leadership roles. Women now chair 20% of audit committees, 19% of compensation committees and 24% of nominating/governance committees, according to Spencer Stuart's *U.S. Board Index*.

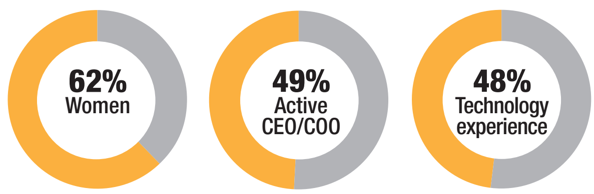
Diversity should include gender, ethnicity, age and global experiences. Spencer Stuart's recent *U.S Board Index* found 13% of new independent directors were born outside the United States, compared to just 8% in 2017. And 32% of directors have global professional experience, which is defined as having worked at an international location.

What role does technology play on the board, and should companies have a technology or digital expert in the boardroom? What is the board's role in driving innovation?

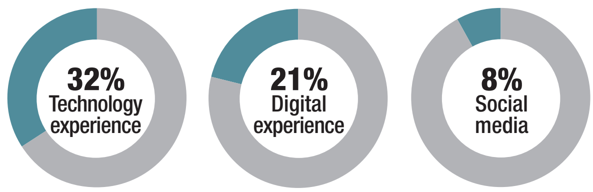
It depends largely on the business. I think many boards believe they need someone who has a technology background, but that may mean different things to different companies. For example, it could be someone who knows how to use technology to reach customers or someone who is proficient in areas like digital marketing, artificial intelligence, machine learning or cybersecurity.

A board seat is valuable real estate. So it's important to make sure you understand what an individual can contribute.

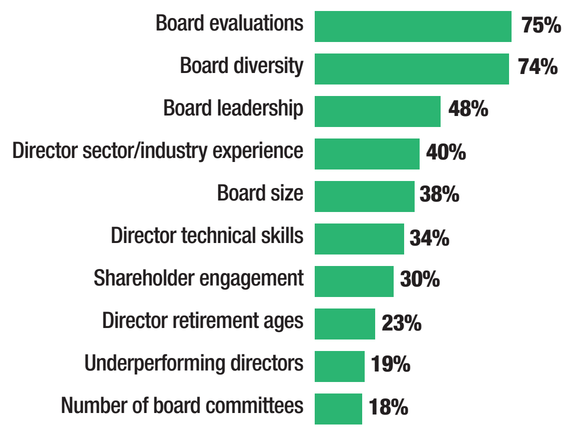
Highest-Priority Board Recruiting Profiles



Top Skills/Qualifications of Younger Directors



Nominating Committee Issues Over Next 3 Years



Source: *2018 U.S. Spencer Stuart Board Index*

Is the pool for traditional board candidates shrinking? How is that opening up the door for talented individuals to position themselves for board service?

In the past, CEOs served on multiple boards but now less than half serve on one. This opens up the boardroom.

Now people who weren't in boardrooms have an opportunity to serve. And when you are looking for digitally-proficient, younger directors no one in the boardroom knows them. The door is opening up for a new group of individuals.

How can companies identify and recruit those talented new directors to their boards?

Boards should be clear about what they want and proactively define and communicate the skill sets and expertise that are important to them. They need to cast a wide net and not just look around the room and ask, 'Does someone know anyone who looks like this?' Look for people who are the best at what they do, not necessarily just those known by other board members. That's a big shift.

Boards have always felt comfortable recruiting someone they know. Now boards recognize that just because you don't know any 45-year-old technology-skilled candidates doesn't mean you can't interview unknown prospects and select the best one. That's a new mindset.

How is Spencer Stuart helping companies with that process?

We are hired by boards to help them define the criteria for what the ideal director looks like and then identify individuals who meet that criteria. We work with boards to interview potential candidates and select the ones who fit culturally and have the necessary skill sets.

Last year, nearly half of our board placements were women or minorities. Diversity is something we value.

What is the future outlook for board turnover and board appointments, and will the pace of director retirements increase? Will we continue to see new faces in the insurance boardroom?

U.S. boards are aging and that inevitably will spur more retirements. Today, the average age of S&P 500 directors is 63—two years older than a decade ago at 61.

I expect to see more turnover in boardrooms, and boards will need to start thinking about turnover in a different way.

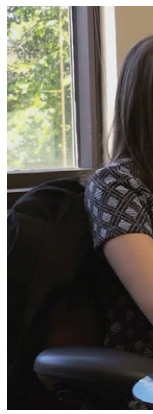
We'll continue to see people serving on boards for shorter tenures, which will enable boards to continually update skills in the room. That will be a big change as companies will be constantly adapting to a changing world.

I also expect there will be different kinds of people coming in and out of the boardroom versus the old style of having senior statesmen on the board who join and stay for decades.

In insurance, there will always be a need for people who understand the business. Insurance isn't intuitive, and industry expertise is critical.

It's important to remember that boards can be a strategic advantage for an organization. Companies need to constantly be thinking about how to create that advantage and create a road map for future board succession. BR

A Talent



Insurers that offer college internship programs have an opportunity, in a hot job market, to get an early start on identifying promising job candidates.

by Meg Green

Photos by Scott VanDemark

Companies looking for a head start in the race to attract new talent need to have an internship program, industry experts said.

Internship programs not only help students in their search for a full-time position. They help businesses gain an edge over competitors in the hunt for talent, locking down promising candidates before a rival has a chance to do so.

Reliance Standard Life Insurance, a unit of Tokio Marine, for instance, likes to hire the majority of its entry-level positions through its internship program, said Patrick Wicks, director of talent acquisition for Reliance Standard.

"We do have an advantage over other companies without an internship program," Wicks said. "Companies need to get it together or they will miss out."

Decker Youngman, chief recruiting officer for independent insurance broker Brown & Brown, said

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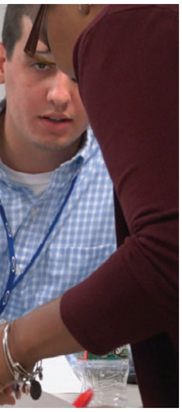
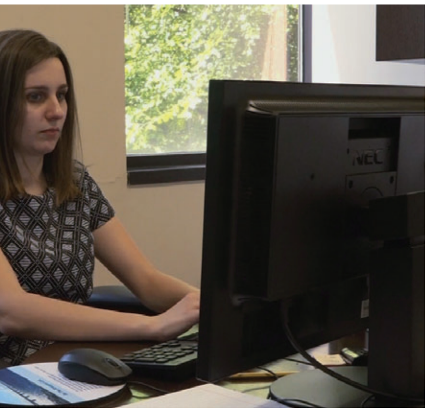


Advantage



many companies hire directly from their internship programs. "So if you're not doing an internship program, you're really missing out," he said.

Competition for new talent is fierce, driving many companies to offer jobs to risk management and actuarial college students months before graduation.

The finance, insurance and real estate industries have an "intern conversion rate"—or the rate in which employers hire their interns full time—of about 48%. That's roughly in the middle of the pack of all industries, according to a study by the National Association of Colleges and Employers.

Robert Drennan, professor and chairman of the risk insurance and healthcare management department at Temple University, said there's room for the insurance industry to improve.

"There are companies that only hire seniors; they don't have an internship program. Quite frankly, I think they have a tougher time attracting

Key Points

Falling Behind: Companies that don't have an internship program may have a harder time attracting candidates for full-time positions.

The Opportunity: Internships should offer students a genuine work opportunity.

