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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

October 2019 • Volume 120 • Issue 10 www.bestreview.com

AM BEST'S MONTHLY INSURANCE MAGAZINE

The Write Stuff

The best underwriters bring more than just technical skills to the table. **Page 20**

Underwriting Section: Pages 19-32


Let's talk niches. Day spas, sports teams, and low-income housing builders. They all need coverage they can count on. Philadelphia Insurance Companies provides protection for more than 120 niche, real-world industries. We know every niche business has some risk, and each deserves exceptional protection and service. Experience the PHLY difference.
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Power of the Pen

Underwriters need more than just technical prowess to excel. Also: Auto insurance data shows how top carriers have changed over the decades and an emerging three-way battle for the top spot in private passenger auto.

At the Emerging Leaders Conference earlier this year, Stanley Galanski, the CEO of Navigators, now a unit of Hartford Financial, spoke about how the specialty insurer got into the D&O business.

He had the chance to hire a top-notch team of underwriters.

"I had the opportunity to hire a really slick D&O team that focused on small-cap tech business, had a great track record, and as luck would have it, I had the opportunity to do some due diligence on them nine months before when I was at my prior company," Galanski said.

Why did he move into that business? "Because we believed in that team."

October is Insurance Underwriters Awareness Month. Underwriters wield the pen, making critical decisions about what business to write and at what price. With the rise of new technologies and artificial intelligence, many wonder what the role of the underwriter will be in coming years.

The U.S. Bureau of Labor Statistics, in its employment outlook, projects a 5% decline in insurance underwriters between 2018 and 2028. Clearly people will still be needed, despite concerns about technology.

In "The Write Stuff" *Best's Review* looks at underwriting excellence and what separates the good from the great.

The article also points out critical differences between the London market and the United States.

"In the States, at large carriers, in particular, the underwriting governance and authority tends to be held more centrally, not at the front lines," said Dave Seeley, consultant with Russell Reynolds Associates.

Best's Review also takes a look at new approaches and trends in insurance underwriting. The industry has been exploring the possibilities of things like big data, predictive analytics and artificial intelligence for some time. These are now moving beyond the theoretical stage and are being implemented in insurance underwriting.

In "Top Trends in Underwriting," *Best's Review* examines these developments. "All carriers are looking at this. How can we bring more innovation to the underwriting field?" asked MetLife's Chris Smith, executive vice president and global head of operations.

Data can appear as just numbers on a spreadsheet. But it often has a good story to tell. AM Best pulled market share data about the U.S. private passenger auto insurance business dating back to the 1970s.

"Driving Distribution" looks at the top insurers over the decades and factors driving change.

"Race to the Top" looks at the three-way battle for the top spot in private passenger auto. State Farm has held the spot for many years, but other competitors are starting to close the gap.

Best's Review's coverage of life insurance features an interview with Jamie Kalamarides, president of Prudential Group Insurance, in which he discusses open multiple employer plans and why they matter.

To read these and other features, go to *www.bestreview.com*.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

Which college insurance and risk management programs are doing the best job of preparing young people for a career in insurance?

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

Reader responses will be published in a future issue.

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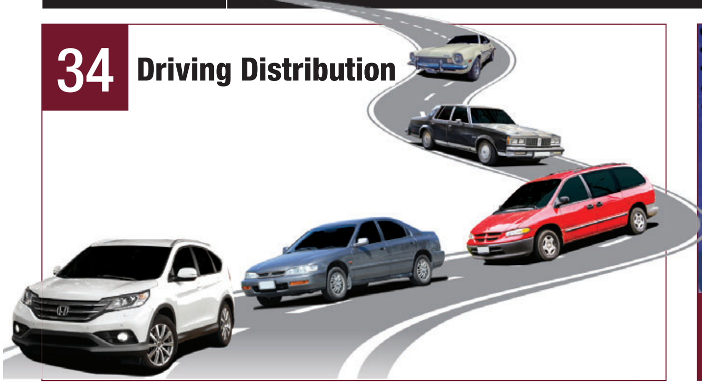

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FIFTH THIRD BANK
FIFTH THIRD CORPORATE BANK
FINANCIAL INSTITUTIONS
WHERE EXPERIENCE AND INNOVATION INTERSECT.
Joshua H. Landau
SVP, Corporate Banking Group Head
Financial Institutions Group
Josh and the Financial Institutions Group experts at Fifth Third Corporate Bank do more than offer competitive capital solutions. They build personal relationships with clients and provide meaningful guidance through all economic cycles—resulting in a partnership that's truly strategic, flexible and efficient.
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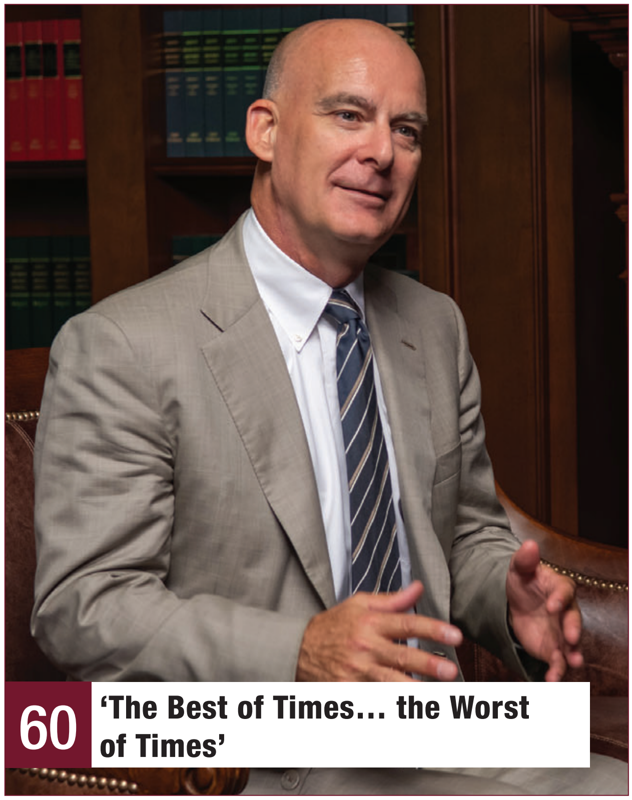

Cover design by Andrew Crespo

APCIA Plans First Meeting With New Name, AM Best Market Briefings in Oman, UAE

Oct. 2 – 4: NRRA Annual Conference & Expo, National Risk Retention Association, Chicago.

Oct. 2: Insurance Market Briefing—Gulf, AM Best, Muscat, Oman.

Oct. 4 – 8: Insurance Leadership Forum, Council of Insurance Agents & Brokers, Colorado Springs, Colo.

Oct. 5 – 9: 61st NABE Annual Meeting, National Association of Business Economists, Denver.

Oct. 7: Insurance Market Briefing—MENA, AM Best, Dubai, United Arab Emirates.

Oct. 9 – 11: ILS Bermuda Convergence 2019, ILS Bermuda, Hamilton, Bermuda.

Oct. 11: The Insurance Library of Boston Awards Luncheon, Insurance Library Association of Boston, Boston.

Oct. 13 – 15: ACLI Annual Conference, American Council of Life Insurers, Boston.

Oct. 13 – 15: 25th Annual Fall Life Settlement & Compliance Conference, Life Insurance Settlement Association (LISA), Nashville, Tenn.

Oct. 14 – 16: WIFS National Conference, Women in Insurance and Financial Services, Louisville, Ky.

Oct. 16: Insurance Society of Philadelphia Independence Gala, Insurance Society of Philadelphia, Philadelphia.

Oct. 16 – 17: RIMS Legislative Summit, Risk and Insurance Management Society, Washington, D.C.

Oct. 20 – 22 APCIA Annual Meeting, American Property Casualty Insurance Association, Boston.

Oct. 20 – 24: Baden-Baden Reinsurance Meeting, Baden-Baden, Germany.

Oct. 20 – 22: WSIA's U40 Annual Meeting, Wholesale & Specialty Insurance Association, Nashville, Tenn.

Oct. 20 – 22: SIR Annual Conference, Society of Insurance Research, Charlotte, N.C.

Oct. 21 – 23: 19th Annual TMPAA Summit, Target Markets Program Administrators Association, Scottsdale, Ariz.

Oct. 21 – 24: HCIC Annual Forum, Hawaii Captive Insurance Council, Koloa, Hawaii.

Oct. 23 – 25: ACLI Life and Health Compliance Fall Meeting, American Council of Life Insurers, Alexandria, Va.

Oct. 27 – 29: RMA's Annual Risk Management Conference, Risk Management Association, New Orleans.

Oct. 27 – 29: LIMRA Annual Conference, LIMRA, Boston.

Oct. 27 – 30: SOA Annual Meeting & Exhibit, Society of Actuaries, Toronto.

Oct. 27 – 30: NASP Annual Conference, National Association of Subrogation Professionals, Washington, D.C.

Oct. 29 – 30: ACORD Connect 2019, ACORD, Boston.

Oct. 29 – Nov. 1: 16th SIRC Conference, Singapore International Reinsurance Conference, Singapore.

Nov. 3 – 6: Senior Investment Managers Seminar, American Council of Life Insurers, Coronado, Calif.

Nov. 4 – 5: RIMS ERM Conference, Risk and Insurance Management Society, New Orleans.

Nov. 5 - 6: Annual Meeting and Public Policy Forum 2019, American Academy of Actuaries, Washington, D.C.

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

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Insurance Underwriting Awareness Month

Underwriting is critical for any insurer's success. What are the implications of new technology and innovation for today's underwriters? Coverage begins on page 19.

Everest Re Taps Chubb Executive as Future CEO

Also: Brighthouse Financial appoints CFO, Aegon names successor to CEO Wynaendts, and AIG appoints EVP-chief human resources officer.

Juan C. Andrade left Chubb Ltd. to become chief operating officer of Everest Re Ltd. effective Sept. 1. Andrade will then succeed Dominic J. Addesso as president and chief executive officer of the reinsurance group on Jan. 1, 2020.

With more than 25 years of experience, Andrade has led large and complex domestic and international businesses, Everest Re said in a statement. He held executive roles in underwriting, product development and innovation, claims, sales and distribution, strategy development and general management, where he was responsible for leading all aspects of the businesses.


Juan C. Andrade

Everest Re said Andrade has extensive experience in the United States and across Europe, Asia Pacific, Japan, Latin America and Africa, as well as in the London wholesale market and Lloyd's. Prior to beginning his insurance career, Andrade worked in national security and international affairs within the U.S. federal government's executive branch and the executive office of the president.

Addesso announced in January that he intends to retire as Everest Re's president and CEO at the end of his contract term on Dec. 31.

Everest Re's board "is incredibly excited to have an executive with Juan's strength, skill set and experience to chart our plan for success into the future," said Chairman Joe Taranto in a statement.

—David Pilla

Juan Luis Ortega Named EVP, Chubb Group And President of Overseas General Insurance

Chubb appointed Juan Luis Ortega as executive vice president, Chubb Group and president, overseas general insurance, succeeding Juan C. Andrade.


Juan Luis Ortega

He will have executive operating responsibility for Chubb's general insurance business in 51 countries outside of North America, including commercial property/casualty, traditional and specialty personal lines and accident and health insurance. The North America region includes the United States, Canada and Bermuda.

He most recently served as senior vice president of Chubb Group and regional president of Latin America.

Ortega was named regional president of Latin America in 2016 and was regional president of Asia Pacific from 2013 to 2016, a position he retained after Ace's acquisition of Chubb. Before that, he was senior vice president, accident and health, for the company's Asia Pacific region.

He joined Ace in 1999 and advanced through a series of accident and health and credit insurance management positions in Miami, Puerto Rico and Mexico, before being named country president of Chile in 2005, where he was responsible for Ace's property/casualty, A&H and life insurance businesses in that country. He was also senior vice president and regional head of A&H for the company's Latin America region.

Brighthouse Financial Appoints Spehar Chief Financial Officer


Edward "Ed" Spehar

Brighthouse Financial Inc. has appointed Edward "Ed" Spehar to serve as executive vice president and chief financial officer.

He will be succeeding Conor Murphy, who currently serves as the interim CFO. Once Spehar assumes this role, Murphy will continue as the company's executive vice president and chief operating officer.

Spehar will be responsible for the company's overall financial strategy, including financial planning and analysis, investor relations, accounting and reporting, treasury, actuarial and expense management.

Prior to Brighthouse, Spehar served as the treasurer at MetLife Inc. He also served as the CFO of MetLife's Europe, Middle East and Africa segment. During this time, he was responsible for all financial management matters for that segment.

Aegon Names Successor to CEO Wynaendts


Lard Friese


Alex Wynaendts

Less than three months after reappointing Alex Wynaendts to a new four-year term as chief executive officer, Netherlands-based international life and pension group Aegon NV said he is to be replaced by Lard Friese, CEO of fellow Dutch-based financial services group NN Group NV.

Friese is due to become CEO-designate on March 1, 2020, and assume the permanent title on May 15.

Aegon said the proposed appointment will be submitted to the next annual shareholders meeting. Regulatory approval has already been obtained.

Wynaendts, who has been Aegon's CEO since 2008, was appointed to a new four-year term at the annual meeting on May 17.

In the meantime, NN Group named David Knibbe as CEO of the company to succeed Friese. The appointment of Knibbe, CEO of NN Netherlands, is subject to approval from the Dutch Central Bank. If approved, the appointment will be effective Oct. 1, after notification to the general meeting of NN Group at an extraordinary general meeting that was to be held on Sept. 26.

Friese, who has almost three decades of experience in the financial services sector, worked for Aegon between 1993 and 2003.

Dick Schiethart, an Aegon spokesman, said the group announced that it would begin a selection process to find a successor to Wynaendts when it announced in November 2018 that it planned to reappoint him.

AIG Appoints Executive Vice President-Chief Human Resources Officer

Karen Ling

American International Group Inc. named Karen Ling as executive vice president, chief human resources officer.

She will also join the AIG executive leadership team and will be based in New York and will report to Brian Duperreault, president and chief executive officer.

In her new role, she will lead the global human resources department. She will align the company's talent strategy with their long-term strategic, operational and financial objectives.

Ling joins AIG from Allergan plc, where she served as the executive vice president and chief human resources officer for five years.

Hamilton Insurance Group Appoints Chief Technology Officer

Venkat Krishnamoorthy

Hamilton Insurance Group Ltd. has appointed Venkat Krishnamoorthy as chief technology officer.

Krishnamoorthy will report to Pina Albo, chief executive officer.

In his new position, Krishnamoorthy will be responsible for the continuous development of the company's data-driven technology strategy and execution. He will oversee the groupwide internet technology team.

Krishnamoorthy joins Hamilton from Coleman Research, where he served as chief technology officer.

Former Utah Insurance Commissioner Dies

Roger Craig Day

Roger Craig Day, former Utah insurance commissioner, died on July 18 at the age of 71.

He was appointed commissioner in 1977 by then-Gov. Scott Matheson. At age 29, he was the youngest insurance commissioner in state history, according to his obituary. He also served as president of the National Association of Insurance Commissioners.

His professional career began at the University of Utah, where he served in the department of family and preventative medicine. He later worked at Beneficial Life Insurance Co., where he was responsible for strategic long-range planning and development.

He remained active in Democratic politics throughout his life, lending his skills to multiple campaigns.

Munich Re Appoints Steven Chang As Chief Executive of Greater China

Steven Chang

Munich Re has appointed Steven Chang as chief executive of Greater China, leading its nonlife business and operations in China, Taiwan, Hong Kong and Macau.

Chang joined Munich Re in 1997 and became chief executive officer of the Beijing branch in 2009, with expanded responsibility for greater China nonlife clients and markets from 2013.

Chang succeeds Christoph Hoch, who has returned to Germany to take up the role of regional head, Munich Re Facultative & Corporate, Iberia and Latin America. Also, Munich Re has appointed Zi Jia Li as managing director of SiTao Consulting, with responsibility for the company's innovation lab in Beijing as well. Li will report to Chang, and he was previously chief digital officer at Chubb China.

Recently, Munich Re hired Kyungsuk Lee to lead its life and health business in South Korea. The appointment is part of the reinsurer's leadership transition in South Korea, with the head of life and health Soobum Lee retiring on Sept. 30.

AIG Names Chief Sustainability Officer

Jennifer Waldner

American International Group named Jennifer Waldner to the newly created position of chief sustainability officer. She will be responsible for leading the development and implementation of a company-wide sustainability strategy.

Throughout her 10 years at AIG, Waldner has continually gained greater responsibility, most recently serving as head of citizenship for AIG Life and Retirement. She served in citizenship roles at State Street Corp. for a decade.

Hartford Names Head of Group Benefits

Jonathan Bennett

Hartford Financial Services has named Jonathan Bennett as head of group benefits, succeeding Mike Concannon, who is retiring after a 24-year career.

Bennett has had a 20-plus year career with Hartford, and in his most recent position, served as the head of strategy for both property/casualty and group benefits. Prior to that, he served roles in personal lines, commercial markets, ventures and digital commerce and customer analytics. Before coming to Hartford, Bennett held leadership roles with Cigna's retirement and individual insurance divisions.

AIG Appoints Global Head of Real Estate

James "Jamie" Love

American International Group Inc. said it has appointed James "Jamie" Love as global head of real estate.

Love will be responsible for aligning AIG's global real estate footprint with the company's overall operational and financial objectives and will lead strategic planning for AIG's owned and leased assets. He will be based in New York.

Prior to joining AIG, Love was at Goldman, Sachs & Co., where he served as vice president, head of real estate strategy, Americas. BR

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

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

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

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

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

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

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

Sales & Advertising
REGIONAL SALES MANAGERS
Christine Girandola: +1 609 223 0752
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brian.mcgoldrick@ambest.com
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advertising_sales@ambest.com

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The Price Isn't Right

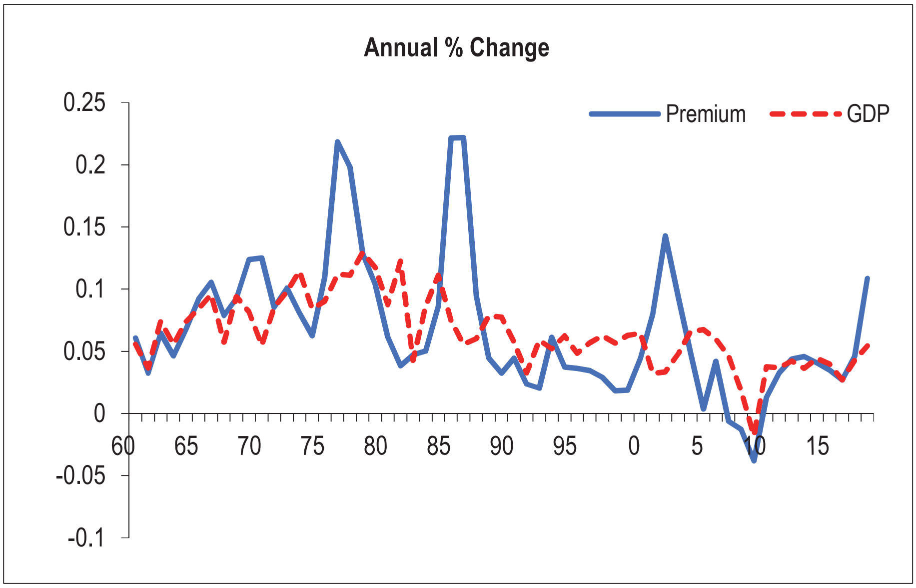
Reader challenges reasons for surge in broker mergers and acquisitions that were explored in July's *Best's Review*.

I found Jeff Roberts' article "A Perfect Storm" in the July edition, describing the hot merger and acquisition market in the brokerage sector interesting. I will argue that the "Perfect Storm" article leaves out one major contributor to the market's irrational exuberance, the fact that the property/casualty sector is experiencing its first major upturn in 15 years!

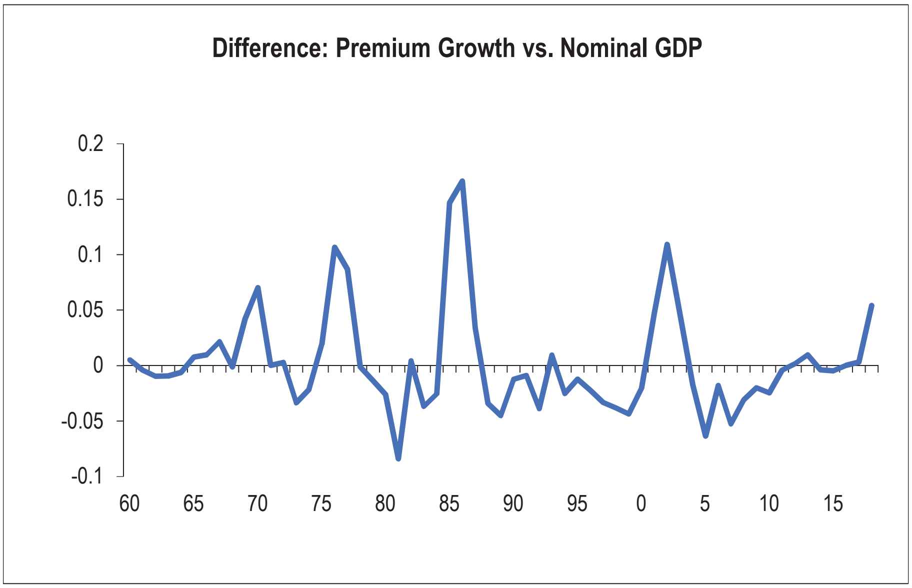
The late Jack Byrne of Geico, Fund American and White Mountains fame, expressed it best decades ago when he said that insurance is a lousy business. This especially applies to the brokerage sector.

When I was an analyst on Wall Street following the industry, I pointed out to investors that insurance is a safety net for the economy. This more or less explains executive vice president at MarshBerry Phil Trem's observation that the industry is recession-resilient. If something has value, it will be insured, with one of the variables being self-insurance. When insurance prices rise quickly, policyholders will increase the amount of self-insurance, including policy deductibles that they are willing to carry. The fly in the ointment, of course, is there are some 900 insurance underwriters chasing what amounts to a fixed amount of premium.

With my view that insurance is a safety net for the economy, I used to advise clients that they could easily visualize the industry's pricing adequacy by comparing written premium growth with the growth rate of nominal GDP (unadjusted for inflation) as a proxy for the growth rate of insured values. If the replacement cost of my house increases by 5%, then I should anticipate a similar increase in the amount of premium my insurer demands. This follows for other lines of business as well.



Sources: Insurance Services Office, US Bureau of Economic Analysis, Michael A. Smith



Sources: Insurance Services Office, US Bureau of Economic Analysis, Michael A. Smith

If we look back, we see the annual growth rate of premiums has lagged nominal GDP since the last year of the last major upcycle, 2003, with only a few years when there was parity until 2018. Going all of the way back to 1960, all of the major underwriting cycle upturns are clearly visible.

What is especially notable from the Annual % Change chart is the increasing length of the industry's downturns, followed by wrenching upturns. This is perhaps more visible if we simply plot the annual difference between the two curves from year to year as shown in the Difference: Premium Growth vs. Nominal GDP chart.

One point to bear in mind is that the annual difference between written premium growth and GDP is cumulative. For example, if GDP growth in Year One is 5% and premium growth is only 1%, the implication is that pricing, broadly speaking, is deficient by about 4%. But next year, if GDP again grows by 5% and premiums only grow by 1%, the cumulative level of discount is now 8% (4%+4%). This is why the extended downcycles the industry experiences are so corrosive and why the brief periods of upturn are simply not enough to allow weaker companies to sustain the next downturn.

When I retired from my Wall Street career in 2003, I exclaimed as I went out the door that I had no interest in following the industry's coming downturn. Based on the data illustrated by the charts I provided, my concerns were well placed.

If we simply compare GDP now with the industry's written premiums, GDP (again, unadjusted for inflation) since 2003 has grown by 180% while written premiums have grown by 151%, a difference of 29 percentage points. But until the industry's spike last year, that difference was 33 points (170% versus 137%). Since brokerage commissions roughly follow written premiums, this tells us that, over the past 16 years, brokerage has been a negative growth business in real terms.

It appears very clear to this writer that the current enthusiasm in the M&A market is driven by the irrational belief among buyers and their capital providers that the upcycle will continue, while those very astute sellers see the opportunity to escape at a peak.

Michael A. Smith
267 Horace Mills Rd.
Wells, ME 04090
smithisretired@gmail.com

Now Hear This

Axa uses sonic branding to bolster its brand, and an industry expert shares tips for maintaining strong agency relationships.

Name That Tune

An iconic sequence of three chimes quickly identifies NBC's brand. A five-note melody immediately conjures up images of McDonald's successful "I'm Loving It" campaign.

Now the insurance group **AXA** is using a riff of 10 piano notes to help bolster its brand and strengthen consumers' connection to its products.

Axa recently debuted its new sonic branding in a new ad that features tennis icon Serena Williams. Sonic branding uses music and sound to help reinforce a company's brand recognition and contextualize a brand's message.

Axa's new 10-note sonic signature, in which the first note begins softly with the others growing louder and more intense, is part of the company's new global brand positioning and tagline, "Know You Can." The new tagline signals that Axa aims to go beyond insurance and live up to its purpose of being an encouraging partner that empowers people to live better lives.

Axa selected the 10-note approach to "create uniqueness and distinctiveness, and to have the flexibility to use the same rhythm with different instruments so we can match the moods of different ads but keep the brand recognition," said Axa global brand director Paul Bennett.

The company plans to use its new audio cue in all future ads worldwide and on Axa digital experiences.

"Audio branding is as important as our visual branding codes, such as the logo. It helps create more proximity with customers and create a mental mark to hopefully drive consideration and choice," he said.

Top 5 Tips for Maintaining Strong Agency Relationships

Brian Kilroy
Vice President of Marketing
Philadelphia Insurance Cos.

1. Be an active listener.
You can't be of optimal value to your agency partners until you understand their needs.

Armed with a clear picture of their goals, you can then place your organization in a position to shine.

2. Be solution-oriented.
Always be proactive with new ideas for mutual growth. Company-agency relationships thrive when company personnel provide new pathways for success.

3. Always project a positive attitude.
Your agency partner wants to feel good about working with you. Your enthusiasm and zeal for your role in their success is reassuring to your partner, and is infectious.

4. Seek out the "yes."
Your trusted agency partner relies on your expertise. While a quick "no" is sometimes warranted, a good relationship manager will look for another avenue toward success.

5. Be consistent.
Possibly the most obvious tip may be the most difficult to master. Your consistency in approach, demeanor, follow-up and temperament is a trait that is highly valued by your partner.

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

Harnessing Emotions

Put these tactics to work to improve emotional intelligence.

By Carly Burnham

Last month I introduced the five components of emotional intelligence—self-awareness, self-management, motivation, empathy and social skills—and illustrated how they can be beneficial for your insurance career development. This month, I want to share some tactics for improving emotional intelligence.

Self-Awareness: Improving your self-awareness is the first step. There are numerous quizzes online to identify how strong your emotional intelligence skills are. Try one out. Additionally, practicing mindfulness and journaling will allow you to hone in on your own triggers and patterns.

For example, set aside five minutes at the end of the day to reflect on any interactions that brought up emotional responses. How did you handle them? In retrospect, would you have made different choices or communicated differently? This practice will build your understanding of your own emotional states throughout the day.

Self-Management: Once you're aware of your emotional states, you can start to manage them. A key component of managing emotional responses is to acknowledge that the way you communicate or handle your emotions will impact your relationships throughout your insurance career. Determining your triggers and patterns will give you the ability to build better relationships. For instance, if you are an underwriter, and you find that a particular agent knows how to push your buttons, look for ways to change the interaction. For example, schedule those meetings for a time of day when you have more energy or use deep breathing to relax before heading into a challenging circumstance.

Motivation: Maintaining motivation can be difficult, especially if you haven't mastered self-awareness or self-management. When things get tough, your emotions can prevent you from feeling motivated. One strategy I have used to improve my motivation is to look at my long-term goals and break them down into smaller pieces. By doing this, I also get the opportunity to celebrate my small wins.

Empathy: There are a number of ways to develop empathy. Journal about interactions with others and attempt to understand their perspectives. Practice active listening, which allows you to learn more about those you interact with. And consider taking some time to learn about body language. You can learn a lot about those you are communicating with by watching their body language for cues about their emotional state.

Social Skills: In the relationship-based business of insurance, social skills are the keys to connecting with fellow professionals and building your network. A fantastic place to start is by learning about communication styles. Examine your own tendencies, looking for potential communication pitfalls in how you send or receive messages.

As an introvert, I find it helpful to listen more than I talk. Allowing others to share their stories is a tried-and-true way to build rapport. Also, it's important to intentionally practice trustworthiness. When you say you are going to do something, do it. Be honest and authentic. You will find that practicing these strategies will allow you to build stronger relationships and practice your social skills more frequently.

These are a few tactics for increasing emotional intelligence. There are many more. If you consider the five components, you may even think of your own ways to improve on each individual component. I'd love to hear about your practices.

Next month, my final column on this topic will address how to recognize and encourage emotional intelligence in the insurance workplace. 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*.

In the News

Regulatory Update

Tennessee gets new insurance commissioner and California bill could impact long-term care insurers.

State Commissioner: Tennessee Gov. Bill Lee has appointed Hodgen Mainda commissioner for the state Department of Commerce & Insurance. Mainda serves as vice president for community development at the Electric Power Board in Chattanooga.

He succeeds Julie Mix McPeak, who left the post for an opportunity in the private sector.

In his role with the board, Mainda built partnerships across the state and federal level and increased its role in regional economic development, according to a statement from Lee's office.

Long-Term Care Insurance: Long-term care insurers could face a new fee of up to $1 million a year under legislation signed by California Gov. Gavin Newsom.

The assessment would be based on a carrier's proportional share of the costs incurred by the California Department of Insurance when it conducts financial surveillance of LTC insurance carriers.

It's not designed to be an annual fee on all LTC carriers, but a charge on carriers that appear to be operating in a risky manner, said John Shirikian, president and CEO of the Association of California Life and Health Insurance Companies. "We don't expect any carrier in good financial condition to be assessed," he said. California doesn't have many domestic insurers providing long-term coverage, so it needed other funds to cover the cost of going through a carrier's books if it appeared to be in trouble, he said.

Swiss Re: Global Economy Less Economically Resilient

Switzerland, Canada and the U.S. have the highest economic resilience.

by Iris Lai

The global economy has become less resilient at absorbing a financial crisis than it was in 2007, according to Swiss Re's new report on macroeconomic resilience indices.

The main drivers for this trend are the exhaustion of monetary policy options in many developed economies and a challenging operating environment for the banking sector, even as financial institutions are stronger since the crisis, said Swiss Re. The new macroeconomic resilience indices use data from 2007 to 2018 for 31 countries, representing about 75% of the world gross domestic product.

