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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

A New Road Map

David Levenson, the new CEO of LIMRA and LOMA, warns of the rapid pace of change and the risk of irrelevancy.
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Making It Work

Workers' comp turns in profitable results, but insurers face competitive pressure. Also, the new CEO of LIMRA and LOMA speaks of rapid change. Homeowners insurers face volatility in a range of states.

Workers' comp was a problem child for years. A quick look at AM Best data from 2008 shows many of the biggest workers' comp insurers saddled with combined ratios of more than 100, reflecting unprofitable underwriting results.

Some of the top workers' comp writers began cutting back their market share over the last decade. Liberty Mutual, the No. 1 workers' comp writer in 2008 with more than 10% market share now has only a little more than 4% market share, putting it at No. 7 in the rankings. American International Group, which had more than 9% market share in 2008, now has just under 3% market share, making it the No. 9 writer.

The trends have shifted in the intervening years and the business is now profitable, but competitive. November is Workers' Compensation Insurance Awareness Month. Workers' comp is the largest commercial line of insurance with about $58 billion in direct premiums written in 2018, up about 24% from $46.8 billion in 2008. Commercial auto, by comparison had direct premiums written in 2018 of $40.7 billion.

In the November issue, *Best's Review* looks at some of the latest developments in the workers' comp business.

In "An Oasis in the Desert," *Best's Review* examines the state of the workers' comp market and where it's headed. The combined ratio for private carriers during the 2018 calendar year was 83, the lowest since the 1930s, according to the NCCI's *2019 State of the Line Report*.

Workers' comp coverage for first responders is a growing concern in many states. In "Stress Relief," *Best's Review* looks at new legislation to provide coverage for first responders with post-traumatic stress disorder. The Sandy Hook school shooting brought attention to the issue of PTSD in first responders, which historically was not covered by workers' comp unless accompanied by a physical injury.

In 2019, 26 states were considering legislation addressing coverage for mental-only injuries for first responders with PTSD.

Insurers in all sectors have been under pressure to move quickly to respond to customer expectations and to stay on top of advances in technology as well as comply with legislative or regulatory requirements.

For the life insurance sector, change is imperative, according to David Levenson, the new president and CEO of LIMRA and LOMA.

In "A New Road Map," Levenson speaks with *Best's Review* about the challenges facing life insurers. "The pace of change is as great as it's ever been, and it's only getting faster," he says. He speaks about his years in Japan and how that helped him recognize the importance of understanding people and cultures.

In the November issue, *Best's Review* also takes a closer look at the homeowners insurance market.

In "Home, Volatile Homeowners," *Best's Review* takes an in-depth look at the homeowners insurance market. Losses from hurricanes and earthquakes are often a major factor in the results for homeowners insurers. But data from AM Best shows that volatility goes well beyond the Florida and California markets.

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

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

What are some of the top issues insurers will be focusing on in 2020?

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

Reader responses will be published in a future issue.

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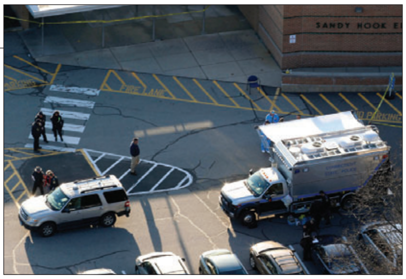

HOMEOWNERS INSURANCE

In this special section, *Best's Review* examines the changing face of the homeowners insurance industry.

CONFERENCE COVERAGE

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DEPARTMENTS

Cover design by Andrew Crespo. Photo by Kim Bjorheim.

Seminars and Networking Part of VCIA Road Show In Boston; AM Best to Host Market Briefing in London

Nov. 1 – 3: FUSA Annual Conference, Funcionarios del Sector Asegurador (Officials of the Insurance Sector AC, Playa del Carmen, Q.R. Mexico.

Nov. 3 – 6: ACLI 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. 4 – 6: LIMRA LOMA Latin American Conference, Mendoza, Argentina.

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

Nov. 5 – 7: 15th International Conference on Inclusive Insurance: Coping with Climate Risk, Dhaka, Bangladesh.

Nov. 6 – 8: National Workers' Compensation & Disability Conference, Las Vegas.

Nov. 7 – 9: NAILBA 38th Annual Meeting, National Association of Independent Life Brokerage Agencies, Grapevine, Texas.

Nov. 10 – 13: CAS Annual Meeting, Casualty Actuarial Society, Honolulu.

Nov. 10 – 13: IRMI Construction Risk Conference, International Risk Management Institute, Seattle.

Nov. 11 – 13: PLUS Conference, Professional Liability Underwriting Society, National Harbor, Md.

Nov. 12 – 15: ICMIF Biennial Conference, International Cooperative and Mutual Insurance Federation, Auckland, New Zealand.

Nov. 12: Insurance Market Briefing – Europe & Methodology Review Seminar, AM Best, London.

Nov. 12: MFA Global Summit, Managed Funds Association, London.

Nov. 13 – 14: IoT Tech Expo North America, Encore Media, Santa Clara, Calif.

Nov. 13 – 15: 30th Annual SRI Conference (Sustainable, Responsible, Impact Investing), Colorado Springs, Colo.

Nov. 14 – 15: Equity Research and Valuation Conference, CFA Institute, New York

Nov. 14 – 15: InsurTech Asia Summit 2019, Duxes Information & Technology PLC, Singapore.

Nov. 14: VCIA Road Show, Vermont Captive Insurance Association, Boston.

Nov. 17 – 20: Pacific Insurance Conference, Hong Kong.

Nov. 18 – 19: SIFMA Annual Meeting – Capital Markets Conference, Securities Industry and Financial Markets Association, Washington, D.C.

Nov. 22: RIMS Risk Forum India, Risk and Insurance Management Society, Mumbai, India.

Dec. 3 – 5: Cayman Captive Forum, Insurance Managers Association of Cayman (IMAC), Grand Cayman, Cayman Islands.

Dec. 4 – 6: International Cyber Risk Management Conference (ICRMC), Hamilton, Bermuda.

Dec. 4 – 5: Seminar on Effective P/C Loss Reserves Opinions, American Academy of Actuaries, Linthicum Heights, Md.

Dec. 7 – 10: NAIC Fall National Meeting, National Association of Insurance Commissioners, Austin, Texas.

Dec. 10 – 11: AHIP's Consumer Experience & Digital Health Forum, America's Health Insurance Plans, Chicago.

Dec. 10 – 13: NCOIL Annual Conference, National Council of Insurance Legislators, Austin, Texas

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

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Workers' Comp Awareness Month

Workers' compensation is the largest commercial insurance line of business. *Best's Review* looks at some of the new developments facing this critical sector. Coverage begins on page 25.

Wyoming, Tennessee Name Insurance Commissioners

Also: MS Amlin expands reinsurance leadership role, CNO Financial names chief actuary and co-founder of Humana dies at 88.

Wyoming Gov. Mark Gordon has named Jeffrey Rude as the state insurance commissioner.

Rude was appointed interim commissioner in June. Before becoming interim commissioner, Rude spent five years in the department as the deputy commissioner and another year as senior health policy and planning analyst.

Jeffrey Rude

Hodgen Mainda

Rude succeeds Paul Thomas Glause, who was appointed commissioner in 2015.

Before working at the department, Rude served 24 years in the U.S. Air Force as a judge advocate. He was general counsel for a number of different organizations, the last being 20th Air Force, based in Cheyenne. He also specialized in the investigation of aircraft mishaps and retired in the rank of colonel.

Earlier, Tennessee Gov. Bill Lee appointed Hodgen Mainda commissioner for the state Department of Commerce and Insurance.

Mainda serves as vice president for community development at the Electric Power Board in Chattanooga.

He succeeds Julie Mix McPeak, who announced in May she would be leaving the post for an opportunity in the private sector. Carter Lawrence began serving as new interim commissioner of commerce and insurance in June.

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.

In addition to his work with EPB, Mainda serves on several nonprofit boards, including the Chattanooga Area Chamber of Commerce. Mainda also is a member of the Leadership Tennessee Class of 2019 and a 2018 graduate of the Harvard Business School Young American Leaders Program.

—Timothy Darragh

MS Amlin Expands CEO Leadership Role In Reinsurance Business

Global insurer and reinsurer MS Amlin said Chris Beazley, chief executive officer of MS Amlin AG, will be expanding his leadership role to include all of MS Amlin's reinsurance business, effective immediately.

Chris Beazley

Beazley takes over the responsibilities from James Few, global managing director of MS Amlin's reinsurance division. Few is joining TigerRisk Partners, a privately held reinsurance broker, as CEO of their London office. Few joined MS Amlin in 2015 and drove the evolution of the global reinsurance offering.

In his expanded role, Beazley will take sole responsibility for setting the strategy of the group's reinsurance business and will be supported by Dominic Peters, chief underwriting officer, and Phil Wooldridge as reinsurance lead and joint active underwriter for MSAUL, the group's Lloyd's platform.

Beazley joined MS Amlin in September 2007. He established the Singapore operations as managing director and principal officer. In September 2018, he was appointed CEO of MS Amlin AG. Prior to joining MS Amlin, Beazley was an energy broker with Willis since 2001 based in London and the U.S.

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WORLD HEADQUARTERS
1 Ambest Road, Oldwick, NJ 08858
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APAC REGION – HONG KONG OFFICE
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NOMA House, Gustave Mahlerlaan 1212
1081 LA Amsterdam, Netherlands
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12 Arthur Street, 6th Floor, London, UK EC4R 9AB
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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
christine.girandola@ambest.com
Brian McGoldrick: +1 708 532 2668
brian.mcgoldrick@ambest.com
SALES INQUIRIES: **+1 908 439 2200, ext. 5399**
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CNO Financial Names Chief Actuary

Karen DeToro

CNO Financial Group has named Karen DeToro chief actuary.

DeToro will join the company's executive leadership group and report to Gary C. Bhojwani, chief executive officer of CNO.

DeToro has been in the insurance industry for more than 25 years and joins CNO from New York Life, where she has held executive leadership positions in finance operations, product development, underwriting, strategy, and governance, including serving as vice president and chief actuary of New York Life Direct. She previously was a principal at Deloitte Consulting and served as a practice leader for its insurance enterprise risk management and actuarial transformation group.

Protective Insurance Names CFO And Chief Information Officer

John Barnett

Bahr Omidfar

Protective Insurance Corp. has named John Barnett as chief financial officer and Bahr Omidfar as chief information officer.

Barnett was CFO and executive vice president at First Acceptance Corp. since October 2018 and previously served as senior vice president of finance from May 2007 to March 2013. He has held various other management and manufacturing roles during his career.

Omidfar previously served as chief technology officer at CNA Insurance. Bahr served in various senior vice president roles with Fidelity Investments from 2013 to 2018. Bahr has also held roles at Rockwell Automation, Raytheon, Motorola, Deloitte, and Northrup Grumman Corp.

TigerRisk Names Chief Operating Officer

Manoj Gupta

TigerRisk Partners LLC has named Manoj Gupta as chief operating officer, based in New York.

Prior to joining TigerRisk, Gupta was president of Third Point Reinsurance Ltd.'s U.S. subsidiary. He held various senior-level positions at Third Point Re, including head of business development and executive vice president, underwriting.

Prior to Third Point Re, Gupta was lead portfolio manager for catastrophe reinsurance at Goldman Sachs Asset Management, where he launched three standalone catastrophe risk funds and placed reinsurance risk within the firm's multi-strategy hedge funds. He has also held positions at Benfield and McKinsey & Co., the company said in a statement.