The Payoff: Internships involve a commitment of time and money. But those that have them say they are worth the expense.

> "It's an investment…but certainly a much cheaper investment than hiring the wrong person at a starting salary, and then having to replace that person after they leave,"

Jessica Pruiti
Munich Reinsurance America

full-time students than those companies who make the investments in internship programs," Drennan said.

Temple emphasizes the importance of students having a summer internship, for good reason: In a typical summer, about 60% of students come back with a job offer in hand, he said.

If insurers, brokers and insurance consultants lack an internship program "in terms of our total talent pool, they're not seeing it all because many students have already been locked up by someone else," Drennan said.

At an October 2018 job fair in Philadelphia for Temple's December 2018 and June 2019 graduating risk management and insurance students, 46 companies came to recruit about 125 students. Of the entire senior class, an additional 75 students had already accepted job offers following a summer internship and didn't attend the job fair.

"There's a lot of employers here who know there's a big talent gap. We're here to find students interested in our particular area of the industry," Sharon Gallagher, campus recruiting and talent development manager at independent wholesale broker All Risks Ltd., said during an interview at the job fair.

She said All Risks launched an internship program in 2006.

"Internships are a great way for students to learn about the industry," Gallagher said. "We use it as a job interview, and we want them to use it as a job interview, too."

Reliance Standard also offers its student interns the opportunity to work for the company part-time during the school year if their schedules allow.

Not Making Copies

Internships should offer students a genuine work opportunity, not just scutwork, said Noelle Codispoti, executive director of Gamma Iota Sigma, the international collegiate fraternity for students pursuing careers in risk management, insurance and actuarial science.

"These are paid internships. Students are expecting to do real work, and provide a value to companies, and to get a fruitful experience out of it," Codispoti said.

During her summer internship at Munich Re, Avery Fink, a double major in risk management/insurance and finance/banking from Appalachian State University, said her projects included helping to develop pricing benchmarks for specialty markets.

"I had learned a little bit about reinsurance in my classes, but it's a little different coming from a textbook than it is having real, hands-on experience," Fink said.

At his summer internship at AM Best, Robert Lippert III, a risk management student at St. Joseph's University, said he "hit the ground running." During his internship, Lippert completed a report comparing the insurance vs. reinsurance books of 25 insurers.

By the Numbers: Internships

$18.73	Average hourly wage for an intern
45.6%	Average conversion rate from intern to full-time hire
8	Average number of months in advance of start date that employers begin recruiting interns
23.6 Days	Average time from interview to offer
$66,100	Median base salary for a college recruiter
20	Median number of four-year schools targeted for recruiting

Source: National Association of Colleges and Employers

“We can’t attract students into this major unless we know there are internships and jobs waiting for them.”

Robert Drennan
Temple University

“I felt I was more a part of the team rather than just an intern,” Lippert said. “Reading textbooks and going to class can only help you so much.”

Those are the types of responses from interns that recruiters want to hear.

“We don’t want them to walk away thinking, ‘Oh, I spent eight weeks or 10 weeks or 12 weeks getting coffee, scanning and copying,” said Genevieve Glenn-Shipmon, resourcing and recruitment manager for AM Best.

As baby boomers hit retirement age, it’s estimated the insurance industry will have nearly 400,000 open positions by 2020 according to the Insurance Careers Movement, a group of 850 industry organizations that promote insurance careers.

With record low unemployment rates and less than 5% of millennials interested in working in insurance, the industry needs to do more.

For recruiters, it’s difficult to go to a college without a risk management program and get much traction.

“The general public outside of a risk management program doesn’t understand the unique opportunity in insurance,” Brown & Brown’s Youngman said. “The industry needs to do more to get the message out, and really invest in schools, not just show up at career fairs.”

Drennan said Temple is fortunate because of the industry support it receives. “We can’t attract students into this major unless we know there are internships and jobs waiting for them,” he said.

Return on Investment

As competition for internships grows more intense, companies have raised the average hourly wage for interns to $18.73, according to NACE.

Over the years, it has become more and more common for employers to offer their interns an array of benefits. “This may be due to a more intense focus on converting these students into full-time employees,” NACE said in the study, *The 2018 Internship & Co-Op Survey Report*.

The most commonly offered benefits to interns and co-ops in 2018 were planned social activities and paid holidays, which typically are the least expensive for employers to offer. Conversely, other benefits, such as medical benefits and 401(k) matches, dropped in 2018 vs. 2017. According to the survey’s 309 respondents, in 2018, 17.9% of employers offered medical insurance to interns down from 48.1% in 2017, and 26.0% of employers offered company-matched 401(k) plans, down from 50%.

Jessica Pruiti, talent acquisition partner for Munich Reinsurance America, said internships are worth the expense.

“It’s an investment…but certainly a much cheaper investment than hiring the wrong person at a starting salary, and then having to replace that person after they leave,” Pruiti said.

Like dropping a pebble in a pond, an internship can cause bigger ripples for the company.

“If more companies hired students as interns, gave them really good experiences, then their reputation is enhanced among future leaders in the insurance industry. It’s really a payback,” Temple’s Drennan said. Some smaller companies without a national reputation have lines of students waiting to speak to them at job fairs “because they know from their peers that they have great internship programs,” Drennan said. “It’s an investment for companies. It’s a lot of legwork. But the payoff is tremendous.” BR

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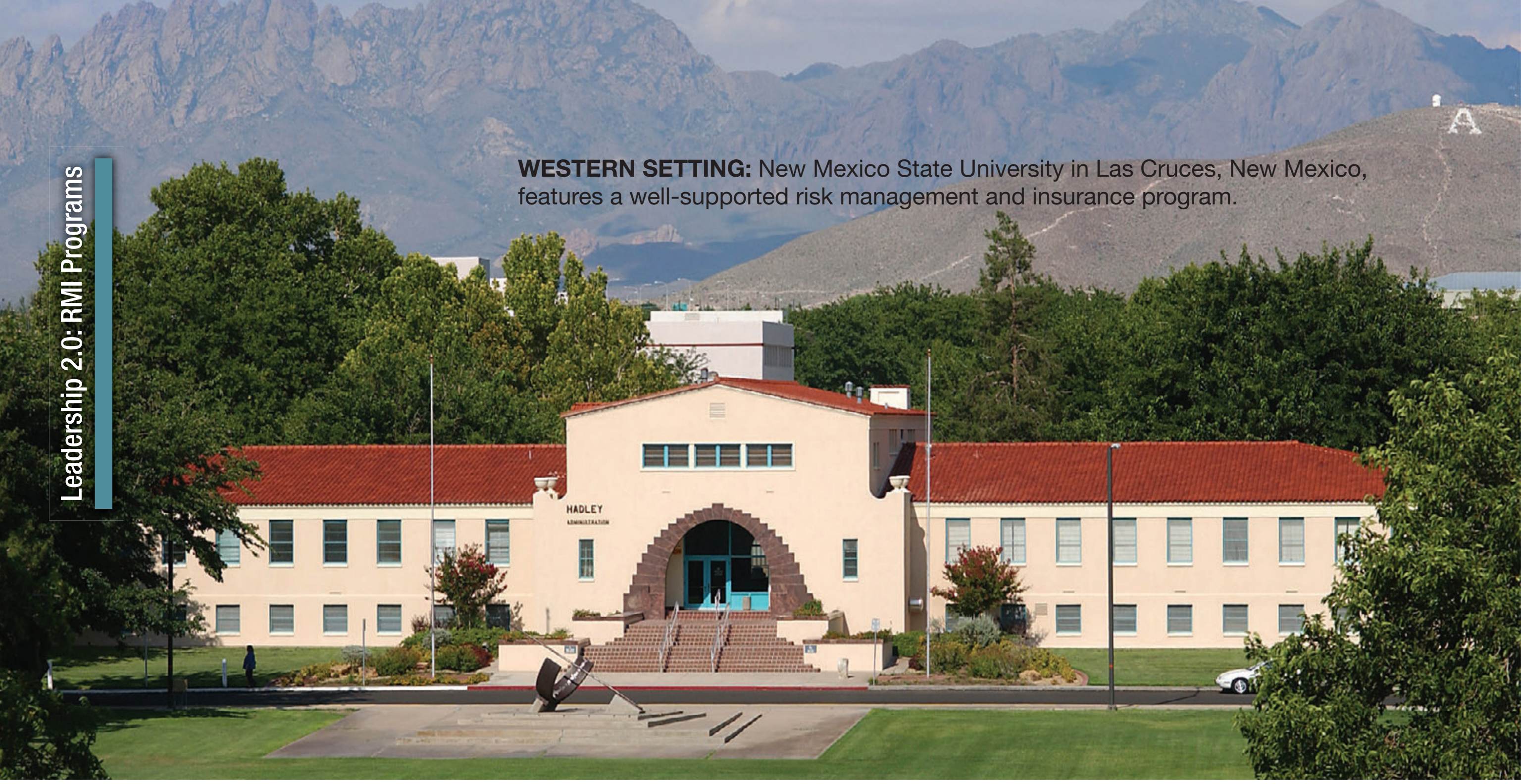