Switzerland, Canada and the United States have the highest economic resilience, while the Euro area has decreased the most since 2007, said Swiss Re. Emerging economies have become slightly more resilient, and "we expect higher-quality growth to continue this trend," added Swiss Re.

Latin America recorded an improvement in economic resilience, although at a low level due to structural challenges. The region's capital markets are not sufficiently developed, labor markets show low productivity and a significant part of the population remains vulnerable to falling back into poverty.

"Emerging markets, in particular, benefit more strongly from insurance protection than mature economies, which often have greater access to alternative sources of funding," said Jerome Jean Haegeli, group chief economist at Swiss Re.

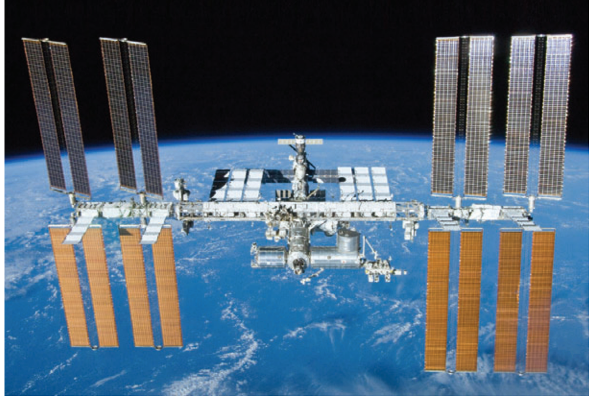
> "Emerging markets, in particular, benefit more strongly from insurance protection than mature economies, which often have greater access to alternative sources of funding."
>
> **Jerome Jean Haegeli**
> **Swiss Re**

Asia and Oceania recorded "fairly stable economic resilience scores between 2007 and 2018," said Swiss Re. Resilience levels in China, Japan and Australia improved, but India's resilience declined mostly due to lower index scores for the financial sector component, including banking industry environment, financial market development and insurance penetration, it added. A growing number of complex and interconnected risks, including slowing global growth, ballooning government debt, negative interest rates, rising political risk, inequality, catastrophe losses, climate and technology change, are challenging the world. From a loss perspective, Swiss Re said natural catastrophes are the main threat to global resilience.

"The rising frequency of extreme weather events, geopolitical and macroeconomic instability, aging populations and rising health care spending have transformed the risk landscape in Asia and globally," said Russell Higginbotham, CEO of reinsurance and regional president for Swiss Re Asia. BR

Iris Lai is Hong Kong bureau manager. She can be reached at *iris.lai@ambest.com.*

Ready For Takeoff



Insurers need to get on board with the growing space tourism industry.

By **Lance Ewing**

One late evening two gentlemen, who had been visiting numerous local drinking establishments, were sitting on a bench talking. Looking into the night sky one man said to the other, "Which do you think is farther away Florida or the moon?" The other turns and says, "Hellooooooo. Can you see Florida?" Or so the story goes.

We have been told for years that one day private citizens will travel to space or to the moon. Due to the rapid increase and developments in technology and manufacturing, the potential for everyday citizens to experience space travel is more than just a future away, it is a reality. The Russian Federal Space Agency was the first to offer citizens the opportunity to travel into space. Through the Russian program, individuals can fly into space and spend time on the International Space Station at a cost of more than US$10 million for the experience. Seven individuals paid the price. In June, the National Aeronautics and Space Administration revealed it is planning to permit "private astronauts" to go into space and board the ISS at a yet to be confirmed more reasonable admission price per day.

There are more than 20 private nongovernmental companies that are working to create a suborbital tourist space trip in which passengers would have several minutes of weightlessness, see numerous star fields, have various constellations pointed out and see a portion of the Earth from above. These companies are developing this "for-profit" adventure at a probable cost of between US$200,000 and US$300,000 per person, per trip. Affordable space tourism is not only coming, but is here.

As this commerce gains traction what about the emerging risks, insurance and the inherent claims of space travel? From an underwriting standpoint, how would this type of activity be rated? What actuarial or risk modeling would be relevant to help insurance carriers set a premium? Would current life insurance policies need to carry "space tourism" exclusions? Would business travel accident policies provide coverage as the trip is "outside" of the United States? Does cancellation coverage apply? Would the private space flight operators offer life insurance policies right before lift-off?

In addition, how would claims be processed? What legal standings would set precedent? There are almost no laws related to space tourism personal loss. In 2010, the New Mexico state legislature passed the Spaceflight Informed Consent Act. This law affords legal protection to private companies who offer space flights partial immunity in the case of injury or death to passengers on the flights. Consent waivers must be signed by all passengers stating that the companies cannot be held liable in the "death of a participant resulting from the inherent risks of space flight activities." There is a section that does allow claims to be brought in the case of "gross negligence or willful misconduct." There are limited U.S. federal regulations related to space tourism and private space flight and in some cases these are merely recommendations or proposed guidelines.

From a risk management perspective issues such as training, passenger risk control, security, cyberhacking, compliance, governance, reputation risk and insurance will all be top of mind.

UBS Group AG predicts that space travel and tourism will be a US$23 billion business in 10 years. With the space flight and tourism industry ready to take off, the insurance and risk community are still facing the unexplored and the unknown. We need to get on board soon. BR

Best's Review columnist **Lance Ewing** is executive vice president of Global Risk Management for Cotton Holdings Inc. He also is the former president of the Risk and Insurance Management Society. He can be reached at *bestreviewcomment@ambest.com.*

Technology

All Hands On Deck

The journey to becoming truly data-driven requires a concerted effort by everyone within an organization.

By Pat Saporito

Big data, artificial intelligence and digital disruption have created incredible competition in every industry. In some cases, digital startups are the competition. In others, they have become partners in building out more robust capabilities. Data and analytics are not just the fuel but also the engine of today's business environment.

Organizations are facing challenges in wide-scale use and adoption of analytics. Often the HiPPO (highest paid person's opinion) syndrome prevails.

Almost every senior executive I've met is frustrated with this issue. Data-driven has become an empty buzzword. As in the *Wizard of Oz,* there's not much behind the curtain. We have analytic islands instead of an enterprise approach. You cannot be a data-driven organization without understanding what one is and what it takes to become and sustain being one.

Lack of use and adoption stem from three key areas: Culture, lack of trust in the data and ease of use.

Ease of use includes not only having the right tools but also having an easy-to-use search catalog of your standard analytics, with core corporate and operational ones clearly identified. The catalog should include metadata, or data about the data such as its source or last update. Metadata should be accompanied by a data dictionary with data element definitions, calculations and aliases, along with ease of use and a business or semantic view of the data by function.

The catalog and dictionary reinforce user understanding. However, the most important part of user trust is a data governance program. A process is needed to validate and correct questionable data. Data stewards need to be appointed as "go-to" data people. Governance needs to be rightsized depending on the use of the data. Governance that is too heavy discourages data use and reinforces personal data silos.

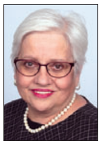
Ease of use and data trust are table stakes, but culture is just as important. Managers need to clearly demonstrate that they make data-based decisions starting at the top with executive management and down through operations. New employee onboarding should include a data analytics orientation and a review of key data sources, tools and standard reports.

Communities of interest for different types of users, including managers, analysts and data scientists, need to be created. Ongoing training and development for data analytics and data security should exist. Employees should participate on projects to apply and reinforce learning.

Analytics adoption and business value are goals of an analytics program supported by continuous funding and managed through a Business Analytics Competency Center or COE leader working with a senior business executive champion or chief data analytics officer.

Analytics need to be part of a company's annual planning process. Corporate initiatives should include goals, objectives, measures and actions. These initiatives then trickle down and become part of the objectives set by each department and employee. They also become part of the annual data analytics planning to include new data analytics needed to support the initiatives.

Becoming truly data-driven is a journey. It requires all levels of the organization and an organization infrastructure comprised of people, processes, data and technology to drive business value and user adoption from data and analytics. BR



Best's Review columnist **Pat Saporito** is a partner at Digital Business Creations LLC and author of *Applied Insurance Analytics: A Framework for Driving More Value From Data Assets, Technologies and Tools*. She can be reached at *pat.saporito@gmail.com*.

Tech Race

Like space exploration 50 years ago, technology advancements in the insurance industry today face enthusiasm as well as skepticism.

By **Howard Mills**

In the 2018 movie, *First Man*, astronaut Neil Armstrong (played by Ryan Gosling) says, "I don't know what space exploration will uncover, but I don't think it'll be exploration just for the sake of exploration. I think it'll be more the fact that it allows us to see things that maybe we should have seen a long time ago but just haven't been able to until now."

July marked 50 years since the epic journey of Apollo 11. The Apollo astronauts (Buzz Aldrin and Mike Collins, in addition to Armstrong) could not find an insurer able to underwrite their lives at an affordable price while they pioneered space flight. They resorted to signing hundreds of U.S. postal service envelope covers that friends would have postmarked on the day of their launch so that their families could sell them in the event that they died on their missions.

Stunning advances in technology (not to mention political will, raw courage and many other factors) made the success of the U.S. space program possible. Today, we are entering into a technological revolution in the insurance industry that will have vast ramifications for everything from underwriting to claims settlement and every process in between, as it enables insurers to see risks and relationships they haven't been able to see until now.

Innovation and insurtech progress will not only re-engineer processes, it will change the basic construct of insurance models with new concepts such as peer-to-peer insurance, robo-advisory and usage-based insurance, and will do wonders for risk management.

Consumers will enjoy ease of access to insurance products, more options and underwriting tailored to their own unique risk profiles. Technological innovation in insurance models or illustrations will greatly increase transparency and comprehension and could, over time, contribute to an increase in take-up rates of life and annuity insurance products.

Technology could enable some long-awaited disruption in the industry and bring new entrants to the market. Established insurers are racing to embrace new technologies and to innovate so as to remain competitive, especially among the millennial generation where person-to-person interaction for basic insurance products is the exception and direct purchase through cellphones the norm.

The insurance industry's technological revolution will pose challenges and regulators are already pondering many aspects of the new landscape. The most fundamental concern I hear is whether artificial intelligence, machine learning and data analytics will enable insurers to underwrite at such a granular level so as to customize policies to such a degree that the very concept of insurance—risk pooling—will be undermined, and if this could lead to large groups of people or risks becoming uninsurable in the private insurance marketplace. Regulatory concerns about issues such as data privacy, discrimination, and cybersecurity will be never-ending. The use of algorithms using geographical data and other individual attributes also will be under constant scrutiny.

Insurers may rightly face skepticism from regulators similar to that expressed by Neil Armstrong's wife Janet (played by Claire Foy) in *First Man*. Upon being told things were under control, she says: "All these protocols and procedures to make it seem like you have it under control … but you're a bunch of boys making models out of balsa wood! You don't have anything under control!"

Insurers, like NASA, must convince regulators—who are in many ways stand-ins for a skeptical public—that they have the new technologies under control. If they can, and if they do, it is a safe bet that future astronauts—not to mention Earth-bound insureds—will have better insurance options than did Armstrong, Aldrin and Collins. BR

Best's Review columnist **Howard Mills** is an independent senior adviser with Deloitte and a corporate director. He previously was superintendent of the New York State Insurance Department. He may be reached at *howmills@deloitte.com.*


Your
path
to
growth

Holding the Pen

The underwriting pen has been both a powerful tool and a powerful symbol since the days of Lloyd's Coffee House, when early underwriters assumed risk by signing their names one beneath the next. Though the pen has given way to more advanced technological tools over the centuries, underwriting and underwriters remain at the core of insurance.

In this special section, *Best's Review* takes a deeper look at the trends and technologies that are reshaping the nature of underwriting and redefining what it means to be a great underwriter.

"The Write Stuff" explores what separates good underwriters from great ones, with a look at how market conditions and technology are affecting the skills needed to excel.

Technologies such as big data, predictive analytics, telematics, artificial intelligence and machine learning have long held promise for underwriters. Now that promise is being realized. "Top Trends in Underwriting" looks at how these technologies are being implemented.

Will technology render the human underwriter obsolete? "The Rise of the Super Underwriter" lays out the impact of automation and what it means for the future of underwriting.

The Underwriting Special Section is sponsored by Munich Re. Go to *www.bestreview.com* to listen to the Munich Re podcast or access it at *www.ambest.com/ambradio*.

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Underwriting

The Write Stuff

The best underwriters bring more than just technical skills to the table. Increasingly, they are the business builders of their organizations.

by Kate Smith

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

Ben Bolton has worked with underwriting teams for the last two decades. Seven years ago Bolton, the CEO of Gracechurch Consulting, and his team set out to identify who the best ones were.

Gracechurch surveyed senior underwriters and brokers, looking for the most well respected names in the London Market. The survey has become an annual endeavor, and what started as a simple "who's who" has evolved into an exploration of what defines underwriting excellence.

"The rankings tell us a great deal," Bolton wrote in this year's London's Leading Underwriters (LLU) report, "but it's also the soft verbatim 'qualitative' data behind the rankings that are providing exciting insights into why underwriters perform well or not."

Great underwriters don't just affect profit and loss, experts say. They attract better risks, bring in new business and improve the customer experience. And in today's business climate, underwriters are expected to do more of that.

The role of the underwriter is expanding, both as a result of technology and as a result of market conditions. And the skills required to excel in this new environment may not be what you think.

It's not technology prowess that separates the good from the great, Bolton and other experts say. It's a series of intangibles—things like curiosity, critical thinking, leadership, a growth mindset and humility—that differentiate.

"What makes a good underwriter is the standard stuff—good technical skills, a sense of the marketplace and so on," Bolton said. "What makes a great underwriter is a rather

Key Points

Intangible Assets: Curiosity, leadership and relationship skills differentiate the best underwriters.

Market Differences: In London, underwriting authority sits more on the front lines, whereas in the U.S., governance is held more centrally.

Business Builders: As administrative tasks become automated, underwriters will be expected to do more business development.

abstract idea—one of leadership, of creating a following. It's people who have a growth mindset.

"It no longer comes from this mythical technical prowess or a brilliance with numbers, although those are basics that are important. It's the ability fundamentally to be a great business builder, and that means having strong relationships and having insight into business risks that others don't have. That comes from curiosity."

The underwriters who strike that balance are in high demand and add enormous value to their organizations.

"There is an absolute cascading effect to having an underwriter who provides superior service, is well informed and is constantly looking to be better informed," Sanjay Godhwani, executive vice president of Berkshire Hathaway Specialty, said. "They can engage more fully with a broker, a customer and their teammates. If you want to be better informed, you're going to ask more questions. In general, customers will like that kind of individual. And if you're better informed, you'll have more to share. There's a good deal of momentum built from having someone like that."

Experience also matters, experts say, especially now that the market is hardening.

"There's a segment of underwriting talent that hasn't ever seen a hard market," Dave Seeley, consultant with Russell Reynolds Associates, said. "Absolutely experience does matter. You want people with the ability to operate in different environments, hard and soft. Underwriters who have that experience will certainly play a role in the success of an organization.

"Brokers recognize where the great talent lies, and part of their job is to make the appropriate selection of which underwriters to engage with on accounts. There are definitely reputations in terms of where the great underwriting talent sits."

U.S. vs. London

Exploration of the underwriting scene comes with a caveat: The U.S. and London shouldn't be compared.

"They're apples and oranges," said Erin Hamrick, partner with Sterling James. "In Lloyd's you can be the top marine underwriter or the top aviation underwriter. The U.S. is not market-centric like that. What the U.S. does have—and this is a key differentiator—is executives who are underwriters at their core."

Hamrick points to executives like Lex Baugh and Tom Bolt at AIG and Godhwani at Berkshire Hathaway Specialty as examples.

"They're in a class and league of their own," she said. "They have years of experience and a natural inquisitiveness combined with an understanding of data and analytics to be forward looking when thinking about risk."

Seeley said it's hard to point to individuals as being the driver of underwriting decisions in the U.S.

"In the States, at larger carriers, in particular, the underwriting governance and authority tends to be held more centrally, not at the front lines," Seeley said. "So it's hard for underwriters to define themselves individually."

Godhwani, one of the four founding members of Berkshire Hathaway Specialty, said great underwriters have a firm grasp of their company's underwriting philosophy.

"You have to very clearly understand the strategy of the company you work for," he said. "All of us don't have the exact same goals. What makes a really good underwriting decision at company A isn't necessarily what makes a good underwriting decision at company B or company C.

"We have an underwriting process we expect an individual to go through. We have a strategy that says, 'The following is a good underwriting decision versus another one.' We spend a lot of time making sure our underwriters understand the strategy of the company."

The London Market historically has operated a bit differently.

"The London Market is more concentrated and you have syndicates that tend to grant more of the authority right at the front lines," Seeley said. "So, in a way, as a London underwriter you're able to really make a name for yourself."

And many have.

"In the past, the balance in London has been in favor of the individual underwriters," Bolton said. "They've almost been better known than the brand of their business."

Richard Trubshaw, reinsurance underwriter at MAP, is a case in point. Trubshaw has ranked in the Top 10 since the LLU reports began and has been the top-ranked underwriter for three straight years.

"Richard is obviously a great underwriter, and he's very highly respected," Bolton said. "His personal brand is probably bigger than MAP's. In fact, from what we've seen, I'd say it's definitely bigger than MAPs."

Underwriting teams also are important, though.

Over the years, Gracechurch has expanded its LLU report to include metrics on "bench strength," the depth of expertise companies have within certain lines of business.

In energy lines, for example, Axa XL and Munich Re were deemed as having the deepest benches. Both also had two underwriters listed among the Top 10 in the class—James Grainger and Dominick Hoare of Munich Re and Peter Welton and Luis Prato of Axa XL. Meanwhile, MAP, led by Trubshaw, is known for its depth in reinsurance underwriting, as is Chaucer. This year Mike Clifton and Ryan Ward, both reinsurance underwriters for Chaucer, ranked among the Top 10 underwriters overall in the London Market.

"Teams really matter," Bolton said. "You do need people who are well known, make decisions and lead, but it's hugely important to have great teams supporting those top underwriters."

"Gray hair matters. People who have been through cycles, hard markets and soft markets, understand how to pivot now that we're trending toward a hard market."

Erin Hamrick
Sterling James

Hard vs. Soft Markets

Experience is also important, particularly as the market hardens.

"Gray hair matters," Hamrick said. "People who have been through cycles, hard markets and soft markets, understand how to pivot now that we're trending toward a hard market.

"Great underwriters anticipate and are intellectually curious about what emerging risks will impact whatever risk it is they're underwriting. They analyze the data and the analytics to question it versus relying on it. Relative to today, they need to be able to do all of that within a market that appears to be hardening. Because really, we haven't had this kind of environment in the last 10 or 12 years."

To Seeley's point, there is a generation of underwriters who have never worked in these market conditions. And, importantly, the last decade of soft market years coincided with a rise of technology. "You have 10 years of people not knowing what a hard market is. And at the same time you have all these companies reducing that middle swath of management because they're deferring to more automation and more technology," Hamrick said. "You're left with underwriters who don't have the right experience to be able to underwrite in changing market conditions. The submission comes in. It's on their computer. It either fits their requirements or not, and this is the price, push the button. You want underwriters who stop and think, 'Do we really want that risk at all?'"

While experience is important, it's not everything.

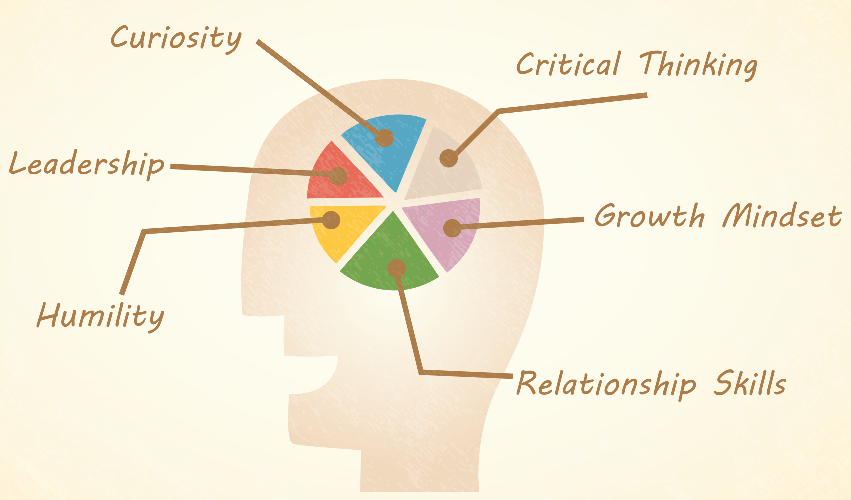
"There is no doubt there's an advantage to going through something you've gone through before," Godhwani said. "You have some idea of what you're going to experience again. These transitioning markets are infrequent enough that I would never discount experience.

"But even if you don't have the experience, your ability to say, 'I'm sitting next to someone who does' or 'I'm going to get really informed and build a view of how I should manage through this' and then making sure you understand the goals of the company—those are important things."

Technology and Consolidation

Not surprisingly, advancements in technology are changing the underwriter's job. But while automation has taken over much of the underwriting in personal lines and is creeping into small commercial, experts say technology will transform but not replace large commercial underwriting.

Characteristics of Great Underwriters



"In larger accounts, underwriters absolutely are playing a critical role as it relates to risk selection and pricing, and we will continue to see that," Seeley said. "So while technology is having a significant amount of influence and will continue to do so, it will never entirely replace the underwriter as a whole in the commercial lines space."

The key difference is that the underwriter's administrative tasks will be automated, which will shift the nature of the role.

"A lot of the journeyman underwriting jobs are going to be done in one way or another on a computer," Bolton said. "Businesses don't need as many of those underwriters who just did the administrative underwriting job. They need fewer but better business developers and business builders."

For the top underwriters, that's a net positive.

"They see a really positive future in which they're not spending most of their days dealing with systems issues, and bureaucracy, compliance," Bolton said. "A lot of that humdrum boring stuff will be taken away, and they'll be freed up to do the thing that I think many of them—I wouldn't say most, but many of them—do actually enjoy, which is building relationships and developing business, and even innovating."

The shift toward a more market-facing role is being driven not only by technology but also by market conditions, including an oversupply of capital that has created greater competition.

London has traditionally been a market of passing trade, with brokers coming to underwriters. That's changing, Bolton said. Underwriters are now expected to go out more and build business by being proactive.

"Consolidation and competition are meaning that businesses are having to be much more proactive about their strategy for growth, and they need underwriters to help them do that," Bolton said. "Underwriters have become representatives not just of themselves as individuals, but also they represent the brand or the business they work for.

"They are, of necessity, much more at the forefront of the businesses and are increasingly expected to fall around that business-building objective."

This ties back to some of the essential skills of a great underwriter, such as curiosity, collaboration and putting customers first.

"Great underwriters focus on the customer and their goals," Godhwani said. "They also understand that if you work in a space that's large-account focused, you are absolutely going to need other people in certain cases to help make decisions. The decisions are bigger than an individual. You have to have the humility and confidence to say, 'I need to go get help on this decision' to fill out any knowledge gap you may have.

"All of that is wrapped in curiosity," Godhwani added. "You're never going to do any of those things unless you're curious. You're never going to understand the market unless you're curious. You're never going to get people to collaborate with on the decision unless you're curious about other people's perspective." BR

Underwriting

Top Trends in Underw

The industry applies lessons learned and begins to realize the potential of game-changing tools.

by Jeff Roberts

The long-held promise of big data, predictive analytics, artificial intelligence and machine learning have moved past the theoretical stage and are being widely implemented in underwriting.

And they are changing the very role of underwriters across the insurance landscape.

Best's Review consulted a number of industry insiders to gauge the developing trends in underwriting. One overriding theme emerged: Carriers and reinsurers are applying lessons learned from other industries and elsewhere in the value chain to use these emerging technologies to assess and price risk.

The result is the realization of the game-changing tools' potential.

"The big thing here is insurers are doing what they said they were going to do or what they wanted to do about three years ago," said Samantha Chow, senior life insurance and annuity analyst at

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

n riting

research and advisory firm Aite Group. "It's finally coming to fruition. That's the big story."

Four specific underwriting trends were consistently cited:

- The evolution of the underwriting workforce.
- The rise of nontraditional data and predictive analytics.
- The wider implementation of artificial intelligence and machine learning.
- The embrace of telematics in personal lines.

Key Points

Evolving Role: The role of the underwriter is being rewritten by the implementation of big data, predictive analytics, artificial intelligence and machine learning.

How You Handle It: New sources of data are emerging daily, but how that data is analyzed and applied makes the biggest difference.

Exponential Growth: The value of AI underwriting will surpass $20 billion by 2024 from $1.3 billion this year, according to a recent estimate by Juniper Research.

Not one is a brand new concept. Each is the novel use or natural progression of existing tools, or in the case of the evolving workforce, a direct result of them. And each is helping to increase efficiency and automation.

"A lot of these themes evolved in other industries first, and it's been a matter of discovering the right use cases within life insurance," said New York Life's Joel Albarella, senior vice president and head of New York Life Ventures. "AI and machine learning are key themes. And before #AI was a tagline, before #Bigdata was a tagline.

"It reminds me of the iPhone. The iPhone was a collection of existing technology that was put together in a new way that was highly valuable to the end consumer."

All four trends are interconnected.

New data points and enhanced methods in analyzing traditional data sources are offering greater insights and predictability.

Telematics are feeding insurers with real-time, dynamic data in auto that transcends traditional static information.

AI and machine learning are taking pools of data and helping carriers automate, while freeing up underwriters to focus on more complex risks.

And the traditional role of the underwriter is evolving into a hybrid position, incorporating traditional skills, data science and tech analyst expertise.

The result is consistent underwriting, the opening of new risk pools that were once uninsurable (think private flood in P/C and diabetes and other chronic illnesses in life) and the development of new and more relevant products.

"Traditional underwriting will remain important, but it has started to change," said MetLife's Chris Smith, executive vice president and global head of operations. "All carriers are looking at this. How can we bring more innovation to the underwriting field?"

For some, the top underwriting trend is the search for new talent and skill sets.

"The evolution of our workforce is going to be the single-most important success factor in helping us create products relevant to people and to interact with consumers in the way they want," said Swiss Re's Chris Behling, chief underwriter for life and health in the U.S.

For others, this underwriting revolution starts with data.

"It's really all about data these days," said Swiss Re's Mike Hudzik, head of casualty underwriting for the U.S. and Canada. "What you can do with those data sets is most important."

The case is the same in life insurance.

"The advancement of technology around computational power and analytics is having a massive impact on anything that's processing-, decision- and pricing-related," Albarella said.

Meanwhile, artificial intelligence and machine learning are finally paying off on their underwriting promise.

And telematics in individual auto is producing new and more precise forms of data, informing real-time, usage-based coverage.

"Telematics in the United States is about ready to explode," said Greg Donaldson, Aite Group senior P/C insurance analyst. "There are enough companies that are figuring out how to get carriers to interact with their consumers in different ways.

"And you're starting to reach a tipping point with the amount of on-the-road data that these carriers and vendors need to be able to really start to make an impact on the ratings side."

Here is a breakdown of each of those trends.

+$20 billion

The estimated value of AI underwriting premiums by 2024.

Source: Juniper Research

The Evolution of the Underwriter

Underwriting is being rethought across all insurance lines. And the role of the underwriter is evolving along with it.

The required skill sets are shifting as the amount of data grows and processes continue to automate.

"For insurance companies, cultivating the right talent will be as important as deploying the right data and technology," said Swiss Re's Mohit Pande, head of property underwriting for the U.S. and Canada. "The talent will have to keep evolving."

That talent will have to be more dynamic, with a skill set combining data science, behavioral economics and "old-school underwriting with the ability to innovate and think outside the box," Pande added.

As the industry's tools change—accelerated underwriting platforms in life; telematics, predictive mapping and satellite imagery in P/C—underwriters have to grow with them.

Some will shift to monitoring the algorithms and software performing some of the simpler risk assessments. Others will serve as liaisons between vendors and software development teams.

"You're going to have a new breed of underwriters that are going to need data skills and analytics skills," said Chris Stehno, a managing director at Deloitte. "It's tough finding people for those roles."

On the P/C side, underwriters are being asked to be more customer-facing with brokers and the agents. They're also tasked with better articulating their company's risk appetite.

"They're looking to develop underwriters who are more sales-oriented and more effective at managing those relationships," said Matthew Carrier, a principal at Deloitte.

There are two ways to develop these new skill sets: Recruit a new kind of talent or retrain the current workforce and capitalize on their built-in underwriting expertise.

Insurers seem to be doing both.

Many P/C companies undergoing transformations are pivoting their operations to reorient current employees.

"Any company that is implementing this—which is most, if not all—is starting to realize that they have to figure out ways to get their employees to do different things," Donaldson said. "You're not reading in the news about mass layoffs at insurance carriers.

"The reason is they really have done a good job traditionally of taking the human capital they have and focusing it on the problems that they need them to focus on. This is no different."

However, recruiting new talent—especially data scientists—is a necessity to effectively work with evolving technologies and expanded data sets, Swiss Re's Hudzik said.

Many life carriers that have moved to accelerated underwriting also are retraining underwriters, Chow said.

"We as an industry have to have one foot in the current world and one foot in the future world," Swiss Re's Behling said. "There's a culture clash there between our underwriters of today and the data scientists we're bringing on, but I think both sides benefit from it. It's a trend in our industry."

'The Magic' of Data and Analytics

The next generation of data is here.

In life insurance, some companies are collecting real-time data gleaned from wearables. And electronic health records are providing a wealth of information once inaccessible or difficult to act on.

"One area we've focused on is how nontraditional sources of data can drive value for the end consumer," said New York Life's Albarella.

Life insurers increasingly are investigating how existing data points can become more predictive as well as expanding into areas not being utilized to price mortality risk. Lifestyle and behavioral data elements are emerging.

> "It's really all about data these days. What you can do with those data sets is most important."
>
> **Mike Hudzik**
> Swiss Re

"There are new sources of data popping up every single day," Behling said. "Social media data. Data from sources that didn't even exist five years ago."

Some already consider internet usage and spending habits. Others in the industry have talked about the books consumers read and even their Netflix browsing histories—anything that will inform a scoring or pricing algorithm.

In the property space, mapping technology, satellite imagery and drones are offering a new spectrum of data to measure risk. Meanwhile, customer reviews and employee satisfaction ratings are being used to underwrite commercial coverage.

But the industry's growing capabilities in data analytics, producing granular insight and risk prediction, might be more valuable than new data.

Carriers that can extrapolate their data into the future will be able to insure more consumers, create a more engaging process and design more relevant products.

"The magic is knowing how these new data sources integrate with one another and how you make sense of all that information," Behling said. "It's less about more data and more about the algorithms that we apply to that data.