Co-Founder of Humana, David Jones, Dies at 88

David Jones

David Jones, chief executive officer of Humana Inc. for 37 years and board chairman for 44 years, died Sept. 18 in Louisville, Kentucky. He was 88.

Jones co-founded Humana with the late Wendell Cherry in 1961. For most of the company's history, Jones was chairman and CEO. The company's first business, a nursing home, opened in Louisville the following year. By the late 1960s the company, then known as Extendicare, was the largest U.S. nursing home operator. They went public in 1968.

By 1974, the company sold its nursing homes and began acquiring hospitals and changed its name to Humana. In April 2005, Jones retired as chairman, in accordance with Humana's policy requiring board members to step down at the annual shareholders meeting following their 73rd birthday.

Nationwide Expands Executive Leadership Team

Mike Mahaffey

Amy Shore

Nationwide has named Mike Mahaffey as executive vice president, chief strategy officer, and Amy Shore to the newly created role of chief customer officer.

Mahaffey will report to Kirt Walker, chief executive officer-elect, who succeeds Steve Rasmussen, who was to retire in early October.

Mahaffey joined Nationwide in 2005 as associate vice president of enterprise risk management. His career has included roles at Gibson, Dunn & Crutcher law firm, Deloitte Consulting and as an adjunct finance professor at Ohio State University.

Shore will also report to Walker. She joined Nationwide 22 years ago and has more than 32 years of experience. She will join the executive leadership team as chief customer officer.

Berkshire Life Names New President

Lawrence "Larry" Hazzard

The Guardian Life Insurance Company of America has named Lawrence "Larry" Hazzard president of Berkshire Life Insurance Company of America, a wholly owned subsidiary of Guardian, to succeed Gordon Dinsmore.

Dinsmore, senior vice president, will focus on new product innovation and ensure a smooth transition of his responsibilities before retiring at the end of the year, after 10 years of service, the company said in a statement.

Hazzard, currently vice president, head of individual and multi-life disability income product and underwriting, will take on expanded responsibilities as head of all disability income product, underwriting and claims, as well as become president of Berkshire Life.

Hazzard has been with Guardian for over 12 years and has more than 25 years of disability income leadership.

Allianz Life Financial Services Names President

Corey Walther

Allianz Life Insurance Co. of North America has promoted Corey Walther to president of Allianz Life Financial Services, LLC, its wholesale broker-dealer.

Walther, in his new role, will be responsible for driving sales momentum for all product lines through the Allianz Life Financial Services channel. He will lead the strategic direction of the organization and will be responsible for expanding the company's wholesale distribution network.

Walther has more than 25 years of experience in financial services, including the past 21 at Allianz Life. Prior to joining the company, Walther was an investment executive at RBC.

Liberty Mutual Names North America Chief Underwriting Officer

David Perez

Liberty Mutual Insurance has named David Perez as chief underwriting officer for global risk solutions in North America.

In this new role as CUO, Perez will partner with underwriting leaders in GRS' North American businesses to drive underwriting strategy and operations. He will also oversee the training and development of the underwriting community.

Perez has been with Liberty Mutual since 2012, most recently as executive vice president of national insurance specialty. BR

Clarification:

In the October issue of *Best's Review*, a chart showing the market share for U.S. auto insurers in 1975 listed two companies by their more recent names. In 1975, TIG Holdings Group was known as Transamerica Insurance Group and Talegen Insurance Group was Crum and Forster.

On Display

New York Life will debut a new float during this year's Macy's Thanksgiving Day Parade and an industry expert shares tips for driving voluntary benefits engagement.

Toy Story

NEW YORK LIFE INSURANCE COMPANY is debuting a new float during this year's Macy's Thanksgiving Day Parade that celebrates key life moments, such as birth, graduation, marriage and retirement, and displays what it means to "Be Good at Life."

New York Life launched its "Be Good at Life" integrated brand marketing campaign in 2016 to inspire people to take control of their finances in order to live better lives.

The float, "Toy House of Marvelous Milestones," will showcase to millions of spectators viewing this year's 93rd annual parade that life is best lived when shared with the ones they love.

"Beyond highlighting the fun-filled spirit of a toy house, the float conveys the power of a legacy passed down from generation to generation," said Kevin Heine, head of corporate communications at New York Life. "As we prepare to celebrate New York Life's first 175 years next year, we are tremendously thankful for the generations of families and businesses who place their trust in us. We could imagine no better way to celebrate our thanks, rich history and ongoing commitment to communities across the country than by participating in the historic Macy's Thanksgiving Day Parade," he said.

This year marks New York Life's first appearance in the parade, which will be held on Nov. 28 and will air on NBC. The float will feature a gold turret above its performance stage that is a tribute to the gold peak at the top of New York Life's home office, which is a national historic landmark that has been a beacon in the New York City skyline for more than 90 years.

Top 5 Tips for Driving Voluntary Benefits Engagement

1. Take a needs-based approach.
Leverage employee data, focus groups and questionnaires to understand what employees want and what would make their lives better.

2. Mind the gaps.
Look for any gaps in existing benefit offerings, identify employee segments that aren't adequately protected and then offer supplemental benefits that meet the needs of specific employee groups.

Shefali Desai
Head of Worksite for Massachusetts Mutual Life Insurance Co.

3. Mix it up.
Meeting the multigenerational and diversity needs of today's workforce is crucial to the success of any benefits program. A carefully curated mix of traditional and voluntary benefits can help employees personalize their benefits to their needs and budget, potentially boosting enrollment and appreciation.

4. Empower employee buy-in.
Educate employees about financial wellness and their exposure to key financial risks, and then demonstrate how specific solutions such as voluntary benefits can help mitigate financial risks and enable them to stay on track for a financially secure retirement.

5. Drive engagement.
Use multiple communication channels to engage employees regularly throughout the year and help ensure that they are maximizing the benefits they elected.

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

Encouraging EI

Fostering emotional intelligence in coworkers will improve team success.

By **Carly Burnham**

No matter your role, successful careers in insurance depend on relationships. Being able to assess the emotional intelligence of those you interact with will allow you to modify how you interact with them, and fostering emotional intelligence in your coworkers will improve the success of your team and serve as valuable professional development for those you influence.

How can you recognize emotional intelligence? The easiest characteristics to spot are empathy and social skills. To spot empathy, watch how your colleagues interact with you and others. Are they quick to escalate a conflict because they can't take another's perspective, or do they consider how others are feeling and use that knowledge to de-escalate or move towards a productive resolution? Social skills are generally easy to recognize. Individuals who are courteous and polite are readily noticeable. Is there a member of your team who can set anyone at ease or bring the team together to tackle a challenge? These are signs of strong social skills.

Self-awareness, self-management, and motivation are more difficult to assess since they are internal. If you are managing a team, consider having direct conversations with your reports about these three topics. If having a direct conversation is not practical, watch for hints in your colleagues' interactions. For example, if a colleague receives negative feedback and immediately deflects the criticism as invalid, there may be an issue with self-awareness or self-management. If, instead, they ask for clarification and look for opportunities to improve, you may be witnessing higher emotional intelligence.

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*.

Generally, individuals who get along with others but who are not blind to the challenges of working on a team have higher emotional intelligence. They will find creative solutions to overcome disagreements or personality conflicts, and they will regulate themselves as opposed to attempting to control others. However, they will not be passive; they will address conflict directly without being blunt or hurtful.

When you think of the best working relationships you've had, interactions with emotionally intelligent people likely come to the forefront of your mind. Here are three suggestions for encouraging this trait in fellow insurance professionals:

- **Be a role model.** Use your understanding of emotional intelligence to model it for others. When you've had a tough day and failed at this, admit it (maybe just to yourself, maybe to trusted colleagues who witnessed your errors) and resolve to improve the next day.
- **Give positive feedback.** If a colleague handles a challenging situation in a graceful manner, compliment or thank them. This can be even more impactful when you are part of the challenge. When I was underwriting, an agent sent me an account to review. Midway through, I realized there was a knockout factor that I should have noticed right away. I called the agent expecting him to be frustrated, but I owned my mistake. To my surprise, he took it in stride and thanked me for letting him know as soon as I realized my mistake. I thanked him for his grace, and to this day, I think highly of him.
- **Look for opportunities to educate.** Share articles that tackle emotional intelligence with your team. Send them with a note that explains why you think the topic is important and how you think reading the article can help in day-to-day work. If your team does lunch-and-learns or something similar, volunteer to lead a session. BR

Regulatory Update

Washington state limits lawsuits against adjusters and California extends electronic life insurer communications law.

Adjusters: The Washington state Supreme Court has overturned a lower court ruling that individual insurance adjusters could be held personally liable under its insurance bad faith and consumer protection laws.

The state's highest court ruled 5-4 in favor of Allstate Insurance and one of its adjusters in a case where a claimant was dissatisfied with his settlement with the company.

The case stretches back to 2007, when an uninsured motorcyclist struck a truck driven by Moun Keodalah, who was injured. The motorcyclist was killed, according to the court opinion.

Life Insurance: California's governor has signed a bill that extends the state's law covering electronic communications between life insurers and policyholders indefinitely.

The new law amounts to an indefinite authorization of written records relating to the business of life insurance to be provided by electronic transmission if the insurer complies with the specified requirements.

A licensee who is required to transmit a record by return receipt, registered mail, certified mail, signed written receipt of delivery, or other method of delivery evidencing actual receipt by the person, and who transmits that record electronically, must maintain a process or system that demonstrates proof of delivery and actual receipt of the record.

Canada's Proposed Reinsurance Rule Changes Raise Concerns

Industry group says rule would be asking P/C insurers to be fully capitalized against remote loss scenarios.

by David Pilla

Reinsurers and brokers are keeping a close eye on the progress of proposed reinsurance rule changes unveiled last year by Canada's financial services regulator amid concerns it would put Canadian companies at a disadvantage compared with global competitors. The proposal may increase capital requirements of affected companies by up to C$30 billion (US$22.61 billion) if implemented.

In June 2018, the Office of the Superintendent of Financial Institutions announced what it called "a broad review of the reinsurance framework applicable to federally regulated insurers," which the regulator said at the time it had last done a decade earlier. A year later, in June 2019, the OSFI said it issued proposed revisions, reflecting its proposals along with comments received in response to its 2018 discussion paper.

"Key changes to the guideline encourage insurers to better identify and manage risks arising from the use of reinsurance, particularly counterparty risk," the OSFI said in a statement. "Revisions also clarify OSFI's expectation that reinsurance payments flow directly to a cedant insurer in Canada, and reaffirm OSFI's principles-based expectation that an insurer not cede substantially all of its risks. These changes are primarily clarifications, but may highlight the need for some insurers to adjust aspects of their reinsurance programs."

> The proposed changes would "reform the framework of reinsurance in this country, severely affecting the industry at large and most significantly commercial consumers."
>
> **Don Forgeron**
> Insurance Bureau of Canada

The proposed changes would "reform the framework of reinsurance in this country, severely affecting the industry at large and most significantly commercial consumers," said Don Forgeron, the Insurance Bureau of Canada's chief executive officer, in a recent speech at the 2019 National Insurance Conference of Canada in Montreal. The Global Federation of Insurance Associations said in a recent letter to the OSFI's Reinsurance Review Committee it "takes the view that the proposals, and in particular the policy limit rule, would have a detrimental effect on global commercial insurers operating in Canada and their policyholders."