WESTERN SETTING: New Mexico State University in Las Cruces, New Mexico, features a well-supported risk management and insurance program.

Photo courtesy of Darren Phillips/New Mexico State University.

In the Middle of Nowhere

Building a successful risk management program at a college far from top insurance centers takes persistence and industry support.

by J. Tim Query

Las Cruces, New Mexico, is nowhere near the world's great insurance centers.

But New Mexico State University in Las Cruces, has nevertheless managed to maintain a thriving risk management and insurance program.

While the insurance industry in the Land of Enchantment is not on the level of those in major metropolitan areas, the amount of support from the few local insurance companies is significant. New Mexico State University's RMI program has probably received more support per capita, based on the state's population, than any other program in the country.

The fact that New Mexico State's RMI program is thriving, despite being in such a remote location, shows that it is possible to build a program just about anywhere, if it has a champion or an advocate promoting it, as well as industry support.

The Back Story

It's not exactly the middle of nowhere. Las Cruces is the second largest city in New Mexico and less than 45 minutes from El Paso, Texas and Juarez, Mexico, giving the Borderplex region a total population of about 2.5 million to 3 million.

But it is an unlikely place for a thriving college RMI program. New Mexico State's program can be traced back to Professor L.E. "Lije" Pease, who established an insurance program at the University of Mississippi in the late 1970s before relocating to New Mexico. The story goes that Professor Pease approached the dean of New Mexico State University business school in the mid-to-late 1980s about teaching some insurance courses. The dean said he loved the idea, but had no budget for it. Pease said that was fine as long as he had an office and a phone so that he could talk with students.

About 15 years after Pease began his work at New Mexico State, Al Berryman, a long-time independent agency owner and former president of the Independent Insurance Agents and Brokers of America in New Mexico initiated a conversation in the early 2000s with Thom Turbett, the president/CEO of the Independent Insurance Agents of New Mexico about an endowed chair at New Mexico State.

Interest in moving risk management and insurance studies forward quickly gained momentum. Berryman became the first director of the Insurance and Financial Services Center, and Barry Smith, a college of business faculty member and editor of the CPCU Journal at the time, was

Best's Review contributor **J. Tim Query**, PhD, CPA, ARM is president, Asia-Pacific Risk and Insurance Association, and is the Mountain States Insurance Group Endowed Chair at New Mexico State University. He can be reached at *tquery@nmsu.edu.*

the first holder of the Mountain States Insurance Group Chair—the first endowed chair in the NMSU College of Business. The Insurance and Financial Service Center, which supports students and studies financial issues of interest to New Mexico and the southwest region, was also established in 2004.

Industry Support

The region does not seem, at first, to be a place that could offer a lot of support for a college RMI program. The state counts only two significant domestic nonhealth insurance companies, a statewide population of 2 million and ranks at or near the bottom in many desirable categories—last in public education (K-12), next-to-last in child well-being. But support from the few local insurance companies is significant.

Mountain States Insurance Group, with significant backing from Edward Lujan, an NMSU alumnus and chairman of the board for the Manuel Lujan Agencies, created the Mountain States Insurance Group Endowed Chair with a $1 million donation.

The other New Mexico-based insurer, New Mexico Mutual (NMM) has contributed more than $500,000 over the past decade.

The IIANM also has been very supportive of the RMI program. A yearly golf tournament, sponsored jointly by the IIANM/NMM Foundation, provided $10,000 in annual scholarship funds to RMI students at NMSU for nearly a decade. Upon the liquidation of the Foundation in 2014, another $50,000 was provided to the RMI program at NMSU, split between operating expenses and an endowed scholarship.

[Las Cruces] is not exactly the middle of nowhere. … But it is an unlikely place for a thriving college RMI program.

A Personal Journey

College RMI programs also need a champion.

When I accepted the Mountain States Insurance Group Endowed Chair position in 2006, I was seeking a new challenge in my career as a professor of risk management and insurance.

I had been an instructor in the Department of Finance and Management at Indiana State University in the early 1990s, where I observed one of the most successful regional RMI programs. I completed my doctoral studies at University of Georgia in 1999. My first position after receiving my doctoral degree was at Illinois Wesleyan University. With a total enrollment of around 2,100 students, IWU may well have been the smallest school with an RMI major and minor. Being in the same twin cities where State Farm Insurance and Country Insurance & Financial Services were headquartered played in major role in that development. While in Illinois, insurance professionals from all areas of the industry would volunteer as speakers at RMI classes. The largest CPCU chapter at the time was also in Bloomington, Illinois. From that background, I moved to the Southwest/Mountain States region, to one of the poorest counties in one of the poorest states in the United States.

Here is some of what I've learned over the past 20-plus years as an RMI academic.

Seek Out Industry Organizations

Try to establish relationships with industry-related organizations. The IIANM was and is still the most active and organized such organization in the state. The CPCU chapter in New Mexico was small and semi-active, and yet it donated a set of CPCU study guides from the chapter.

Contact RIMS chapters. New Mexico is one of only a handful of states without a RIMS chapter. Fortunately, we were the first RMI program in this region of the country, and we were able to establish a relationship with the Central Arizona RIMS and Rocky Mountain RIMS chapters. Both chapters have been supportive of our program, and provide financial support that allows us to send students to the national RIMS conference. The Rocky Mountain RIMS Chapter also has established an endowed scholarship at New Mexico State University.

Look at Ways to Reform the Curriculum

A few minor changes to the curriculum were also implemented. The life/health and employee benefits courses were combined and a business risk management class was added. In addition, the math department was contacted about creating an actuarial science emphasis within the math major, incorporating some RMI and other business courses along with applicable math and statistics courses. Fortunately, our math faculty was very cooperative in this effort. Thanks to a grant, an excess and surplus lines class was offered last summer.