"It's about making the underwriting process more specific to the individual and being smarter about how we use the data."

Analytics are allowing insurers to tap into new risk pools such as private flood. And increased adoption of predictive modeling is helping them hone in on risk selection and pricing with multiple variables.

"Traditional underwriting will remain important, but it has started to change. All carriers are looking at this. How can we bring more innovation to the underwriting field?"

Chris Smith
MetLife

For instance, most property policies require physical damage before business interruption coverage kicks in. But businesses often are forced to close following major storms or earthquakes, even when they don't suffer property damage.

New data and analytics tools are leading to parametric products that cover business interruption due to power outages and areas of restricted access.

And the private flood market has become viable thanks to data and computing power. It could generate $41.6 billion in written premiums for insurers from U.S. owner-occupied homes, according to a Verisk analysis.

"Historically, flood was looked on as an uninsurable risk," Pande said. "Insurers could only get good data on a location's risk through an on-site survey. But the mapping technology and the data behind this has become so much better that insurers can assess and price better than ever before."

Imagery data from low-flying aircraft, drones and satellites allows insurers to assess properties without on-site visits.

"The addition of these new data points, which are created by the advanced use of AI and imagery, is really enhancing the customer experience," Donaldson said.

"Now they're able to take a high-resolution satellite image of the property and say, '47% of your property is covered by foliage. That presents a risk score of 78 out of 100.' It's still relatively new, but that's a trend that's really starting to gain some momentum."

New business modernization is bringing a range of efficiencies and actionable data that can be incorporated into databases. On the life side, it encompasses electronic health records and converting scanned images such as PDFs.

"That's probably the biggest change in life insurance—changing the way that an application is taken and the data is collected and stored," Deloitte's Stehno said.

The approval process is responsible for the biggest bottlenecks in the life space thanks to waits for medical records and lab test results.

EHRs not only reduce wait time, but also could allow insurers to skip some paramedical exams. It is resulting in savings (the cost of those exams) and improved consumer experience.

"We're bringing in data that we didn't have in the past as well as that longevity of data," Stehno said. "Instead of just having my height and weight from my paramed, now I've got 10 years of history of my heights and weights. There's a lot of value in that extra longevity of data."

A Tipping Point for AI and Machine Learning

For years, insiders spoke about the potential of AI and how it would transform operations.

But carriers were using it to power chatbots.

They are finally implementing AI effectively in underwriting, even if it remains in its embryonic stages.

"AI is coming up to a tipping point," Smith said. "It's becoming more advanced. The engines are there. They've been underwriting policies, and you have a lot of built-in processes and data around it."

The value of AI underwriting will surpass $20 billion in premiums by 2024, according to a recent estimate by Juniper Research. The estimated value for this year? Just $1.3 billion.

"It all comes back to finally being able to realize the potential of AI and machine learning," Donaldson said.

They not only produce more consistent results, but they can free up underwriters for more important tasks.

Carriers in commercial and personal lines are learning to automate simpler underwriting risks, "freeing up the human capital, which is more expensive, more knowledgeable and has a lot more nuances to the way it can think," Donaldson said.

"It seems like they're finally starting to not just talk about AI. I've heard from carriers lately that they're really starting to work with vendors to develop AI-driven decision engines that can start taking away some of the low-level decisions from underwriters."

And it's only the beginning.

"The use of AI is in its infancy on the commercial side," Hudzik said.

going to get better," Donaldson said. "Adoption will start to increase very quickly."

Underwriting is evolving in auto and across the insurance landscape.

"The real story is technology is enabling a high level of efficiency through automation," Chow said. "The impact of making underwriting more automated and streamlined will result in better profitability and higher employee and higher customer satisfaction." BR

Telematics: Driving Change

Allstate's Drivewise. Nationwide's SmartRide. Progressive's Snapshot.

They each use telematics, collecting and analyzing real-time driving data to not only inform pricing but also foster safer habits and collect more granular and insightful information.

But privacy concerns, reliability issues and the hassle of installing a device or downloading an app have led to disappointing adoption rates of usage-based insurance. About 5% of North American drivers use it.

However, some in the industry think it's reaching a tipping point where personal lines consumers will embrace it in considerable numbers.

"If you look at the top 10 and even the top 25 personal lines auto writers, they all have some type of offering," Swiss Re's Hudzik said. "And the couple that do not—for example, Geico—have significant capabilities that they might not have launched yet.

"Telematics has started to become a needle-mover on the personal side."

Usage-based insurance has long been used in commercial auto lines, especially among large, self-insured fleets.

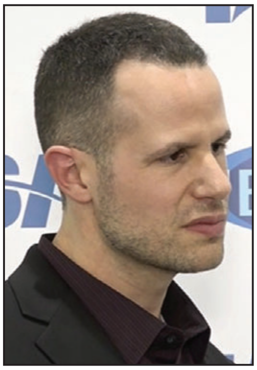
"Commercial lines auto is leading the way. But personal lines is coming along, and it's

The Rise of the Super Underwriter

Datacubes' Alampi: Technology like artificial intelligence is elevating the role of the underwriter.

by Kate Smith

Phil Alampi, vice president, customer engagement, Datacubes, said artificial intelligence and access to a wider range of data mean underwriters are being freed from manual work and can concentrate on higher level functions that should increase their effectiveness. Alampi spoke with AMBestTV at the Insurance Accounting & Systems Association 2019 conference, in Phoenix.



Phil Alampi

How is AI being used in insurance?

In commercial P/C insurance, carriers today are leveraging AI to automate the decision-making part of the underwriting process which was formerly a very manual intensive time-consuming process that AI and third-party data can make happen in a much more rapid, more dependable fashion.

Is computer vision related to this?

Computer vision is a family within the AI group where you recognize documents and scans based on the actual bits decomposed from the writing or from typing.

How is it used in the insurance process?

It's very helpful in underwriting in the commercial context when you have a submission coming in. Today, usually agents email in a submission with things like Acord forms, loss histories and other documents attached to it. The carrier can use computer vision to extract all the information from those attachments and digitize them and pull out the insights they need in order to finish the underwriting process.

How much has AI penetrated the industry?

I would say we're still in the early phase of adoption, but I see signs that the majority of the market is going to move in this direction in the next three years or so.

What's on the horizon for AI?

As you automate more decision-making on the underwriting side, I think that opens up possibilities for different customer experiences, things that maybe weren't as possible before, like providing just a business name and address or just a business name and phone number. That can be done through a variety of different interfaces. Things like chatbots, things like being able to get quotes near real time or in real time.

Does that change the underwriter's role?

Absolutely. Instead of spending their time on all these administrative tasks, of having to type in information, read through documents, print things out, deal with faxes in some cases, they're spending their time making judgment calls where their talent is required—like managing relationships with agents and balancing priorities across many different areas of underwriting. It turns them into super underwriters and lets them do way more work with the same amount of time and the same size staff. BR

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

AMBestTV

Go to *www.bestreview.com* to watch the interview with Phil Alampi.

Pole Position

Warren Buffett has a plan for his 100th birthday in 2030—to surpass State Farm as the largest writer of private passenger auto.

The Berkshire Hathaway CEO, who announced that plan in 2015, is not alone in his ambition.

Both Geico and Progressive have taken aim at State Farm, spending billions on advertising to unseat the giant while also keeping an eye on each other in the sideview mirror.

"Race to the Top" tells the story of their three-way battle for supremacy in personal auto lines.

State Farm and Geico have been among the top five writers of private passenger auto since AM Best collected its first full year of auto insurance data in 1975. Allstate and Farmers joined them in that elite ranking.

But while it may seem as though not much has changed in the intervening 43 years, consider who the No. 5 company was back then—Aetna.

"Driving Distribution" takes a historical look at the private passenger auto market, exploring the companies that have come and gone over the decades and the factors that have driven those changes.

Find out which carriers have survived and thrived in AM Best's ranking of "Top Auto Writers."

In this special section, *Best's Review* explores private passenger auto.

CONTENTS

Driving Distribution

U.S. private passenger auto insurers have followed a winding road over the last five decades, including the exodus of many leading writers. The industry is changing due to the growing clout of direct writers, more-demanding consumers and evolving distribution strategies.

by Lori Chordas

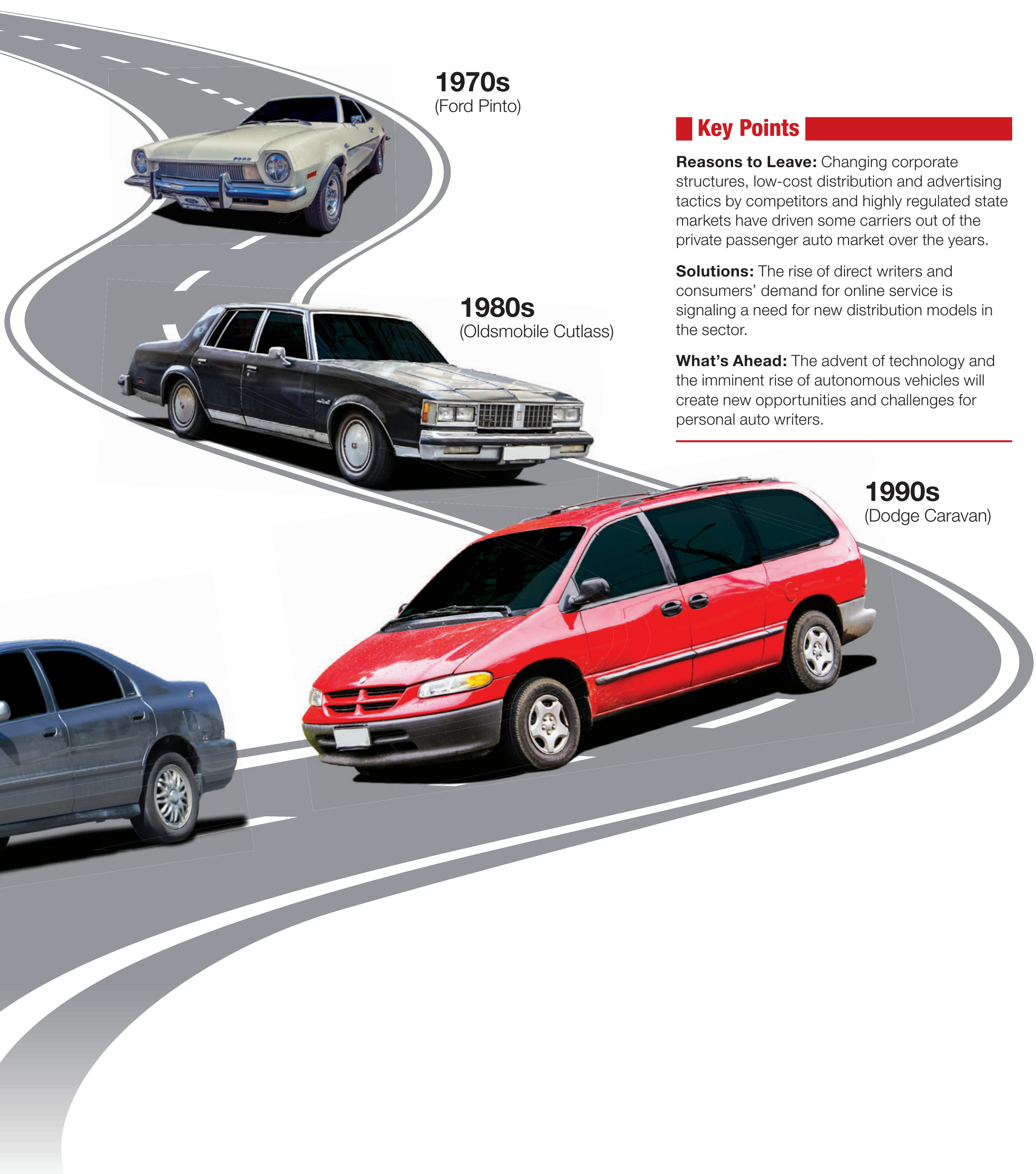
Viewed on a short-term basis, the lineup of insurers competing in the U.S. private passenger sector may appear relatively static.

But a look at historical insurance data—AM Best began digitizing personal lines insurance information in 1971, with 1975 as the first full year of auto data—shows regular shifts in lineup and dominance. Some of yesterday's leading writers remain familiar to today's insurance audience, but for different reasons.

Using 1975 as a starting point, mergers, acquisitions, failures and withdrawals winnowed large parts of the field. In 1975, 38 insurers held U.S. market share better than 0.5% of the total U.S. auto market. By 2018, that number dropped to 22. Of those 22, only 11 appear in the 1975 list. What drove change, both acquisitions and exits, is a mix of competition, evolving distribution and investor preferences.

In the mid-1970s, Aetna sat in fifth place among

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



Key Points

Reasons to Leave: Changing corporate structures, low-cost distribution and advertising tactics by competitors and highly regulated state markets have driven some carriers out of the private passenger auto market over the years.

Solutions: The rise of direct writers and consumers' demand for online service is signaling a need for new distribution models in the sector.

What's Ahead: The advent of technology and the imminent rise of autonomous vehicles will create new opportunities and challenges for personal auto writers.

leading writers of private passenger auto, based on direct written premiums, trailing State Farm, Allstate, Geico and Farmers.

Aetna had a head start, having launched its auto coverage in 1907. The insurer's pioneering work included the first combination auto policy, melding several types of coverage into one policy, and the first driving simulator used by high school students.

In 1975, Aetna collected more than $596 million in direct premiums written in the auto line, according to AM Best data.

But sliding profitability and market share eventually convinced Aetna to narrow its focus, turning away from property/casualty personal lines and toward life and health insurance.

In 1996, Aetna sold its property/casualty operations to Travelers Insurance Group for $4 billion. The acquisition moved Travelers, formerly No. 19, to the Top 10 in the domestic private passenger auto insurance business.

Dozens of other high-profile insurers, including Continental Corp., Reliance, Fireman's Fund and United

States F&G, have shed their books of auto business.

Some were acquired by competitors looking for sector growth. Others abandoned auto coverage, and sometimes the insurance industry, completely.

Brian Sullivan, editor of Risk Information Inc.'s *Auto Insurance Report* newsletter, said many of the exiting companies fell victim to competitors' increasingly effective distribution strategies.

Many of the companies that abandoned auto were multiline insurers, writing primarily through independent insurance agents, he said.

Sullivan is quick to note that the problem is not independent agents, but with the insurers themselves. "There are plenty of companies using independent agents that are still thriving today," he said.

What it highlights is that the distribution environment changed, favoring insurers with increasingly sophisticated underwriting and aggressive marketing, Sullivan said.

The impact of direct writers, first exemplified by companies such as State Farm and Allstate using captive agents and later by Geico and Progressive Direct without agents, has transformed how personal auto insurance is marketed and sold. Direct writers market and transact directly with end-users, although some employ a mix of direct and independent agency selling.

The trend continues to build.

In 2005, direct writers without agents generated 34% of personal lines premium, according to the National Association of Insurance Commissioners. By 2015, that number reached 47%, with much of the remainder coming from agencies, both independent and captive.

"It's not that one distribution model is more successful than another," Sullivan said. "You can be big or small; an independent agency, a captive agency, a direct writer, or all three; a national brand or a regional company. It doesn't matter. Every one of those models has examples of success."

The rise of digital communications and evolving consumer demands is forcing insurers to embrace what University of South Carolina's Dr. Robert Hartwig calls "channel fusion." Hartwig is clinical associate professor in finance and the director for the Center for Risk and Uncertainty Management at the University of South Carolina's Darla Moore School of Business.

Agency-focused insurers are challenged by the online platforms of direct writers and direct-response carriers. The direct sellers allow consumers to complete an insurance transaction on a mobile app or online. The account is then often assigned to an agent, said Hartwig, the former president of the Insurance Information Institute.

"That doesn't remove agents from the process. But it allows them in real time to work with and educate consumers about products, how to use them and ways to reduce premiums and avoid potential losses," he said.

"Many former personal auto insurers failed in the market because they weren't very good at being insurance companies," Sullivan said. They lacked structure, good pricing, agency interface, an efficient claims-settlement process and foresight about the impending shift in distribution, he said.

Exit Sign

In the 1980s and 1990s, stock-based insurers drew the attention of Wall Street analysts, who prioritize market focus and efficient returns.

"Wall Street was valuing health business based on members. That created a much higher multiple than traditional P/C and life, which are valued at price-to-book," Colin Devine, principal of C. Devine & Associates, said.

Companies such as Cigna, Aetna, Prudential and PruCare disposed of the lower multiple variation business to focus on "the higher ones to drive the stock price up," he said.

In 1990, Cigna exited private passenger auto, citing losses from higher repair bills, medical and legal expenses. Cigna chose to tighten its focus on health insurance and group benefits.

Despite its modern-day peak of just under 2% of the U.S. private passenger auto market in 1976, Cigna wasn't "overly successful at personal lines and showed no evidence of modernizing the business," Risk Information's Sullivan said.

"Also, they didn't like the volatility of the P/C market, so they had a choice to get good at it or get out. They chose the latter," he said.

Continental, once the No. 13 U.S. auto insurer, shed its personal auto book for another line, commercial auto. CNA acquired Continental in 1995 for $1.1 billion, which at the time was reported to be the largest P/C insurance merger in the United States in 20 years.

Consolidation helped remake the domestic auto market in each decade.

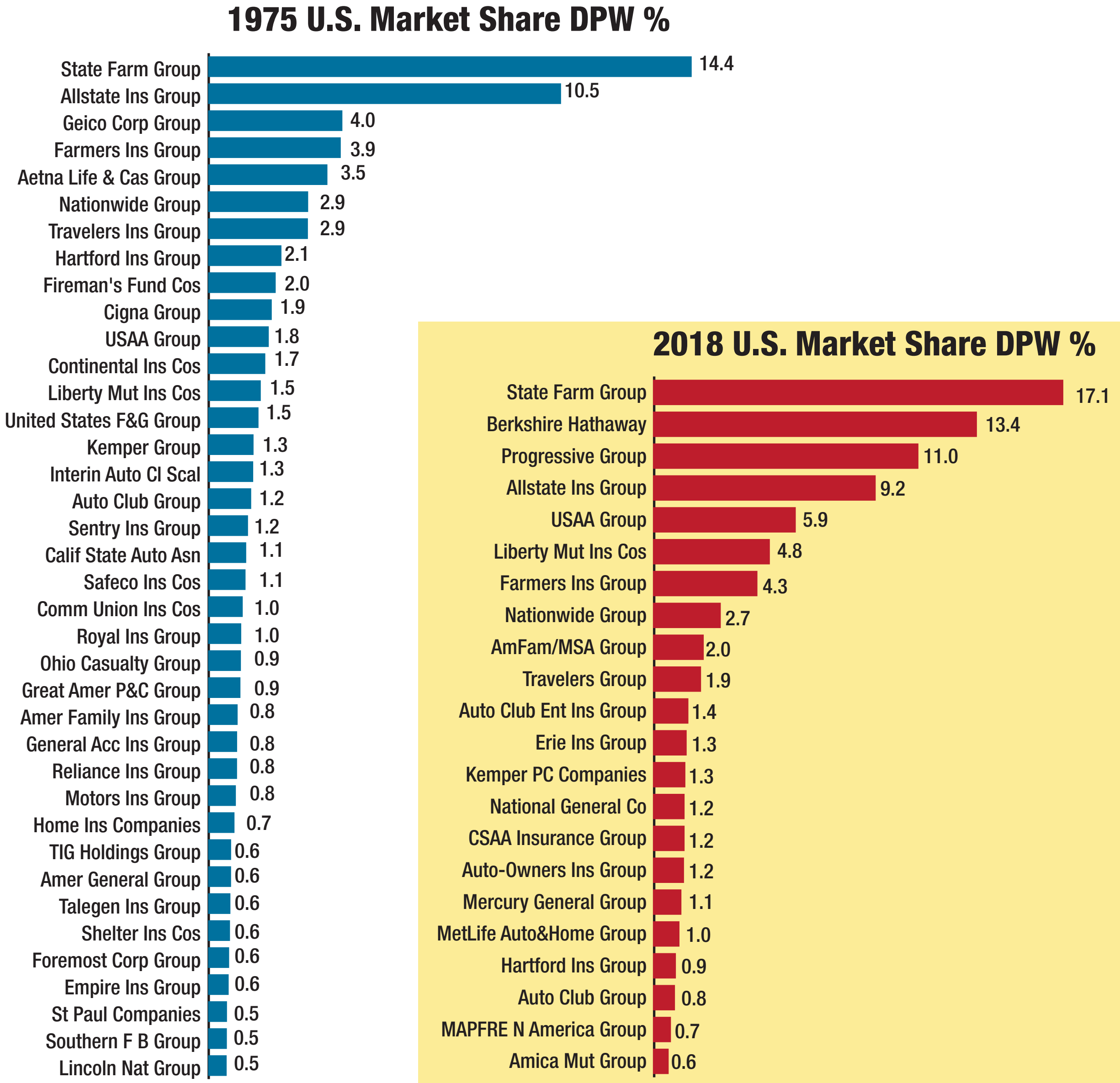
Moving into the post-2000 era, St. Paul Cos. merged with Travelers. Ace Ltd. acquired Fireman's Fund's U.S. high net worth personal lines business for $365 million. Liberty Mutual acquired Ohio Casualty, "which was having a difficult time standing on its own," Sullivan said.

Another high-profile acquisition came with Allstate's 2011 purchase of Esurance. The nearly $1 billion acquisition helped Allstate double its market share of the direct auto channel.

Differences among states in regulation, legislation and litigation can create strikingly

Market Share for U.S. Auto Insurers 1975-2018

In 1975, 38 insurers had market share of 0.5% or greater. By 2018, that number fell to 22.



Source: AM Best data

different business environments for auto insurers.

In the 1990s, New Jersey was a poster child for a daunting business environment for insurers, with high frequency of accidents, a pro-plaintiff legal environment, high levels of insurance fraud, generous no-fault benefits and the highest liability premiums in the nation.

Several insurers operating in New Jersey withdrew from the state, including American International Insurance Company of New Jersey; Harleysville-Garden State Insurance; Providence Washington Insurance and State Farm Indemnity, the state's largest writer.

In 1998, New Jersey enacted the Automobile Insurance Cost Reduction Act to decrease auto rates for consumers and loss costs for insurers. The reform wasn't enough to keep insurers from exiting the state, nor did it attract market leaders to enter. Eventually the state was able to create an environment more conducive to auto insurers.

Around the same time, Massachusetts was also in the midst of an ailing auto insurance market. Fireman's Fund and Holyoke Mutual Insurance were examples of insurers that withdrew from the highly regulated state market.

Full Speed Ahead

For decades, insurers such as State Farm, Allstate, Nationwide, American Family Insurance and

Auto insurance is a high-stakes battle. "It certainly has shown us that insurance in the market can't be written with anything less than a 100% commitment."

Brian Sullivan
Risk Information Inc.

Farmers relied on in-house agents to market. Most relied on a combination of a portfolio of products to sell, combined with extensive marketing and advertising support.

"The captive agent distribution model was solidifying its dominance due to lower costs and the ability to market a brand more effectively, using national media," Sullivan said.

At the turn of the century, State Farm, the leader in the market based on direct written premiums, stepped up its plans for national growth.

"They did that by slashing premiums," Sullivan said, adding that State Farm made two mistakes. "They cut prices for the wrong people, causing premiums to fall and loss ratios to rise. They also lost billions in capital in a very short time, at a time when Progressive, Travelers and others were becoming smarter and more sophisticated at pricing. State Farm still had a butter knife and everyone else had a scalpel."

State Farm righted the ship with more modern and accurate pricing in a remarkably short period of time and "eventually got back all the capital they lost and more," Sullivan said.

State Farm's direct-writing competitors saw gains during that same period.

In 1975, Progressive Group's market share was 0.17%, rising to 11% in 2018. Progressive follows a hybrid strategy, employing both direct selling and independent agents, supported by national advertising.

Geico maintains a direct approach in auto. The Washington, D.C.-based insurer, which generates one of the lowest expense ratios in the industry, continues to expand its geographic reach. In 2018, Geico spent more than $747 million in advertising, according to Kantar Media.

Geico, Progressive and USAA, three of the industry's most aggressive advertisers, collectively gained 17% market share over the past two decades, according to a 2016 Boston Consulting Group and Morgan Stanley report on the U.S. small-business insurance market. That growth came "at the expense of both larger and smaller competitors who are unable or unwilling to adapt to the changing consumer preference," according to the report.

"That really speaks to the importance of distribution," AM Best senior director Greg Williams said.

Advertising has become a differentiator in the highly competitive U.S. personal auto market.

In 2018, auto insurers spent nearly $2.4 billion in advertising, up significantly from $201 million in 1998, according to Kantar Media.

Many insurers' auto advertising focuses on price, but that's only one element of the selling proposition, said Christopher Boggs, executive director of the Independent Agents and Insurance Brokers of America's Virtual University.

Boggs sees a long future for the agent-focused distribution model. "Advertisers in the auto market have tried to convince us that insurance is a commodity but it's not. Insurance must be customized to meet the insured's needs and that requires the work of a good agent who understands insurance."

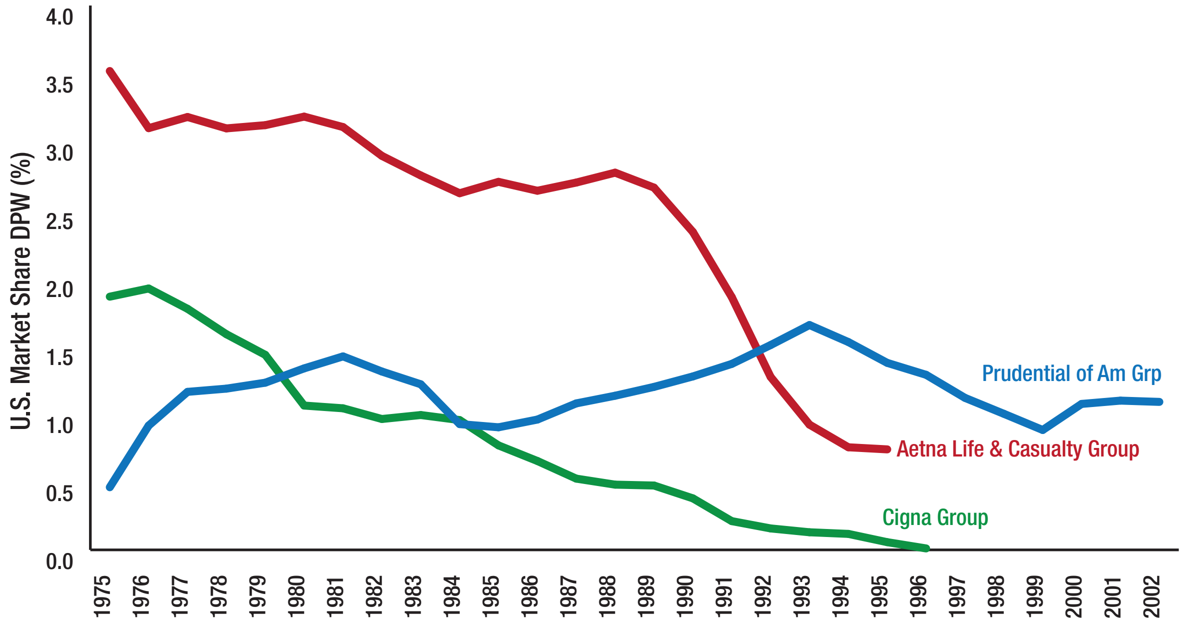
As the largest sector of the U.S. property/casualty market, auto is a high-stakes battle. "It certainly has shown us that insurance in the market can't be written with anything less than a 100% commitment," Sullivan said.

Commitment requires focus. Companies that exited auto cite many reasons, but time has "proved their hearts were elsewhere, often in commercial lines. And that was bad for all of them," Sullivan said.

"Look at companies like Travelers and The Hartford, which are successful in both commercial and personal lines," he said. "But you can't treat personal lines as a secondary business and expect to be successful and grow."

Even a commitment to innovation, while important, is no guarantee of a long business life.

All Private Passenger Auto – Life/Health Dropouts



Source: AM Best data

"In the mid-'90s, Continental unsuccessfully tried to launch an online auto insurance policy on CompuServe where consumers would go online to complete an application, fax it to an agent and Continental would follow up with the consumer in five business days," Sullivan said.

During that same period, Progressive was well into its long-running commitment to technological improvement, upgrading how it handles claims, pricing and interfacing with agencies. "They weren't selling online and didn't have a direct operation but they were building a strong insurance company," he said.

"Innovation is nice but it's not enough. You have to pick the right horse to ride," Sullivan said.

What's Ahead

Future disrupters are likely to include advanced driver assistance systems, shared mobility, autonomous vehicles and behavior-based analytics. All will create opportunities, headaches and, in some cases, spur consolidation, University of South Carolina's Hartwig said.

"Those at the top of the market or anyone who aspires to be there needs to innovate on what insurance offers and how it's priced, presented and interacted with by consumers," said Adam Pichon, vice president and general manager of LexisNexis Risk Solutions' auto vertical.

As of publication, AM Best had a "stable" rating outlook for the private passenger auto insurance market. After weakened performances in 2015 and 2016, U.S. auto writers appear to be turning the corner, according to *Personal Auto Insurers Regain Traction as Combined Ratio Improves*, an AM Best Special Report.

The powerful hand of technology almost guarantees that the next 43 years of the auto sector won't repeat the last.

Morgan Stanley projects that the auto insurance business could shrink 80% by 2040 unless it finds a way to adapt to challenges that include autonomous driving and shared mobility.

"Auto insurance does have an expiration date in the sense that somewhere in the future accidents will dramatically fall because of new technology," Sullivan said. He doesn't expect major impact from autonomous vehicles for another 10 to 20 years.

In the meantime, insurers should ready themselves for impending changes in the market, including imminent questions about liability when drivers are removed from the process, Hartwig said.

U.S. private passenger auto direct written premiums topped $246 billion in 2018, a near-continuous rise from $16.9 billion in 1975, according to AM Best.

"The personal auto market is here to stay. In fact, I expect it to remain the largest of all the P/C lines, at least through the 2020s," Hartwig said. BR

Data used in this article and exhibits is from AM Best's database of insurance information. For information about obtaining this data file, which contains information on auto insurers from 1971 to 2018, contact AM Best's Custom Data Services at (908) 439-2200, ext. 5383 or email *custom_products@ambest.com*.

Race to the Top

Photo Illustration: Angel M. Negrón

Progressive and Geico have established a foothold and are closing in on No.1 State Farm in the U.S. private passenger auto insurance market.

by Renée Kiriluk-Hill

With Vice Chairman Charlie Munger seated by his side at Berkshire Hathaway Inc.'s annual meeting, Warren Buffett was asked about market share in automobile insurance. It's a subject the top writers—State Farm, Buffett's Geico, and Progressive Corp.—are keenly aware of.