The GFIA said under the proposed rule, "OSFI is asking P&C insurers to be fully capitalized" against "extremely remote loss scenarios." According to the GFIA, property/casualty insurers in Canada have tested the outcome of the proposed rule "and concluded that, if implemented, OSFI would require an additional C$21 billion to $30 billion in excess capital raised by large commercial writers or excess collateral from global reinsurers to bridge the gap." BR

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

Monte Carlo Conversations

Three trends are setting the market up for a rough ride.

By **Stephen Catlin**

In the August issue of *Best's Review*, I looked ahead to this year's Rendez-Vous de Septembre, the annual gathering of the reinsurance market in Monte Carlo. Now that the Rendez-Vous has concluded, I would like to reflect on my discussions there to highlight some important issues.

First, there is a growing consensus that companies will be strengthening—rather than releasing—loss reserves for casualty business over the next five years.

Some of the bigger reinsurance carriers are privately admitting that they have reserve shortfalls. If reinsurers need to strengthen their casualty reserves, it's only common sense to believe that primary insurers will be required to do the same.

Some of this reserve deterioration is from business underwritten 10 years ago or even longer. That said, casualty business is now priced at about 50% of what it was priced a decade ago. So, if a company has casualty reserve deficiencies from 10 years ago, it also likely has problems arising from business written much more recently.

In my opinion, this issue could play out in one of two ways: Either companies will begin strengthening reserves gradually over time, or at least one company's external auditor or actuarial adviser will demand that immediate action be taken.

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

Once one major company announces that it must strengthen reserves meaningfully, others will most likely follow suit. This is what happened in 2002-2003, the last time that the industry strengthened casualty reserves on a widespread basis.

People who I respect were willing to discuss this problem fairly openly. Others would not; either they simply did not want to recognize it or they simply have their heads in the sand.

Alternative capital was another important topic. While some experts believe that the amount of alternative capital that has disappeared recently due to "loss creep" and other factors would be replenished quickly, others are not too sure.

What is clear from my discussions is that the amount of alternative capital that is now "trapped"—and therefore cannot be redeployed— is increasing. I think the jury is still out on whether additional alternative capital is ready to flow into the market given that the capital already invested did not produce the expected returns.

If the amount of alternative capital decreases, demand for traditional reinsurance protection will increase. However, some traditional reinsurers also are cutting back on capacity. The market for retrocessional coverage, for example, is in disarray, which reduces some reinsurers' appetite for catastrophe coverage since they cannot easily lay off their cat risk.

These trends—inadequate casualty reserves, a perceived decrease in alternative capital and reduced risk appetite by traditional reinsurers—could mean that the market will face a rough ride over the next five years.

Yes, there is a sense that rates are on the upswing. However, if rates are cut in half over a period of time, a 40% rate increase still does not mean rates are adequate. If a company charged $100 for a risk 10 years ago and now charges $50, a 40% increase only results in $70 in premiums. BR

The Rise and Rise of D&O

Corporations and their insurers must deploy risk mitigation strategies to rein in pricey lawsuits.

By Paul Horgan

Directors and officers insurance is being pushed to the breaking point, and two concurrent trends are causing it to buckle.

One is the growing risk that corporate boards will face federal class-action securities fraud litigation; the other is the skyrocketing cost to defend against these lawsuits.

Corporations today are constantly on the defensive against plaintiffs' attorneys, who are quick to file federal class-action securities fraud lawsuits that reap increasingly bountiful rewards.

In the last few years, the number of federal class-action securities fraud lawsuits has spiked significantly. This year has already seen the fourth-highest number of federal class-action securities fraud lawsuits—274 and counting by mid-September. (The annual average from 2007 to 2016 is 189.)

The target for these lawsuits has evolved over the years from the corporations to the officers and directors of the corporations. Today, each board member is at risk of being a defendant in class-action litigation. The very existence of D&O insurance makes them an attractive target.

A shift in where lawsuits are filed has added a new layer of complexity—and cost. Corporations, their boards and their D&O insurers are increasingly forced to defend against merger-objection lawsuits in federal courts. Court decisions in 2015 and 2016 in Delaware made that state inhospitable to plaintiffs bringing merger and acquisition lawsuits, which led to a rise in federal filings. In 2017, three-fourths of deals exceeding $100 million resulted in federal lawsuit.

Even as the frequency of litigation rises, so does the costs to defend each lawsuit. Several factors are to blame.

One is the number of lawyers now involved. There was a time when just one or two attorneys represented the board and the corporation against such lawsuits. Now, it is not uncommon for each individual officer or director to retain their own counsel, multiplying the costs.

In addition, attorney's fees have more than doubled in the past 15 years. Back then, legal

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

representation might have cost about $700 an hour. Today, it's often $1,500, and some firms are asking for as much as $2,000 an hour.

These rising costs cannot go unabated. Fortunately, corporations and their D&O insurers can work together to help bring costs down.

Some corporations control costs with litigation guidelines that specify the firms that they will work with. Others simply bid out the work to law firms, creating a competition that often brings lower-priced bids.

A long-term solution to reduce litigation costs is to lobby for policy reform and reverse the devastating impact of the *Cyan* decision.

Without going into too much detail, *Cyan v. Beaver County Employees Retirement Fund*, opened the door for plaintiffs to shop around for friendly jurisdictions. Because of this U.S. Supreme Court ruling, IPO companies now face the possibility of having to fight securities litigation in multiple jurisdictions and in multiple state courts at the same time. The rise in IPO-related lawsuits being brought in both state and federal courts is a direct result of this decision. These cases now are often more complicated to litigate and resolve and, therefore, more expensive.

If D&O insurance is going to remain a viable solution to help protect corporations and their board members, they will need to work together to rein in the rising cost of litigation. BR

Technology

High Score

The Net Promoter Score gives insurers perspective to engage customers and grow their businesses.

By Gates Ouimette

As insurers recognize the need for digital transformation, there are solutions, processes and tools to help them become more agile. While agility is most often associated with technology and software development, insurers will recognize that the term agile also applies to business transformation.

One valuable driver of business transformation is the Net Promoter Score, a management tool used to gauge the loyalty of a company's customer relationships.

Today, two-thirds of Fortune 1000 companies use the customer loyalty metric.

There are many ways to measure customer experience and satisfaction. However, the increasing popularity of NPS is due to its simplicity.

The score is based on a single survey question: "How likely is it that you would recommend organization X/product Y/service Z to a friend or colleague?" Scoring is just as simple with an index ranging from -100, or "never a recommendation," to +100, or "recommendations given without asking."

Companies providing NPS survey tools and assistance provide cross-industry and insurance-specific NPS benchmarks to help dig further.

In the world of insurance, NPS benchmarking can also be done for internal employee, policyholder and agency satisfaction measurements, and further analysis can reveal why a score lands where it does.

Is a score due to all survey respondents being "passive" consumers, or those who score a seven or eight on a 10-point rating scale because they are not necessarily negative but are not entirely loyal? Or is enough being done to get "promoters," or loyal enthusiasts who score a nine or 10, energized about your business? Or, is there a mass of "detractors" (unsatisfied customers who score a zero to six and are unlikely to buy from you again and may even discourage others from buying from you) rescuable by one single policy, process or technology change?

There are numerous insurance-industry Net Promoter Scores that can be used as benchmarks. For example, while life/health companies' average and individual index scores range from 14 to 40,

Best's Review columnist **Gates Ouimette** is founder and principal of ITconnecter. He can be reached at *gateso@itconnecter.com.*

those in property/casualty average a score from 35 to 73. Other metrics exist too. Looking at industrywide distribution, the insurance industry's average is 28, which is much higher than last year's average score of 20. However, it still leaves much potential for improvement.

While the NPS is easy to capture, interpreting it requires a greater degree of sophistication. How can a midsize insurer get started with agile business transformation to accelerate along the NPS customer satisfaction curve? One example would be the approach Ohio Mutual Group took with its NPS.

Knowing it had to use a different approach and a nonsiloed, cross-departmental perspective, the insurer used a Phoenix Project business simulation workshop to accelerate broad-based learning across the company and to provide consensus on the "why's."

From there, Ohio Mutual was able to narrow down the "how's" of achieving its NPS goal for policyholder and agent experiences. That allowed them to become more acutely in-tune with customer feedback and recognize a significant influx of customer experience focus opportunities.

Carriers don't need to be big to implement, act upon and benefit from the NPS. By thinking and acting outside the box, insurers are now in line to achieve the industry-leading Net Promoter Scores they set out to achieve. BR

Privacy Rules

California's strong laws dealing with privacy may influence the insurance industry across the U.S.

By **Theodore P. Augustinos**

For the past year, the California Consumer Privacy Act of 2018 (CCPA) has driven the conversation on privacy in the U.S. Given the CCPA's exemption for personal information collected under the Gramm-Leach-Bliley Act of 1999 (GLBA), the insurance industry (and other financial services firms) may have breathed a sigh of relief.

A close look at the GLBA exemption, however, reveals that insurers, producers and others doing business in California and meeting statutory thresholds (based on revenues, or data collected or sold) must comply with CCPA obligations concerning any information that is not nonpublic personal information under the GLBA, and could reasonably identify a California resident or household.

The exemption is limited. It exempts personal information collected under the GLBA and implementing regulations. (It also extends to information collected under the California Financial Information Privacy Act.) The NAIC Model Privacy of Consumer Financial and Health Information Regulation, promulgated to implement the GLBA for the insurance industry, defines nonpublic personal information to include nonpublic personal financial information and nonpublic personal health information.

Nonpublic personal financial information means any information a consumer provides to a licensee to obtain insurance; about a consumer resulting from an insurance transaction; or that the licensee otherwise obtains about a consumer in connection with providing insurance to that consumer. It also means any list, description or other grouping of consumers (and publicly available information pertaining to them) derived using any personally identifiable financial information not publicly available.

Nonpublic personal health information means health information that identifies or could be reasonably used to identify an individual. Under the CCPA, however, personal information is defined more broadly to include any information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household.

The CCPA and the GLBA define "consumer"

Best's Review contributor **Theodore P. Augustinos** is a partner at Locke Lord LLP, where he serves on the steering committee of the firm's Privacy and Cybersecurity Practice Group and leads its CCPA Initiative. He can be reached at *ted.augustinos@lockelord.com*. Junhan Zhang, a law student at the University of Connecticut School of Law, assisted with this article.

differently. For CCPA purposes, any California resident is a consumer, while a consumer as defined by the NAIC Model for purposes of the GLBA means an individual who seeks to obtain, obtains or has obtained insurance primarily for personal, family or household purposes. Also, the CCPA extends to information reasonably identified to a household (not just an individual).

The insurance industry collects vast quantities of information to which the CCPA applies because it meets the CCPA's broad definition of personal information and not the GLBA's definition of nonpublic personal information.

A new amendment to the CCPA exempts for one year (except the notice provision and the private right of action) the information of employees, job applicants and contractors. Another provides a similar one-year exemption (including the notice provision) for a business's collection of personal information of consumers who are employees, officers, directors or contractors of an entity in the context of a B2B transaction or relationship.

Insurers, producers and other financial institutions subject to the CCPA must review their data to identify personal information that is not covered by the GLBA exemption. For all personal information under the CCPA except nonpublic personal information under the GLBA, they must prepare for required notices and disclosures, and develop policies and procedures to comply with the CCPA. BR

Key Points

Declining Ownership: This year, individual life sales fell 3% in the first quarter and 5% in the second.