Recently, one slight change to the RMI minor allowed nonbusiness majors to complete the minor with 18 credit hours instead of the previous 33 credit hours required. Also being investigated are other ways to integrate the RMI minor with majors outside the college of business, in areas such as criminal justice, agribusiness, engineering and hotel/recreation/tourism management.

It's also important to ask potential employers to verify that the courses offered to students are relevant and bring value to the companies they join after graduating. For example, we are receiving a lot of feedback about the increasing importance of data analysis, and are looking at ways to incorporate more of those classes into the curriculum.

There are many interesting and timely issues that can be brought into the classroom. Topics discussed in an online class I taught this summer included the RMI impact of insuring the World Cup, legalized marijuana, genetic underwriting, the internet of things, drones, etc.

Get the Word Out

This may be the most challenging aspect of program development. Even though some semblance of an RMI program, or at least classes, had been around NMSU for at least 25 years, a formal minor and endowed chair was meant to take the program to another level. We needed to let students and the community know about us, and the opportunities in the industry. We accomplished this by:

- Talking to freshman business classes.
- Having a vendor booth set up at the IIANM's annual convention and arranging high school visitation days at the university.
- Contributing articles aimed at insurance consumers in local media such as newspapers; talking about issues such as health care reform on public radio or TV.
- Visiting area high school economics, business or math classes to educate them about risk management and insurance.
- Making appearances at the Rotary or other service clubs, industry groups and any organization that will host a speaker.

Bring Students and Professionals Together

This isn't unique to a program in the middle of nowhere, but having events that bring students and professionals together has been very effective.

This can be accomplished by taking students to conferences, bringing in guest speakers to classes, job shadowing and field trips. The vast majority of people I bring in from the industry are excited and happy about their careers—and students pay attention to that. Young alumni that are only a few years older than current students often bring a natural connection to the classroom.

Outside of RMI programs, it is unfortunately still unusual for industry professionals to run across many college students specifically interested in an insurance career, so when they do interact with them it is a very positive experience. The Beta Beta chapter of Gamma Iota Sigma at NMSU has been an effective tool for increasing student-industry interaction.

Overcome the Frustrations

Sometimes you just have to ignore the barriers to improving your RMI program and keep moving forward. The industry says it wants to increase diversity and make inroads into the Hispanic market. While the student body at New Mexico State is 53% Hispanic/Latino and 3% Native American, insurance industry participation in NMSU universitywide career fairs is still disappointing.

An increasing number of insurance companies, however, are starting to see the light. Industry trade publications should also recognize there are RMI university programs available in areas other than in the Northeast, Southeast or Midwest. Don't give up. It may appear at times that a program champion is having a minimal impact. But it may just take some time to come to fruition.

Toot Your Horn

As the saying goes, "the squeaky wheel gets the grease." Champions of RMI programs must be the programs' biggest cheerleaders and let stakeholders know what is being accomplished. Stakeholders include potential employers, students, alumni and, last but not least, university administrators.

One factor that brought me to NMSU was the support of the finance department head, the college of business dean, and even the university president. All those positions have experienced turnover in the past dozen years, but the support has generally been maintained. The program produces a semiannual stakeholder newsletter that is sent out to over 1,000 subscribers and participates in a LinkedIn group called "NMSU RMI Alumni & Friends," which has been very helpful in keeping up with mobile alumni.

Focus

As university faculty know all too well, our responsibilities extend beyond the classroom. At some schools, research-related activities have a larger role. There is the "publish or perish" criteria for those untenured tenure-track faculty. As individuals move up to a tenured "full" professor, they are expected to be involved in more leadership roles, some universitywide. While it has become increasingly challenging, opportunities or potential obligations should be approached with the question, "how does it impact the RMI program?" If it requires too much time or resources at the expense of the RMI program, I usually do what I can to avoid such conflicts if possible. BR

AM Best Revises Global Reinsurance Segment Outlook

Best's Market Segment Report: Market Segment Outlook: Global Reinsurance (December 6, 2018)

AM Best has revised its outlook for the global reinsurance segment to Stable from Negative. This change primarily reflects a pricing environment in the global non-life reinsurance segment that has stabilized—albeit currently at levels still below long-term adequacy—and ongoing stability in the global life reinsurance segment. Although the operating and competitive landscape of these two major reinsurance business segments is distinct, the diversification benefits the global reinsurance segment from an overall earnings perspective.

Global Non-Life Reinsurance

In the face of a persistently competitive market environment, non-life reinsurance pricing appears to have settled at the bottom of the cycle for the near future. Significant factors supporting the revision of our outlook are listed below:

BEST'S MARKET SEGMENT REPORT

December 6, 2018

Market Segment Outlook: Global Reinsurance

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Global Non-Life Reinsurance

In the face of a persistently competitive market environment, non-life reinsurance pricing appears to have settled at the bottom of the cycle for the near future. Significant factors supporting the revision of our outlook are listed below:

- The belief that alternative third-party capital will hold the line on future return expectations following the catastrophe losses incurred in 2017 and 2018
- A decline in capital consumption and earnings volatility caused by tail events, due in part to the increased utilization of third-party capital in retro programs, and the growing alignment between traditional and third-party capital
- A rising interest rate environment, particularly in the US, which could lead to alternative investment opportunities for third-party capital—rising interest rates could cause mark-to-market losses for bond portfolios, but investment incomes could increase for reinsurers who have managed their duration profile prudently
- A renewed emphasis on underwriting discipline driven by potential loss cost inflation, coupled with lower loss reserve redundancies
- Ongoing US economic growth, greater use of reinsurance by cedents, new risk transfer opportunities, and M&A all providing greater growth opportunities

That the glory days of a robust non-life pricing environment may not return is clear. Rates have stabilized, as the industry was reminded again in 2017 that almost $150 billion dollars of capital can disappear over a very short period of time. What's also clear is that property catastrophe pricing is still being driven by the availability of alternative third-party capital and is not as heavily influenced by the traditional reinsurance companies. This is an important distinction as regards current market dynamics, since alternative capital is generally more efficient due to lower cost of capital dynamics. However, traditional capacity has become more closely aligned with alternative capital through joint ventures, retrocession, and direct ownership, which should serve to more closely align return objectives for the market overall.

Although alternative third-party capital remains disruptive due to pricing, it also represents a benefit in the form of stabilized earnings of rated balance sheets due to tail risk being assumed by this capital. The catastrophic events of 2017 constituted the first significant test of alternative capital use, which has led to both an affirmation of the alternative capital owners' persistency as well as the re-evaluation of the return requirements and governance

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Although alternative third-party capital remains disruptive due to pricing, it also represents a benefit in the form of stabilized earnings of rated balance sheets due to tail risk being assumed by this capital. The catastrophic events of 2017 constituted the first significant test of alternative capital use, which has led to both an affirmation of the alternative capital owners' persistency as well as the re-evaluation of the return requirements and governance of the structures providing alternative reinsurance capacity. A decline in earnings and capital volatility has ultimately lowered the return requirements of investors of traditional reinsurance companies. The decline in volatility has favorably impacted the average cost of capital of reinsurers. Long-term return on equity measures in the 8% to 10% range appear to represent a reasonable risk-adjusted return on equity, as evidenced by equity trading multiples and catastrophic loss events experienced in 2017 and 2018, which are characterized as earnings-only events for the industry. The growth of alternative third-party capital capacity is expected to continue, but the pace is expected to slow following the frequency and severity of loss events in 2017 and 2018, owing to the stable but relatively anemic pricing improvement. Also, the industry is digesting the recent disputes around collateral release before reinsurance recoverables are settled, which causes a significant increase in credit risk to policyholders. The longer-than-anticipated claims settlement loss tail associated with some catastrophe losses experienced in 2017, particularly hurricanes Irma and Maria, has led both investors and capacity users to pause and re-assess the changes needed in underlying agreements. These changes may result in a more measured use of alternative capital structures than currently exists.