Not only do they watch each other's market share, they pay close attention to each other's loss and expense experience as well.

No. 1-ranked State Farm, while still a behemoth, has seen its all-private-passenger-auto market share level off. Geico's share has been gaining major steam, with Progressive in hot pursuit.

That raises some interesting questions, including one an equity analyst threw at Buffett, Berkshire Hathaway's chairman and CEO, during the question-and-answer session at the May meeting in Omaha, Nebraska. How does the second-largest auto insurer hold onto market share as Progressive Corp. continues to push ahead?

Buffett answered by bringing up the elephant in the room: State Farm.

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

Key Points

The Situation: Geico and Progressive are taking steps to unseat State Farm as the No. 1 writer of private passenger auto insurance.

The Stats: Geico's market share of the U.S. private passenger auto business has shot up 73.8% since 2008 and Progressive's has gained 52.4%, compared with State Farm's market share, which fell 4.3% since 2008, according to BestLink.

Mutual Advantage: As a mutual, State Farm doesn't distribute stockholder dividends, which, over time, has given it a significant advantage over many of its stock competitors in retaining earnings and generating surplus internally.

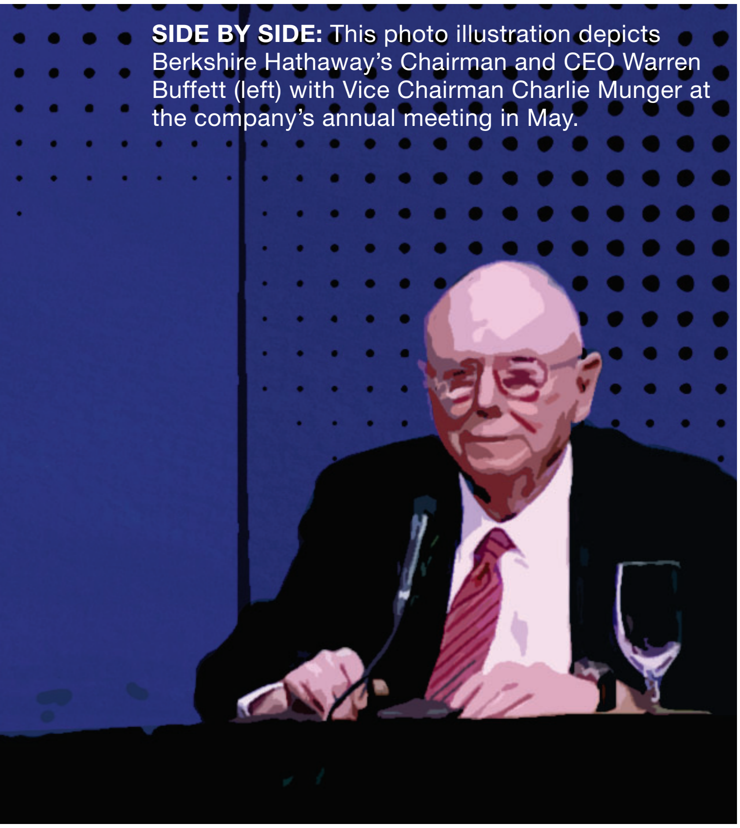
"We'll watch to see five, 10 years from now which one of us passes State Farm first," Buffett said of his company and rival Progressive.

Dream on, State Farm responded.

"We continue to lead in this highly competitive industry and serve more customers than any of our competitors," spokesman Roszell Gadson said. "We have no intention of ceding that leadership position."

AM Best market share data tells a compelling story.

State Farm's market share stood at 17% in 2018, compared with Geico at 13.4% and Progressive at 11%, according to BestLink data. That translates to



SIDE BY SIDE: This photo illustration depicts Berkshire Hathaway's Chairman and CEO Warren Buffett (left) with Vice Chairman Charlie Munger at the company's annual meeting in May.

$41.96 billion in direct premiums written for State Farm in 2018, $33.08 billion for Geico and $27.06 billion for Progressive.

But Geico and Progressive have made major gains in market share since 2008. Geico's share has shot up 73.8% since 2008 and Progressive's has gained 52.4%, compared with State Farm's market share, which fell 4.3% since 2008, according to BestLink.

Ajit Jain, vice chairman of Berkshire's insurance operations, expanded on Buffett's comments at the May meeting, offering additional insight into growth and underwriting profitability at Geico and Progressive.

"Geico has a significant advantage over Progressive when it comes to the expense ratio to the extent of about seven points or so," Jain said. "On the loss ratio side, Progressive does a better job than Geico does. They have, I think, about a 12-point advantage over Geico.

"Geico is very aware of this disadvantage in the loss ratio that they are suffering, and they are very focused in trying to bridge that gap as quickly as they can," Jain said.

"They have a few projects in place. Sometimes Geico is ahead of Progressive. Right now, Progressive is ahead of Geico." He expressed hope Geico will "catch up on the loss ratio side and maintain the expense ratio advantage."

Jain's remarks highlight the relationship between loss ratio and pricing: Over time, better-priced risk typically reveals itself via lower loss ratios.

Among the biggest three U.S. auto writers, Progressive recorded the lowest loss ratios for all private passenger auto in every year for the past 11 years, according to BestLink data. State Farm had the second-lowest loss ratio in six of those 11 years.

Jain also called attention to the importance of expenses. The expense ratio is another major component of the combined ratio.

Despite higher loss ratios during those 11 years, Berkshire Hathaway's combined ratio—often considered to be a measure of overall underwriting profitability—for all private passenger auto was lower than Progressive's in nine of those years.

A side note: Although Geico and Progressive have gained significant market share since 2008, fourth-place Allstate Insurance Group, with market share of 9.21% in 2018, recorded a loss ratio lower than Progressive's in eight of 11 years.

Long-Term Goal

Geico's rivalry with Progressive is one facet of Buffett's larger ambition to overtake State Farm.

This was not the first time Buffett threw down the gauntlet concerning State Farm.

In his 2015 letter to shareholders, the octogenarian made a bold prediction. "On Aug. 30, 2030—my 100th birthday—I plan to announce that Geico has taken over the top spot. Mark your calendar."

Progressive has its own ambitions, however. The company aspires to become "the No. 1 choice and destination for auto and other insurance," said spokesman Jeff Sibel. "We realize there is still so much opportunity in the marketplace to help customers when, where and how they want to shop."

AM Best Senior Analyst Michael Venezia said scale is "important, but just as important is an insurer's ability to compete efficiently and effectively as new market trends and competition grows, regulatory burdens persist, and financial pressures increase."

Keefe, Bruyette & Woods managing director and analyst Meyer Shields said Geico and Progressive dominate the direct market, a vital portion of customers given the growing popularity of buying online. Ease of use could beat out brand loyalty, he added.

State Farm could also be unseated by a nontraditional insurer, a startup like Root or Lemonade or someone who has never written a policy, according to Michael Angelina, executive director at Saint Joseph's University's Maguire Academy of Insurance and Risk Management.

Twenty-five years ago, few thought a new online bookseller would become the top retailer in the country, he said, noting an "Amazon-like competitor"

> State Farm could also be unseated by a nontraditional insurer, a startup like Root or Lemonade or someone who has never written a policy.
>
> **Michael Angelina**
> Saint Joseph's University's
> Maguire Academy of Insurance and Risk Management

could be eyeing the insurance industry.

Although the big three have made massive commitments to analytics and data-driven insights, said Angelina, Progressive might have an edge. It's "hard-wired into their DNA, they've been doing it for 25 years," he said.

Sibel agreed the quest for "innovative ways to make things better" never ends. "This drive, along with focusing on our brand, competitive prices and industry leading segmentation, have remained keys to our success," he said.

Advertising Advantage

The value of investing in advertising also can't be overestimated, said Shields. Geico and Progressive constantly reintroduce branding, keeping them "front and center" with the younger demographic. Long gone are the days when consumers cited a local agent when asked the name of their carrier.

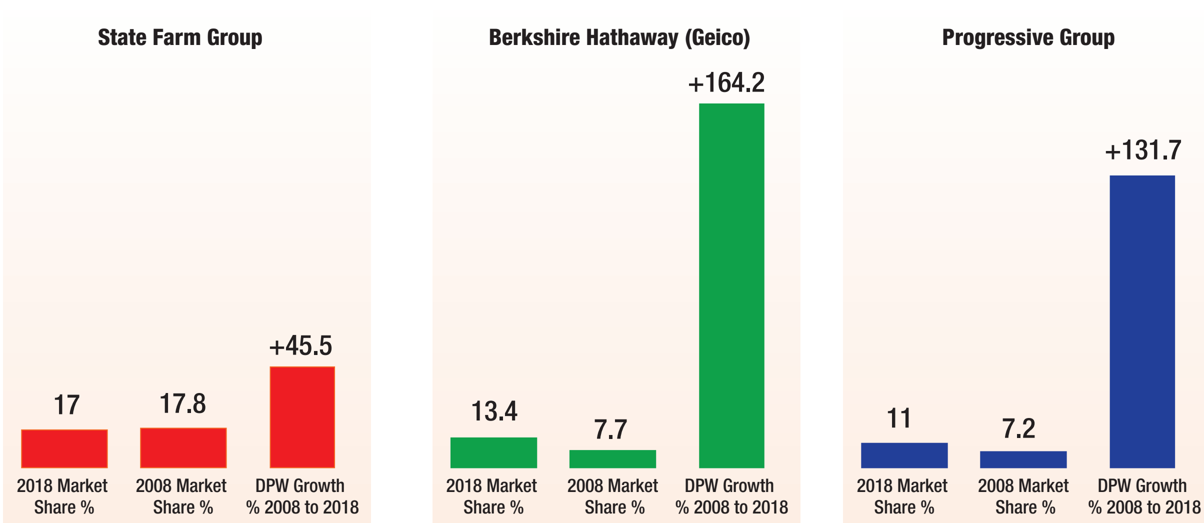
Buffett said Geico will spend $1.5 billion on advertising this year to reiterate its "save 15% in 15 minutes" message. "That brand is huge, and we have to come through on the promise we give, which is to save people significant money on insurance, a great many people," he told shareholders at the meeting.

Progressive is hard at work expanding majority-owned homeowners carrier American Strategic Insurance Corp., rebranding it Progressive Home, and seeking bundled homeowners and auto customers.

But State Farm enjoys the retention benefit bundling brings—it's not uncommon for a customer

Sizing Up the Competition

As the decade winds down, the top three U.S. writers of private passenger auto insurance are preparing for a market share battle of the titans.*



Source: BESTLINK Best's Market Share Reports
Data as of July 22, 2019
* All percentages based on direct premiums written.

to carry six of the mutual's products between property and life lines, Angelina said.

In May, State Farm Chief Financial Officer Jon Farney said customer retention has improved as the company expanded digital services and investments in the past year.

"The essence of our very founding almost 100 years ago was innovating and adapting to customer needs and marketplace demands," Farney said. "It is required to be relevant to customers now and in the future. In addition we are always working on new ideas and alliances."

Berkshire Hathaway sells, but doesn't underwrite homeowners insurance—a strategy Buffett thinks is smart. The company wrote homeowners until Hurricane Andrew hit the Bahamas, Florida and Louisiana in 1992. That's when it became obvious a company could lose as much in one year as it made in the prior 25, he said at the meeting. "And the float isn't as large."

Still, the fact State Farm is a mutual while Progressive and Berkshire Hathaway are publicly traded also comes into play, AM Best's Venezia said. "For mutual companies, the main objective is to continuously maintain enough capital to meet policyholder needs. That's different than stock insurers, whose main goal is to maximize profits for its shareholders with short-term results."

Mutuals tend to manage their business with a longer-term view, he said.

As a mutual, State Farm doesn't distribute stockholder dividends, which, over time, has given it a significant advantage over many of its stock competitors in retaining earnings and generating surplus internally, according to the Best's Credit Report for State Farm Group. However, it does periodically distribute policyholder dividends. No significant payout was made over the past five years, according to the report.

It had a policyholder surplus of $100.78 billion, according to the Best's Rankings for U.S. Property/Casualty in 2018. The company's $65.46 billion of annual net premiums written in 2018 exceeded the combined NPW of the third- and fourth-largest U.S. property/casualty writers, Progressive and Allstate Insurance Group.

Geico's 2017 policyholder surplus grew to $29.14 billion from $21.91 billion in 2016, according to its Best's Credit Report. Progressive Insurance Group's policyholder surplus was $11.70 billion, according to the 2018 Best's Rankings. BR

Learn More

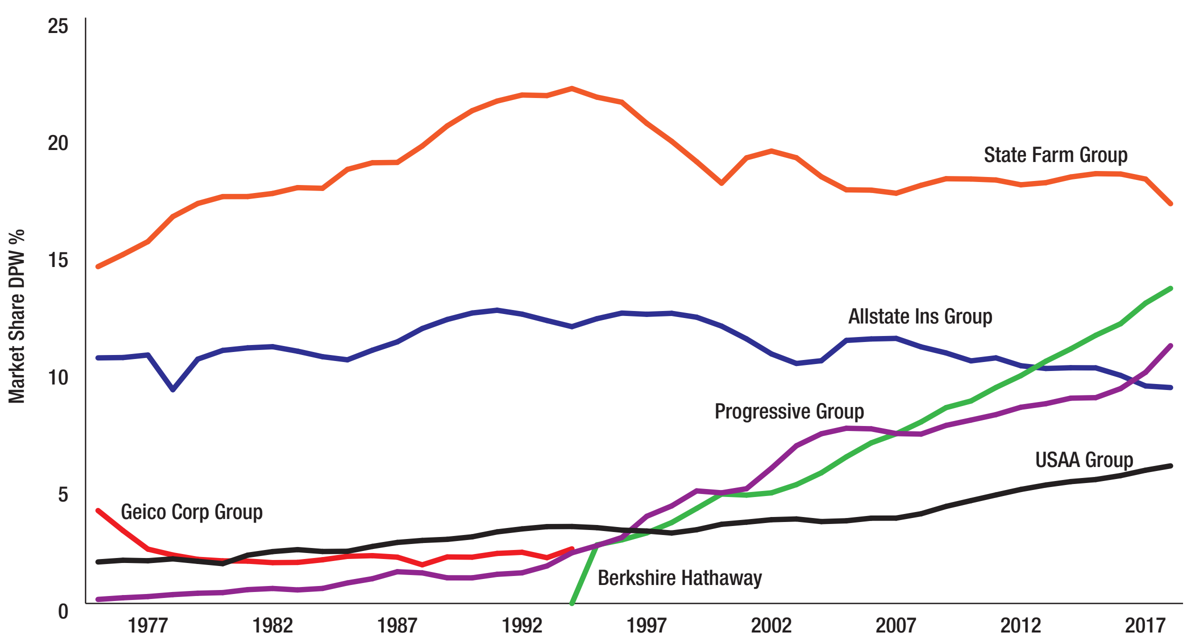
Government Employees Insurance Company (Geico) (AM Best #058381)

State Farm Group (AM Best #00088)

Progressive Corporation (AM Best #058454)

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

U.S. Market Share - All Private Passenger Auto — 1975 to 2018



Source: AM Best Data

AM Best Data

Best's Rankings

Top 25 U.S. Commercial Auto Writers

Ranked by 2018 direct premiums written.

($ Thousands)

2018	2017			2018 Direct Premiums	% Change in	Market Share (%)			Adjusted Loss Ratios			% of Company
Rank	Rank	Company / Group	AMB#	Written	Premiums	2018	2017	2016	2018	2017	2016	Premiums
1	1	Progressive Ins Group	000780	$4,405,316	38.6	10.8	8.8	7.9	59.5	63.8	64.7	13.1
2	2	Travelers Group	018674	2,564,685	13.3	6.3	6.3	6.4	73.9	65.4	57.4	9.8
3	3	Liberty Mutual Ins Cos	000060	1,798,487	3.7	4.4	4.8	4.8	79.4	93.0	68.4	5.2
4	5	Nationwide Group	005987	1,634,230	-2.7	4.0	4.6	5.2	72.8	78.3	74.4	8.9
5	7	Berkshire Hathaway Ins	000811	1,514,213	27.8	3.7	3.3	2.9	61.4	57.7	62.2	3.5
6	6	Old Republic Ins Group	000734	1,439,950	12.7	3.5	3.5	3.4	66.8	69.7	68.2	33.6
7	4	Zurich Ins US PC Group	018549	1,372,901	-18.8	3.4	4.7	4.9	79.7	79.6	65.9	11.1
8	8	Auto-Owners Ins Group	004354	1,011,343	15.7	2.5	2.4	2.3	65.9	64.4	65.8	12.1
9	11	Tokio Marine US PC Group	018733	763,161	6.0	1.9	2.0	2.1	67.0	62.6	65.8	10.4
10	9	Chubb INA Group	018498	741,141	-10.4	1.8	2.3	2.1	80.0	61.4	59.6	3.3
11	10	AmTrust Group	018533	720,665	0.0	1.8	2.0	2.0	93.5	79.4	89.9	12.2
12	13	Cincinnati Ins Cos	004294	684,202	4.6	1.7	1.8	1.9	64.4	69.2	69.6	13.6
13	14	Hartford Ins Group	000048	681,046	9.9	1.7	1.7	1.9	57.3	71.0	75.7	5.6
14	16	State Farm Group	000088	672,369	14.1	1.7	1.6	1.6	75.7	75.7	87.9	1.0
15	15	Great Amer P & C Ins Grp	004835	670,367	11.7	1.7	1.7	1.6	62.9	63.3	69.0	11.2
16	12	Amer Intl Group	018540	644,915	-3.7	1.6	1.9	2.7	94.5	100.7	110.6	4.4
17	17	W. R. Berkley Ins Group	018252	617,165	12.5	1.5	1.5	1.6	60.6	60.8	61.1	10.4
18	25	Allstate Ins Group	000008	598,846	60.5	1.5	1.0	1.1	77.3	61.9	80.0	1.8
19	18	Erie Ins Group	004283	569,262	10.6	1.4	1.4	1.5	71.2	62.3	63.6	8.0
20	22	Fairfax Financial (USA) Group	003116	558,639	29.3	1.4	1.2	1.0	67.7	62.8	59.5	9.2
21	20	Selective Ins Group	003926	540,401	11.0	1.3	1.4	1.3	74.7	70.0	64.8	18.7
22	27	Farmers Ins Group	000032	516,832	43.1	1.3	1.0	1.0	66.4	68.1	56.5	2.5
23	21	Sentry Ins Group	000086	489,161	11.7	1.2	1.2	1.3	79.4	74.0	66.8	20.1
24	19	Markel Corp Group	018468	474,786	-5.1	1.2	1.4	1.2	56.3	59.1	72.0	9.0
25	23	EMC Ins Cos	000346	449,286	6.8	1.1	1.2	1.2	68.2	73.9	74.1	24.8
		Top 25 Writers		**$26,133,369**	**11.8**	**64.2**	**64.6**	**64.8**	**70.2**	**70.9**	**69.4**	**6.4**
		Total U.S. P/C Industry		**$40,704,193**	**12.6**	**100.0**	**100.0**	**100.0**	**69.0**	**70.2**	**69.0**	**6.0**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

Top 25 U.S. Auto Liability Writers

Ranked by 2018 direct premiums written.

($ Thousands)

2018	2017			2018 Direct Premiums	% Change in	Market Share (%)			Adjusted Loss Ratios			% of Company
Rank	Rank	Company / Group	AMB#	Written	Premiums	2018	2017	2016	2018	2017	2016	Premiums
1	1	State Farm Group	000088	$25,606,387	-0.1	14.3	15.4	15.6	62.4	68.5	77.6	38.9
2	2	Berkshire Hathaway Ins	000811	21,506,138	13.6	12.0	11.4	10.6	73.2	78.6	74.5	49.0
3	3	Progressive Ins Group	000780	20,944,774	22.1	11.7	10.3	9.5	60.6	62.3	64.7	62.0
4	4	Allstate Ins Group	000008	13,697,054	6.2	7.7	7.8	8.2	59.8	62.2	70.3	41.2
5	5	Liberty Mutual Ins Cos	000060	8,263,504	2.5	4.6	4.9	4.9	70.9	76.1	72.1	23.9
6	6	USAA Group	004080	8,223,780	11.3	4.6	4.5	4.2	85.1	86.0	93.9	37.4
7	7	Farmers Ins Group	000032	6,822,850	3.1	3.8	4.0	4.2	63.5	65.1	69.7	33.6
8	8	Nationwide Group	005987	5,175,192	-7.1	2.9	3.4	3.8	62.4	71.9	81.0	28.1
9	9	Travelers Group	018674	4,902,475	9.7	2.7	2.7	2.6	66.1	67.1	63.6	18.7
10	10	Amer Family/Main Street America Grp	018928	3,202,255	9.5	1.8	1.8	1.7	70.1	71.8	66.2	32.0
11	11	Auto-Owners Ins Group	004354	2,459,234	16.8	1.4	1.3	1.2	65.9	77.9	76.9	29.5
12	15	Kemper PC Companies	018908	2,227,899	17.9	1.2	1.1	1.2	64.6	67.1	70.9	60.3
13	14	Natl Gen Companies	018863	2,143,557	12.0	1.2	1.2	1.1	65.6	75.7	71.5	44.9
14	13	Erie Ins Group	004283	2,133,618	7.4	1.2	1.2	1.2	73.7	68.3	68.4	30.0
15	12	Hartford Ins Group	000048	1,925,898	-3.6	1.1	1.2	1.4	65.5	72.4	84.2	15.8
16	16	Auto Club Enterprises Ins Group	018515	1,917,301	15.1	1.1	1.0	1.0	74.5	74.2	80.2	44.9
17	17	Mercury Gen Group	004524	1,716,024	8.4	1.0	1.0	1.0	68.6	62.2	66.2	48.8
18	18	CSAA Ins Group	018460	1,670,472	7.9	0.9	0.9	0.9	66.3	70.5	78.1	41.0
19	19	MetLife Auto & Home Group	003933	1,448,601	3.8	0.8	0.8	0.9	62.2	63.9	70.7	38.3
20	21	Auto Club Group	000312	1,244,878	7.0	0.7	0.7	0.7	99.2	122.6	84.5	44.6
21	24	Sentry Ins Group	000086	1,179,834	11.8	0.7	0.6	0.6	67.2	64.8	65.4	48.6
22	22	MAPFRE North America Group	018801	1,072,349	-1.6	0.6	0.7	0.7	70.7	75.6	73.4	39.7
23	20	Zurich Ins US PC Group	018549	1,048,459	-18.0	0.6	0.8	0.8	79.9	65.7	63.2	8.4
24	26	Old Republic Ins Group	000734	1,005,467	14.6	0.6	0.5	0.5	70.0	72.2	72.9	23.5
25	23	Chubb INA Group	018498	985,208	-8.0	0.6	0.6	0.6	76.3	60.9	59.7	4.5
		Top 25 Writers		**$142,523,208**	**7.7**	**79.6**	**79.6**	**79.3**	**66.9**	**70.6**	**73.9**	**35.0**
		Total U.S. P/C Industry		**$179,074,099**	**7.8**	**100.0**	**100.0**	**100.0**	**67.5**	**70.8**	**73.8**	**26.4**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

Top 25 U.S. Auto Physical Damage Writers

Ranked by 2018 direct premiums written.

($ Thousands)

2018 Rank	2017 Rank	Company / Group	AMB#	2018 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2018	2017	2016	2018	2017	2016	
1	1	State Farm Group	000088	$17,029,560	1.5	15.7	16.5	16.8	63.4	69.5	76.5	25.9
2	2	Berkshire Hathaway Ins	000811	13,083,508	10.5	12.1	11.7	10.8	65.5	73.0	73.0	29.8
3	4	Progressive Ins Group	000780	10,519,310	19.3	9.7	8.7	8.1	62.6	65.5	70.0	31.2
4	3	Allstate Ins Group	000008	9,565,006	7.5	8.8	8.8	9.2	52.8	55.7	57.6	28.8
5	5	USAA Group	004080	6,244,151	8.3	5.8	5.7	5.5	76.2	79.5	85.2	28.4
6	6	Liberty Mutual Ins Cos	000060	5,311,637	1.1	4.9	5.2	5.2	53.7	62.0	60.3	15.3
7	7	Farmers Ins Group	000032	4,190,458	2.3	3.9	4.0	4.4	57.7	66.4	66.5	20.6
8	8	Nationwide Group	005987	3,185,837	-7.6	2.9	3.4	3.8	58.8	62.8	66.2	17.3
9	9	Travelers Group	018674	2,359,954	7.6	2.2	2.2	2.1	61.6	64.2	60.4	9.0
10	10	Amer Family/Main Street America Grp	018928	2,011,777	4.4	1.9	1.9	1.9	67.8	67.6	62.8	20.1
11	11	Erie Ins Group	004283	1,654,212	9.8	1.5	1.5	1.5	71.1	68.8	68.5	23.2
12	12	Auto-Owners Ins Group	004354	1,578,727	15.8	1.5	1.3	1.2	66.0	66.3	64.2	19.0
13	13	Auto Club Enterprises Ins Group	018515	1,477,574	11.4	1.4	1.3	1.2	62.4	71.3	71.0	34.6
14	14	CSAA Ins Group	018460	1,332,499	6.0	1.2	1.2	1.2	59.6	60.9	61.4	32.7
15	15	Natl Gen Companies	018863	1,226,009	10.9	1.1	1.1	0.9	54.2	56.5	61.8	25.7
16	16	Mercury Gen Group	004524	1,158,670	10.5	1.1	1.0	1.1	60.6	65.4	64.8	33.0
17	18	Kemper PC Companies	018908	1,094,722	14.0	1.0	1.0	1.0	57.5	64.9	63.4	29.6
18	17	MetLife Auto & Home Group	003933	1,071,091	4.8	1.0	1.0	1.1	53.3	58.5	58.3	28.3
19	19	Hartford Ins Group	000048	865,944	-7.2	0.8	0.9	1.1	59.7	62.3	66.7	7.1
20	20	MAPFRE North America Group	018801	796,578	-0.6	0.7	0.8	0.8	61.0	61.6	61.4	29.5
21	21	Auto Club Group	000312	784,236	5.4	0.7	0.7	0.7	62.8	62.2	64.0	28.1
22	22	The Hanover Ins Grp Prop & Cas Cos	004861	618,209	8.7	0.6	0.6	0.6	58.4	56.2	55.3	12.8
23	23	Amica Mutual Group	018522	549,637	3.7	0.5	0.5	0.5	66.2	76.7	72.6	22.7
24	24	Chubb INA Group	018498	542,444	8.1	0.5	0.5	0.5	56.7	68.3	63.0	2.5
25	25	COUNTRY Financial PC Group	000302	508,886	5.3	0.5	0.5	0.5	63.7	62.5	64.9	20.3
		Top 25 Writers		**$88,760,636**	**6.7**	**82.0**	**82.0**	**81.5**	**62.0**	**66.7**	**69.0**	**22.3**
		Total U.S. P/C Industry		**$108,304,106**	**6.7**	**100.0**	**100.0**	**100.0**	**61.7**	**66.5**	**68.2**	**16.0**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

Top 25 U.S. Private Passenger Auto Writers

Ranked by 2018 direct premiums written.

($ Thousands)

2018 Rank	2017 Rank	Company / Group	AMB#	2018 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2018	2017	2016	2018	2017	2016	
1	1	State Farm Group	000088	$41,963,578	0.3	17.0	18.1	18.3	62.6	68.8	77.0	63.7
2	2	Berkshire Hathaway Ins	000811	33,075,434	11.8	13.4	12.8	11.9	70.7	77.1	74.4	75.4
3	3	Progressive Ins Group	000780	27,058,768	18.8	11.0	9.8	9.2	61.5	63.3	66.7	80.2
4	4	Allstate Ins Group	000008	22,663,214	5.8	9.2	9.3	9.7	56.4	59.5	64.8	68.2
5	5	USAA Group	004080	14,467,936	10.0	5.9	5.7	5.5	81.3	83.2	90.0	65.8
6	6	Liberty Mutual Ins Cos	000060	11,776,654	1.6	4.8	5.0	5.0	61.8	67.2	67.3	34.0
7	7	Farmers Ins Group	000032	10,496,476	1.3	4.3	4.5	4.8	61.1	65.5	68.9	51.7
8	8	Nationwide Group	005987	6,726,799	-8.4	2.7	3.2	3.6	58.2	66.2	75.7	36.5
9	9	Amer Family/Main Street America Grp	018928	4,975,128	7.4	2.0	2.0	2.0	69.0	70.2	64.8	49.7
10	10	Travelers Group	018674	4,697,743	6.8	1.9	1.9	1.8	59.7	66.6	65.5	17.9
11	11	Auto Club Enterprises Ins Group	018515	3,394,875	13.5	1.4	1.3	1.2	69.2	72.9	76.2	79.5
12	12	Erie Ins Group	004283	3,218,568	8.1	1.3	1.3	1.3	72.8	69.5	69.3	45.2
13	15	Kemper PC Companies	018908	3,082,993	17.1	1.3	1.1	1.2	62.1	65.8	67.9	83.4
14	16	Auto-Owners Ins Group	004354	3,026,618	16.6	1.2	1.1	1.0	66.0	76.4	74.1	36.3
15	14	Natl Gen Companies	018863	3,003,035	13.4	1.2	1.1	1.0	61.2	69.9	67.7	62.9
16	13	CSAA Ins Group	018460	3,002,971	7.0	1.2	1.2	1.2	63.3	66.2	70.5	73.6
17	17	Mercury Gen Group	004524	2,676,702	9.1	1.1	1.1	1.1	64.8	62.5	64.7	76.1
18	18	MetLife Auto & Home Group	003933	2,477,043	3.0	1.0	1.0	1.1	57.8	61.5	65.4	65.5
19	19	Hartford Ins Group	000048	2,110,796	-8.6	0.9	1.0	1.2	65.5	68.7	79.2	17.3
20	20	Auto Club Group	000312	2,014,036	6.2	0.8	0.8	0.8	85.2	99.3	76.6	72.2
21	21	MAPFRE North America Group	018801	1,658,423	-2.1	0.7	0.7	0.8	67.0	69.8	69.3	61.4
22	22	Amica Mutual Group	018522	1,364,435	3.4	0.6	0.6	0.6	69.9	75.4	78.7	56.4
23	24	The Hanover Ins Grp Prop & Cas Cos	004861	1,204,040	8.8	0.5	0.5	0.5	67.7	64.6	66.5	24.9
24	23	COUNTRY Financial PC Group	000302	1,160,214	4.6	0.5	0.5	0.5	68.1	66.7	72.4	46.3
25	25	NJM Ins Group	003985	1,079,672	6.2	0.4	0.4	0.4	71.1	73.2	79.7	54.2
		Top 25 Writers		**$212,376,151**	**6.7**	**86.1**	**86.0**	**85.4**	**64.7**	**69.2**	**72.4**	**56.3**
		Total U.S. P/C Industry		**$246,674,013**	**6.6**	**100.0**	**100.0**	**100.0**	**64.7**	**69.0**	**72.1**	**36.4**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

Top 25 U.S. Total Auto Writers

Ranked by 2018 direct premiums written.