Uncovered: More than 40% of Americans are uninsured. Nearly half are underinsured.

New Direction: LL Global's Compass 2025 is a strategic plan for the next five years focusing on life insurance, retirement and workplace benefits.

A New Road Map

LIMRA CEO David Levenson is preaching innovation, customer-centricity and a global viewpoint as life insurers struggle to catch up with today's accelerating pace of change.

by Jeff Roberts

Photo by Kim Bjorheim

The man's death was sudden and tragic.

A traffic accident had claimed the life of one of David Levenson's Japanese employees. And as the CEO of Hartford Life Insurance K.K. in the late 2000s, he would represent the Tokyo-based company in its mourning.

It was a solemn responsibility in the work-first ethos of Japan.

The native New Englander already had confronted the language barrier and the strict customs of the Japanese business environment. But at the funeral, he would come face-to-face with the disorienting cultural divide—and learn a few indelible lessons about people and the need to truly understand them, no matter the market.

It started with the suit he would wear.

"My charcoal suit wasn't sufficient," said Levenson, who was told anything other than a formal black suit, black tie and white shirt would make him stand out, an affront in Japan and a gesture of disrespect to the family. "And without really knowing the employee and having never met his family, I was placed in the senior position, seated directly opposite the family.

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

"The whole experience was another reminder that the respect for seniority and for business is so profound. The greatest lesson I learned in Japan was you need to always understand what is on the mind of your customers and your employees and the value in it. The needs. The desires. The opportunities."

Those lessons now inform his worldview as the new president and CEO of LIMRA and LOMA. Just as he needed to adapt to meet the needs of his Japanese employees and consumers, life insurers must transform themselves as technology advances, paradigms fall and customer expectations rise.

The biggest threat to the industry just might be the struggle of some of the 1,300 LIMRA and LOMA member companies that have been slow to evolve in a rapidly changing market.

"The industry is growing at a fairly slow clip in the U.S.," Levenson said when asked to appraise the life insurance space in 2019 and 2020. "In Asia, it's moving much faster."

Levenson sat in a rented conference room on a late summer morning in midtown Manhattan, just east of the bustle of Times Square. About a year ago and just down the block, he was introduced as the incoming CEO of LL Global, the parent organization of the world's largest life insurance and financial services associations.

Levenson, 53, took the grand ballroom stage at the 2018 LIMRA Annual Conference, his image projected on a towering screen behind him and delivered a warning: "If you don't like change, you'll like irrelevance even less."

"The pace of change just keeps accelerating and is coming at our member companies from every angle," he said in his return to New York. "It's coming from the technology side. The product side. The customer and demographics side. The distribution side.

"The pace of change is as great as it's ever been, and it's only getting faster."

So now comes the hard part for one of the new leaders in the life space: figuring out practical solutions to assist member companies in managing that dynamic landscape.

This year, individual life sales fell 3% in the first quarter and 5% in the second, according to LIMRA. Ownership is at all-time lows. Margins continue to be compressed. And investment income remains squeezed by the prolonged low interest rate environment.

"Historically we have changed slower than other industries," said Robert Kerzner, who served as the CEO of LIMRA for 14 years before retiring at the end of 2018, "and there's good cause for that. In the life insurance industry, when you take on a risk, you own it at that price forever.

"By the same token, we have been slower to move than others."

To that end, Levenson has helped craft Compass 2025, a road map for the next five years. The strategic plan will support insurers as they navigate that change, focusing on the pillars of life insurance, retirement and workplace benefits.

"We have a responsibility to bring our research to life, which means looking at what are the practical things that we should be doing together that have their underpinnings based on our research," Levenson said.

Compass 2025 was set to be revealed in late October at LIMRA's 2019 annual conference in Boston. And in his inaugural state of the industry address, he planned to encourage insurers to innovate. To evolve as the market and national demographics change. To leverage best practices from across the globe. And Levenson will urge them to start with the customer.

The cultural insights he gleaned in three years in Japan frames just how immersed businesses need to be to fully appreciate and comprehend their clients' expectations and motives. He was so fascinated by the experience, he wrote his doctoral dissertation on the common characteristics of American companies successfully operating in Japan.

"A lot of the work we do can be boiled down very simply to: Understand what the customer needs and provide it," Levenson said. "It starts with the customer. Always. That should always be our North Star as an industry. My key message is 'Let's continue to be customer-centric.'"

Irrelevancy?

The new venture was hardly greeted with optimism in 1996.

Levenson was handed the challenge of building a new mutual fund business for The Hartford in a crowded market.

"At the time many people, frankly, laughed at The Hartford, thinking, 'How could you think the world possibly needed another mutual fund?'" said Kerzner, who was an executive vice president and head of the individual life division for the carrier until he took over LIMRA in 2004. "There were 4,000 or 5,000 mutual funds. The world didn't seem to need another one."

But under Levenson, it became the fastest-growing fund family by 1999 among money managers overseeing more than $10 billion. It was still the fastest-growing in 2000.

"Dave is a very driven executive with a strong analytic capability," Kerzner said. "He has built a couple of businesses very much from scratch."

His background in insurance, retirement and wealth management symbolizes the holistic financial wellness approach insurers have embraced with customers.

"It's really hard to provide good products, good advice without doing that," Levenson said.

As the industry changes, LIMRA and LOMA need

"Historically we have changed slower than other industries, and there's good cause for that. In the life insurance industry, when you take on a risk, you own it at that price forever. By the same token, we have been slower to move than others."

Robert Kerzner
Retired LIMRA CEO

to change with it. In Levenson, they saw the ability to lead that initiative, according to Brandon Carter, chairman and president of USAA Life Insurance Company and chair of the board of LL Global.

Levenson's strategic thinking, experience running product lines and insights into consumer behavior were differentiators.

"We felt Dave could visualize and provide clarity on how LL Global could continue to support growth in the life insurance and retirement industry for the future," said Carter, who was on the search committee to hire Kerzner's replacement.

An actuary by trade, Levenson ran The Hartford's 401(k) division, the life subsidiary in Japan, its legacy holdings and was president of its wealth management group after launching the mutual fund business. He then served as a principal at Edward Jones for six years.

Kerzner described the Worcester, Massachusetts native as "friendly and warm." He's also down to earth—one of five children raised on the salary of his high school math teacher father, Peter.

Levenson told a photographer, "You can only do so much with this face. Just do the best you can."

But he's serious about the challenges before him.

After all, his introduction as incoming CEO came at a LIMRA conference themed "Reclaiming Relevance."

"Unequivocally, the pace of change is what he has to navigate," Kerzner said. "If it's a difficult time, carriers are changing the way they do business. Therefore LIMRA and LOMA must be dynamic and continuously change to meet the needs of the members.

"Life insurance is part of what financial service companies do today, but more and more they're becoming asset gatherers and retirement-focused rather than selling only life insurance and annuities."

The threat is not really irrelevancy, Levenson says now, despite his own warning last fall. It's failing to realize the vast potential of an industry that has about $20 trillion of life insurance in force and last year paid out about $200 billion in claims.

More than 40% of Americans are uninsured, according to LIMRA. Nearly half are underinsured, with an average coverage gap of $200,000.

And the looming retirement crisis poses "profound implications at an industry level and an economy level," Levenson said. "The opportunity for insurance products and retirement products has never been greater. Our industry has a wonderful opportunity to help so many people."

New Solutions

Levenson began his new mission by listening.

He spent the first eight months of his tenure crossing the globe on "a listening tour." He traveled to Canada, China, Hong Kong, Japan and across the U.S., meeting with 40 to 50 insurers. He huddled with CEOs, boards, C-suite executives and occasionally employees to hear their concerns and where they see opportunity.

"Our members feel the pace of change every day," Levenson said. "These are industry struggles. Figuring out exactly what to do and what to prioritize is where it gets a little bit hard because there's so much coming at them."

Such a landscape requires a dynamic LIMRA and LOMA. The nonprofit, member-owned associations aim to leverage their consumer research insights, professional development and collaboration capabilities, which include more than 100 study groups and committees and 30 annual conferences.

Devising Compass 2025 focused their thinking, leading to a new purpose statement: "Advancing the financial services industry by empowering our members with knowledge, insights, connections and solutions."

LIMRA already offers solutions such as its Anti-Money Laundering training program, hiring and product assessment tools and its Customer Assurance Program, a customer research service.

Recently, members told the association that fraud in the form of cybersecurity and account takeover was becoming a big challenge.

So it brought together 25 companies to design a

> "The pace of change just keeps accelerating and is coming at our member companies from every angle. It's coming from the technology side. The product side. The customer and demographics side. The distribution side. The pace of change is as great as it's ever been, and it's only getting faster."
>
> **David Levenson**
> LIMRA/LOMA

solution. The result is the new FraudShare program. Levenson describes it as "a neighborhood watch" that identifies known hackers.

"This is just our first chapter as far as support that we can provide," he said. "We're going to get more sophisticated with the hackers because the hackers are going to get more sophisticated."

As he looks into the future, Levenson sees great promise in wearables and genomics, as the race to reduce consumer tension points continues.

In the meantime, one of the next items on the near-term agenda is forming consistent standards of operation to the worksite benefits arena to drive improved efficiency and customer support. Benefits are a burgeoning area, and the sharing economy is creating new challenges.

Almost half of gig workers say obtaining benefits is a challenge, according to LIMRA. Although 68% of those workers believe they should have life insurance, just 36% do.

Bullet Trains & Takeout

A recent trip to Asia taught Levenson another valuable cultural lesson.

He found himself on a train during a visit to China when LL Global's lead executive there asked him if he was hungry.

"Instead of going to the cafe in the back of the train, he went to his WeChat app and he ordered takeout that arrived and was delivered to our train and our seats," Levenson said. "And when I had to leave, I got on the Shanghai Airport Express, which went 430 km an hour."

Levenson's point? Solutions exist beyond the borders of the U.S. He plans to leverage global best practices to help members, especially those that may not have international reach.

"Our members can benefit by learning how Canadian companies work with capital standards, how South African companies think through product innovation, how Japanese insurers deal with service or how Chinese companies address mobile technology," he said.

"You try to bring it back practically to all of our members in ways that they can use it."

The three years—2006 to 2009—Levenson spent in Tokyo gave him a universal perspective. He also saw it through the eyes of his family, having brought his wife, Stefanie, and their three children: then a first-grader, preschooler and 8-month-old.

A smile lit up his face when he was asked if he spoke Japanese. "Sukoshi," he responded. A little.

He worked on his Japanese with a sensei who visited his office every week for lessons while he ran The Hartford life unit. But the language was just the start of his education.

Every Japanese business meeting is fraught with its own set of nuanced formalities. They govern everything from where employees sit, the deference shown to superiors and even the formal ceremony of exchanging business cards.

"It was a completely different world," Levenson said. "It's a different demographic. A different language. Different work ethic. Different approach to gender."

Levenson watched so many American companies enter the Japanese market with grand ambitions only to make hasty exits. Why? They didn't understand it.

The lesson became a key tenet of his doctoral dissertation for The School of International Corporate Strategy at Hitotsubashi University: *The Seven Critical Success Factors for American Companies in Japan.*

"One of the biggest challenges was [American companies] didn't listen or understand," Levenson said. "They tried to manage the business from the perspective of the American home office and not from the needs of the customer.