Demand for non-life reinsurance is expected to increase this year due primarily to the return of U.S. economic growth and, to a lesser extent, global growth, coupled with benefits stemming from U.S. federal tax reform. These factors should provide opportunities for organic growth and improved utilization of existing excess capacity, which should improve long-term risk pricing. Similarly, an increase in reinsurance utilization resulting from primary companies' recent loss experience may increase reinsurance demand as well. Last, a potential increase in demand from government risk pools such as the National Flood Insurance Plan in the U.S., as well as opportunities in cyber, mortgage insurance and reinsurance, and other emerging risks, should allow for greater utilization of available market capacity. These factors, taken in aggregate, should help attenuate the long-term imbalance between the reinsurance supply and demand that has caused significant pressure on pricing over the last decade.

The non-life reinsurance business model will continue to evolve as traditional companies embrace more efficient forms of capital, by retroceding risk, particularly tail risk, and aligning risk with the proper form of capital, while expanding product and distribution capabilities. Reinsurers who can accommodate alternative capital will thereby enhance their relevance with clients and investors and garner the ability to earn low-risk, fee-based income in the process.

Global Life Reinsurance

Five large carriers, accounting for the vast majority of assumed business, dominate the global life reinsurance market. While almost all of the largest carriers write both life and non-life reinsurance business, life reinsurance comprises at least 40% of gross premium written. Moreover, the U.S. accounts for approximately one half of global life reinsurance premiums. The global life reinsurance segment has been a source of stability to the overall global reinsurance market for the past several years, the primary factors being:

- Defensible market positions of established participants, which create high barriers to entry.
- Demonstrated earnings stability due to a diversified product portfolio that consists of interest sensitive products, longevity and mortality blocks, along with health-related products.
- Growth opportunities due to emerging markets and Solvency II regulations
- Active pipeline of life, health and annuity blocks driven by potential opportunities created due to a variety of factors including aging demographics and demand for longevity risks.

In addition, the Stable outlook is a reflection of life reinsurance companies' robust capital position when measured in terms of risk-adjusted capitalization relative to their liabilities. Companies have looked to optimize their corporate structure to minimize tax liabilities resulting from due to headwinds created by the U.S. Tax Cuts and Jobs Act. AM Best has recently observed a trend of some reinsurers implementing broad based rate increases in some instances due to deterioration in their books of business, which partially counters the stabilizing factors. Some of this deterioration can be traced back to the late 1990s and early 2000s, a period when some carriers were overly aggressive on mortality improvements. In addition, low cession rates, despite an uptick in recent years, have led reinsurers to seek alternative sources of revenue such as interest-sensitive lines.

Evolving Landscape Is Manageable, But Not Without Challenges

Further consolidation in the global reinsurance segment is the likely result of the need for diversification and scale, and AM Best expects that M&A will continue, which, if done prudently, should help improve the efficiency of the market's overall capacity and lead to greater operational discipline. However, AM Best is concerned that M&A poses risk to the combined enterprise and will thus maintain its conservative opinion regarding M&A as it can be utilized as a veil for ailing franchises.

Climate change remains an ever-present threat, especially for reinsurers who assume severity risks across the globe. On November 23, the Trump Administration issued the Fourth National Climate Assessment, which outlines the impact of climate change and the new risks and vulnerabilities it creates in communities throughout the country. Although U.S.-centric, the assessment's findings echo numerous reports by global organizations such as the World Trade Organization and the United Nations Intergovernmental Panel on Climate Change. Given the experience of the recent past, climate change will remain a significant challenge for the entire reinsurance industry for years to come. Our view of what a strong reinsurance company is remains the same: It is a company with a robust risk-adjusted balance sheet that can be relevant to and easily access alternative capital; that generates sustainable operating returns from diversified reinsurance business portfolios; has prudent investment management capabilities; and embraces innovation. Reinsurers who lack these characteristics will struggle to remain relevant to the industry, maintain the support of shareholders, and preserve their independence. BR

This *Best's Market Segment Report* is available at ***www.ambest.com.***

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between Dec. 1 and Dec. 31, 2018. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH								
☑	L	5 Star Life Insurance Company *Armed Forces Benefit Association*	008069	A- a-	Stable Stable	A- u a- u	Developing Developing	Nebraska
⊕	L	American Health and Life Insurance Co *OneMain Holdings, Inc.*	006062	B+ bbb-	Stable Stable	B bb+	Stable Stable	Texas
New	L	American Life & Security Corp. *Midwest Holding Inc.*	006861	B++ bbb	Stable Stable	NR nr		Nebraska
☑	L	AXA Corporate Solutions Life Reins Co *AXA S.A.*	009083	B+ bbb-	Stable Stable	B+ u bbb- u	Developing Developing	Delaware
–	L	AXA Equitable Life and Annuity Company *AXA S.A.*	009516	B++ bbb	Stable Stable	A- u a- u	Developing Developing	Colorado
☑	L	AXA Equitable Life Insurance Company *AXA S.A.*	006341	A a+	Stable Stable	A u a+ u	Developing Developing	New York
⊕	H	Dental Benefit Providers of CA Inc *UnitedHealth Group Incorporated*	064716	A a+	Stable Stable	A a	Stable Stable	California
⊕	L	Elips Life Insurance Company *Swiss Re Ltd*	008618	A a+	Stable Stable	A- u a- u	Developing Developing	Delaware
New	H	EyeMed Insurance Company *Luxottica Group S.p.A.*	062248	A a	Stable Stable			Arizona
–	L	Independence Life & Annuity Company *Sun Life Financial Inc*	006547	B++ bbb+	Stable Stable	A- a-	Stable Stable	Delaware
☑	L	Lincoln Benefit Life Company *Resolution Life L.P.*	006657	A- a-	Stable Stable	A- u a- u	Developing Developing	Nebraska
New	L	Lombard International Life Ltd. *LIA Holdings Ltd.*	094344	A- a-	Stable Stable			Bermuda
New	L	Lombard Intl Life Assur Co (Bermuda) Ltd *LIA Holdings Ltd.*	094345	A- a-	Stable Stable			Bermuda
⊕	L	Merit Life Insurance Co *OneMain Holdings, Inc.*	006703	B+ bbb-	Stable Stable	B bb+	Stable Stable	Indiana
⇅	L	Modern Woodmen of America	006737	A a+	Stable Negative	A a+	Stable Stable	Illinois
☑	L	MONY Life Insurance Company of America *AXA S.A.*	008091	A a	Stable Stable	A u a u	Developing Developing	Arizona
⊕	H	National Pacific Dental Inc *UnitedHealth Group Incorporated*	068837	A a+	Stable Stable	A a	Stable Stable	Texas
⊕	H	Nevada Pacific Dental *UnitedHealth Group Incorporated*	064826	A a+	Stable Stable	A a	Stable Stable	Nevada
–	L	United Heritage Life Insurance Company *United Heritage Mutual Holding Company*	006472	B++ bbb+	Stable Negative	A- a-	Stable Stable	Idaho
☑	L	US Financial Life Insurance Company *AXA S.A.*	008492	A a	Stable Stable	A u a u	Developing Developing	Ohio
☑	L	XL Life Ltd *AXA S.A.*	073313	B++ bbb+	Stable Stable	B++ u bbb+ u	Developing Developing	Bermuda
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
⊕	P	AES Global Insurance Company *AES Corporation*	075701	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	Vermont
⇅	P	Alliance Indemnity Company *Farmers Alliance Mutual Insurance Co*	003666	A- a-	Positive Positive	A- a-	Stable Stable	Kansas