($ Thousands)

2018 Rank	2017 Rank	Company / Group	AMB#	2018 Direct Premiums Written	% Change in Premiums	Market Share (%) 2018	Market Share (%) 2017	Market Share (%) 2016	Adjusted Loss Ratios 2018	Adjusted Loss Ratios 2017	Adjusted Loss Ratios 2016	% of Company Premiums
1	1	State Farm Group (G)	000088	$42,635,947	0.5	14.8	15.9	16.0	62.8	68.9	77.2	64.7
2	2	Berkshire Hathaway Insurance Group (G)	000811	34,589,646	12.4	12.0	11.5	10.7	70.3	76.4	73.9	78.8
3	3	Progressive Insurance Group (G)	000780	31,464,084	21.2	11.0	9.7	9.0	61.3	63.4	66.5	93.2
4	4	Allstate Insurance Group (G)	000008	23,262,060	6.7	8.1	8.2	8.6	56.9	59.6	65.0	70.0
5	6	USAA Group (G)	004080	14,467,931	10.0	5.0	4.9	4.7	81.3	83.2	90.0	65.8
6	5	Liberty Mutual Insurance Companies (G)	000060	13,575,141	1.9	4.7	5.0	5.0	64.1	70.5	67.4	39.2
7	7	Farmers Insurance Group (G)	000032	11,013,308	2.8	3.8	4.0	4.3	61.3	65.6	68.5	54.2
8	8	Nationwide Group (G)	005987	8,361,029	-7.3	2.9	3.4	3.8	61.1	68.4	75.4	45.4
9	9	Travelers Group (G)	018674	7,262,429	9.0	2.5	2.5	2.4	64.6	66.2	62.5	27.7
10	10	American Family/Main Street America Grp (G)	018928	5,214,032	7.5	1.8	1.8	1.8	69.2	70.1	64.8	52.1
11	12	Auto-Owners Insurance Group (G)	004354	4,037,961	16.4	1.4	1.3	1.2	65.9	73.3	72.0	48.5
12	11	Erie Insurance Group (G)	004283	3,787,830	8.5	1.3	1.3	1.3	72.6	68.5	68.4	53.2
13	14	Auto Club Enterprises Insurance Group (G)	018515	3,394,875	13.5	1.2	1.1	1.1	69.2	72.9	76.2	79.5
14	13	National General Companies (G)	018863	3,369,566	11.6	1.2	1.1	1.0	61.5	68.7	68.1	70.5
15	16	Kemper PC Companies (G)	018908	3,322,620	16.6	1.2	1.1	1.1	62.3	66.4	68.4	89.9
16	17	CSAA Insurance Group (G)	018460	3,002,971	7.0	1.1	1.1	1.0	63.3	66.2	70.5	73.6
17	18	Mercury General Group (G)	004524	2,874,694	9.3	1.0	1.0	1.0	65.4	63.5	65.6	81.8
18	15	Hartford Insurance Group (G)	000048	2,791,842	-4.7	1.0	1.1	1.3	63.7	69.2	78.5	22.9
19	19	MetLife Auto & Home Group (G)	003933	2,519,692	4.2	0.9	0.9	0.9	58.4	61.6	65.4	66.6
20	20	Auto Club Group (G)	000312	2,029,113	6.4	0.7	0.7	0.7	85.1	99.1	76.6	72.7
21	21	MAPFRE North America Group (G)	018801	1,868,927	-1.1	0.7	0.7	0.8	66.6	69.7	68.4	69.2
22	24	Hanover Insurance Grp Prop & Cas Cos (G)	004861	1,567,959	8.2	0.6	0.5	0.5	67.7	62.7	67.2	32.5
23	25	Sentry Insurance Group (G)	000086	1,543,893	12.6	0.5	0.5	0.5	65.3	64.5	64.4	63.5
24	23	Chubb INA Group (G)	018498	1,527,651	-2.9	0.5	0.6	0.6	69.4	63.2	60.7	6.9
25	27	Old Republic Insurance Group (G)	000734	1,439,950	12.7	0.5	0.5	0.5	66.8	69.7	68.2	33.6
		Top 25 Writers		**$230,925,151**	**7.3**	**80.4**	**80.4**	**79.9**	**65.0**	**69.2**	**72.0**	**57.8**
		Total U.S. P/C Industry		**$287,378,206**	**7.4**	**100.0**	**100.0**	**100.0**	**65.3**	**69.2**	**71.7**	**42.4**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

U.S. Total All Auto Lines – Top Writers by State, Canada and U.S. Territories – 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	578	$4,131,335	1.4	8.1	64.5	2.6	28.6	71.4	State Farm Group	20.8	Alfa Ins Group	12.5
AK	49	49	368	556,736	0.2	3.3	62.3	2.0	20.7	79.3	State Farm Group	25.7	Berkshire Hathaway Ins	16.8
AZ	15	16	642	5,915,671	2.1	9.9	65.1	1.8	32.7	67.3	Berkshire Hathaway Ins	14.4	State Farm Group	13.9
AR	31	31	546	2,476,175	0.9	6.9	60.6	1.3	28.6	71.4	State Farm Group	20.8	Southern Farm Bureau Cas Group	11.5
CA	1	1	605	34,306,965	11.9	10.0	67.1	3.3	32.1	67.9	State Farm Group	12.3	Farmers Ins Group	9.6
CO	17	18	592	5,720,689	2.0	10.8	84.7	2.5	28.0	72.0	State Farm Group	16.3	Progressive Ins Group	11.5
CT	27	27	500	3,529,880	1.2	5.1	63.6	3.1	38.7	61.3	Berkshire Hathaway Ins	16.7	Progressive Ins Group	10.1
DE	41	42	482	1,049,151	0.4	6.9	66.0	3.2	26.6	73.4	State Farm Group	20.6	Berkshire Hathaway Ins	16.8
DC	52	52	411	423,764	0.1	6.2	66.3	1.8	26.5	73.5	Berkshire Hathaway Ins	32.7	State Farm Group	17.2
FL	3	3	608	23,715,409	8.3	9.1	68.2	4.8	41.3	58.7	Berkshire Hathaway Ins	22.6	Progressive Ins Group	19.1
GA	5	7	686	10,808,950	3.8	10.5	67.9	3.1	33.9	66.1	State Farm Group	19.1	Progressive Ins Group	12.7
HI	45	45	293	905,599	0.3	3.7	56.7	1.4	30.7	69.3	Berkshire Hathaway Ins	23.6	State Farm Group	16.3
ID	39	39	514	1,244,637	0.4	10.1	62.3	1.8	31.5	68.6	State Farm Group	12.1	Progressive Ins Group	10.0
IL	9	9	689	9,404,203	3.3	5.9	63.0	3.1	34.5	65.5	State Farm Group	24.8	Allstate Ins Group	10.6
IN	22	21	678	4,707,743	1.6	5.5	60.8	2.5	42.3	57.7	State Farm Group	18.7	Progressive Ins Group	11.4
IA	35	35	578	2,260,902	0.8	4.7	61.7	1.7	48.5	51.6	State Farm Group	17.3	Progressive Ins Group	15.5
KS	34	34	551	2,305,910	0.8	5.7	60.5	1.5	31.2	68.8	State Farm Group	16.5	Progressive Ins Group	11.0
KY	26	26	575	3,657,448	1.3	5.6	62.1	2.0	29.8	70.2	State Farm Group	19.7	KY Farm Bureau Group	17.0
LA	18	17	517	5,571,547	1.9	7.1	69.2	4.6	32.5	67.5	State Farm Group	27.8	Progressive Ins Group	13.9
ME	44	44	425	922,531	0.3	4.5	57.5	1.1	48.3	51.7	Progressive Ins Group	13.9	State Farm Group	11.5
MD	16	15	569	5,847,846	2.0	6.4	66.2	1.6	29.3	70.7	Berkshire Hathaway Ins	22.4	State Farm Group	16.7
MA	13	13	402	6,347,945	2.2	4.7	61.2	1.8	67.4	32.6	MAPFRE North America Group	22.0	Berkshire Hathaway Ins	10.9
MI	7	6	537	10,569,180	3.7	6.5	83.0	4.3	45.7	54.3	State Farm Group	15.7	Progressive Ins Group	14.7
MN	23	23	558	4,413,415	1.5	5.4	59.9	2.1	41.1	58.9	State Farm Group	20.7	Progressive Ins Group	15.7
MS	33	32	544	2,381,511	0.8	5.5	62.3	2.5	29.6	70.4	State Farm Group	20.6	Progressive Ins Group	11.5
MO	21	20	625	4,822,540	1.7	6.6	62.8	2.0	28.1	71.9	State Farm Group	19.3	Amer Family/Main Street America Grp	11.3
MT	43	43	482	957,672	0.3	7.2	59.3	2.1	37.0	63.0	State Farm Group	18.1	Progressive Ins Group	13.0
NE	37	37	537	1,610,667	0.6	5.6	56.6	1.5	40.8	59.3	State Farm Group	17.8	Progressive Ins Group	12.6
NV	30	30	563	3,062,330	1.1	14.6	70.2	4.4	29.9	70.1	State Farm Group	15.8	Berkshire Hathaway Ins	14.1
NH	42	41	439	1,028,807	0.4	4.6	58.8	1.1	41.1	58.9	Berkshire Hathaway Ins	12.5	Progressive Ins Group	11.9
NJ	8	8	540	9,577,524	3.3	5.5	67.3	5.1	28.5	71.5	Berkshire Hathaway Ins	18.5	NJM Ins Group	11.7
NM	36	36	506	1,713,864	0.6	8.0	65.0	2.7	31.3	68.8	State Farm Group	16.8	Berkshire Hathaway Ins	14.2
NY	4	4	590	16,676,372	5.8	4.8	69.1	5.7	35.3	64.7	Berkshire Hathaway Ins	27.8	Allstate Ins Group	11.8
NC	11	11	563	7,354,320	2.6	6.8	67.0	1.1	37.0	63.0	State Farm Group	13.1	Berkshire Hathaway Ins	11.0
ND	48	48	469	663,892	0.2	5.3	56.1	1.6	52.1	47.9	Progressive Ins Group	14.6	State Farm Group	10.4
OH	10	10	693	8,054,084	2.8	4.7	57.6	1.8	46.5	53.5	State Farm Group	16.2	Progressive Ins Group	14.1
OK	29	29	559	3,296,178	1.1	4.8	54.0	2.0	31.4	68.6	State Farm Group	20.5	Progressive Ins Group	10.6
OR	28	28	570	3,516,294	1.2	6.7	59.3	2.6	30.4	69.6	State Farm Group	17.5	Progressive Ins Group	14.2
PA	6	5	671	10,794,310	3.8	5.5	62.0	2.7	43.2	56.8	State Farm Group	16.5	Erie Ins Group	12.8
RI	40	40	448	1,084,825	0.4	4.4	63.4	2.0	40.4	59.6	Progressive Ins Group	20.9	Berkshire Hathaway Ins	11.4
SC	20	22	600	4,869,720	1.7	9.7	65.7	2.0	29.8	70.2	State Farm Group	20.4	Berkshire Hathaway Ins	12.9
SD	46	46	481	706,042	0.2	4.7	65.3	1.3	48.5	51.5	State Farm Group	15.5	Progressive Ins Group	13.2
TN	19	19	659	5,061,376	1.8	6.6	61.6	2.2	32.0	68.0	State Farm Group	18.8	TN Farmers Ins Cos	14.3
TX	2	2	703	26,818,203	9.3	8.7	61.1	2.6	35.8	64.2	State Farm Group	13.0	Progressive Ins Group	11.9
UT	32	33	565	2,459,589	0.9	10.1	65.5	2.1	36.7	63.3	State Farm Group	13.4	Allstate Ins Group	9.8
VT	51	51	420	463,030	0.2	3.5	56.2	1.4	51.5	48.5	Progressive Ins Group	16.7	Berkshire Hathaway Ins	13.0
VA	12	12	622	6,526,025	2.3	6.0	64.0	1.7	32.1	68.0	Berkshire Hathaway Ins	17.1	State Farm Group	14.2
WA	14	14	572	6,246,374	2.2	7.2	63.5	3.0	31.8	68.2	State Farm Group	14.3	Liberty Mutual Ins Cos	11.4
WV	38	38	465	1,474,016	0.5	3.5	58.7	1.9	38.7	61.3	State Farm Group	22.6	Erie Ins Group	14.6
WI	25	25	600	3,889,731	1.4	4.9	60.2	1.9	52.7	47.3	Progressive Ins Group	16.2	Amer Family/Main Street America Grp	15.7
WY	50	50	443	508,328	0.2	5.9	66.4	1.5	30.9	69.1	State Farm Group	18.8	Progressive Ins Group	14.1
Guam	54	55	33	69,316	0.0	25.6	48.1	3.9	83.3	16.7	Chung Kuo Ins Co Ltd GUB	18.0	Amer Intl Group	17.8
Puerto Rico	47	47	86	699,778	0.2	9.5	58.4	0.7	71.8	28.2	Universal Ins Group of Puerto Rico	32.1	Coop de Seguros Multiples PR	27.9
U.S. Virgin Is.	56	56	43	40,685	0.0	16.1	123.5	5.2	87.0	13.0	Underwriters at Lloyd's, London (VI)	39.5	Guardian Ins Group	35.3
Canada	53	54	45	83,906	0.0	9.9	-99.9	-22.6	75.1	24.9	CNA Ins Cos	31.1	Liberty Mutual Ins Cos	24.1
Other	55	53	109	69,169	0.0	-24.0	71.0	4.1	88.0	12.0	Natl Unity Ins Co	30.6	Amer Intl Group	28.2
N. Mariana Is.	57	57	8	4,094	0.0	8.5	52.6	10.6	100.0	0.0	DB Ins US Group	29.6	Tokio Marine US PC Group	22.7
Grand Total			**1,470**	**$287,378,206**	**100.0**	**7.4**	**65.3**	**3.0**	**36.5**	**63.5**	**State Farm Group**	**14.8**	**Berkshire Hathaway Ins**	**12.0**

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.
Note: Data for some companies in this report has been received from the NAIC.
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

U.S. Auto Liability – Top Writers by State, Canada and U.S. Territories – 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	26	26	554	$2,402,040	1.3	9.1	65.9	4.3	32.4	67.6	State Farm Group	19.9	Alfa Ins Group	11.1
AK	46	46	358	338,260	0.2	2.5	62.9	3.1	23.4	76.6	State Farm Group	25.9	Berkshire Hathaway Ins	16.9
AZ	16	17	623	3,713,444	2.1	11.0	67.4	2.8	35.5	64.5	Berkshire Hathaway Ins	14.3	State Farm Group	13.0
AR	32	32	529	1,396,600	0.8	7.2	60.3	2.0	32.8	67.2	State Farm Group	19.3	Southern Farm Bureau Cas Group	10.0
CA	1	1	584	20,709,262	11.6	11.5	69.7	5.2	34.7	65.3	State Farm Group	11.8	Farmers Ins Group	9.8
CO	18	18	569	3,520,359	2.0	10.6	69.9	3.8	30.1	69.9	State Farm Group	15.6	Progressive Ins Group	12.2
CT	27	27	486	2,319,185	1.3	6.2	64.1	4.6	40.6	59.4	Berkshire Hathaway Ins	16.5	Progressive Ins Group	11.3
DE	39	40	465	742,426	0.4	7.8	66.6	4.5	28.7	71.3	State Farm Group	20.5	Berkshire Hathaway Ins	16.7
DC	50	50	401	254,807	0.1	7.1	68.2	3.0	31.5	68.5	Berkshire Hathaway Ins	30.0	State Farm Group	16.6
FL	2	2	586	17,340,393	9.7	9.2	70.2	6.4	43.2	56.8	Berkshire Hathaway Ins	21.1	Progressive Ins Group	19.6
GA	5	5	667	7,226,351	4.0	11.4	72.2	4.4	35.6	64.5	State Farm Group	18.8	Progressive Ins Group	13.3
HI	43	43	279	545,433	0.3	3.0	53.7	2.0	34.4	65.6	Berkshire Hathaway Ins	22.4	State Farm Group	16.2
ID	41	41	497	724,295	0.4	8.9	59.8	2.8	33.9	66.1	State Farm Group	11.4	Progressive Ins Group	11.1
IL	9	9	667	5,643,559	3.2	6.9	64.3	4.9	38.1	61.9	State Farm Group	22.8	Allstate Ins Group	9.7
IN	21	21	654	2,788,538	1.6	5.3	61.2	4.1	44.5	55.5	State Farm Group	17.5	Progressive Ins Group	12.1
IA	35	35	554	1,146,292	0.6	3.6	57.9	3.2	50.3	49.7	Progressive Ins Group	17.1	State Farm Group	16.0
KS	34	34	530	1,224,643	0.7	6.1	63.3	2.6	34.4	65.6	State Farm Group	15.2	Progressive Ins Group	12.2
KY	25	25	558	2,413,580	1.3	5.5	63.5	3.0	31.3	68.8	State Farm Group	18.7	KY Farm Bureau Group	16.1
LA	14	15	496	3,760,439	2.1	8.1	75.7	6.7	35.8	64.2	State Farm Group	26.5	Progressive Ins Group	14.4
ME	44	44	410	510,868	0.3	3.1	57.7	1.7	50.9	49.1	Progressive Ins Group	15.2	State Farm Group	11.2
MD	17	16	551	3,618,439	2.0	6.1	67.2	2.5	32.2	67.9	Berkshire Hathaway Ins	21.4	State Farm Group	16.9
MA	15	14	386	3,717,424	2.1	4.5	61.3	2.6	68.5	31.6	MAPFRE North America Group	21.2	Berkshire Hathaway Ins	11.8
MI	7	7	514	6,753,519	3.8	7.4	93.7	6.6	45.2	54.8	State Farm Group	17.1	Progressive Ins Group	15.6
MN	23	23	538	2,530,188	1.4	4.8	58.0	3.4	42.6	57.5	State Farm Group	19.8	Progressive Ins Group	17.2
MS	33	33	526	1,382,019	0.8	6.5	65.9	4.1	33.4	66.6	State Farm Group	18.4	Progressive Ins Group	12.7
MO	22	22	599	2,781,364	1.6	7.0	66.3	3.2	31.4	68.6	State Farm Group	18.0	Progressive Ins Group	11.7
MT	45	45	463	499,441	0.3	4.5	59.3	3.7	39.2	60.8	State Farm Group	16.6	Progressive Ins Group	14.3
NE	37	38	520	866,295	0.5	4.8	58.3	2.7	42.4	57.7	State Farm Group	17.0	Progressive Ins Group	14.7
NV	29	29	548	2,215,071	1.2	16.7	74.5	6.0	32.1	67.9	State Farm Group	15.2	Berkshire Hathaway Ins	13.9
NH	42	42	424	554,325	0.3	4.4	57.9	1.8	43.5	56.5	Berkshire Hathaway Ins	12.9	Progressive Ins Group	12.3
NJ	6	6	523	6,832,367	3.8	5.8	68.9	6.9	30.9	69.1	Berkshire Hathaway Ins	17.7	Progressive Ins Group	11.9
NM	36	36	486	1,091,672	0.6	7.9	65.7	4.1	32.9	67.1	State Farm Group	16.7	Berkshire Hathaway Ins	14.4
NY	4	4	577	11,275,062	6.3	5.1	72.1	8.3	37.9	62.1	Berkshire Hathaway Ins	26.6	Allstate Ins Group	11.4
NC	12	12	542	4,050,535	2.3	7.9	71.9	1.8	39.7	60.3	State Farm Group	12.9	Berkshire Hathaway Ins	10.3
ND	49	48	444	310,584	0.2	3.3	55.0	2.7	55.2	44.8	Progressive Ins Group	16.6	State Farm Group	9.7
OH	10	10	674	4,675,170	2.6	4.8	57.6	3.0	48.7	51.3	Progressive Ins Group	15.3	State Farm Group	15.0
OK	30	30	538	1,868,310	1.0	4.2	57.7	3.2	35.0	65.0	State Farm Group	18.7	Progressive Ins Group	11.1
OR	24	24	544	2,424,289	1.4	5.7	59.5	3.6	31.6	68.4	State Farm Group	16.8	Progressive Ins Group	14.9
PA	8	8	656	6,265,547	3.5	5.6	60.6	4.5	44.7	55.3	State Farm Group	15.3	Erie Ins Group	11.5
RI	40	39	436	731,271	0.4	3.7	63.6	2.7	42.8	57.2	Progressive Ins Group	22.9	Berkshire Hathaway Ins	10.9
SC	19	19	576	3,154,896	1.8	11.0	69.4	3.0	32.2	67.8	State Farm Group	20.0	Berkshire Hathaway Ins	12.6
SD	47	47	461	330,770	0.2	2.6	54.4	2.3	50.0	50.0	State Farm Group	14.7	Progressive Ins Group	14.4
TN	20	20	638	2,871,292	1.6	6.7	62.7	3.4	34.7	65.3	State Farm Group	17.7	TN Farmers Ins Cos	12.6
TX	3	3	684	15,897,148	8.9	8.8	65.8	4.2	39.7	60.3	State Farm Group	12.9	Progressive Ins Group	11.9
UT	31	31	544	1,577,584	0.9	10.1	68.2	3.2	38.6	61.4	State Farm Group	12.9	Progressive Ins Group	9.4
VT	52	52	409	233,903	0.1	2.0	56.5	2.3	54.7	45.4	Progressive Ins Group	18.6	Berkshire Hathaway Ins	12.0
VA	13	13	599	3,869,094	2.2	6.9	64.4	2.7	35.5	64.5	Berkshire Hathaway Ins	16.3	State Farm Group	13.7
WA	11	11	550	4,175,589	2.3	6.7	65.9	4.3	33.1	66.9	State Farm Group	13.8	Liberty Mutual Ins Cos	11.0
WV	38	37	451	845,789	0.5	2.1	57.5	3.1	41.8	58.2	State Farm Group	20.9	Erie Ins Group	13.7
WI	28	28	584	2,229,392	1.2	4.1	56.1	3.2	53.9	46.1	Progressive Ins Group	17.1	Amer Family/Main Street America Grp	15.4
WY	51	51	426	243,652	0.1	3.5	52.6	2.4	35.8	64.2	State Farm Group	17.2	Progressive Ins Group	15.3
Guam	56	56	28	17,357	0.0	10.9	72.7	7.5	85.1	14.9	DB Ins US Group	18.7	USAA Group	14.9
Puerto Rico	48	49	82	312,204	0.2	6.4	57.1	1.2	79.5	20.5	Universal Ins Group of Puerto Rico	25.6	Coop de Seguros Multiples PR	20.2
U.S. Virgin Is.	55	55	39	27,983	0.0	14.4	108.8	4.2	94.9	5.1	Underwriters at Lloyd's, London (VI)	46.6	Guardian Ins Group	35.9
Canada	53	54	43	63,331	0.0	7.4	-99.9	-30.0	75.6	24.4	CNA Ins Cos	26.5	Liberty Mutual Ins Cos	23.4
Other	54	53	102	58,789	0.0	-16.2	72.7	-1.4	96.0	4.1	Natl Unity Ins Co	36.0	Amer Intl Group	27.1
N. Mariana Is.	57	57	8	1,661	0.0	0.4	71.6	22.0	100.0	0.0	DB Ins US Group	37.3	Tokio Marine US PC Group	23.2
Grand Total			**1,444**	**$179,074,099**	**100.0**	**7.8**	**67.5**	**4.6**	**38.8**	**61.2**	**State Farm Group**	**14.3**	**Berkshire Hathaway Ins**	**12.0**

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.
Note: Data for some companies in this report has been received from the NAIC.
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

On-Site Inspection:
What is the layout of the insured's premises?
Does the insured have a welding workshop as part of its setup? Are there any sawhouses
Business office walkways and aisles – well maintained; free of clutter, trash, and debris
Power cords and telephone wires routed around doorways, and other high traffic areas where
Cords that must cross walkways firmly tacked down and kept covered with floor mats
Power cords that are connected to permanently installed machinery and equipment in on-site
All cord protectors in bright, highly visible colors with corrugated surfaces
What is the condition of the floor throughout the insured's welding workshop and office areas?
Does the insured have an elevator(s) on the premises?
Stairs – well lit; in good condition, steps covered with a nonskid material, and equipped with sturdy
clean and accessible to all
condition of the insured's office furniture?
and free from protruding nails, splinters, and screws
power tools, and equipment – age; type; condition
the workshop and in outdoor storage yards clearly marked by way of posted

U.S. Auto Physical Damage – Top Writers by State, Canada and U.S. Territories – 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	23	23	482	$1,729,295	1.6	6.7	62.5	0.3	23.3	76.7	State Farm Group	22.0	Alfa Ins Group	14.3
AK	51	51	279	218,476	0.2	4.5	61.3	0.4	16.6	83.4	State Farm Group	25.5	USAA Group	18.1
AZ	15	16	547	2,202,227	2.0	7.9	61.3	0.3	28.0	72.0	State Farm Group	15.5	Berkshire Hathaway Ins	14.8
AR	32	31	454	1,079,575	1.0	6.5	61.0	0.3	23.2	76.8	State Farm Group	22.8	Southern Farm Bureau Cas Group	13.5
CA	1	1	505	13,597,703	12.6	7.9	63.1	0.3	28.3	71.7	State Farm Group	13.0	Berkshire Hathaway Ins	10.2
CO	16	17	488	2,200,330	2.0	11.1	108.4	0.4	24.7	75.3	State Farm Group	17.6	USAA Group	11.5
CT	28	27	419	1,210,695	1.1	2.9	62.5	0.3	35.1	64.9	Berkshire Hathaway Ins	17.0	Allstate Ins Group	10.5
DE	48	48	385	306,726	0.3	4.7	64.4	0.2	21.4	78.6	State Farm Group	20.9	Berkshire Hathaway Ins	16.9
DC	52	52	315	168,957	0.2	4.8	63.5	0.2	18.9	81.2	Berkshire Hathaway Ins	36.7	State Farm Group	18.1
FL	3	3	507	6,375,016	5.9	8.8	62.5	0.7	36.0	64.0	Berkshire Hathaway Ins	26.7	Progressive Ins Group	17.8
GA	8	8	587	3,582,600	3.3	8.8	59.1	0.3	30.4	69.6	State Farm Group	19.8	Berkshire Hathaway Ins	13.0
HI	45	45	215	360,166	0.3	4.9	61.2	0.4	25.1	74.9	Berkshire Hathaway Ins	25.4	State Farm Group	16.4
ID	39	39	416	520,341	0.5	11.8	65.9	0.4	28.0	72.0	State Farm Group	13.1	Farm Bureau of ID Group	11.0
IL	7	7	602	3,760,644	3.5	4.6	61.2	0.3	29.1	70.9	State Farm Group	27.7	Allstate Ins Group	11.9
IN	20	20	573	1,919,206	1.8	5.7	60.3	0.3	39.1	60.9	State Farm Group	20.4	Progressive Ins Group	10.4
IA	29	29	478	1,114,611	1.0	5.8	65.7	0.2	46.5	53.5	State Farm Group	18.6	Progressive Ins Group	13.8
KS	31	30	461	1,081,267	1.0	5.2	57.3	0.2	27.5	72.5	State Farm Group	18.0	Amer Family/Main Street America Grp	10.6
KY	27	28	465	1,243,868	1.1	5.8	59.4	0.3	27.0	73.0	State Farm Group	21.7	KY Farm Bureau Group	18.7
LA	22	22	408	1,811,108	1.7	5.2	55.7	0.2	25.6	74.4	State Farm Group	30.6	Progressive Ins Group	13.1
ME	42	42	360	411,663	0.4	6.3	57.3	0.3	45.0	55.0	Progressive Ins Group	12.2	State Farm Group	11.8
MD	14	14	475	2,229,406	2.1	7.0	64.5	0.2	24.8	75.2	Berkshire Hathaway Ins	24.0	State Farm Group	16.5
MA	13	13	314	2,630,521	2.4	4.9	61.2	0.6	65.8	34.2	MAPFRE North America Group	23.0	Liberty Mutual Ins Cos	11.3
MI	6	6	444	3,815,661	3.5	4.9	64.2	0.3	46.5	53.5	Auto Club Group	15.4	State Farm Group	13.3
MN	21	21	474	1,883,227	1.7	6.3	62.5	0.3	39.2	60.8	State Farm Group	21.9	Progressive Ins Group	13.8
MS	33	33	442	999,492	0.9	4.2	57.3	0.3	24.3	75.7	State Farm Group	23.8	Southern Farm Bureau Cas Group	9.8
MO	19	18	522	2,041,176	1.9	6.0	58.0	0.2	23.7	76.3	State Farm Group	21.1	Amer Family/Main Street America Grp	11.5
MT	41	41	378	458,232	0.4	10.3	59.4	0.4	34.7	65.3	State Farm Group	19.9	Liberty Mutual Ins Cos	13.0
NE	36	36	429	744,372	0.7	6.6	54.6	0.2	38.9	61.1	State Farm Group	18.8	Progressive Ins Group	10.1
NV	35	35	457	847,259	0.8	9.4	59.2	0.3	24.2	75.8	State Farm Group	17.3	Berkshire Hathaway Ins	14.8
NH	40	40	374	474,482	0.4	4.9	59.9	0.3	38.3	61.7	Berkshire Hathaway Ins	12.0	Progressive Ins Group	11.5
NJ	11	11	443	2,745,157	2.5	4.9	63.3	0.5	22.5	77.5	Berkshire Hathaway Ins	20.4	NJM Ins Group	13.3
NM	38	38	413	622,193	0.6	8.1	63.9	0.4	28.3	71.7	State Farm Group	16.9	Berkshire Hathaway Ins	13.8
NY	4	4	480	5,401,311	5.0	4.2	62.8	0.2	29.8	70.2	Berkshire Hathaway Ins	30.5	Allstate Ins Group	12.7
NC	10	10	461	3,303,785	3.1	5.6	61.0	0.2	33.7	66.3	State Farm Group	13.3	Berkshire Hathaway Ins	11.9
ND	47	47	390	353,308	0.3	7.2	57.0	0.6	49.3	50.7	Progressive Ins Group	12.8	State Farm Group	11.0
OH	9	9	566	3,378,914	3.1	4.6	57.6	0.3	43.5	56.5	State Farm Group	17.8	Progressive Ins Group	12.5
OK	26	26	454	1,427,868	1.3	5.7	49.1	0.4	26.7	73.3	State Farm Group	22.7	Progressive Ins Group	9.9
OR	30	32	468	1,092,005	1.0	8.9	59.1	0.3	27.8	72.2	State Farm Group	19.0	Progressive Ins Group	12.5
PA	5	5	574	4,528,763	4.2	5.3	64.0	0.3	41.2	58.8	State Farm Group	18.2	Erie Ins Group	14.5
RI	46	46	365	353,554	0.3	5.9	63.0	0.5	35.3	64.7	Progressive Ins Group	16.6	Berkshire Hathaway Ins	12.4
SC	24	24	497	1,714,824	1.6	7.5	58.9	0.3	25.4	74.6	State Farm Group	21.1	Berkshire Hathaway Ins	13.4
SD	44	43	398	375,272	0.3	6.6	75.0	0.4	47.2	52.8	State Farm Group	16.1	Progressive Ins Group	12.2
TN	17	15	548	2,190,084	2.0	6.4	60.1	0.6	28.4	71.6	State Farm Group	20.3	TN Farmers Ins Cos	16.4
TX	2	2	579	10,921,055	10.1	8.6	54.3	0.3	30.1	69.9	State Farm Group	13.2	Allstate Ins Group	12.3
UT	34	34	463	882,006	0.8	10.1	60.9	0.3	33.4	66.6	State Farm Group	14.2	Allstate Ins Group	11.1
VT	50	50	328	229,127	0.2	5.0	55.9	0.5	48.3	51.7	Progressive Ins Group	14.8	Berkshire Hathaway Ins	13.9
VA	12	12	532	2,656,931	2.5	4.8	63.3	0.2	27.1	72.9	Berkshire Hathaway Ins	18.3	State Farm Group	15.0
WA	18	19	484	2,070,785	1.9	8.2	58.6	0.3	29.1	70.9	State Farm Group	15.3	Liberty Mutual Ins Cos	12.0
WV	37	37	361	628,226	0.6	5.4	60.3	0.3	34.6	65.4	State Farm Group	24.9	Erie Ins Group	15.7
WI	25	25	506	1,660,339	1.5	6.1	65.6	0.3	51.0	49.0	Amer Family/Main Street America Grp	16.1	Progressive Ins Group	15.0
WY	49	49	349	264,676	0.2	8.2	79.4	0.7	26.5	73.5	State Farm Group	20.4	Progressive Ins Group	13.0
Guam	53	53	26	51,959	0.0	31.4	39.8	2.7	82.7	17.3	Amer Intl Group	21.5	Chung Kuo Ins Co, Ltd GUB	19.7
Puerto Rico	43	44	59	387,574	0.4	12.1	59.5	0.3	65.6	34.4	Universal Ins Group of Puerto Rico	37.4	Coop de Seguros Multiples PR	34.1
U.S. Virgin Is.	55	56	31	12,702	0.0	19.9	157.0	7.3	69.6	30.4	Guardian Ins Group	34.0	USAA Group	30.3
Canada	54	55	25	20,575	0.0	18.3	49.3	1.2	73.7	26.3	CNA Ins Cos	45.2	Liberty Mutual Ins Cos	26.3
Other	56	54	61	10,380	0.0	-50.0	61.5	34.3	42.8	57.2	USAA Group	57.0	Amer Intl Group	34.6
N. Mariana Is.	57	57	7	2,433	0.0	14.8	39.7	2.9	100.0	0.0	DB Ins US Group	24.3	Tokio Marine US PC Group	22.4
Grand Total			**1,341**	**$108,304,106**	**100.0**	**6.7**	**61.7**	**0.3**	**32.7**	**67.3**	**State Farm Group**	**15.7**	**Berkshire Hathaway Ins**	**12.1**