"If you can understand the customer and you can understand the ecosystem to support the customer, then you know enough to run your business effectively."

Now those lessons inform him as he tries to support growth for the entire life industry. There might not be a better choice for the role, according to his predecessor.

"He's the right person at the right time for this job," Kerzner said. BR

Work Matters

Workers' comp, the largest commercial insurance market, is experiencing an unprecedented seven straight years of positive financial performance. The line boasts a combined ratio for private carriers of 83 for calendar year 2018, and it's the fifth consecutive year the industry posted an underwriting gain.

However, the question looms: How long will the good times last?

Best's Review explores the new challenges workers' comp insurers will face in the near future.

"Stress Relief" looks at how state legislatures are addressing workers' comp coverage for first responders with post-traumatic stress disorder and how it will impact insurers' coverage going forward.

With underwriting results the best in 80 years, workers' comp is enjoying a healthy environment. "An Oasis in the Desert" examines the strategies used to maintain its good fortune and also the headwinds that are building on the horizon.

Experts speak with AMBestTV about innovation in the workers' comp line and workplace safety issues in "Workers' Treatment."

AM Best data is featured in the "Top 50 U.S. Workers' Comp Insurers."

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STRESS Relief

State legislatures are addressing workers' comp coverage for first responders with post-traumatic stress disorder.

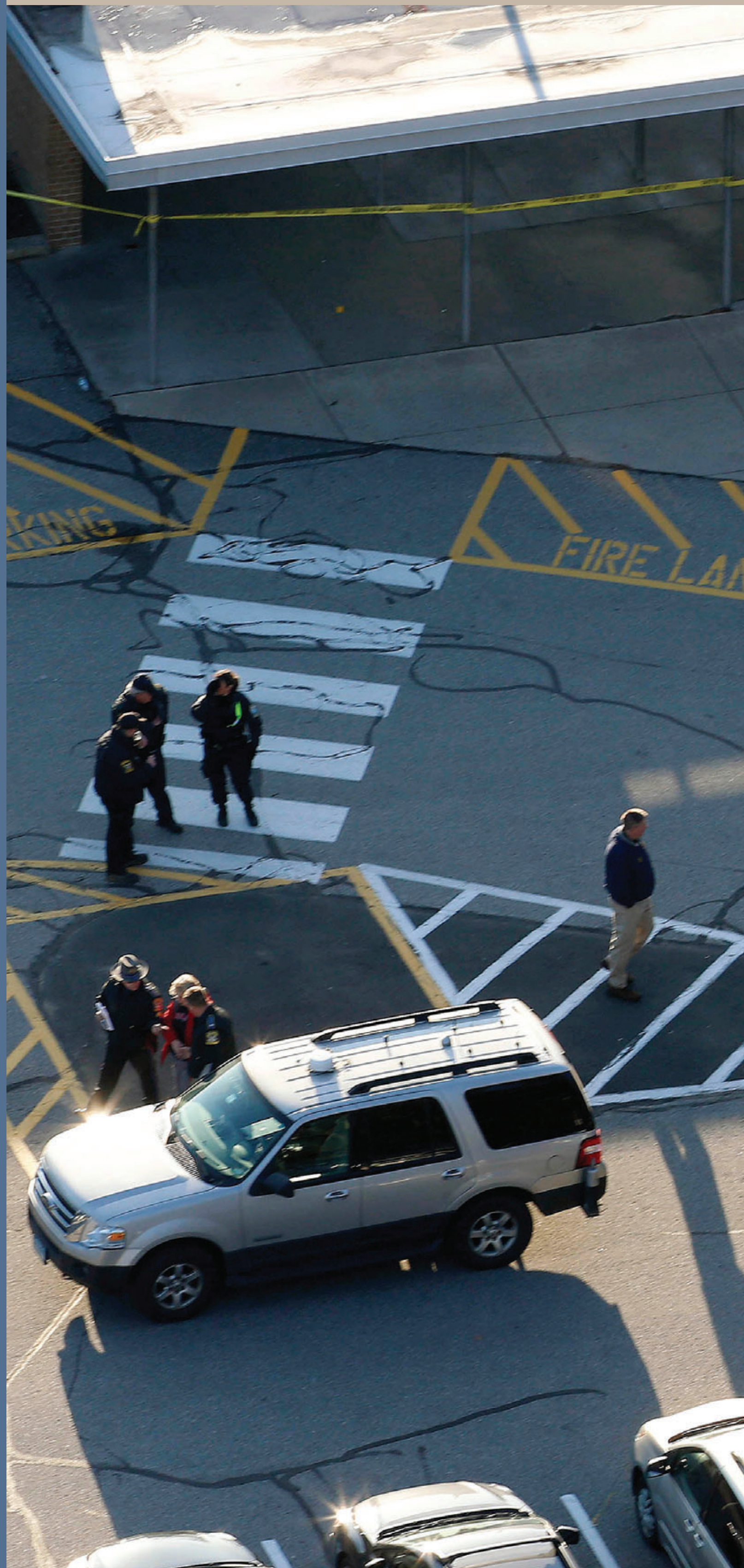
by Kate Smith

The nightmarish scene played out on televisions across America—young children, crying and leading each other by the shoulders, as they walked single file out of Sandy Hook Elementary School in Newtown, Conn.

Inside the school, the scene was far more horrific—20 children, ages 6 and 7, lay dead in their first-grade classrooms. Six teachers and administrators were shot dead with them.

Stress and trauma are embedded in the job for first responders. But nothing could have prepared Newtown's first responders for the mass murder of their community's children.

In the wake of the shooting, the town's fire chief said the tragedy would stick with them "for weeks, months, the rest of your life." The police union's attorney said afterward that they expected 12 to 15 officers to develop post-traumatic stress disorder (PTSD).



AP Photo/Julio Cortez

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

FIRST RESPONDERS: Officials on the scene outside of Sandy Hook Elementary School in Newtown, Conn., where a gunman killed 26 people, including 20 children, before commiting suicide on Friday, Dec. 14, 2012.

The Sandy Hook massacre brought attention to the issue of PTSD in first responders, which historically was not covered by workers' compensation unless accompanied by a physical injury. In the seven years since Sandy Hook, legislatures around the country have revisited workers' compensation statutes governing mental injuries for first responders.

"These bills really started popping up in the wake of the mass shootings," said Fawn Racicot, associate actuary with the National Council on Compensation Insurance (NCCI). "As they've become more and more prominent, we've seen more and more of these bills. Connecticut was one of the first states to start proposing this type of legislation in the wake of the Sandy Hook tragedy. It's become a trend and really grown since then."

In the first half of 2019, at least 26 states were considering legislation addressing coverage for mental-only injuries and eight states passed legislation addressing benefits for first responders with PTSD, according to the NCCI. Connecticut was among the states that passed new legislation.

The issue isn't going away, and the cause of trauma is not limited to mass shootings.

"Given the emergence of out-of-control wildfires, natural disasters and workplace violence, we are seeing more attention being paid to helping first responders who are impacted by these events," Lisa Hicks-Moran, client services claims consultant for insurance broker NFP, said. "Because of these tragic and often horrific events, they suffer from PTSD in response to something that has occurred in the course and scope of their employment."

Best's Review asked workers' compensation experts about the evolving coverage of PTSD in first responders. Weighing in were Racicot and Hicks-Moran, as well as Bruce Spidell, assistant actuary for the NCCI, and Florida-based attorney Karen Cullen, partner with Broussard, Cullen & Blastic.

PTSD and other mental injuries typically have not been compensable under workers' comp, unless accompanied by a physical injury as well. How is the landscape changing?

Spidell: Only half the states recognize mental-only injuries in the first place. When we wrote our research brief on this last year, we surveyed the state rules, and 23 [of 38] NCCI states recognize mental-mental. The other states don't recognize it if there's no physical injury.

Of the states that do recognize mental-only injuries, and PTSD would be a subset of that, only Maine, Oregon and Vermont give presumptive coverage to firefighters, police officers and other first responders. So Maine, Oregon and Vermont went above and beyond. They recognized PTSD as being compensable, and they would give first responders the presumption that it did arise from their employment. Recently, Idaho added PTSD as a compensable injury for most first responders, and other states, such as Florida, Connecticut have expanded coverage for PTSD for certain first responders.

Which of those two issues—compensability or presumptive coverage—are legislators considering?

Racicot: The two issues are linked together. For a claim to be compensable, there has to be a degree of proof showing the injury is work-related. That's where presumption comes into play. Even without a presumption in place, it could prove that a work injury is compensable, even if it's a mental injury, but it would likely be more difficult.

What's the benefit of having presumptive coverage? Does it presume the injury was caused by your job, rather than you having to prove it was?

Racicot: That's exactly it. If the presumption is a rebuttable presumption, it would effectively shift the burden of proof from the employee to the employer. Now the injury is presumed to be compensable, and the employer would have to prove that it's not in order for coverage to be denied.

Why are first responders the focus of these changes?

Racicot: Because of the type of work that police officers, firefighters, and other first responders are exposed to on a day-to-day basis, it can actually make it more difficult for them to overcome that burden of proof than it does for the general occupations.

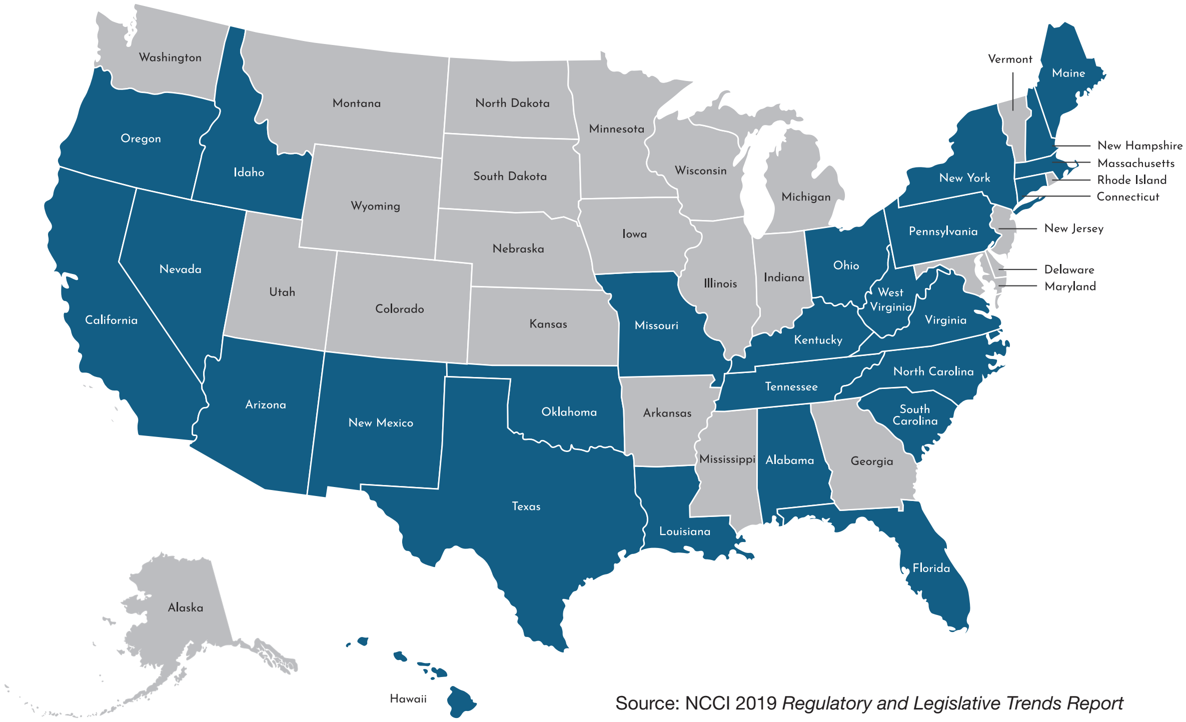
I think that's an important aspect to understand, that some of these statutes are just trying to make it easier for first responders, because they may be at a disadvantage. That is, because they're exposed to a lot more trauma over the course of their day-to-day work, it could be argued that a certain event is not traumatic to the first responder since exposure to those types of occurrences are often an expectation of the job.