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⇅	P	Alliance Insurance Company Inc *Farmers Alliance Mutual Insurance Co*	003048	A- a-	Positive Positive	A- a-	Stable Stable	Kansas
⊕	P	Alliance of Nonprofits for Ins RRG, Inc. *Nonprofits Insurance Alliance Group*	012419	A a+	Stable Stable	A a	Stable Stable	Vermont
—	P	Amalgamated Casualty Insurance Company	000117	B++ bbb+	Negative Negative	A- a-	Stable Stable	District Of Columbia
New	P	Ascot Insurance Company *Canada Pension Plan Investment Board*	020561	A a	Stable Stable	NR nr		Colorado
New	P	Ascot Specialty Insurance Company *Canada Pension Plan Investment Board*	011545	A a	Stable Stable	NR nr		Rhode Island
⊕	P	AXA Insurance Company *AXA S.A.*	003718	A+ aa-	Stable Stable	A u a+ u	Developing Developing	New York
⊕	P	Bankers Insurance Company *Bankers Financial Corporation*	003683	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Florida
⊕	P	Bankers Specialty Insurance Company *Bankers Financial Corporation*	013845	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Louisiana
⊕	P	Bremen Farmers Mutual Insurance Company	003374	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Kansas
—	P	California Automobile Insurance Company *Mercury General Corporation*	002646	A a+	Stable Stable	A+ aa-	Negative Negative	California
⚑	P	California Capital Insurance Company *CIG Holding Company, Inc.*	003136	A- u a- u	Negative Negative	A- a-	Stable Stable	California
⊕	P	Catlin Indemnity Company *AXA S.A.*	014156	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	Catlin Insurance Company Ltd. *AXA S.A.*	084805	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Bermuda
⊕	P	Catlin Insurance Company, Inc. *AXA S.A.*	013046	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Texas
⊕	P	Catlin Specialty Insurance Company *AXA S.A.*	010092	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	City National Insurance Company *Markel Corporation*	022991	A a+	Stable Stable	A a	Stable Positive	Texas
⚑	P	Eagle West Insurance Company *CIG Holding Company, Inc.*	003125	A- u a- u	Negative Negative	A- a-	Stable Stable	California
⇅	P	Farm Bureau County Mutual Ins Co of TX *Texas Farm Bureau*	012107	A a	Stable Stable	A a	Negative Negative	Texas
⇅	P	Farmers Alliance Mutual Insurance Co *Farmers Alliance Mutual Insurance Co*	002010	A- a-	Positive Positive	A- a-	Stable Stable	Kansas
⇅	P	First Acceptance Ins Co of Tennessee *First Acceptance Corporation*	013595	C++ b	Stable Stable	C++ b	Negative Negative	Tennessee
⇅	P	First Acceptance Insurance Co of GA *First Acceptance Corporation*	012544	C++ b	Stable Stable	C++ b	Negative Negative	Georgia
⇅	P	First Acceptance Insurance Company, Inc. *First Acceptance Corporation*	011832	C++ b	Stable Stable	C++ b	Negative Negative	Texas
⊕	P	First Community Insurance Company *Bankers Financial Corporation*	011572	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Florida
⇅	P	First Mutual Insurance Company	010128	B++ bbb	Stable Positive	B++ bbb	Stable Stable	North Carolina
⇥	P	Great American Lloyd's Insurance Company	003839	NR nr		A+ aa-	Stable Stable	Texas
⊕	P	Greenwich Insurance Company *AXA S.A.*	011095	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	Independent Specialty Insurance Company *Markel Corporation*	020566	A a+	Stable Stable	A a	Stable Positive	Delaware

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
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Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⊕	P	Indian Harbor Insurance Company *AXA S.A.*	011340	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	KnightBrook Insurance Company *Don R. Hankey Trust*	003140	B++ bbb+	Stable Negative	B++ bbb	Negative Negative	Delaware
—	P	Mercury Casualty Company *Mercury General Corporation*	000595	A a+	Stable Stable	A+ aa-	Negative Negative	California
—	P	Mercury Indemnity Company of America *Mercury General Corporation*	012489	A a+	Stable Stable	A+ aa-	Negative Negative	Florida
—	P	Mercury Indemnity Company of Georgia *Mercury General Corporation*	011564	A a+	Stable Stable	A+ aa-	Negative Negative	Georgia
—	P	Mercury Insurance Company *Mercury General Corporation*	003574	A a+	Stable Stable	A+ aa-	Negative Negative	California
—	P	Mercury Insurance Company of FL *Mercury General Corporation*	012490	A a+	Stable Stable	A+ aa-	Negative Negative	Florida
—	P	Mercury Insurance Company of Georgia *Mercury General Corporation*	010786	A a+	Stable Stable	A+ aa-	Negative Negative	Georgia
—	P	Mercury Insurance Company of Illinois *Mercury General Corporation*	010787	A a+	Stable Stable	A+ aa-	Negative Negative	Illinois
—	P	Mercury National Insurance Company *Mercury General Corporation*	011279	A a+	Stable Stable	A+ aa-	Negative Negative	Illinois
New	P	Mid-Pacific Insurance Company, Inc. *Robert's Hawaii Holdings, Inc.*	057242	B++ bbb+	Stable Stable			Hawaii
New	P	MLMIC Insurance Company *Berkshire Hathaway Inc.*	003667	A+ aa-	Stable Stable	NR nr		New York
⚑	P	Monterey Insurance Company *CIG Holding Company, Inc.*	010603	A- u a- u	Negative Negative	A- a-	Stable Stable	California
⊕	P	National Alliance of Nonprofits for Ins *Nonprofits Insurance Alliance Group*	012418	A a+	Stable Stable	A a	Stable Stable	Vermont
⊕	P	National Specialty Insurance Company *Markel Corporation*	012273	A a+	Stable Stable	A a	Stable Positive	Texas
⚑	P	Nevada Capital Insurance Company *CIG Holding Company, Inc.*	012493	A- u a- u	Negative Negative	A- a-	Stable Stable	Nevada
⊕	P	NiSource Insurance Corporation, Inc. *NiSource Inc.*	022608	A a	Stable Stable	A- a-	Stable Stable	Utah
⊕	P	Nonprofits Ins Alliance of CA, Inc. *Nonprofits Insurance Alliance Group*	011845	A a+	Stable Stable	A a	Stable Stable	California
⊕	P	State National Insurance Company, Inc *Markel Corporation*	010681	A a+	Stable Stable	A a	Stable Positive	Texas
—	P	Sublimity Insurance Company *United Heritage Mutual Holding Company*	003614	B++ bbb	Negative Negative	A- a-	Stable Stable	Oregon
⊕	P	SureTec Indemnity Company *Markel Corporation*	018676	A a+	Stable Stable	A a	Stable Positive	California
⊕	P	SureTec Insurance Company *Markel Corporation*	012227	A a+	Stable Stable	A a	Stable Positive	Texas
⇅	P	Texas Farm Bureau Casualty Ins Co *Texas Farm Bureau*	013850	A a	Stable Stable	A a	Negative Negative	Texas
⚑	P	Tri-State Consumer Insurance Company *WT Holdings, Inc.*	001971	A- u a- u	Negative Negative	A- a-	Negative Negative	New York
⊕	P	Triton Insurance Company *OneMain Holdings, Inc.*	003298	B+ bbb-	Stable Stable	B bb+	Stable Stable	Texas
—	P	United Heritage Property & Casualty Co *United Heritage Mutual Holding Company*	010062	B+ bbb-	Negative Negative	A- a-	Stable Stable	Idaho