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

U.S. Private Passenger Auto – Top Writers by State, Canada and U.S. Territories – 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	% Change in Premiums	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	272	$3,561,518	1.4	7.2	63.7	2.1	20.6	79.5	State Farm Group	23.7	Alfa Ins Group	14.1
AK	49	48	153	486,051	0.2	3.7	65.6	1.6	14.3	85.7	State Farm Group	29.0	USAA Group	18.2
AZ	15	16	334	5,284,272	2.1	8.9	64.8	1.4	27.2	72.8	Berkshire Hathaway Ins	15.7	State Farm Group	15.5
AR	32	31	256	2,072,329	0.8	6.4	60.0	0.7	19.7	80.3	State Farm Group	24.6	Southern Farm Bureau Cas Group	13.2
CA	1	1	321	29,888,750	12.1	9.6	66.4	2.7	26.0	74.0	State Farm Group	13.7	Farmers Ins Group	10.7
CO	17	17	290	5,035,847	2.0	10.0	85.1	2.2	21.7	78.3	State Farm Group	18.3	Progressive Ins Group	10.9
CT	27	27	258	3,083,012	1.2	5.0	63.8	2.9	33.4	66.6	Berkshire Hathaway Ins	18.7	Progressive Ins Group	10.2
DE	41	41	210	913,402	0.4	6.9	63.7	2.8	19.0	81.0	State Farm Group	23.5	Berkshire Hathaway Ins	18.6
DC	52	52	186	370,806	0.2	6.7	67.4	1.4	17.7	82.3	Berkshire Hathaway Ins	36.8	State Farm Group	19.5
FL	3	3	328	20,451,526	8.3	6.8	67.0	4.5	34.8	65.2	Berkshire Hathaway Ins	25.2	Progressive Ins Group	18.3
GA	6	7	360	9,399,082	3.8	9.1	65.7	2.6	28.1	71.9	State Farm Group	21.6	Progressive Ins Group	13.1
HI	43	43	133	781,351	0.3	3.8	58.3	1.0	20.9	79.2	Berkshire Hathaway Ins	27.2	State Farm Group	18.6
ID	39	39	236	1,045,265	0.4	10.2	62.3	1.4	23.7	76.3	State Farm Group	14.3	Berkshire Hathaway Ins	11.0
IL	9	9	383	7,650,745	3.1	3.1	62.8	2.5	24.5	75.5	State Farm Group	30.2	Allstate Ins Group	11.5
IN	22	22	365	3,935,324	1.6	4.3	59.6	2.0	34.9	65.1	State Farm Group	22.2	Progressive Ins Group	12.2
IA	35	35	295	1,835,803	0.7	4.5	61.4	1.2	40.5	59.5	State Farm Group	21.0	Progressive Ins Group	17.6
KS	34	34	273	1,950,317	0.8	5.5	60.6	1.1	23.9	76.1	State Farm Group	19.2	Amer Family/Main Street America Grp	12.4
KY	26	26	282	3,187,777	1.3	5.2	62.1	1.6	23.2	76.9	State Farm Group	22.5	KY Farm Bureau Group	18.9
LA	18	18	249	4,822,695	2.0	7.0	65.4	3.6	25.6	74.5	State Farm Group	31.6	Progressive Ins Group	14.7
ME	45	44	204	764,614	0.3	4.2	58.7	0.8	41.9	58.1	Progressive Ins Group	14.9	State Farm Group	13.7
MD	16	15	262	5,196,023	2.1	6.1	66.8	1.4	22.8	77.2	Berkshire Hathaway Ins	24.8	State Farm Group	18.6
MA	14	13	165	5,401,680	2.2	4.1	60.4	1.4	63.3	36.7	MAPFRE North America Group	23.3	Berkshire Hathaway Ins	12.7
MI	5	5	264	9,509,836	3.9	6.1	85.3	4.0	41.8	58.3	State Farm Group	17.4	Auto Club Group	15.9
MN	23	23	284	3,795,912	1.5	5.4	60.4	1.9	34.2	65.8	State Farm Group	23.8	Progressive Ins Group	17.4
MS	33	33	240	1,973,308	0.8	5.1	61.3	1.6	20.3	79.7	State Farm Group	24.6	Southern Farm Bureau Cas Group	11.8
MO	21	21	309	4,129,433	1.7	5.9	62.4	1.5	20.3	79.7	State Farm Group	22.2	Amer Family/Main Street America Grp	12.9
MT	44	45	215	775,027	0.3	6.9	58.0	1.6	28.6	71.4	State Farm Group	22.0	Progressive Ins Group	13.7
NE	37	37	263	1,313,137	0.5	4.8	56.2	1.1	32.5	67.5	State Farm Group	21.5	Progressive Ins Group	13.9
NV	30	30	279	2,719,767	1.1	14.8	66.6	3.6	24.5	75.5	State Farm Group	17.5	Berkshire Hathaway Ins	15.2
NH	42	42	203	880,901	0.4	4.2	59.8	0.9	34.9	65.1	Berkshire Hathaway Ins	14.2	Progressive Ins Group	12.7
NJ	8	8	260	7,988,307	3.2	4.0	65.2	4.7	20.0	80.0	Berkshire Hathaway Ins	21.8	NJM Ins Group	13.1
NM	36	36	242	1,487,594	0.6	7.3	64.3	2.2	24.5	75.5	State Farm Group	19.2	Berkshire Hathaway Ins	15.7
NY	4	4	335	13,982,578	5.7	5.4	67.6	4.9	26.7	73.3	Berkshire Hathaway Ins	32.6	Allstate Ins Group	13.6
NC	11	11	283	6,364,228	2.6	6.3	66.7	0.7	30.7	69.3	State Farm Group	14.9	Berkshire Hathaway Ins	12.3
ND	47	47	211	492,890	0.2	4.6	57.4	1.1	43.3	56.7	Progressive Ins Group	16.6	State Farm Group	13.6
OH	10	10	388	6,937,524	2.8	3.8	57.4	1.5	40.3	59.8	State Farm Group	18.7	Progressive Ins Group	14.8
OK	29	29	278	2,768,450	1.1	3.9	53.6	1.6	23.6	76.4	State Farm Group	24.0	Farmers Ins Group	11.0
OR	28	28	278	3,075,770	1.2	5.5	59.2	2.4	25.9	74.1	State Farm Group	19.8	Progressive Ins Group	14.7
PA	7	6	378	9,127,706	3.7	4.4	61.8	2.3	37.1	62.9	State Farm Group	19.4	Erie Ins Group	13.2
RI	40	40	223	965,656	0.4	4.7	64.4	1.8	35.9	64.1	Progressive Ins Group	22.0	Berkshire Hathaway Ins	12.3
SC	19	20	285	4,358,829	1.8	9.6	64.7	1.7	24.5	75.5	State Farm Group	22.5	Berkshire Hathaway Ins	13.7
SD	46	46	230	569,419	0.2	4.9	65.5	0.9	41.3	58.7	State Farm Group	18.7	Progressive Ins Group	14.9
TN	20	19	335	4,329,070	1.8	6.0	61.9	1.8	23.3	76.7	State Farm Group	21.8	TN Farmers Ins Cos	16.4
TX	2	2	379	22,676,997	9.2	7.1	59.2	2.0	28.2	71.8	State Farm Group	15.0	Berkshire Hathaway Ins	13.1
UT	31	32	273	2,118,936	0.9	9.6	66.3	1.8	30.2	69.8	State Farm Group	15.3	Allstate Ins Group	11.3
VT	51	51	195	387,841	0.2	3.1	56.0	1.0	47.1	52.9	Progressive Ins Group	17.7	Berkshire Hathaway Ins	14.9
VA	12	12	335	5,752,364	2.3	5.6	64.4	1.4	25.6	74.5	Berkshire Hathaway Ins	18.9	State Farm Group	16.0
WA	13	14	302	5,507,828	2.2	6.4	63.6	2.7	27.5	72.6	State Farm Group	16.0	Berkshire Hathaway Ins	11.6
WV	38	38	199	1,273,771	0.5	2.9	59.0	1.4	32.1	67.9	State Farm Group	25.9	Erie Ins Group	15.1
WI	25	25	311	3,249,851	1.3	4.4	61.1	1.6	45.8	54.2	Amer Family/Main Street America Grp	18.6	Progressive Ins Group	18.2
WY	50	50	191	413,225	0.2	5.5	68.0	0.9	21.1	78.9	State Farm Group	22.9	Progressive Ins Group	14.3
Guam	53	54	18	58,344	0.0	28.9	47.1	4.1	80.1	19.9	Amer Intl Group	21.2	USAA Group	19.9
Puerto Rico	48	49	23	489,606	0.2	10.1	61.1	0.4	63.1	36.9	Universal Ins Group of Puerto Rico	38.6	Coop de Seguros Multiples PR	36.4
U.S. Virgin Is.	55	55	18	35,314	0.0	14.4	132.0	4.4	85.3	14.7	Underwriters at Lloyd's, London (VI)	45.5	Guardian Ins Group	33.1
Canada	57	57	14	122	0.0	-13.5	-99.9	-99.9	90.2	9.8	Hartford Ins Group	90.5	State Farm Group	9.8
Other	54	53	39	43,334	0.0	-26.5	29.0	8.5	82.9	17.2	Amer Intl Group	45.3	Natl Unity Ins Co	21.8
N. Mariana Is.	56	56	7	2,952	0.0	16.5	42.9	7.8	100.0	0.0	DB Ins US Group	22.6	Tokio Marine US PC Group	21.3
Grand Total			**1,093**	**$246,674,013**	**100.0**	**6.6**	**64.7**	**2.5**	**29.7**	**70.3**	**State Farm Group**	**17.0**	**Berkshire Hathaway Ins**	**13.4**

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

U.S. Commercial Auto – Top Writers by State, Canada and U.S. Territories – 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	442	$569,818	1.4	14.1	69.6	6.2	79.1	20.9	Progressive Ins Group	12.0	Auto-Owners Ins Group	9.3
AK	52	52	275	70,685	0.2	0.4	40.6	4.8	65.0	35.0	Liberty Mutual Ins Cos	14.8	AK Natl Ins Co	13.1
AZ	22	23	462	631,399	1.6	18.9	67.6	5.7	78.7	21.3	Progressive Ins Group	11.1	Travelers Group	7.1
AR	32	32	419	403,845	1.0	9.2	63.8	4.0	74.6	25.4	Progressive Ins Group	10.3	Old Republic Ins Group	6.1
CA	1	1	471	4,418,214	10.9	12.7	71.8	7.1	73.7	26.4	Progressive Ins Group	10.0	Liberty Mutual Ins Cos	7.1
CO	19	21	445	684,842	1.7	16.8	81.1	4.9	74.2	25.8	Progressive Ins Group	15.4	Travelers Group	7.6
CT	28	28	380	446,868	1.1	5.3	62.0	4.5	75.2	24.8	Progressive Ins Group	9.4	Travelers Group	8.5
DE	46	46	377	135,749	0.3	6.6	81.8	6.4	77.2	22.8	Great Amer P & C Ins Grp	14.8	Donegal Ins Group	7.9
DC	53	53	323	52,959	0.1	2.3	58.6	5.0	87.7	12.3	James River Group	17.6	AXA U.S. Group	15.0
FL	3	4	466	3,263,883	8.0	25.8	75.6	7.1	81.7	18.3	Progressive Ins Group	23.9	Auto-Owners Ins Group	6.7
GA	8	8	516	1,409,868	3.5	20.7	82.7	6.5	72.1	27.9	Progressive Ins Group	10.1	Travelers Group	6.3
HI	47	47	228	124,248	0.3	2.9	46.5	3.7	92.8	7.2	Tokio Marine US PC Group	22.3	Island Ins Group	11.8
ID	40	40	382	199,372	0.5	10.0	62.5	4.1	71.9	28.1	Old Republic Ins Group	10.8	Progressive Ins Group	10.4
IL	5	6	512	1,753,458	4.3	20.6	64.2	5.4	78.2	21.8	Progressive Ins Group	8.9	Travelers Group	7.8
IN	14	15	499	772,419	1.9	12.2	67.2	5.3	80.1	19.9	Progressive Ins Group	7.5	Travelers Group	6.5
IA	30	29	434	425,100	1.0	5.4	63.1	4.1	82.7	17.4	Old Republic Ins Group	9.5	Nationwide Group	7.5
KS	33	33	417	355,593	0.9	6.6	60.1	3.3	71.1	28.9	Nationwide Group	9.9	Progressive Ins Group	8.1
KY	27	27	434	469,670	1.2	8.8	61.9	4.8	75.1	24.9	Liberty Mutual Ins Cos	7.7	Progressive Ins Group	7.3
LA	15	14	403	748,853	1.8	7.9	93.7	11.5	77.2	22.8	Travelers Group	9.0	Progressive Ins Group	9.0
ME	43	43	333	157,917	0.4	6.2	51.6	2.3	79.4	20.7	W. R. Berkley Ins Group	16.0	Liberty Mutual Ins Cos	11.2
MD	20	19	435	651,823	1.6	8.7	61.4	3.5	81.6	18.4	Erie Ins Group	11.6	Progressive Ins Group	9.1
MA	12	12	341	946,265	2.3	8.2	66.4	4.0	90.8	9.2	MAPFRE North America Group	14.5	Safety Group	14.3
MI	10	10	433	1,059,344	2.6	9.4	61.9	7.0	80.9	19.2	Auto-Owners Ins Group	9.1	Travelers Group	5.2
MN	23	22	444	617,503	1.5	5.9	57.0	3.3	83.7	16.3	Old Republic Ins Group	10.5	Auto-Owners Ins Group	8.5
MS	31	31	417	408,203	1.0	7.6	67.2	7.1	74.3	25.8	Progressive Ins Group	13.0	Travelers Group	9.2
MO	18	18	460	693,106	1.7	10.5	65.6	5.0	74.9	25.1	Progressive Ins Group	8.6	Travelers Group	8.5
MT	41	41	367	182,645	0.4	8.6	65.2	4.2	72.7	27.4	Old Republic Ins Group	11.9	Liberty Mutual Ins Cos	10.4
NE	36	36	403	297,529	0.7	9.3	58.5	3.6	77.0	23.0	Old Republic Ins Group	17.9	Nationwide Group	9.1
NV	34	34	411	342,564	0.8	13.0	99.5	11.2	73.0	27.1	Progressive Ins Group	8.6	Travelers Group	6.3
NH	44	44	355	147,906	0.4	7.6	53.2	2.5	78.2	21.9	W. R. Berkley Ins Group	17.8	Liberty Mutual Ins Cos	10.5
NJ	7	7	432	1,589,218	3.9	14.0	78.1	7.1	71.6	28.4	Progressive Ins Group	9.8	Allstate Ins Group	6.5
NM	37	37	381	226,271	0.6	12.6	69.9	6.7	75.3	24.7	Progressive Ins Group	13.5	Travelers Group	9.7
NY	4	3	441	2,693,795	6.6	1.6	76.9	9.9	79.6	20.4	Amer Transit Ins Co	12.2	Progressive Ins Group	8.2
NC	11	11	465	990,092	2.4	10.3	68.7	3.3	77.7	22.3	Progressive Ins Group	8.4	Travelers Group	6.8
ND	42	42	363	171,001	0.4	7.4	52.4	3.0	77.4	22.6	Old Republic Ins Group	12.4	Progressive Ins Group	8.8
OH	9	9	503	1,116,560	2.7	10.7	59.0	4.3	85.6	14.4	Progressive Ins Group	10.2	Cincinnati Ins Cos	8.4
OK	25	25	414	527,728	1.3	10.2	55.9	3.9	72.5	27.5	Progressive Ins Group	10.5	Travelers Group	10.4
OR	29	30	416	440,524	1.1	15.8	60.5	4.3	61.7	38.3	Liberty Mutual Ins Cos	18.6	Progressive Ins Group	10.6
PA	6	5	504	1,666,605	4.1	12.0	63.2	5.0	76.8	23.2	Erie Ins Group	10.3	Progressive Ins Group	8.1
RI	48	48	343	119,169	0.3	1.9	55.5	3.8	76.4	23.6	Progressive Ins Group	11.6	Travelers Group	8.9
SC	26	26	469	510,891	1.3	10.9	73.9	4.8	75.0	25.0	Progressive Ins Group	11.9	Auto-Owners Ins Group	6.5
SD	45	45	367	136,623	0.3	3.6	64.2	3.2	78.7	21.3	Old Republic Ins Group	14.7	Acuity, A Mutual Ins Co	8.2
TN	17	16	501	732,307	1.8	10.3	59.8	4.3	83.5	16.5	Progressive Ins Group	8.3	Travelers Group	7.0
TX	2	2	540	4,141,206	10.2	18.4	71.9	6.1	77.7	22.3	Progressive Ins Group	15.8	Travelers Group	5.5
UT	35	35	408	340,653	0.8	13.5	60.7	4.4	77.2	22.8	Progressive Ins Group	8.7	Auto-Owners Ins Group	7.6
VT	51	51	336	75,189	0.2	5.1	57.4	3.8	74.1	25.9	Progressive Ins Group	11.7	W. R. Berkley Ins Group	11.6
VA	13	13	476	773,661	1.9	9.4	61.2	3.3	80.4	19.6	Progressive Ins Group	11.7	Erie Ins Group	8.5
WA	16	17	432	738,546	1.8	13.6	62.5	5.3	63.9	36.1	Liberty Mutual Ins Cos	18.2	Progressive Ins Group	9.6
WV	39	39	360	200,244	0.5	7.3	56.7	4.8	81.1	18.9	Travelers Group	11.6	Erie Ins Group	11.2
WI	21	20	463	639,880	1.6	7.7	55.3	3.6	87.7	12.3	Acuity, A Mutual Ins Co	8.4	West Bend Mutual Ins Co	6.9
WY	49	49	352	95,103	0.2	7.9	59.7	3.9	73.6	26.4	Progressive Ins Group	13.1	Travelers Group	11.3
Guam	55	55	29	10,972	0.0	10.5	52.8	3.2	100.0	0.0	DB Ins US Group	20.2	Pacific Indemnity Ins Co	14.7
Puerto Rico	38	38	81	210,172	0.5	8.3	52.3	1.5	92.0	8.0	Asoc de Suscripcion Conjunta del Seg	27.2	MAPFRE North America Group	17.8
U.S. Virgin Is.	56	56	33	5,371	0.0	28.7	64.0	10.6	98.4	1.6	Guardian Ins Group	49.9	Topa Ins Group	39.9
Canada	50	50	40	83,785	0.2	9.9	57.1	8.0	75.1	24.9	CNA Ins Cos	31.1	Liberty Mutual Ins Cos	24.1
Other	54	54	96	25,835	0.1	-19.4	124.3	-1.6	96.6	3.4	Natl Unity Ins Co	45.3	Chubb INA Group	24.3
N. Mariana Is.	57	57	6	1,141	0.0	-8.0	75.4	17.4	100.0	0.0	DB Ins US Group	47.5	Tokio Marine US PC Group	26.5
Grand Total			**1,092**	**$40,704,193**	**100.0**	**12.6**	**69.1**	**5.9**	**77.7**	**22.3**	**Progressive Ins Group**	**10.8**	**Travelers Group**	**6.3**

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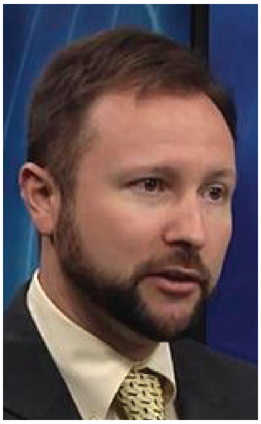
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: July 22, 2019

A Global Conversation

Auto Observations

Industry experts discuss the challenges facing the auto insurance market with AMBestTV.



"Severity [trends in auto insurance] are straightforward. With severity, we're seeing a very clear increase in medical costs. We're seeing a very clear increase in the cost to repair motor vehicles. These costs are outpacing increases in the consumer price index.

When it comes to severity, that's going to continue to rise.

In addition to these other macro level indexes, vehicles are becoming more complicated. Every year, there's more technological advances. These find their way to auto vehicles. When these vehicles get into an accident, it just costs more to repair them.

When it comes to severity, we expect that to continue to rise for the foreseeable future."

Samuel Hanig
Senior Industry Research Analyst
AM Best

"As we know, the larger [auto] insurers are getting really technologically advanced. The use of data in their analysis and pricing. The smaller companies are challenged to keep up, but they can bring other things to the table.

Your localized knowledge, your localized experience, maybe some more value-added services, the idea that you know your agent as opposed to you know your computer. Those are some of the things that can keep the smaller auto writers in the game."

Raymond Thomson
Director
AM Best

"Some new risks that we see as vehicles continue to evolve, for one is the product liability exposure. Traditionally when an accident occurred, most times claims would be administered between the drivers that were involved in the accident, determining fault of the driver.

Now other things, other factors come into question. For example, was the vehicle operating in some automated mode, or especially before it gets to the point of being fully autonomous, whether to say no steering wheel, or no brake pedals in play.

If there is a way for a driver to assume control, there's going to be questions around whether product liability should be the insurance coverage for the accident, or whether it's the owner and the traditional driver's insurance that should be providing coverage.

In addition to that, we also envision new cyberrisks coming into play. You think about vehicles getting hacked. In addition to that, is there electronic data being stored in the vehicle, especially if you think about a commercial vehicle, or business use of the vehicle, what type of data may be in the vehicle.

Especially if it's taxis or on-demand vehicles, if somebody is a passenger in your vehicle, and maybe plugging their device into the vehicle, is there other data that may be transferred or opportunity for viruses to be transferred to a vehicle, and vice versa."

Sandee Perfetto
Director of Personal Lines Product Development
Verisk/ISO

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

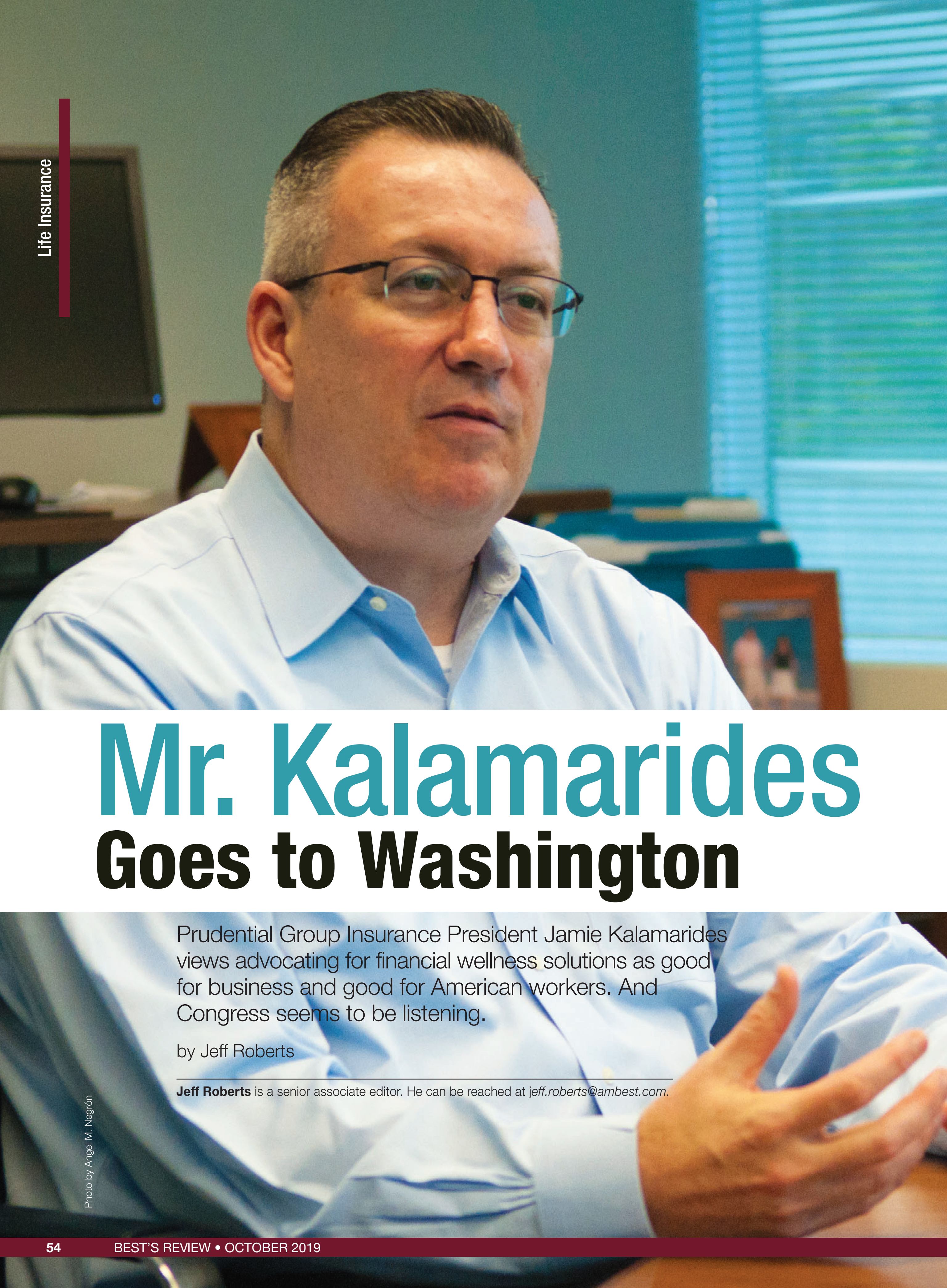


Photo by Angel M. Negrón

Mr. Kalamarides Goes to Washington

Prudential Group Insurance President Jamie Kalamarides views advocating for financial wellness solutions as good for business and good for American workers. And Congress seems to be listening.

by Jeff Roberts

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

Key Points

Market Leader: In 2018, Prudential ranked No. 1 in group life issued ($138.5 billion) and No. 3 in group life in force ($2.1 trillion), according to AM Best data.

SECURE: Two bills in Congress include provisions authorizing broader use of open multiple employer plans, including the bipartisan SECURE Act.

Influencer: Kalamarides uses social media not only to reach Beltway insiders, but also competitors and his own employees.

The meeting took place in a Connecticut living room furnished with flip charts.

Jamie Kalamarides and a handful of other managers gathered at the home of Christine Marcks, then the president of Prudential Retirement. And there in the Hartford suburbs, they huddled on a Monday morning for a day-long, strategic planning session away from the distractions of the office.

That meeting would change the way they approached the retirement business for years to come.

A small laugh escaped Kalamarides more than a decade later as he sat in his window-lined office, overlooking the insurer's Roseland, New Jersey, campus. The president of Prudential Group Insurance still remembers the date of the gathering that helped mold his own path: April 7, 2008.

"We made a number of decisions that day to move from being reactive to proactive," Kalamarides said, "and those principles and decisions seeded a number of very profitable businesses in Prudential."

That planning session continues to bear fruit within the halls of Congress as well.