What are some of the notable new statutes or changes in the last few years?

Hicks-Moran: In 2017, two states in particular introduced legislation regarding the compensability for PTSD under workers' compensation. Texas House Bill 1983 [stated] Post Traumatic Stress Disorder in First Responders is compensable under workers' compensation if it is caused by an event occurring

Legislative Look

In 2019, these 26 blue states were considering legislation addressing coverage for mental-only injuries for first responders with PTSD.



Source: NCCI 2019 *Regulatory and Legislative Trends Report*

in the course and scope of the first responder's employment and the preponderance of evidence indicates that the event was a substantial contributing factor of the disorder. Vermont Senate Bill 56 provided presumption of compensability for first responders with PTSD and for other workers with certain work-related mental conditions.

In 2018, there were several more bills presented regarding first responders. Florida Senate Bill 376 revised the standards for determining compensability of employment-related PTSD under workers' compensation for first responders. New Hampshire Senate Bill 553 established a commission to study the incidence of PTSD in first responders and whether such disorder should be covered under workers' compensation. Washington Senate Bill 6214 added the presumption of coverage for PTSD as an occupational disease in certain situations for law enforcement officers and firefighters. California SB 542 proposed state legislation would compel agencies to grant policy and firefighters workers' compensation claims for PTSD.

In June, the Ohio House of Representatives passed a Bureau of Workers' Compensation Budget that included a provision allowing first responders to receive workers' compensation to treat PTSD. This provision, however, does require that the worker would have to prove that the PTSD was caused by the job.

When coverage isn't presumptive—as is the case in Florida—what sort of criteria must be established for first responders to gain coverage?

Cullen: First of all, you have to have a diagnosis of PTSD that meets the criteria under the DSM-5 [Diagnostic and Statistical Manual of Mental Disorders—5th Edition]. The diagnosis has to be made by a licensed psychiatrist, not a mental health counselor or therapist. The diagnosis must be due to at least one of eleven "qualifying events," all of which involve witnessing death. A claim must be properly noticed within 52 weeks of the qualifying event.

What impact might these changes have on workers' comp?

Hicks-Moran: I think the biggest impact of PTSD claims are the costs. While I cannot pinpoint the exact costs associated with PTSD, a claim of this type has the potential to be very costly, especially if physical injuries are also associated with it [additional medical costs]. The focus must now be to provide care for both mental and

"Because of the type of work that [first responders] are exposed to on a day-to-day basis, it can actually make it more difficult for them to overcome that burden of proof than it does for the general occupations."

Fawn Racicot
National Council on Compensation Insurance

physical conditions. If the PTSD work-related injury renders a person unable to return to any employment, then the injured employee may be eligible for lifetime indemnity benefits. There could also be continual medical and/or psychiatric visits, and medications prescribed.

In addition to the potential costs associated with a single PTSD claim, catastrophic events such as mass shootings or terrorist attacks can affect many workers simultaneously, which could result in a large number of PTSD claims from a single event.

If an employee is not working because he/she is treating for work-related PTSD, the employer incurs indirect costs such as overtime for existing staff or paying for temporary personnel to fill in during the injured employee's absence.

For whatever the cost is, as part of their job, our first responders are more frequently being confronted with sporadic and more dangerous work environments. How can we not see the impact of what they often must deal with in the course and scope of their jobs? I believe they are entitled to workers' compensation benefits if they develop a physician-supported diagnosis of PTSD because of a work-related incident.

Is there any sense of the potential costs or impact on rates?

Racicot: One thing to keep in mind is that these types of changes, although they could have a material impact for first responder class codes—for example, firefighters and police officers—on a statewide basis, the impact is often relatively small.

Also, given that a lot of the firefighters and police officers are part of the self-insured market, that data is not available to the NCCI. Given the limited amount of data available and associated uncertainty in the number and cost of such claims, it's something that we're not able to put a price tag on. Once information starts flowing through our historical data, we're able to see its impact better. We just really don't have sufficient data at this time.

Spidell: As Fawn said, for those classes affected, like the firefighters and police officers, once these laws are in place, any increase in compensable claims will work its way into the data.

Those classes may have a significant upward pressure on their costs, but as Fawn said, since the vast majority of workers are not impacted by these presumptive laws for first responders, on an overall basis, it's not a large impact on rates and costs.

Have insurers and self-insured communities supported or opposed these changes?

Hicks-Moran: Both. I believe that most people support our first responders and want to make sure they are taken care of in the event that they incur any type of work-related injury or illness. However, there is always going to be some opposition and concern for the costs associated with the risks involved with the work they do.

Workers' compensation is not cheap and one catastrophic claim can significantly affect an employer. First responders put themselves in high-risk situations every day and therefore are vulnerable to more frequent and severe injuries—including those that may result in PTSD—alone or in conjunction with physical injuries. Carriers generally do not like to take on that risk.

Cullen: Most of my clients are self-insured. This law substantially increases their exposure.

The first responders will tell you that their career is such that this is not something they want to acknowledge. They're taught to just deal with it and suggest that mental health issues have been brushed under the rug. So they look at this law as a way of raising awareness of the issue.

Certainly, in Florida, where we have had Parkland and the Pulse nightclub shooting, this statute may have brought more awareness to the fact that some first responders are struggling with PTSD. BR

Workers' Compensation

An Oasis in The Desert

The workers' comp industry remains healthy thanks to a robust job market and sharp underwriting. But headwinds loom on the horizon.

by Jeff Roberts

The first question they ask is almost always the same.

"How much comp do you have?" said Jessica Cullen, managing director of Arthur J. Gallagher & Co.'s casualty practice, referring to her initial query to clients when sending in a submission for a tougher auto or general liability risk.

"That will make the account more marketable and more attractive to the underwriting community."

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

Key Points

Sharp Underwriting:
The combined ratio for private carriers during the 2018 calendar year was 83, the lowest since the 1930s.

Lower Frequency:
The average lost-time frequency declined by 1% in 2018.

Quality Assets:
The U.S. unemployment rate is just 3.5%, a boon for the workers' comp space.

The workers' compensation line has been that healthy across the national landscape.

Underwriting results have been sharper than any time in 80 years. There's plenty of competition in the majority of markets.

And most importantly, it remains a profitable business thanks to a robust job market and declining frequency of claims and underlying loss ratios.

Insurers have recorded an "unprecedented" seven straight years of positive financial performance, said Bill Donnell, CEO of the National Council on Compensation Insurance, in May.

The largest commercial insurance market is virtually the only line within property/casualty where rates are not rising. In fact, California, Florida, Oklahoma and Vermont are among the states that recently lowered rates. But still the space remains profitable.

"The workers' comp line is experiencing an unprecedented run of good fortune over the last at least five years," said Mark Morneau, senior vice president and general manager, national insurance—East division at Liberty Mutual Insurance. "And it's really been driven by declining frequency of claims in the industry and generally muted severity.

"Medical inflation still impacts the workers' comp line, but frequency has outpaced that severity. So it's been a really strong run, and quite frankly, the line has bolstered the health of the primary P&C market."

Some wonder how long that run will last.

Headwinds are building on the horizon, such as those falling state rates, a weakening United States economy and rising loss frequency in some pockets.

But the state of the market remains strong in the near term. Crisp underwriting, data analytics and wearable devices make the workplace safer and insurers better at assessing risk.

The combined ratio for private carriers during the 2018 calendar year was 83, the lowest since the 1930s, according to the NCCI's *2019 State of the Line Report*. It was the fifth consecutive year that the industry posted an underwriting gain.

Workers' comp is "the oasis in the desert" for many P/C writers and brokers, Cullen said.

The insurance that covers the cost of medical care and rehabilitation for workers injured on the job and compensates for lost wages is the rare commercial coverage not suffering from rising frequency or excessive rate pressure.

While other lines of coverage require more and more work, workers' comp seems to be the only respite in overall multiline casualty placement.

"Workers' comp by far is the prettiest girl at the party, if you will, when it comes to the lines of coverage for casualty," Cullen said. "It is the line of coverage that we utilize in helping soften out the other lines where we're seeing harder and larger increases."

In a healthy economy, company payrolls grow thick, premiums increase and claims volume drops. And right now, the U.S. unemployment rate is at a near-historic low of 3.5%.

Industry net written premium increased to $48.6 billion in 2018. Meanwhile, the average lost-time frequency declined 1% last year, according to the NCCI, which serves nearly 40 state governments and more than 900 insurance carriers.

The council estimates private carriers' overall reserve position was a $5 billion redundancy as of the end of 2018—"and a redundant reserve position has not been observed in at least 25 years," the report said.

"Carriers and brokers are probably doing a better job across the board at educating employers, working collaboratively with them to create the safest environments they can," said Sean Conrad, a principal at EPIC Insurance Brokers & Consultants. "You also can't ignore a healthy economy. People working and making money just goes hand-in-hand with fewer frequency issues."

While rating pressure is a growing concern, it has not clouded an otherwise rosy picture.

"The good news is the pricing pressure that we're feeling in workers' comp is a function of the fact that returns have been very healthy for some time," Travelers CEO Alan Schnitzer said in September at the Barclays Global Financial Services Conference. Travelers is the largest workers' comp writer in the nation, according to AM Best data. "It's not a health-of-the-line issue."

3.5%

U.S. unemployment rate.

Source: U.S. Bureau of Labor Statistics

A Safer Workplace

There is no silver bullet.

A combination of factors explains why frequency has declined and underwriting results have been so positive.

Safety measures mandated by employers have made workplaces safer. Carriers and brokers are playing integral roles, offering risk control and accident prevention expertise.

And insurers are mining historic data—not only from their workers' comp businesses, but from other sources such as group health.

That data helps to improve claimants' results, manage legal costs and reduce lost work time. These advancements could be mitigating the traditional volatility inherent in the space.

Data analytics and predictive modeling have revolutionized the way injury patterns are detected, root causes are identified and claims and lost time are prevented or mitigated.

Predictive analytics has become "a really big item and one that is the focus of all clients," Morneau said. Carriers are identifying and managing claims that could result in larger issues, longer absences and catastrophic outcomes. The proactive approach is producing more informed decisions on treatment, claims and safety.

Insurers and employers began collecting data about a decade ago, but have finally built a large enough pool to reap insights.

"It's more laser-focused in terms of what areas you need to invest in and put controls into place because of all the data points that people are collecting," Cullen said. "Only in the past few years have they been able to figure out what to do with that data and actually get beneficial results from it."

Advancements in telematics and wearables are providing timely information and enabling shorter feedback loops for underwriters.

The devices continue to progress, even if the relatively small sample size of data—and efficacy—they have provided remains an issue.

Insurers and brokers caution that they are not "a magic bullet," but just part of the overall safety strategies weaved by employers, brokers and carriers.