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⊕	P	United Specialty Insurance Company *Markel Corporation*	013105	A a+	Stable Stable	A a	Stable Positive	Delaware
New	P	Vermeer Reinsurance Ltd	071470	A a+	Stable Stable			Bermuda
⇅	P	Wayne Mutual Insurance Company *Wayne Mutual Insurance Company*	004703	A- a-	Positive Positive	A- a-	Stable Stable	Ohio
⊕	C	XL Bermuda Ltd *AXA S.A.*	086106	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Bermuda
⊕	P	XL Insurance America, Inc. *AXA S.A.*	002423	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	XL Insurance Company of New York, Inc. *AXA S.A.*	012182	A+ aa-	Stable Stable	A u a+ u	Developing Developing	New York
⊕	P	XL Reinsurance America Inc. *AXA S.A.*	002104	A+ aa-	Stable Stable	A u a+ u	Developing Developing	New York
⊕	P	XL Select Insurance Company *AXA S.A.*	002424	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
⊕	P	XL Specialty Insurance Company *AXA S.A.*	000779	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Delaware
EUROPE, MIDDLE EAST AND AFRICA								
⇤	P	AIG Europe Limited *American International Group, Inc.*	087416	NR nr		A a	Stable Stable	United Kingdom
New	P	American International Group UK Limited *American International Group, Inc.*	044147	A a	Stable Stable			United Kingdom
⇅	P	Arab Reinsurance Company SAL	089190	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Lebanon
☑	C	AXA Global Re *AXA S.A.*	084358	A+ aa-	Stable Stable	A+ u aa- u	Developing Developing	France
☑	C	AXA Mansard Insurance Plc *AXA S.A.*	090312	B+ bbb-	Negative Negative	B+ u bbb- u	Developing Developing	Nigeria
⊕	P	Catlin Re Switzerland Ltd *AXA S.A.*	091292	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Switzerland
⊕	P	Custodian and Allied Insurance Limited *Custodian Investment Plc*	093617	B bb+	Stable Stable	B bb	Stable Positive	Nigeria
⇤	P	EC Insurance Company Limited *Markel Corporation*	087327	NR nr		A a+	Stable Stable	United Kingdom
New	P	Fidelis Insurance Ireland DAC	071417	A- a-	Stable Stable			Ireland
New	P	Fortegra Europe Insurance Company Ltd *Tiptree Inc.*	071311	A- a-	Stable Stable			Malta
☑	P	Halyk-Kazakhinstrakh Insurance Sub Co *Holding Group Almex JSC*	091215	B++ bbb	Negative Negative	B++ u bbb u	Negative Negative	Kazakhstan
☑	P	Lloyd's Synd 2003 (Catlin Undrw Agc Ltd) *AXA S.A.*	048339	A a+	Stable Stable	A u a+ u	Developing Developing	United Kingdom
New	L	Lombard International Assurance S.A. *LIA Holdings Ltd.*	077132	A- a-	Stable Stable	NR nr		Luxembourg
⇤	P	Oman Reinsurance Company SAOC *Nest Investments (Holdings) Limited*	093609	NR nr		B+ u bbb- u	Negative Negative	Oman
⊕	C	Santa Lucía S.A. Compañía de Seg y Reas *Santa Lucía S.A. Compañía de Seg y Reas*	086803	A a	Stable Stable	A- a-	Positive Positive	Spain
⇤	P	Trust International Insur & Reins Co BSC *Nest Investments (Holdings) Limited*	086326	NR nr		B++ u bbb+ u	Negative Negative	Bahrain
—	P	Wapic Insurance Plc *Wapic Insurance Plc*	093321	C++ b	Negative Negative	C++ b+	Stable Stable	Nigeria
⊕	P	XL Catlin Insurance Company UK Limited *AXA S.A.*	077622	A+ aa-	Stable Stable	A u a+ u	Developing Developing	United Kingdom

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST AND AFRICA (CONTINUED)								
⊕	P	XL Insurance Company SE *AXA S.A.*	087674	A+ aa-	Stable Stable	A u a+ u	Developing Developing	United Kingdom
⊕	P	XL Insurance Switzerland Ltd *AXA S.A.*	078050	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Switzerland
⊕	C	XL Re Europe SE *AXA S.A.*	078455	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Ireland
ASIA PACIFIC								
⇥	P	Chubb Insurance Company of Australia Ltd *Chubb Limited*	086085	NR nr		A++ aa+	Stable Stable	Australia
☑	L	Sovereign Assurance Company Limited *AIA Group Limited*	086404	A+ aa-	Stable Stable	A+ u aa- u	Developing Developing	New Zealand
CARIBBEAN AND LATIN AMERICA								
New	L	Aseguradora Patrimonial Vida, S.A.	078092	C++ b+	Stable Stable	NR nr		Mexico
New	P	AVLA Perú Compañia de Seguros S.A. *AVLA S.A.*	095168	B++ bbb	Stable Stable	NR nr		Peru
New	P	AVLA Seguros de Credito y Garantia S.A. *AVLA S.A.*	094888	B++ bbb+	Stable Stable	NR nr		Chile
☑	P	AXA Corp Solutions Brasil America Re *AXA S.A.*	094263	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	Brazil
⚑	P	Energy Risk Indemnity Reinsurance Inc. *MLCT Invest Limited*	095287	B+ u bbb- u	Developing Developing	B+ bbb-	Stable Stable	Barbados
⊕	C	Grupo Nacional Provincial S.A.B. *Grupo Nacional Provincial S.A.B.*	085612	A a	Stable Stable	A- a-	Positive Positive	Mexico
⊕	P	MAPFRE Fianzas, S.A. *Fundación MAPFRE*	091488	A a+	Stable Stable	A a	Stable Stable	Mexico
⊕	C	MAPFRE MÉXICO, S.A. *Fundación MAPFRE*	086287	A a+	Stable Stable	A a	Stable Stable	Mexico
⊕	P	XL Seguros México, S.A. de C.V. *AXA S.A.*	078108	A+ aa-	Stable Stable	A u a+ u	Developing Developing	Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
New	AXA Equitable Holdings, Inc.	051409	bbb+	Stable			Delaware
⇥	AXA Financial Inc	058039	nr		bbb+ u	Developing	Delaware
⇅	First Acceptance Corporation	051487	cc	Stable	cc	Negative	Delaware
New	LIA Holdings Ltd.	046085	bbb-	Stable			Cayman Islands
—	Mercury General Corporation	058411	bbb+	Stable	a-	Negative	California
⊕	XL Group Ltd	046310	a-	Stable	bbb+ u	Developing	Bermuda
⊕	XLIT Ltd.	058361	a-	Stable	bbb+ u	Developing	Cayman Islands

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

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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 A.M. Best.

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

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

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Best's Long-Term Issuer Credit Rating (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 (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 A.M. Best.

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

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Costly Breach

AIR estimates economic losses related to Marriott hotel chain data theft may reach $600 million.