Among the decisions the group made that day—just as the shadow of the financial crisis was building and defined benefits plans were being phased out in earnest—was to embrace the concept of open multiple employer plans.

It allows small businesses and others to pool their purchasing power and reduce costs in offering retirement savings plans such as 401(k) accounts for their employees.

Two bills winding their way through Congress this year include provisions authorizing broader use of open multiple employer plans, including the bipartisan Setting Every Community Up for Retirement Enhancement (SECURE) Act. Kalamarides has been a vocal advocate for the concept the past decade in U.S. Senate committee hearings, meetings with Beltway influencers and almost daily on social media.

And in so doing, he discovered he has a gift for Washington D.C.-style lobbying and diplomacy.

"We realized we could change the way we were doing things," said Kalamarides, 51. "It has been a long time working on it. If we could expand retirement coverage with open multiple employer plans to another 35 million individuals, that will have an impact for years to come.

"And if we can use that for expanding disability coverage, group insurance and other voluntary benefits, we could provide the framework for how people have financial wellness in the United States for generations. And that's really rewarding."

It's an example of Kalamarides' mission, according to Marcks and Andrew Sullivan, CEO of Prudential's Workplace Solutions group. He is searching for scalable and sustainable financial wellness solutions that not only grow the insurer's market share, but expand the very market itself to the benefit of the company, shareholders and American employers and workers.

"He is one of the strongest strategists that we have," said Sullivan, who oversees retirement and group insurance and will become executive vice president and head of all U.S. businesses on Dec. 1. "He is always helping us connect dots, to see trends, to look around the corner. I leverage him in that regard every single day."

Kalamarides is responsible for the 20 million people who trust Prudential with their life, disability and accident insurance and voluntary benefits as well as the 2,500 employees who work for its group business. It's a critical segment for the life industry, with individual sales falling, the low-interest rate environment exacting pressure on investments and rising consumer expectations.

In 2018, Prudential ranked No. 1 in group life issued ($138.5 billion) and No. 3 in group life in

"We need to step back and look at the whole enrollment process. That area is ripe for intervention and revolution. We need to transform that 20-minute enrollment experience, so that it is not just 20 minutes of people passively going through and asking, 'What did I do last year?'"

Jamie Kalamarides
Prudential

force ($2.1 trillion), according to AM Best data. Group life accounted for 10.3% of its net premiums written in 2017.

While employers may be responsible as fiduciaries for their workers under the federal Employee Retirement Income Security Act of 1974 (ERISA), many do not have the resources or the knowledge to do so. So Kalamarides sees it as incumbent on insurers to fill the role.

"My vision is we've grown double, triple in size in 10 years, not because we're just taking market share away from our competitors, but we've actually grown the market dramatically," Kalamarides said. "And the way we've grown the market? We've solved more people's problems, especially people who haven't had access to these solutions in the past."

That means working with members of Congress, legislative staffers, regulators, think tanks and consumer groups in Washington.

Kalamarides has testified in front of Senate committees three times on financial wellness and retirement issues, including open multiple employer plans.

"There is really a sense of the moment as you walk in—of the gravity of the moment, of the ability to do something big here that can have a huge impact on not just today's citizens but generations beyond," he said.

Of course, the real work begins well before he's testifying in front of powerful lawmakers mugging for the C-SPAN cameras. It gets done in anonymous conference rooms in a series of meetings with staffers hashing out policy proposals.

"Americans are facing some very significant challenges that are not well-understood, but [legislators] can solve the bigger issues of financial wellness across America," said Kalamarides, a father of five children with his wife, Diana. "I give them a perspective they might not see about what their constituents are facing.

"I find you can move things forward if you come with practical solutions and small changes that just take a good idea and expand it."

When the Hartford resident isn't in Washington, he uses Twitter to "stay in the dialogue regularly" with the roughly two dozen Beltway influencers who focus on such issues.

His colleagues say Kalamarides is especially gifted at identifying influential contacts, building networks and forming bipartisan consensus.

Marcks—an economist with the U.S. Treasury Department before joining Prudential—remembers a 2016 trip she took to Washington that included visits to Capitol Hill and her old department. Everywhere she went, someone else was telling her how Kalamarides was helping to move legislation forward.

"He emerged as somebody who was not only a thought leader, but brought tenacity in his pursuit of all the legislative and regulatory challenges that we were facing in getting this concept of multiple employer plans moving forward," said Marcks, who retired in 2017.

"He really took ownership of it and became a champion of that."

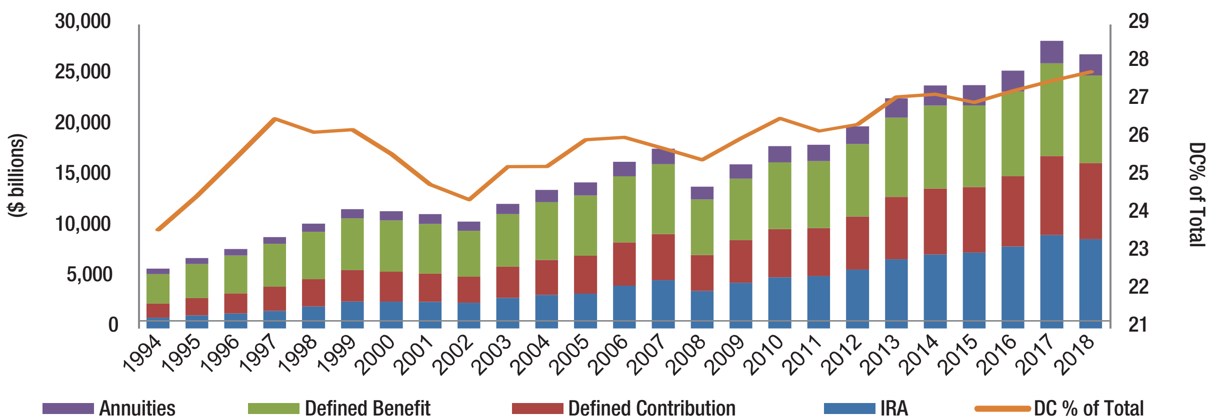
Disruptions, Big and Small

Kalamarides' hands are always moving.

They spin. They bounce. They oscillate. They move in deliberate, rhythmic patterns, usually in sync with his words.

The passion driving Kalamarides' talking hands is the nexus where financial wellness, community service and social justice meet. The devout Catholic and loyal Eagle Scout believes in helping society as much as shareholders, and believes both can benefit at the same time.

US Retirement Market by Product



Notes: All types of defined benefit plans combined (private, state, federal). DC includes 401k, 403b, 457 and Federal Employees Thrift Savings Plan. Data for 2016-2018 estimated for IRAs.
Source: 2019 Investment Company Institute US Retirement Market

> “Even though he works for me, he teaches me every single day. It says a lot about Jamie that he’s willing to coach his boss in front of lots of other people. That takes courage.”
>
> **Andrew Sullivan**
> Prudential

Kalamarides wakes each morning around 5, prays and goes on a four- or five-mile run.

Faith is an integral part of his life. Stamatis Kalamarides, his great-grandfather’s brother, founded St. Nicholas Church in lower Manhattan in 1916. The Greek Orthodox church was destroyed when the south tower of the World Trade Center fell on 9/11.

“He really does want to make an impact on society, and it’ll sound corny, but make the world a better place,” Sullivan said.

Kalamarides views workplace benefits as the perfect place to start. After all, Americans consistently trust their employer more than their government, financial institutions and even charities, according to the 2019 Edelman Trust Barometer survey.

Yet it remains a somewhat new landscape for him. Kalamarides took over group benefits only in October 2017. He had worked in retirement since 2004, when Prudential acquired Cigna Retirement, which he helped build.

The shift has expanded his reach and given him a new challenge, part of the insurer’s development plan for the budding senior leader, Sullivan said.

Kalamarides’ influence now extends across the financial wellness landscape.

“One of things I like doing the most is taking a market that’s in disruption and saying, ‘How do we dramatically change it?’” said Kalamarides, who budgets “thinking time” to mull over the future and the business.

Sometimes that thinking happens during his long commute from Hartford to the insurers’ New Jersey offices, which he makes a few days a week.

“Amtrak and I are good friends,” he says.

‘Ripe for Revolution’

Group benefits has become an increasingly competitive market.

Established insurers are expanding product suites, especially voluntary offerings. Meanwhile, new players continue to enter the market, vying for the rising premiums and healthy margins as core life sales remain largely stagnant.

One of Kalamarides’ main targets is changing the way workers choose their benefits.

“We need to step back and look at the whole enrollment process,” he said. “That area is ripe for intervention and revolution.

“We need to transform that 20-minute enrollment experience, so that it is not just 20 minutes of people passively going through and asking, ‘What did I do last year?’”

The challenge grows more complex with the transformation of the American workforce. The gig economy threatens the very notion of group benefits and is “one of the emerging challenges in financial wellness,” Kalamarides said.

Meanwhile, many lack access to disability coverage or don’t have enough. And unexpected illness and injuries, student loan debt and unpaid leave continue to be crippling problems for workers across all demographics.

“If you want to solve the retirement problem, we have to solve today’s problems first,” Kalamarides said. “If they can’t solve those issues, they’re going to use up their emergency savings and their retirement savings.”

Technology and automatic enrollment and defaults are potential solutions, he says. So are voluntary benefits such as critical illness, accident or hospital indemnity and voluntary paid family leave.

Kalamarides knows the more he understands the unexpected risks that weigh on fragile family budgets, the more solutions he can develop. That is just one reason his work with the non-profit Prosperity Now is so valuable to him.

An Alliance

The chance meeting presented a new perspective.

Kalamarides was on a flight to Colorado for a conference about seven years ago when he met Andrea Levere. The president of Prosperity Now—a research and advocacy organization helping those with limited incomes, especially people of color, achieve financial security—was headed to the same conference.

By the time they touched down, they had bonded over a mutual passion for financial wellness.

Kalamarides now serves on Prosperity Now's board and as its treasurer. He and Levere also forged stronger ties between Prudential and Prosperity Now, with each organization teaching the other.

"One influences the other a lot," he said. "There is this interplay back and forth of ideas and issues."

The "shared value alliance," as he calls it, has resulted in projects such as the design of an emergency savings vehicle within existing retirement plans. Prosperity Now helped Prudential develop and test it.

"Jamie is a visionary in how he thinks about engaging his employees, bringing in information that doesn't come from the company but yet is extremely relevant to what they do," said Levere, now Prosperity Now's president emerita.

The nonprofit provides another viewpoint beyond the profile of the typical Prudential customer. Kalamarides finds universal themes and lessons in Prosperity Now's work that he can apply to Prudential's clients.

"How do we make a broken market into a viable market for people who are underserved?" he said.

The answer may help Prudential customers, especially those who rely almost solely on workplace benefits for their financial protection.

"2008 was a wake-up call for folks," Kalamarides said. "People are anxious about outliving their assets and outliving their income. No matter what poll you look at, 70 to 80% of people say that's their No. 1 stress. But you can use that anxiety in a positive way for that person to take action now."

The Halls of Power

The weight of the historic room hit him as he entered.

Corinthian columns soared around him, rising almost three stories. A gilded ceiling hung 35 feet above him. Black-veined, white marble walls surrounded him.

The Kennedy Caucus Room was nearly as grand as the history that has unfolded within the Washington landmark. It has hosted Senate hearings on the Titanic. Pearl Harbor. Watergate. The Iran-Contra Affair. (The Kennedy name was added in 2009 to honor the three brothers who served as senators.)

And there was Kalamarides in June 2016 in the Russell Senate Office Building, sitting at the center of a panel of financial experts discussing what employers, employees and Congress should do to head off America's looming retirement crisis.

It was broadcast live on C-SPAN.

"I'm a C-SPAN legend!" Kalamarides joked.

There's a reason he has found himself rubbing elbows with members of Congress. He knows his subject matter so well, he even teaches his bosses.

"Even though he works for me, he teaches me every single day," Sullivan said. "It says a lot about Jamie that he's willing to coach his boss in front of lots of other people. That takes courage."

And it takes expertise.

"Jamie is very smart and knew a lot about the business," Marcks said. "He was teaching me some things at that point. That knowledge was really the foundation for what emerged as the multiple employer plans structure to bring to other markets."

In May, the SECURE Act passed in the U.S. House of Representatives by a vote of 417-3. It remains tied up in the Senate as of early September. Debate also continues on the Retirement Enhancement and Savings Act (RESA), which contains a provision for allowing open multiple employer plans.

If SECURE passes as expected, Kalamarides wants to see the pooling idea spread to insurance cover.

"Why are we limiting this just to retirement funds?" he said. "Why not group life? Why not group disability? Why not insured paid family leave? Why not allow gig workers to join them?

"This concept of creating pools to allow increased purchasing power is a concept that many other countries use and there is every good reason why we should start applying it to other employee benefits."

In the meantime, he will focus on developing the next generation of leaders—a more diverse, inclusive group. He wants diversity of background and thought. And he wants all voices represented and heard.

"He's probably the best leader I've ever seen at really figuring not only how to hire and build diverse teams, but also how to create a culture that then brings out those different voices to express their opinions," Sullivan said.

Kalamarides has helped develop "enterprise-level talent" flourishing throughout Prudential, he added.

"We have an industry that is not reflecting our customer base," Kalamarides said, "and if we're going to be relevant as an industry in the future, our employees and our leaders have to be a better reflection of the nation we serve."

The principles of the Eagle Scout oath he took decades ago still resonate. And so does that meeting in Marcks' living room.

Kalamarides believes he's affected change, while still taking care of Prudential's shareholders.

"We're a for-profit company. We have to hit our numbers," he said. "The best way to do that I know is to focus on customers and employees." BR

Photo by Kim Bjorheim

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

'THE BEST OF TIMES... THE WORST OF TIMES'

Life insurance expert Colin Devine says the industry is experiencing a greater demand for products from retiring baby boomers while feeling the strain of the low interest rate environment.

by Jeff Roberts

Life insurers currently are facing many challenges—a "forever rate environment" that is straining balance sheets carrying products that were priced decades ago and exposure to some products that have clearly gone wrong. However, there's still a lot of growth potential for this market, says Colin Devine, principal of C. Devine & Associates.

Devine spoke with AMBestTV in its Oldwick, New Jersey, studio. Following is an edited transcript of the interview.

What is the state of the life insurance industry right now and where is it headed, especially with a recession possibly looming?

If you think about it, it's probably the best of times and the worst of times. On the best of times, the demand for insurance products and post-retirement-type products has never been stronger as the boomers are aging.

The flipside of that, of course, are interest rates are in this slow, forever rate environment and the very real strain that is putting on companies' balance sheets because life insurers have products that they priced 10 years ago, 15 years ago, 30 years ago, clearly in a much higher rate environment. That's quite significant.

There's also a couple of products that have clearly gone wrong. Variable annuities have had their challenges. The secondary guarantee universal life has had its challenges. Of course, more recently, long-term care is really having its challenges. As they say, there's a lot of growth potential but there's also some real issues.

There's a lot of volatility in the equity markets. How are life insurers going to weather it if a recession happens compared to other sectors?

Life insurers, again, I always try to separate how the company is going to do financially, how they're going to do with stocks. In a low rate environment, low equity markets, life insurance stocks are probably not the place you want to be. Life insurance companies, that's a very different question.

Life insurers, generally, have very little exposure to equity markets. Where they do, it's through variable annuities, variable life, and every company I know has a very comprehensive hedge program to protect themselves from that. From a balance sheet perspective, I think they're in great shape. As stocks, maybe not quite as appealing.

What measures have the insurance industry taken knowing that long-term care as a product has been troublesome?

What measures have they taken? You can look and just go, how many companies still write long-term care? There's been a race to the exit. I think there's maybe two or three significant companies still offering the product. That should also tell all of us what they think about the risk. They've got legions of actuaries out there.

Clearly, they've reached the conclusion that older age health is an uninsurable risk. Everybody should think about that. It's an absolutely uninsurable risk. We can predict how long you're going to live. We just can't predict how healthy you're going to be. You've seen some actions such as rate increases to try to protect those companies.

Obviously, that puts a lot of pressure on policyholders. How much further that's going to go remains to be seen. I think the best thing they've done is brought out the hybrid products with the accelerated death benefits where you can draw down a death benefit if you need it. If you develop a long-term-care-type situation, far better, because it's not use it or lose it.

If I don't, God willing, then I have a death benefit. I can leave it, tax free, to everybody and anybody I want. On the other hand, it's there to cover and I don't have to face rate increases. I know what it's going to cost and because they priced it on a bigger pool of people, you actually get a better price too.

Staying with retirement, there's been a lot of discussion within the industry about the SECURE Act. What would it mean if passed? I know it breezed through the House. Currently, it's being held up in the Senate.

For the SECURE Act, and hopefully, we can get this done, we certainly need it. It's going to open up 401(k)s to more people. It is, I think, a little more realistic with where it looks at requirement minimum distribution ages and to increase those, so that's great.

The biggest one is getting annuities in plan. 401(k)s, everybody has to remember, were only designed to be a form of supplemental savings. This was never designed to be your primary source of retirement savings. Somewhere along the way, it became that. Supplementals become primary but at the same time, there's no mechanism in it today that takes it from saving to income.

Income, if I put on my [certified financial planner] hat, that's, realistically, going to be another third of your life. You're going to need some help. You're going to need some products that are going to help get you through that next third when it's from your last paycheck. Hopefully, we can get this thing done. We need it. We need to get in plan solutions into IRAs and 401(k)s. We also just really need to get the dialogue going so people think, "This is a really long time and what are the risks that it entails?" BR

AMBestTV

Go to *bestreview.com* to watch the interview with Colin Devine.


INSIGHT
A+

GET READY

Photo courtesy of AP/Damian Dovarganes

While insurers wait for Congress to renew the Terrorism Risk Insurance Program Reauthorization Act in 2020 they should begin analyzing possible vulnerable exposures and identify which risks to mitigate.

by Emil Metropoulos

Despite a reduction in the number of large terror attacks in the United States, the market for terror (re)insurance is maturing and the peril is changing. Newly emerging terrorism attack methods are changing the nature of threats. Attacks by "lone wolves" and small groups against soft targets reflect a shift in global terrorism trends, including the U.S. Unlike active shooter attacks whose motive may be personal or unclear, acts of terrorism typically involve specific targets and by definition require that the motive was ideological, political or emanates from religious extremism.

Instead of targeting property, more frequent "soft" human attacks are becoming commonplace, increasing the threat of incidents occurring in or near public spaces and workplaces.

Most of the recent terrorism events have not occurred in the United States and have not caused losses to the workers' compensation line. The exception being the 2015 San Bernardino mass

Best's Review contributor **Emil Metropoulos** is Workers' Compensation & Terrorism Centers of Excellence Leader, Guy Carpenter & Company. He can be reached at *emil.metropoulos@guycarp.com*.

ON GUARD: Police on the scene with an armored critical incident vehicle following the shooting that killed 14 people at a social services center in San Bernadino, California, on Dec. 2, 2015. The incident was the deadliest workers' compensation terrorist attack to occur in the U.S. since the attacks on 9/11.

shooting—the deadliest workers' compensation terrorist attack to occur in the United States since the attacks of Sept. 11, 2001.

Adding to the complexity is the current uncertainty around the terrorism risk backstop, known as the Terrorism Risk Insurance Program Reauthorization Act or TRIPRA, which is set to expire on Dec. 31, 2020. All of these factors impact rates and availability on all lines of business and create uncertainty and misperceptions.

A Brief History

The U.S. Congress created the Terrorism Risk Insurance Program Reauthorization Act in the aftermath of the Sept. 11 terrorist attacks as a federal backstop to cover a significant share of the loss for insurance claims related to terrorism incidents. TRIPRA became law in November 2002, and has since been extended in 2005, 2015 and 2017. The overall severity of terrorist attacks in the U.S. has declined in recent years and no events have been certified by the U.S. Treasury since 9/11. However, the law continues to provide an essential backstop protection to carriers, and it remains crucial to the continued stability of the terrorism insurance market.

Key Points

What's Happening: The Terrorism Risk Insurance Program Reauthorization Act is up for renewal by Congress in 2020.

Lessons Learned: Insurers were impacted by a delay in getting TRIPRA approved in 2015 so going forward they must make contingency plans in case the same scenario plays out.

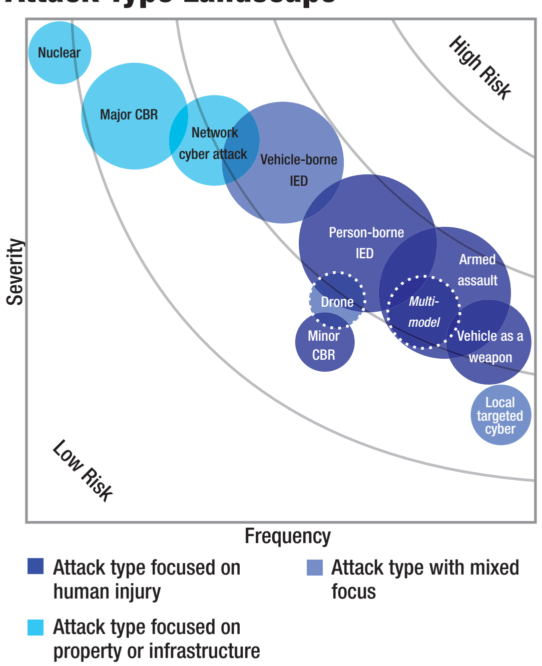
Actions to Take: With TRIPRA's uncertainty expected to continue throughout 2019 and into 2020, exposed carriers with notable reliance on the backstop should be increasing the accuracy of their data and building capacity for modeling analytics and output.

Changing in Nature

The scenario today differs from that of the 2015 renewal because acts of terrorism have gravitated from catastrophic events causing enormous property damage to smaller, more localized human casualty-oriented events that involve attacks by lone wolves and smaller groups who use easily accessible weapons such as cars or assault rifles. (See chart below.) Between 2000 and 2017 there have been 250 FBI-designated active shootings in the United States, according to the agency. The greatest number of attacks occur at educational institutions, retail stores and shopping malls. Although active shooter attacks in themselves are not by definition acts of terrorism, their increased frequency is raising the question among some lawmakers as to whether they should be included by definition within TRIPRA.

Traditionally, terrorism insurance had been provided via property covers. However, in an era of small-cell, lower-level bomb, gun and knife attacks, there has been a greater need for coverages geared toward the destruction of life (fatalities and casualties). Work-related injuries and deaths are covered under workers' compensation systems in all states. Workers' compensation insurance policies are a compulsory purchase for employers in nearly all states. Unlike commercial property, workers' compensation carriers are unable to exclude or sublimit terrorism coverage on virtually every risk they write. As a statutory coverage with no stated policy limits, a carrier's aggregate exposure can easily pyramid into extremely high amounts.

Attack Type Landscape



Source: Guy Carpenter

The United States is the world's largest buyer of terrorism insurance. Workers' compensation and all liability lines combined represent 67% of the $190.6 billion total U.S. TRIPRA-eligible premium, eclipsing all property lines, according to the U.S. Department of Treasury's Report on the Effectiveness of TRIPRA from June 2018.

Lessons From Experience

During the last TRIPRA renewal, there was a small pocket of resistance from lawmakers as the benefits were debated, which caused nearly a two-week delay in the TRIPRA renewal being put into action. Policies were written for shorter terms, of less than a year, large accounts moved among various carriers and brokers started requesting reinsurance contracts over multiple years.

While the outcome of the 2021 TRIPRA reauthorization cannot be predicted, the lessons learned from the lag in the 2015 renewal decision were so impactful to the insurance industry and businesses in general that we do not anticipate that any party wants to replay the sequence of events that transpired. Although we assume less debate and resistance to a 2021 reauthorization relative to that of the prior reauthorization, changes to TRIPRA at a minimum should be expected and contingencies planned for.

Mitigation Strategies

With the outcome of the 2021 TRIPRA renewal unknown, all carriers need to create mitigation strategies that include securing more reinsurance protection, identifying where they are vulnerable and making sure they can non-renew and reduce vulnerabilities if needed within a short time frame. Identifying these risks requires carriers to model data correctly to assess risk and prepare appropriately. However, terrorism is among the most challenging perils to model, especially for workers' compensation, where a high degree of data and expertise is needed. Highly sophisticated terrorism modeling has evolved to contemplate the complexities of smaller, human-focused terrorism events and the impact on workers' compensation. Often commercial models ignore the vast number of potential "soft target" events because they are too small and as a result tend to overemphasize a relatively smaller number of trophy targets in Tier 1 cities.

The commercial market has responded well to this terrorism model gap with new and improved applications which can rigorously contemplate a significantly larger number of targets that can exceed several hundred thousand distributed throughout the United States. In addition, today's cutting edge computational fluid dynamic scenario modeling can now contemplate not only distance and height and angle, but attack angle, confinement and building shielding—for a true 3-D modeling perspective. The overall impact has been an improvement in degree of data granularity and model output accuracy. More than ever, carriers need to analyze their exposures and accumulations and understand which locations or which segments of their portfolios need to be de-risked (by creating a shortlist and knowing when and which policies need to be non-renewed) or if there is a need to buy more reinsurance cover protection.

If it appears that the backstop will not be in place beyond 2021, large and medium insurers may need to begin to issue short-term policies and/or provisional notices of cancellation in upcoming renewals for policies that would be in effect after Dec. 31, 2020. In addition they may need to consider increased rates or further restrict deployed capacity as they reassess their exposure to terrorism.

For smaller carriers, if TRIPRA expires or is renewed with significant cedent net retention increases, terrorism-exposed insurers with less than $500 million in surplus and exposure to terrorism losses may need to purchase additional private reinsurance to help protect capital and satisfy rating agencies and regulators. For example, a small carrier who suffers a $100 million loss, but only has a $200 million surplus. With the industry trigger increasing to $200 million in 2020, an increasing number of these smaller carriers could have a terrorism loss below this amount, resulting in a scenario where they have no TRIPRA backstop protection and are only reliant on their privately purchased reinsurance—which in some cases may not be sufficient. Modeled terrorism losses could exceed 10% to 20% of policyholder surplus and all it takes is a location with a few hundred employees in a hospital or office building to pyramid into a five-ton truck bomb loss in excess of TRIPRA's $200 million industry trigger. If TRIPRA does not trigger as a backstop, their financial strength may be challenged. In the absence of additional structural changes to TRIPRA after 2021, these smaller carriers will need to increasingly rely on private treaty and facultative reinsurance for stability and capacity.

> With the outcome of the 2021 TRIPRA renewal unknown, carriers need to create mitigation strategies that include securing more reinsurance protection, identifying where they are vulnerable and making sure they can non-renew and reduce vulnerabilities if needed within a short time frame.

Regulators and Rating Agencies

No matter what the outcome of the TRIPRA renewal, it is certain that rating agencies will continue to emphasize terrorism stress tests and assess ratings against specified criteria, including scenarios where the industry trigger falls short and there is no TRIPRA backstop protection.

Earlier this year, AM Best warned that P/C insurers that have relied heavily on the federal terrorism reinsurance program face the risk of a potential negative rating action if the program is not renewed by the end of 2020.

Companies need to demonstrate their terrorism stress testing and action plans to mitigate the frequency and severity of terrorism exposures. It is incumbent upon carriers to address the risk mitigation requirements of the rating agencies (such as AM Best's BCAR tolerance, TRIPRA gap assessments and the establishment of solid risk mitigation contingency plans should TRIPRA either not be reauthorized or authorized contemplating larger net cedent retentions). As 2019 progresses, rating agency analysts will be probing these topics during their annual ratings meetings. Expectations have been raised for companies to demonstrate their risk management data quality, modeling analytics and overall accumulation management practices.

Looking Ahead

Uncertainty about TRIPRA's renewal is impacting the nature and availability of (re)insurance coverage. This, in turn, is affecting corporate decisions about investments and projects, which can cause a domino effect through the economy. Reinsurance protection can assist insurers in countering some of the potential effects of non-renewal or alteration of the program.

With TRIPRA's uncertainty expected to continue throughout 2019 and into 2020, exposed carriers with notable reliance on the backstop should be increasing the accuracy of their data and their modeling output. In addition, discussions with rating agencies should proactively address their plans for terrorism exposure identification and mitigation. BR

AM Best Webinars

The AI Imperative, State Of the Global Re Market

An AM Best webinar features a discussion of how artificial intelligence is transforming the insurance industry. Also, AM Best analysts and industry participants review financial results for the global reinsurance sector.

On Demand

State of the Surplus Lines Market

A panel of industry leaders discusses the surplus lines sector of the U.S. insurance market and the highlights of a new report on that sector. (Now available.)

State of the Global Reinsurance Market

AM Best analysts and industry participants review financial results for the global reinsurance sector, including catastrophe impacts, availability, the role of third-party capital and more. (Now available.)

State of the Captive Market

A panel of AM Best analysts and industry leaders reviews market, regulatory and risk issues affecting the captive insurance sector. Portions of the discussion are based on AM Best's annual report on rated captives. (Now available.)

Best's Impairment Study 2018

AM Best analysts review the results published in Best's Impairment Rate and Rating Transition Study—1977 to 2018. (Now available.)

How Drones, Satellites and Aerial Data-Gathering Are Remaking Claims

A panel of claims and legal experts examines how aerial and satellite imaging is changing processes and opening new vistas for insurers. Hosted by Best's Insurance Professionals & Claims Resources. (Now available.)

Streaming Live

The Insurance AI Imperative

The insurance industry is being fundamentally transformed by artificial intelligence technologies. A panel of experts will discuss the findings of a recent white paper and what insurers will need to do in an increasingly competitive marketplace.
Wednesday, Oct. 16, 2 p.m. ET

Integrating Data Into SaaS Core Systems

As property/casualty insurance carriers look to upgrade their core insurance systems, a key requirement is being able to integrate the increasing number of data sources and services required for the processing of insurance.
Wednesday, Oct. 23, 2 p.m. ET

Webinar Highlights

How Contributory Databases Are Driving Insurance Insight

Insurance and technology experts discuss the value of participating in a contributory database to gain critical and unique insights across the market and the policy life cycle. Sponsored by LexisNexis Risk Solutions.

View These and Other AM Best Webinars

- State of the Cyber Insurance Market
- State of the Caribbean Insurance Markets

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Cats, Economy Among Topics at Rendez-Vous

AMBestTV reports on the annual Rendez-Vous de Septembre conference in Monte Carlo. Topics discussed included the fragile global economy, catastrophe activity and new technology. AMBestRadio features segments on collateralized reinsurance and the use of technology to mitigate wildfires.

On Demand

'What a Difference a Year Makes'

AM Best sees improved pricing and an opportunity in cyber after the "doom and gloom" of 2018. But the trade war and a fragile global economy are posing headwinds for reinsurers and related professionals as they gathered to discuss a number of topics at the 2019 Rendez-Vous de Septembre conference in Monte Carlo, Monaco. (Sept. 8, 2019)

AM Best Senior Director Bob DeRose addresses attendees at the Rendez-Vous de Septembre conference in Monte Carlo.