"They're expensive. And look at the environment: People are making money right now," EPIC's Conrad said. "Is there a big push to have wearables in place? Probably not.

"I don't think we have enough of those wearable devices out there yet and a big enough sample size to see what kind of a difference they can make."

"The workers' comp line is experiencing an unprecedented run of good fortune over the last at least five years. And it's really been driven by declining frequency of claims in the industry and generally muted severity."

Mark Morneau
Liberty Mutual

But wearables could grow in importance if the economy deteriorates. Employers and insurers might view them as a solution to the rising frequency, deteriorating underwriting and rate pressure that come with recessions.

"Technology has advanced over the past five years," Cullen said. "Somebody could be wearing a sensor on them whether it's a FitBit or a heart monitor or even those little patches rugby players wear on the back of their shirts."

Good health before an incident can prevent claims and reduce time lost to injuries. And some workers are healthier thanks to employer-sponsored incentives such as weight

"Workers' comp by far is the prettiest girl at the party, if you will, when it comes to the lines of coverage for casualty. It is the line of coverage that we utilize in helping soften out the other lines where we're seeing harder and larger increases."

Jessica Cullen
Arthur J. Gallagher & Co.

loss, smoking cessation and preventative care programs.

"Policyholders across the workers' comp spectrum are doing a much better job focusing on safety and the advancement of the cause," Morneau said. "We're also continuing to see the advances of robotics and automation in the workforce.

"The advent of advanced automation, artificial intelligence and robotics is going to have the biggest impact on the environment just from a safety in the workplace perspective."

Headwinds on Horizon

But the market can shift suddenly.

The national economy can sputter, weakening the job market. Regulation could further depress rates. Competition could shrink.

After all, it wasn't that long ago that the industry was struggling. Mired in the aftermath of the financial crisis, unemployment was high. Frequency rose. Combined ratios were well in excess of 100.

Some markets had few options, and even fewer private choices.

"This all could change very quickly if the economy tanks or if we lose a market because a carrier got gobbled up by somebody else," Cullen said. "Those are the potential pitfalls that could change everything. When we see the economy start to dip, plants close, jobs are lost and you tend to see an uptick in workers' comp claims.

"What makes me a little nervous is: What's going to happen in 2020?"

Next year is an election year that could flip policy federally and state by state.

Meanwhile, the 2018 accident-year combined ratio rose to 97 from 96 in 2017, according to NCCI. (The calendar-year combined ratio fell to 83 from 89.)

"We see that trajectory still climbing," Morneau said. "We had a good run, but we are now starting to experience headwinds. We do see signs of weakening in workers' comp."

A softening labor market may be the greatest threat.

The long-predicted recession in the United States may finally manifest itself in 2020 or 2021. Some economic indicators, such as an inverted yield curve, suggest a downturn is coming. That could disrupt the fragile balance and pricing stability that have ruled the landscape.

"As economies transition to more of a recessionary environment, we typically see a spike in workers' compensation claims as a result of loss of jobs and loss of income," Morneau said.

Another formidable threat is the prolonged low interest rate environment. It especially hurts long-tailed businesses such as workers' comp. The Federal Reserve twice has cut historically low rates since July.

"That is a headwind that we are concerned about," Morneau said. "If we do nothing as an industry with the low interest rate environment, our loss ratio will deteriorate. So that will probably will put pressure on us to increase rates in the future."

W. Robert Berkley Jr., CEO of W.R. Berkley, attributed a 4.1% decline in his company's workers' comp net premiums written to competition and state rating pressure. And it is "being measured and cautious" due to concerns over a potential rise in frequency, he said during its second-quarter earnings call.

"We continue to think that comp is the one outlier ... that's transitioning in the opposite direction of everything else," he continued.

"You've seen action and you continue to see action by state rating bureaus that's pretty aggressive in our opinion."

In other cases, margin compression stems from multiline insurers trying to win business by cutting rates—something they can't do in hardening markets such as commercial auto, property and liability. But that will be difficult to maintain if the economy changes.

"Insurance companies have been making money off workers' compensation," Cullen said. "So for those accounts that maybe have a loss sensitive component, where they can offset their own rates, they're able to be a little more aggressive and apply higher credits because they want to win that business."

The perpetual low rate environment has helped drive that discipline and a focused appetite. Carriers have not been able to make up for poor results through investment returns.

But if a recession occurs, rate hikes are almost inevitable.

"When the economy changes, then carriers will have to offset those decreases by increasing the rate," Cullen said. "The exposures will go down drastically, and they're probably going to have to hike up the rates to get enough premium to keep it steady."

Morneau also sees rate increases coming.

"What we've been seeing in the industry has been reserve releases of workers' comp because of this unprecedented run, and that reserve release has really been bolstering the profitability of the primary P&C market," he said.

"But as we start to see these headwinds, like the accident year loss ratio deteriorates, and the other lines—in particular, property and liability—continue to experience pain, the workers' comp line will have no choice but to start to raise rates."

Emerging Issues

A looming downturn is just one of many issues carriers are watching closely.

Opioids continue to be a pressing concern. Marijuana, both medicinal and recreational, and the burgeoning gig economy are emerging issues.

Although doctors, employers and insurers have long tried to curb access to opioids and closely monitor their use, the drugs remain "a real concern," Conrad said.

Claims data from EPIC's workers' comp and workplace benefits teams indicate they continue to be widely used. Many of the most consistently refilled prescriptions are opioid-based, he said.

83

Combined ratio for private workers' comp carriers for calendar year 2018.

Source: National Council on Compensation Insurance

Morneau views the addictive class of painkillers as "absolutely still a concern." But almost every insurer has protocols in place to track opioid prescriptions, monitor usage and review treatment.

"The carriers are all over this," Cullen said. "They all have their opioid prevention plans and their own opioid nurse triage case managers.

"There's still going to be remnants of it. But everybody is conscious of it and very sensitive to it."

Marijuana, on the other hand, is creating new challenges.

Each state has set its own course in determining medicinal and recreational guidelines—whether they prohibited use, legalized it or officially turned a blind eye. But cannabis remains illegal on a federal level.

"It's a brave new frontier for all of us," Conrad said. "We are just getting a sense of what that world will look like."

And whether it's legal or not, even if cannabis is prescribed as a workers' comp-related medication, it still could violate a company's drug and alcohol policy.

Another complicating factor is the promise CBD products show as substitutes for opioids in treating pain. Research into its efficacy remains largely unproven because it is illegal to study under federal law.

"Everybody is nervous to touch it because of the state and jurisdictionally dependent nature of it, whether it's legal, whether it's compensable," Cullen said. "People are a little worried to have that as a prescribed medication. Everybody is still trying to figure it out, and nobody really wants to make the call."

And then there's the changing nature of employment itself thanks to the emerging gig economy. Workers' comp has to evolve with it.

"There are a lot more independent contractors in play," Cullen said.

It's a complex space with evolving laws and regulation—such as California Assembly Bill 5, the state law passed in September that reclassifies many independent contractors as employees. Of course, greater labor protections, including workers' comp coverage, often come with the employee designation.

Uber and Lyft have said they won't immediately shift their California drivers from independent contractors to employees. If they eventually must, the rideshare companies say they might need to establish shifts and limit when drivers can accept rides.

"Uber doesn't consider its drivers as employees. They're independent contractors, and companies don't have to provide comp for them," Cullen said. "But under this recent California law, is Uber now going to be responsible for paying the workers' comp insurance for the thousands and thousands of people out there on the road?"

Of course, evolving regulation is nothing new for workers' comp carriers.

Another constant is rising medical costs and pharmaceutical prices. But for now, the business remains an oasis in the desert.

"Generally speaking, workers' compensation is probably the most stable and probably the most aggressive [competitively] in the marketplace from a casualty perspective," Cullen said. BR

California Illustrates Health of WC Market

A strong combined ratio. Stable claims frequency. Healthy competition.

And falling rates.

The state of California's $16 billion workers' compensation market can serve as a snapshot of the national industry, which has enjoyed a robust five-plus years.

"We actually have carriers making money in the state in workers' comp," said Sean Conrad, a principal at EPIC Insurance Brokers & Consultants. "You can compare that to 1999. The combined loss ratio in the state was 200.

"We are seeing rates come down in workers' comp, but seeing a hardening market everywhere else in all of the lines of P&C. Your rates per $100 of payroll is about as good as it was in 1975, and you have plenty of choice in the market if you're a reasonably good risk."

The state's combined ratio in 2018 was 90. It was the sixth consecutive year that carriers recorded a profit and light years from the "horrific" results they posted before reform legislation, according to Conrad.

Senate Bill 899, the 2004 workers' comp reform law signed by then-Gov. Arnold Schwarzenegger, reshaped the system. Since then, a combination of regulation and competition has driven down rates to levels not seen in four decades.

However, California's rates remain among the highest in the nation, according to Conrad.

"In 2004, we had a rate of $6.02 per every $100 of payroll," he said. "If you can track that to this year, we're about $2.04 per every $100 of payroll. This is almost the same rate basis as we saw way back in 1975."

Despite the declining rates, the market remains healthy.

"While we've seen a drop in total written premium, payrolls are ticking up in the state," Conrad said. "That just speaks to the healthy economy, and generally speaking, things are good for employers."

Total written premiums statewide were $17 billion in 2018 and $18.1 billion in 2016.

Before regulation, there was not enough competition, leaving the California State Compensation Insurance Fund—a public enterprise fund founded by the state—holding "the vast majority of the marketplace," Conrad said. It remains the largest provider in California.

"It has shifted now to a very healthy, competitive environment paired with regulation that's driven down that rate per payroll," he said.

A strong job market and tight underwriting are helping carriers remain profitable despite lower rates.

Will that stability and balance remain if the nation endures its first economic downturn since the Great Recession?

"If you have regulation that makes it challenging, if carriers can't make money here, then you end up with a situation like we did, which is State Fund having the predominant share because they're the carrier of last resort," Conrad said. "A healthy state economy, a healthy job market, is keeping a healthy balance."

Top 50 U.S. Workers' Compensation Insurers

Ranked by 2018 direct premiums written.