Direct cyber incident losses from a data breach reported by the Marriott hotel chain last September are estimated at between $200 million and $600 million, said catastrophe modeler AIR Worldwide. AIR's estimates are based on the assumption that 500 million records were stolen, as Marriott has reported, said AIR in a statement. The modeling firm said the range of loss estimates "reflects the uncertainty about the data that was stolen, e.g., while credit card data was stolen, it was encrypted; however, the encryption key itself may have been stolen as well." The loss estimate is for economic losses, said AIR spokesman Kevin Long in an email. AIR said its loss estimates are based on an analysis performed using its cyber model. "These estimates are subject to uncertainty and are not based on actual policy or loss data reported by Marriott," AIR said. "The net financial impact to Marriott will be partially mitigated by the cyber insurance and other liability insurance coverage they reportedly have, which are not accounted for in these estimated losses." Estimates include first- and third-party losses directly related to the security breach, including notification costs, forensics, credit monitoring, replacement of credit cards, setting up a call center, and any liability covered under an affirmative cyber policy, said AIR. The modeled loss estimates do not include any fines that may be levied on Marriott; D&O and other noncyber policy-related claims, reputational loss, business interruption, decrease of stock price; or the impact of any insurance coverages that Marriott may use to recover their losses, said AIR.

—David Pilla

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A New Agenda

The CEO of new American Property Casualty Insurance Association lays out the issues the group will focus on in 2019.

The insurance industry needs a regulatory environment where it can move at the speed of innovation while maintaining solvency and appropriate market conduct, according to American Property Casualty Insurance Association President and Chief Executive Officer David Sampson.

The new association, formed by the Jan. 1 merger of American Insurance Association and Property Casualty Insurers Association of America, is making industry-related technology changes a "very high priority," Sampson said. "There is a lot of work to be done this year. At the state level, we expect we will be very focused on risk-based pricing and preserving tools that enable property and casualty to accurately underwrite."

At the federal level, he said there is a lot of very important work ahead on reauthorization of the Terrorism Risk Insurance Act.

The National Flood Insurance Program was extended until May 31 and the Federal Emergency Management Agency is keeping it operational through the partial government shutdown caused by a budget impasse. A divided Congress "has got a lot on its plate," said Sampson. "We're pleased there is continuity to the program for the next several months."

There is an increased appetite to write private flood, and new models and underwriting tools make that much more feasible, he said. "Not that there won't be a role for the NFIP, it's a 'both,' not an 'either/or' issue."

The federal budget impasse postponed a meeting scheduled with Secretary of Commerce Wilbur Ross to discuss clear evidence that tariff increases are impacting automobile repair costs, Sampson said.

The APCI represents 60% of the U.S. property/casualty insurance marketplace with a $55 million annual budget, said Sampson—a large jump from either of the predecessor organizations. It has 160 employees, including 19 government relations professionals, and retains 60 lobbying firms in various states.

"We triage the states in terms of allocation of resources and advocacy priorities," said Sampson.

"There is a lot of work to be done this year. At the state level, we expect we will be very focused on risk-based pricing and preserving tools that enable property and casualty to accurately underwrite."

David Sampson
American Property Casualty Insurance Association

Florida is in the top tier as insurers struggle to contain assignment of benefit problems that have driven water claim and litigation costs higher. California's importance has been magnified by multiple destructive wildfires, he said.

Catastrophic events in 2017—prior to the Camp Fire, which started Nov. 7 and became the most-destructive fire in state history—sparked nearly two dozen industry-related bills in California last year. Sampson, PCI president and CEO prior to the merger with the AIA, said PCI had worked with California's insurance commissioner and legislators to "first to do no harm," in part by recounting events in Florida after a succession of hurricanes in 2004-2005.

Post-hurricane regulatory actions greatly disrupted the private insurance market over the following decade and effects are still evident, said Sampson. In California, he suggested, "Let's look at focusing on targeting issues and problems without" impacting the overall insurance market.

"End-of-year legislation by and large was the result of a collaborative process between consumer groups as well as the industry," said Sampson, pointing to the importance of continued engagement.

Among the measures taking effect in California on Jan. 1 was Senate Bill 894, which extends the insurance policy renewals for homeowners with a total loss from one to two renewals, or 24 months. Before joining PCI, Sampson served in President George W. Bush's administration, including a post as Deputy Secretary of the U.S. Department of Commerce. He also oversaw an intergovernmental agency on climate change.

"It has been an area I've had great interest in for well over a decade," he said, noting it will receive increased attention from the property/casualty industry as global climate patterns impact losses.

"The key goal here is to mitigate against severe weather patterns and really work with communities on resilience."

—Renée Kiriluk-Hill

Advertisers Index

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On the Road Again

Modifying roadway design can drive down the frequency and severity of distracted driving accidents.

by Lori Chordas

Every day in the United States nine people are killed and another 1,000 are injured as a result of crashes involving a distracted driver, according to the Centers for Disease Control and Prevention.

While the use of cellphones and smart devices, eating and drinking, reading and reaching for objects while driving are the cause of many of those crashes, roadway design can also contribute to those numbers.

Roadway environments have a direct correlation with both the frequency and severity of distracted driving vehicle collisions, according to a recent study by The Ohio State University Fisher College of Business's Risk Institute. The Risk Institute is a consortium of forward-thinking companies and academics focused on an integrated, interdisciplinary approach to risk management.

Urbanized areas and interstate highways have the highest risk for distracted driving-related accidents, according to the study, which is based on 1.4 million police records obtained from the Ohio Department of Transportation for crashes that occurred between 2013 and 2017.

"Severity significantly increases when people using cellphones are driving on highways at speeds of 70 mph compared to driving 35 mph on local roads," said Zhenhua Chen, who along with Youngbin Lym wrote the study. Chen is an assistant professor in city and regional planning at Ohio State's Knowlton School of Architecture and a research fellow at the Risk Institute. Lym is a PhD student in city and regional planning.

Work zones also increase the frequency and severity of distracted driving accidents. In fact, crashes in those areas are two times more likely to be fatal, according to the study, which was funded by the Property Casualty Insurers Association of America, now merged with the American Insurance Association and known as APCI.

Roundabouts, or circular intersections where drivers travel counterclockwise around a center island, have the most significant effect on reducing the severity of those crashes, Chen said. "That's because roundabouts have more curvatures and attract the attention of drivers who are forced to slow down and put down their phones when driving around them," he said.

Roadways with a median or a shoulder with an asphalt pavement also drive down the frequency of accidents caused by preoccupied drivers.

Distracted driving has long been a concern of insurers, transportation planners, policymakers and others. The advent of the smartphone heightened that concern. In 2017, cellphone usage caused nearly 1.5 million auto accidents in the United States, according to the National Safety Council.

Younger drivers—particularly those between 20 and 24 years of age—account for the highest percentage of crashes from distracted driving and other causes, according to the study.

Chen said he hopes findings like those will help transportation planners and legislators better understand how the frequency and severity of distracted driving crashes vary by road environment and spur the creation of solutions and legislation to help curb the issue.

The insurance industry is also trying to drive down the number of distracted driving accidents. "The good news is that crash frequency has leveled off in recent months," said Robert Passmore, assistant vice president at APCI. Additionally, some states have passed distracted driving laws or are trying to bring their texting or handheld laws up to date to reflect the use of newer electronic devices. "Our focus now and going forward is to work with safety groups and others affected by distracted driving to try to get even more laws passed that ban hand-held cellphone use and further discourage texting while driving," he said. BR

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