Hamilton Re's Reardon: Industry Needs 'Call to Action' on Protection Gap

Kathleen Reardon, CEO of Hamilton Re, said as the protection gap continues to widen, the industry must react because catastrophe activity appears to be getting more frequent and severe. She spoke with AMBestTV at Les Rendez-Vous de Septembre conference in Monte Carlo, Monaco. (Sept. 8, 2019)

Kathleen Reardon

Hyperion X's Flandro: Market Reaches Inflection Point

David Flandro, the managing director of analytics for Hyperion X, the technological and analytical branch of broker Hyperion, said the industry must "change the game completely" in terms of market structure and new technology. He spoke with AMBestTV at Les Rendez-Vous de Septembre conference in Monte Carlo, Monaco. (Sept. 8, 2019)

David Flandro

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

NAIC's NYC Event Draws the Insurance Industry to a Meeting of the Minds

Insurance regulators and industry participants say the regular national meetings of the National Association of Insurance Commissioners provide a forum to clarify important insurance issues. (Aug. 8, 2019)

Eric Cioppa, president of the National Association of Insurance Commissioners, welcomes attendees at the organization's Summer National Meeting in New York.

Born as Innovations, Captives Find New Ways to Provide Coverage, Services

At the Vermont Captive Insurance Association conference a panel of rating and industry executives, including Tracy Hassett, CEO of edHealth, review AM Best's approach to insurance innovation and how captive insurers are finding their own ways to innovate. (Aug. 7, 2019).

Tracy Hassett

Captive Insurance Leaders Say The Sector Provides a Sense of Purpose

Attendees of the annual conference of the Vermont Captive Insurance Association, including VCIA President Richard Smith, said supporting the captive sector helps policyholders, members and the larger society. (Aug. 8, 2019)

Richard Smith

Collateralized Re And Fighting Wildfires With Data, Analytics

Industry experts talk with AMBestRadio about a framework for collateralized reinsurance. Also, a look at how technology can help in fighting wildfires.

Bermuda's Cox: Island Regulation Evolving to Meet Growth Of Collateralized Re

Jeremy Cox, executive chair, Bermuda Monetary Authority, said island regulators are preparing reports and other resources that will help the regulatory framework better accommodate collateralized reinsurance offerings.

Insurance Industry Addressing Wildfire with Data and Analytics

Mark Bove, natural catastrophe solutions manager, Munich Reinsurance America, discusses how the insurance industry is changing its view on how to mitigate and combat wildfires using the latest technology.

Find AMBestRadio at *www.ambest.com/ambradio.*

BEST'S REVIEW®

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U.S. Life/Health – 2018 Asset Distribution

Ranked by 2018 total admitted assets.

($ Millions)

2018 Rank	2017 Rank	Company/Group	AMB#	Bonds	% of Assets	Mortgages	% of Assets	Separate Accounts	% of Assets	Total Assets	Net Yield on Invested Assets Before Federal Income Tax, if Any 2018	2017	2016	2015	2014
1	1	Prudential of America Group	070189	$120,281	20.8	$26,781	4.6	$389,519	67.4	$577,911	3.82	3.95	4.57	3.49	4.69
2	2	Metropolitan Life & Affiliated Cos	070192	158,040	38.6	58,353	14.2	129,545	31.6	409,621	5.87	5.38	4.53	4.84	4.67
3	3	New York Life Group	069714	191,144	58.8	31,763	9.8	48,919	15.1	324,971	4.33	4.38	4.38	4.58	4.69
4	4	TIAA Group*	070362	195,238	61.8	29,959	9.5	43,305	13.7	316,053	4.84	4.77	4.99	4.82	4.95
5	5	AIG Life & Retirement Group	070342	149,126	52.6	28,579	10.1	86,686	30.6	283,717	5.25	5.04	5.11	5.49	5.47
6	8	Northwestern Mutual Group	069515	153,853	56.5	36,755	13.5	29,717	10.9	272,266	4.25	4.33	4.59	4.71	4.72
7	6	Lincoln Finl Group	070351	88,920	34.8	12,705	5.0	136,311	53.3	255,655	4.22	4.82	4.67	4.79	5.01
8	9	Massachusetts Mutual Life Group	069702	101,504	39.8	24,548	9.6	70,431	27.6	254,872	4.68	4.13	4.25	4.62	4.95
9	7	John Hancock Life Insurance Group	069542	52,693	21.3	13,059	5.3	139,978	56.5	247,572	5.12	4.90	4.84	4.69	4.70
10	10	Jackson Natl Group	069578	51,901	21.9	9,411	4.0	163,301	68.9	236,989	5.33	6.09	6.49	6.56	6.69
11	11	Aegon USA Group	069707	50,091	24.9	8,518	4.2	121,149	60.2	201,204	4.18	4.81	4.80	4.51	4.52
12	12	AXA Equitable Group	070194	43,525	22.4	11,805	6.1	128,102	65.8	194,729	7.66	4.31	5.89	6.89	6.12
13	14	Principal Finl Group Inc.	020516	52,971	28.6	14,227	7.7	108,163	58.5	185,010	4.53	4.30	4.66	4.67	4.62
14	13	Brighthouse Ins Group	070516	46,143	25.7	11,421	6.4	108,675	60.6	179,295	4.37	4.38	4.73	4.78	4.65
15	15	Nationwide Mutual Life Group	070822	51,023	29.9	12,299	7.2	100,120	58.7	170,430	4.33	4.57	4.67	4.40	4.32
16	18	Allianz Life Ins Group	070187	97,885	67.4	13,292	9.2	25,513	17.6	145,153	4.08	4.33	4.58	5.38	5.17
17	17	Voya Finl Group	070153	47,581	34.3	8,674	6.3	71,959	51.9	138,557	4.80	4.72	5.02	5.21	5.16
18	19	Pacific Life Group	069720	51,331	37.9	12,614	9.3	53,709	39.6	135,579	3.98	4.58	4.18	4.63	4.50
19	16	Talcott Resolution Group	070116	11,852	10.1	1,915	1.6	99,086	84.0	117,926	4.19	4.30	4.28	4.41	3.94
20	21	Ameriprise Finl Group	069689	21,424	20.6	2,564	2.5	73,546	70.6	104,155	4.40	4.73	4.89	4.97	5.08
21	22	Sammons Enterprises Group	070533	73,459	74.0	7,237	7.3	6,783	6.8	99,242	4.63	6.15	4.60	4.47	6.33
22	23	Thrivent Finl for Lutherans Group	069600	45,530	48.4	8,999	9.6	29,850	31.7	94,071	4.53	4.67	4.95	5.19	5.18
23	26	Athene Life Group	070478	53,682	64.1	10,263	12.3	5,042	6.0	83,773	6.27	6.12	4.65	6.00	6.92
24	25	State Farm Life Group	070126	54,147	69.4	9,213	11.8	1,272	1.6	78,026	3.77	3.86	4.01	4.34	4.32
25	24	Guardian Life Group	069685	46,696	61.8	5,062	6.7	9,027	12.0	75,542	4.26	4.46	4.67	4.81	4.83
		Top 25 Insurers		**$2,010,038**	**38.8**	**$410,016**	**7.9**	**$2,179,709**	**42.1**	**$5,182,319**	**4.72**	**4.70**	**4.71**	**4.83**	**4.97**
		Total U.S. Life/Health Industry		**$3,095,319**	**44.3**	**$533,817**	**7.6**	**$2,492,500**	**35.7**	**$6,988,413**	**4.65**	**4.66**	**4.62**	**4.74**	**4.92**

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

Source: BESTLINK — Statement File - L/H, US; Data as of: August 19, 2019

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between August 1 and August 31, 2019. 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	Columbian Life Insurance Company *Columbian Mutual Life Insurance Company*	068009	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Illinois
⇅	L	Columbian Mutual Life Insurance Company *Columbian Mutual Life Insurance Company*	006243	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	New York
⊕	L	LifeWise Assurance Company *Premera*	009086	A a	Stable Stable	A- a-	Positive Positive	Washington
⊕	H	LifeWise Health Plan of Washington *Premera*	064608	A a	Stable Stable	A- a-	Positive Positive	Washington
—	L	National Security Life and Annuity Co *Ohio National Mutual Holdings, Inc.*	008633	A- a-	Stable Stable	A a+	Stable Stable	New York
—	L	Ohio National Life Assurance Corporation *Ohio National Mutual Holdings, Inc.*	008930	A a+	Stable Stable	A+ aa-	Stable Stable	Ohio
—	L	Ohio National Life Insurance Company *Ohio National Mutual Holdings, Inc.*	006852	A a+	Stable Stable	A+ aa-	Stable Stable	Ohio
⊕	L	PartnerRe Life Reinsurance Co of America *EXOR N.V.*	061745	A+ aa-	Stable Stable	A a+	Positive Positive	Arkansas
⊕	L	PartnerRe Life Reinsurance Co of CA *EXOR N.V.*	066889	A+ aa-	Stable Stable	A a+	Positive Positive	Ontario
⊕	H	Premera Blue Cross *Premera*	060076	A a	Stable Stable	A- a-	Positive Positive	Washington
⇅	H	Priority Health *Spectrum Health System*	068977	A a	Stable Positive	A a	Stable Stable	Michigan
⇥	H	Priority Health Choice Inc *Spectrum Health System*	064739	NR nr		A a	Stable Positive	Michigan
⇥	H	QCA Health Plan, Inc.* *Centene Corporation*	064050	NR nr		B bb	Negative Negative	Arkansas
		U.S., CANADA AND BERMUDA PROPERTY/CASUALTY						
⇅	P	1st Choice Advantage Insurance Co, Inc. *Everett Cash Mutual Insurance Company*	012427	A a	Negative Negative	A a	Stable Stable	Pennsylvania
⊕	P	Ally International Insurance Co., Ltd. *Ally Financial Inc*	051687	A- a-	Stable Stable	B++ bbb+	Positive Positive	Bermuda
New	P	AmFirst Specialty Insurance Company *Wheaton Management, LLC*	022942	B++ bbb+	Stable Stable	NR nr		Mississippi
☑	P	California Capital Insurance Company *Auto-Owners Insurance Company*	003136	A- a-	Stable Stable	A- u a- u	Developing Developing	California
⊕	P	CIM Insurance Corporation *Ally Financial Inc*	002197	A- a-	Stable Stable	B++ bbb+	Positive Positive	Michigan
New	P	Clear Spring Property & Casualty Company *Group One Thousand One, LLC*	011755	A- a-	Stable Stable	NR nr		Texas
⚑	P	Dorchester Insurance Company, Ltd *Topa Equities Ltd*	011064	A- u a- u	Developing Developing	A- a-	Stable Stable	U.S. Virgin Islands
☑	P	Eagle West Insurance Company *Auto-Owners Insurance Company*	003125	A- a-	Stable Stable	A- u a- u	Developing Developing	California
⇅	P	Everett Cash Mutual Insurance Company *Everett Cash Mutual Insurance Company*	004351	A a	Negative Negative	A a	Stable Stable	Pennsylvania
⇅	P	Ever-Greene Mutual Insurance Company *Everett Cash Mutual Insurance Company*	004757	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Pennsylvania
—	P	Farmers Automobile Insurance Assn *Farmers Automobile Insurance Assn*	002395	A- a-	Stable Stable	A a	Negative Negative	Illinois
⇅	P	Founders Insurance Company *Utica Mutual Insurance Company*	004332	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
⇅	P	Georgia Farm Bureau Casualty Ins Co *Georgia Farm Bureau Mutual Insurance Co*	010746	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Georgia
⇅	P	Georgia Farm Bureau Mutual Insurance Co *Georgia Farm Bureau Mutual Insurance Co*	000412	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Georgia

* Ratings were removed from under review and downgraded to B/bb from B+/bbb- on August 14, 2019. Ratings were withdrawn on August 14, 2019.

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)								
Change in Outlook	P	Graphic Arts Mutual Insurance Company *Utica Mutual Insurance Company*	000428	A- a-	Positive Positive	A- a-	Stable Stable	New York
Under Review	P	Guarantee Co of North America USA *Princeton Holdings Limited*	011083	A u a u	Positive Positive	A a	Stable Stable	Michigan
Under Review	P	Guarantee Company of North America *Princeton Holdings Limited*	085021	A u a u	Positive Positive	A a	Stable Stable	Ontario
Downgrade	P	Lackawanna American Insurance Company *Group One Thousand One, LLC*	012528	A- a-	Stable Stable	A u a u	Negative Negative	Pennsylvania
Downgrade	P	Lackawanna Casualty Company *Group One Thousand One, LLC*	000550	A- a-	Stable Stable	A u a u	Negative Negative	Pennsylvania
Downgrade	P	Lackawanna National Insurance Company *Group One Thousand One, LLC*	011484	A- a-	Stable Stable	A u a u	Negative Negative	Pennsylvania
Downgrade	P	Madison Mutual Insurance Company (IL)	000575	B+ bbb-	Stable Stable	B++ bbb	Negative Negative	Illinois
Upgrade	P	MIC Property and Casualty Insurance Corp *Ally Financial Inc*	002652	A- a-	Stable Stable	B++ bbb+	Positive Positive	Michigan
Rating Withdrawal	P	Middle States Insurance Company, Inc. *Louis A. Williams & Associates, Inc.*	010646	NR nr		B+ bbb-	Stable Stable	Oklahoma
Change in Outlook	P	Minnesota Lawyers Mutual Insurance Co *Minnesota Lawyers Mutual Insurance Co*	000740	A- a-	Positive Positive	A- a-	Stable Stable	Minnesota
Change in Outlook	P	MLM Risk Retention Group, Inc. *Minnesota Lawyers Mutual Insurance Co*	023087	A- a-	Positive Positive	A- a-	Stable Stable	District Of Columbia
Rating Affirmation	P	Monterey Insurance Company *Auto-Owners Insurance Company*	010603	A- a-	Stable Stable	A- u a- u	Developing Developing	California
Upgrade	P	Motors Insurance Corporation *Ally Financial Inc*	000654	A- a-	Stable Stable	B++ bbb+	Positive Positive	Michigan
Upgrade	P	Navigators Insurance Company *Hartford Financial Services Group Inc*	001825	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	P	Navigators Specialty Insurance Company *Hartford Financial Services Group Inc*	010761	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Rating Affirmation	P	Nevada Capital Insurance Company *Auto-Owners Insurance Company*	012493	A- a-	Stable Stable	A- u a- u	Developing Developing	Nevada
Upgrade	P	Optimum Farm Insurance Inc. *Optimum Group Inc.*	087724	A a	Stable Stable	A- a-	Positive Positive	Quebec
Upgrade	P	Optimum Insurance Company Inc. *Optimum Group Inc.*	087091	A a	Stable Stable	A- a-	Positive Positive	Quebec
Upgrade	P	Optimum West Insurance Company Inc. *Optimum Group Inc.*	087019	A a	Stable Stable	A- a-	Positive Positive	British Columbia
Upgrade	C	Partner Reinsurance Company Ltd *EXOR N.V.*	084424	A+ aa-	Stable Stable	A a+	Positive Positive	Bermuda
Upgrade	P	Partner Reinsurance Company of the U.S. *EXOR N.V.*	002671	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	P	PartnerRe America Insurance Company *EXOR N.V.*	012329	A+ aa-	Stable Stable	A a+	Positive Positive	Delaware
Downgrade	P	PartnerRe Insurance Company of New York *Employers Holdings, Inc.*	003025	A- u a- u	Developing Developing	A u a+ u	Negative Negative	New York
Downgrade	P	Pekin Insurance Company *Farmers Automobile Insurance Assn*	002396	A- a-	Stable Stable	A a	Negative Negative	Illinois
New	P	Reamstown Mutual Insurance Company *Goodville Mutual Pool*	004744	A a+	Stable Stable	NR nr		Pennsylvania
Change in Outlook	P	Republic-Franklin Insurance Company *Utica Mutual Insurance Company*	000798	A- a-	Positive Positive	A- a-	Stable Stable	Ohio
Change in Outlook	P	Repwest Insurance Company *AMERCO*	003597	A- a-	Positive Positive	A- a-	Stable Stable	Arizona
Downgrade	P	Safepoint Insurance Company *Safepoint Holdings, Inc.*	022029	B- bb-	Negative Negative	B bb	Stable Stable	Florida
Rating Withdrawal	P	Sequoia Indemnity Company *Evergreen Parent, L.P.*	013076	NR nr		A- a-	Stable Stable	Nevada
Under Review	P	Topa Insurance Company *Topa Equities Ltd*	002749	A- u a- u	Developing Developing	A- a-	Negative Negative	California
New	P	Transverse Insurance Company *Transverse Insurance Group, LLC*	020631	A- a-	Stable Stable			Texas
Downgrade	P	Universal North America Insurance Co *Universal Group, Inc.*	011600	B++ u bbb+ u	Negative Negative	A- a-	Negative Negative	Texas
Change in Outlook	P	Utica Lloyd's of Texas *Utica Mutual Insurance Company*	012318	A- a-	Positive Positive	A- a-	Stable Stable	Texas
Change in Outlook	P	Utica Mutual Insurance Company *Utica Mutual Insurance Company*	000946	A- a-	Positive Positive	A- a-	Stable Stable	New York

Rating Action: (Upgrade) Upgrade; (Downgrade) Downgrade; (New) Initial Rating; (Under Review) Under Review; (Change in Outlook) Change in Outlook; (Rating Withdrawal) Rating Withdrawal; (Rating Affirmation) 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	Utica National Assurance Company *Utica Mutual Insurance Company*	011953	A- a-	Positive Positive	A- a-	Stable Stable	New York
⇅	P	Utica National Insurance Co of Ohio *Utica Mutual Insurance Company*	014164	A- a-	Positive Positive	A- a-	Stable Stable	Ohio
⇅	P	Utica National Insurance Company of TX *Utica Mutual Insurance Company*	002825	A- a-	Positive Positive	A- a-	Stable Stable	Texas
⇅	P	Utica Specialty Risk Insurance Co *Utica Mutual Insurance Company*	002826	A- a-	Positive Positive	A- a-	Stable Stable	Texas
—	P	Westminster American Insurance Company *Westminster American LLC*	004198	A- a-	Stable Stable	A a	Stable Stable	Maryland
EUROPE, MIDDLE EAST AND AFRICA								
⊕	P	Arab Orient Insurance Company *Gulf Insurance Group K.S.C.P.*	078183	B++ bbb+	Stable Stable	B++ bbb	Negative Negative	Jordan
⊕	P	gig Insurance - Egypt S.A.E. *Gulf Insurance Group K.S.C.P.*	090946	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	Egypt
⇅	C	Gulf Insurance and Reins Co KSC (Closed) *Gulf Insurance Group K.S.C.P.*	090950	A a	Negative Negative	A a	Stable Stable	Kuwait
⇅	C	Gulf Insurance Group K.S.C.P. *Gulf Insurance Group K.S.C.P.*	090842	A a	Negative Negative	A a	Stable Stable	Kuwait
⊕	C	Partner Reinsurance Europe SE *EXOR N.V.*	078853	A+ aa-	Stable Stable	A a+	Positive Positive	Ireland
⊕	P	PartnerRe Ireland Insurance DAC *EXOR N.V.*	088621	A+ aa-	Stable Stable	A a+	Positive Positive	Ireland
New	P	Seguradora Internacional de Moçambique *Banco Comercial Português, S.A.*	093000	B bb	Stable Stable	NR nr		Mozambique
⚑	P	United Re (Europe) S.A. *United Holding Company, Ltd.*	078596	A- u a- u	Negative Negative	A- a-	Stable Stable	Luxembourg
ASIA PACIFIC								
⇤	L	AIA New Zealand Ltd *AIA Group Limited*	086404	NR nr		A+ aa-	Stable Stable	New Zealand
—	P	National Insurance Company Limited	086042	C ccc	Negative Negative	C++ u b u	Negative Negative	India
—	P	Oriental Insurance Company Limited	086044	B+ bbb-	Negative Negative	B++ bbb+	Stable Negative	India
⊕	P	PVI Insurance Corporation *HDI V.a.G.*	091542	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	Vietnam
⊕	P	PVI Reinsurance Joint-stock Corporation *HDI V.a.G.*	091541	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Vietnam
—	P	United India Insurance Company Limited	085412	C++ b+	Stable Negative	B bb+	Stable Negative	India
CARIBBEAN AND LATIN AMERICA								
⇅	P	Antilles Insurance Company *Anglo Holdings LLC*	004151	A- a-	Stable Stable	A- a-	Negative Negative	Puerto Rico
⇅	P	QBE Seguros *Grupo Óptima Inc.*	013088	B++ u bbb u	Developing Developing	B++ u bbb u	Negative Negative	Puerto Rico
⇅	C	Seguros Suramericana S.A. *Grupo de Inversiones Suramericana S.A.*	087145	A- a-	Positive Positive	A- a-	Stable Stable	Panama
⚑	P	United Insurance Company *United Holding Company, Ltd.*	085099	A- u a- u	Negative Negative	A- a-	Stable Stable	Cayman Islands
—	P	Universal Insurance Company (PR) *Universal Group, Inc.*	003665	A- u a- u	Negative Negative	A a	Stable Stable	Puerto Rico
—	L	Universal Life Insurance Company *Universal Group, Inc.*	060097	B++ u bbb u	Negative Negative	A- a-	Stable Stable	Puerto Rico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇤	AmTrust Financial Services, Inc	051002	nr		bbb-	Stable	Delaware
⊕	The Navigators Group, Inc.	058430	a-	Stable	bbb+	Positive	Delaware
—	Ohio National Financial Services, Inc.	050741	bbb+	Stable	a-	Stable	Ohio
⊕	PartnerRe Ltd.	058444	a-	Stable	bbb+	Positive	Bermuda

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

BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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

Financial Size Category

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

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

Class	Adj. PHS ($ Millions)
I	Less than 1
II	1 to 2
III	2 to 5
IV	5 to 10
V	10 to 25
VI	25 to 50
VII	50 to 100
VIII	100 to 250

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

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

BEST'S ISSUER CREDIT RATING GUIDE – (ICR)

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

Best's Long-Term Issuer Credit Rating (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 AM Best.

Rating Disclosure: Use and Limitations

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

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Growing Up

Developing insurtech P/C writers show market traction.

The nascent insurtech movement is building a presence in the U.S. property/casualty carrier space, as six insurtech carriers reported $146.8 million in direct written premium for first-quarter 2019, up from $37.6 million for the same period a year earlier. Losses also rose at approximately the same rate.

Those figures are from quarterly National Association of Insurance Commissioners statements received by AM Best. The carriers represent a range of coverages, including automobile, homeowners, commercial and flood.

In the first quarter, five of the six insurtech carriers posted a net loss. TypTap was an outlier, with $373,000 in net income. Sonnet Insurance, a seventh insurtech, had only annual, rather than quarterly, results.

Metromile Insurance Co.

Metromile will begin incorporating driving behavior in rates it charges following a $1.7 million net loss in the first quarter, compared with a $6,100 net income in the prior-year period, spokesman Rick Chen said. So far, customers pay variable base and per-mile fees based on factors such as the age of the driver and where the vehicle is housed. Driving behavior was collected but was not built into individual rates. However, a test trial underway adds driving behavior to rates charged in Illinois, initially with discounts for better drivers.

The pay-per-mile insurer is licensed in the District of Columbia and every state except Tennessee, but wrote personal auto coverage in eight states: Arizona, California, Illinois, New Jersey, Oregon, Pennsylvania, Virginia and Washington.

Direct premiums written increased 39.4% to $26.7 million in the first quarter. California accounted for the majority of those premiums, with $16 million. The carrier wrote $2.7 million of DPW in its second-largest state, New Jersey, according to BestLink.

Root Insurance Co.

Direct premiums written at Ohio-based auto carrier Root Insurance increased 11-fold to $88.7 million in the first quarter. The net loss deepened to $27.9 million from a $7.8 million net loss in the first quarter of 2018. Direct losses paid rose to $38.3 million from $1.8 million in the prior-year period. Root decides whether to offer a quote only after a driver downloads the company app and uses it long enough to attain a driving score. Co-founder and CEO Alex Timm said that score helps determine individual premiums.

Root was licensed to write coverage in 37 states, although it operated in 27 in July. It wrote the most direct premium in the first quarter in Texas, $22 million, followed by Kentucky, $12.1 million; Ohio, $5.5 million; Arizona, $5.4 million; and Missouri, $4.9 million. Root's annual combined ratio 186.3 totaled in 2018, according to BestLink.

HiRoad Assurance Co.

State Farm launched direct auto subsidiary HiRoad late in 2017 in Rhode Island, a state where the nation's largest personal auto and homeowners carrier doesn't have any agencies. It remains focused on that one state, spokeswoman Anna Bryant said.

HiRoad Assurance Co. views direct insurance as a lifestyle choice, according to Bryant. Customer want to choose a product that fits their lifestyle. "At HiRoad, our customers are interested in managing many aspects of their life digitally, including their auto insurance."

HiRoad customers pay monthly premiums based on miles driven and driving behavior, all of which is measured from a smartphone app. Direct premiums written jumped to $5.9 million in the first quarter from $908,700 in the prior-year period and direct losses paid rose to $2.6 million from $22,000. The net loss widened to $5 million against a $1.1 million net loss in the first quarter of 2018, according to BestLink.

HiRoad's loss and loss-adjusted-expense ratio accounted for 171.9 points of a 253.8 combined ratio last year, according to AM Best data.

Lemonade Insurance Co.

Lemonade began as a homeowners and renters carrier in New York more than two years ago and last year was the 48th-largest multiperil homeowners writer in the state, with $7.3 million of direct premiums written, according to BestLink.

In the United States, direct premiums earned rose to $19.3 million from $7.5 million while direct losses paid tripled to $6.5 million from $2.15 million in the first quarter of 2018.

A $2.5 million net loss in the first quarter compared with a $1.4 million net loss in the prior-year period.

The company's annual combined ratio improved substantially last year, to 102.4 from 271.8 in 2017.

Lemonade takes a flat fee for its operations and gives remaining underwriting profit to nonprofit organizations.

Next Insurance

Next Insurance has concentrated on building its managing general agent business but also started its own small-business insurtech carrier last year. The insurer is licensed to write in 17 states but reported direct premiums written in just one, Delaware, and that was for $936 in the first quarter. The insurer posted a $106 net loss, compared with a $23,783 net income.

The company plans to gradually shift new premium to its own carrier—starting by year-end—while renewing existing MGA accounts with fronting carrier State National, said Pogreb. As an MGA, Next started in general liability and has since added commercial auto and professional liability classes.

TypTap Insurance Co.

Net income at TypTap declined to $373,000 in the first quarter from $673,000 in the prior-year period as direct premiums written nearly rose to $6.2 million, all in Florida, from $2.2 million, according to BestLink.

"We tip-toed out into flood in other states," said Paresh Patel, Chairman and CEO of HCI Group, the parent of TypTap, a digital homeowners insurer and private flood insurer. TypTap currently writes non-Florida flood through sister subsidiary Homeowners Choice. Those states include South Carolina, California and Texas.

Direct losses paid declined in the first quarter to $335,440 from $623,481 in the prior-year period. And last year TypTap's annual combined ratio had already improved to 57.5, compared with 103.5 in the prior year, according to BestLink.

Sonnet Insurance Co.

Sonnet Insurance, a direct digital subsidiary of Canadian mutual Economical Insurance, began operations in 2016. Its net loss in 2018 narrowed to C$3.8 million (US$2.89 million) from a C$5.2 million net loss in the prior-year period, according to BestLink. Annual direct premiums written climbed 78.2% to C$127.6 million. Sonnet writes personal auto and personal and commercial property lines in most provinces. The carrier's underwriting ratio improved slightly to 112.8 last year, compared with 113.2 in 2017.

Best's Review will cover insurtech financial news as statements become available.

—Renée Kiriluk-Hill

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The Last Word

Down on the Farm

Cybercriminals are harvesting a new target sector: farmers and connected farming equipment.

by Lori Chordas

Last year, the U.S. Department of Homeland Security warned the agricultural community about the rising threat of cyberattacks.

The growing use of connected farming equipment and internet of things technologies such as remote sensors and global-position sensors are attracting the attention of cybercriminals in search of livestock, crop yield and other data generated by those devices.

The days of farmers manually tilling their crops and driving their tractors through the fields has largely been replaced with precision agriculture, or new technologies such as robotics, autonomous vehicles and telematics to increase crop yields and profitability, said Anthony Dagostino, Lockton's global cyber and technology practice lead.

Today, more than half of farmers use precision agriculture, commonly called precision ag. By 2025, the global precision ag market is set to grow to $10.23 billion, according to a Grand View Research study.

While connected devices and predictive analytics software are changing the way farmers and agricultural businesses operate, they're also increasing their risk of malware, spear phishing or ransomware attacks or equipment hacking schemes that can render connected technologies useless or disrupt food production and processing.

There are a number of safeguards farmers and agribusinesses can take to protect against cyber-related exposures, including hiring third-party consultants to examine their protocols, installing virus protection software, changing default passwords on connected equipment and software and purchasing cyber and other insurance policies that cover cybertheft by digital or data means.

Hartford Steam Boiler recently launched a commercial farm cyber insurance coverage that covers the loss of income and costs of restoring data and systems following a data breach, computer attack, cyberextortion or misdirected payment fraud. It also covers a farm family against identity theft, online fraud, cyberbullying and damage from attacks on the family's computer systems and connected home devices.

The cyber coverage is available as an endorsement or can be bundled with Hartford Steam Boiler's farm equipment breakdown insurance, said James Hajjar, who leads the company's cyber practice for reinsurance clients.

Those in the agricultural industry are often unaware of the cyberrisks they face, said Casey Roberts, principal and founder of Laurus Insurance Consulting in Lincoln, California. "Typically, farmers don't hold as much personal identifiable information as other industries, so many believe they're immune from a cyberattack," he said.

However, hackers fail to look at those events as a targeted attack. "They're trolling the internet for system weaknesses," Lockton's Dagostino said. "Any kind of operation with internet connectivity—big or small—is a potential target for hackers. This is especially true for hacktivists who may target farmers based on environmental concerns in order to disrupt for their own cause. If the farmers lose the ability to access systems they could have a difficult time managing their operations," he said.

So far the agricultural industry has not seen many losses generated from cyberattacks. But industry experts fear that could soon change.

Last year, more than 2 million cyber incidents generated more than $45 billion in losses, according to Internet Society's Online Trust Alliance. Global cybercrime costs could top $6 trillion annually by 2021, according to Cybersecurity Ventures. BR

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