2018 Rank	Company Name	2018 Direct Premiums Written ($000)	Market Share (DPW) (%) 2018	2017	2016	Direct Combined Ratio (%) 2018	2017	2016
1	Travelers Group	4,280,547	7.38	7.48	7.57	81.63	89.28	91.76
2	Hartford Insurance Group	3,382,972	5.83	5.85	5.69	86.00	88.96	84.76
3	Berkshire Hathaway Insurance Group	2,750,360	4.74	4.81	4.62	73.81	75.63	78.10
4	Zurich Insurance US PC Group	2,694,390	4.64	5.02	4.86	72.74	80.32	94.95
5	AmTrust Group	2,635,106	4.54	5.02	5.32	81.45	97.12	87.98
6	Chubb INA Group	2,479,397	4.27	4.22	4.37	47.57	71.34	74.60
7	Liberty Mutual Insurance Companies	2,473,669	4.26	4.20	4.11	43.44	98.39	99.71
8	State Insurance Fund WC Fund	2,256,138	3.89	3.91	4.17	88.10	84.47	86.72
9	American International Group	1,690,380	2.91	3.02	3.67	99.83	108.21	150.80
10	AF Group	1,566,915	2.70	2.30	2.21	79.03	82.48	81.73
11	Old Republic Insurance Group	1,466,819	2.53	2.50	2.48	85.45	93.46	92.23
12	W. R. Berkley Insurance Group	1,360,656	2.35	2.43	2.46	76.21	72.24	82.19
13	State Compensation Insurance Fund	1,338,989	2.31	2.34	2.75	138.06	101.50	131.39
14	Great American P & C Insurance Grp	1,328,345	2.29	2.35	2.23	76.16	78.89	80.50
15	Texas Mutual Insurance Company	1,097,244	1.89	1.70	1.62	106.96	102.07	93.12
16	ICW Pool	958,240	1.65	1.60	1.60	85.09	84.86	84.04
17	Fairfax Financial (USA) Group	928,499	1.60	1.63	1.62	63.32	64.70	57.14
18	CNA Insurance Companies	800,609	1.38	1.27	1.29	85.25	79.56	105.75
19	Employers Insurance Group	739,056	1.27	1.24	1.18	81.55	85.52	85.60
20	Starr International Group	649,470	1.12	1.06	0.84	72.33	83.00	80.13
21	Pinnacol Assurance	623,848	1.08	1.07	1.07	94.67	93.14	91.17
22	Arch Insurance Group	581,504	1.00	0.96	0.89	75.59	92.47	93.95
23	Markel Corporation Group	530,230	0.91	0.88	0.64	65.73	68.41	72.98
24	NJM Insurance Group	519,827	0.90	0.90	0.88	93.10	86.58	90.84
25	Everest Re U.S. Group	512,191	0.88	0.82	0.74	66.75	67.06	77.67
26	Erie Insurance Group	508,175	0.88	0.81	0.80	60.05	78.36	96.41
27	SAIF Corporation	493,171	0.85	0.86	0.85	89.71	100.18	92.30
28	Sentry Insurance Group	468,077	0.81	0.80	0.83	101.20	90.11	93.85
29	Amerisure Companies	429,072	0.74	0.76	0.77	89.26	90.93	84.96
30	Encova Mutual Insurance Group	421,394	0.73	0.72	0.69	98.20	102.04	129.44
31	MEMIC Group	399,714	0.69	0.65	0.58	107.09	104.66	103.03
32	Hanover Insurance Grp Prop & Cas Cos	383,388	0.66	0.67	0.63	72.40	80.27	69.51
33	Nationwide Group	372,156	0.64	0.73	0.79	91.03	87.79	78.33
34	CopperPoint Insurance Group	360,551	0.62	0.63	0.59	87.86	106.30	101.20
35	Tokio Marine US PC Group	356,499	0.61	0.49	0.50	79.25	84.35	86.75
36	EMC Insurance Companies	353,680	0.61	0.62	0.56	93.66	79.68	76.00
37	QBE North America Insurance Group	350,406	0.60	0.60	0.64	89.76	93.96	104.92
38	AXA U.S. Group	343,996	0.59	0.59	0.52	95.74	66.13	84.01
39	AMERISAFE Insurance Group	343,836	0.59	0.59	0.62	86.88	83.67	76.62
40	Farmers Insurance Group	338,632	0.58	0.67	0.74	74.16	81.91	89.41
41	Selective Insurance Group	333,720	0.58	0.59	0.57	62.84	72.75	67.33
42	The Cincinnati Insurance Companies	318,829	0.55	0.58	0.62	80.90	77.28	74.97
43	Federated Mutual Group	306,192	0.53	0.50	0.47	88.09	80.43	73.31
44	Auto-Owners Insurance Group	298,294	0.51	0.60	0.65	57.17	56.45	67.72
45	WCF Insurance Group	290,665	0.50	0.48	0.45	105.57	102.81	108.86
46	ProAssurance Group	283,011	0.49	0.44	0.41	91.21	101.01	96.63
47	Acuity, A Mutual Insurance Company	277,795	0.48	0.50	0.53	78.29	73.99	83.41
48	West Bend Mutual Insurance Company	273,405	0.47	0.48	0.46	77.64	76.95	82.79
49	Benchmark Insurance Group	270,389	0.47	0.41	0.29	76.70	76.22	87.36
50	Builders Mutual Insurance Group	269,180	0.46	0.42	0.39	63.86	68.97	88.90
	Selection Total	**48,489,628**	**83.59**	**83.77**	**83.82**	**78.93**	**85.38**	**91.05**
	Total US PC Industry	**58,009,129**	**100.00**	**100.00**	**100.00**	**79.90**	**85.40**	**91.01**

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

AM Best Data

Workers' Treatment

Experts discuss the latest trends and challenges in the workers' compensation insurance market with AMBestTV.

"Definitely the decline in lost-time claims has largely been due to improvements in workplace safety. The improvements that companies have made and the investments that they've made have been considerable and been part of overall strategic planning. It's manifested itself in enhanced automation, robotics, and general overall improvements in risk management, so that's what we've seen.

There's also been effective reform aimed at addressing increasing workers' comp costs and abuses in the system that have resulted in insurers paying lost-time claims, for example, to workers who could have and probably should have been back to work. The effective reforms and also overall workplace safety has had the positive impact on loss frequency.

Now again, while loss frequency has been trending positively, loss severity has definitely been declining or going in an adverse manner. That covers both medical cost severity and also indemnity severity. Although medical cost severity has really been the key driver of severity going in the wrong direction.

What we've seen, for example, one factor in that is motor vehicle accidents. We've seen more motor vehicle accidents that have involved workers and these increasing number of claims have included fatalities. That's occurred despite the fact that we know newer vehicle are definitely being made with more safe and stronger materials.

Also, there have been all kinds of safety improvements with those vehicles, but still we've seen a greater number of motor vehicle accidents impacting workers and having an impact of workers comp severity from that standpoint.

In particular, the classes of business that have been impacted by motor vehicle accidents have included long- and short-haul trucking, taxi drivers, and also sales and service vehicles. We've seen that over time again having an impact on the motor vehicle accidents and an impact on severity.

In addition—and this has been impactful in both personal lines and commercial lines in terms of auto—increased smartphone usage has also had an impact on the losses that have affected workers' compensation, or workers in terms of severe accidents. We'll see how those trends continue on a going-forward basis."

David Blades
Associate Director
AM Best

"Sometimes our farmers are out on their tractors, and they don't have the shield for the power take off. That's important because you can lose an arm or a leg in a fraction of a second.

What we will do is we'll communicate with the farm, their employees, their foreman, as well as the migrant workers, to help them understand how severe a loss can be if you don't have that covered.

We do training on tractors. We do training on the rollover protective structures, which is the protection over the tractor, to make sure that if they flip over, you want that on your tractor so you're not injured. We do a lot of training with machinery.

We also do a lot of training with chemicals and hazard communication. That helps the farmers out tremendously, too."

Jan Klodowski
Vice President of Alternative Risk
Agri-Services Agency

"There are a host of issues that we're going to continue to monitor in workers' compensation and talk with companies about—innovation first and foremost. Innovation in terms of underwriting risk and claims management, claims handling.

Also, innovation in data management, predictive analytics, and whether this is driving some of the favorable improvement we continue to see in the combined ratio for workers' comp.

I think we're also going to monitor innovation in terms of the internet of things, and for workers' comp, specifically, we're talking about wearables. Is this driving some measurable safety improvement in the loss ratio for workers' comp?

We're going to continue to monitor severity. We're also going to monitor rate actions. Up to this point, there's been significant rate decreases, so we'll continue to watch that.

We will also look at economic conditions and the potential for increases in minimum wage.

Lastly, I think we're going to continue to talk to companies about medical and recreational cannabis. It's impact on the workers' comp line from a safety perspective, as well as from a claims treatment perspective, and whether it is something that can be used as an alternative to opioids."

Jacqalene Lentz
Director
AM Best

"We're seeing a big shift in the focus on the injured worker and what we're calling injured worker advocacy.

We know that it's really important that the injured worker truly understands the process and what's going to be happening to them once they've been injured on the job.

This shift started probably about four or five years ago when we changed our language from calling them claimant to an injured worker.

We're continuing to see that evolve. Imagine that you're injured on the job, you're going through the claims process, and all of a sudden you realize you can't go to your doctor. You need to go to a doctor in our network. Then we say we're going to do an investigation and we need to do an independent medical exam.

It's a lot of language that really isn't comforting to the person who's just been injured.

We're going through a transformation to change the language we use, start with empathy, and focus on that injured worker experience."

Tracy Ryan
Executive Vice President
Liberty Mutual

"Relating to workers' compensation, if someone causes an accident in the workplace, are they under the influence of marijuana at that point in time or were they under the influence a few days ago and it's still in their system?

The last thing with workers' compensation is there's a big debate on if a doctor or physician prescribes this marijuana coverage, or marijuana treatment, is it going to be excluded or included under your workers' compensation coverage?

Those are definitely where we're going to keep our eye on in the future."

Josie Novak
Associate Analyst
AM Best

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


INSIGHT
A+

Weathering the Storms

AM Best data shows it's not just the losses from Florida and California that are the bane of homeowners insurers. Over the past decade, U.S. hurricanes like Katrina, Michael, Rita and Harvey created insured losses. However, other perils such as thunderstorms, hail, tornadoes, floods, wildfires and winter storms also created havoc for this line. Insured losses from these events made for some dramatic loss spikes in Minnesota, Colorado, Nebraska, North Dakota and Montana.

In 1971, losses for the homeowners market were some $1.6 billion.

Jumping to 2018, the line saw more than $69 billion in incurred losses brought on by devastating weather events.

This homeowners insurance special section feature, "Home, Volatile Homeowners," uses AM Best data to take a historical look at this line of insurance.

"From Reactive to Proactive" looks at how one insurer is using high-touch technology to communicate with policyholders both before and after disaster strikes.

Find out how homeowners insurance policies from the early 1800s helped guide discoveries at President James Monroe's estate. All the details are in "Unearthing History."

This section also includes the Best's Rankings of U.S. homeowners writers ranked by direct premiums written in 2018.

CONTENTS

Home, Volatile Homeowners

A look across nearly five decades of homeowners results shows a market that was never for the faint of heart.

by Lori Chordas

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

The U.S. homeowners market has been rocked by volatility over the years, driven largely by a barrage of natural catastrophes.

In 1971, the earliest year for which AM Best has digitized industry results, losses in the homeowners market hovered around $1.6 billion.

Last year, incurred losses climbed to more than $69 billion, largely fueled by another round of devastating weather-related property damage that, according to Munich Re, generated $52 billion in insured losses across various lines.

Over the last decade, U.S. hurricanes like Katrina, Ike, Michael, Rita, Sandy and Wilma grabbed national headlines and forced homeowners insurers to pull back from some U.S. coastal states or the market completely.

In a less dramatic fashion, other U.S. states and regions have often grappled with their own perils, including severe thunderstorms, hail, tornadoes, winter storms and flash floods.

Key Points

Hit Home: The U.S. homeowners insurance market continues to see a rise in insured losses from the growing spate of catastrophes in long-standing and new risk-prone areas.

At the Doorstep: Insurers are relying on abundant reinsurance, alternative capital and sophisticated catastrophe modeling to help manage those exposures.

Homeward Bound: Rising volatility in the market isn't keeping homeowners from migrating to high-risk areas, including coastal states that continue to see more coverage moving into the hands of private insurers.

It's challenging to eliminate volatility in the homeowners insurance market but insurers are counting on technology and data analytics to help them better price and manage risk, and achieve greater scale.

Richard Attanasio
AM Best

States such as Arkansas, Colorado, Kansas, Nebraska, North Dakota, Minnesota, Oklahoma and Tennessee experienced some relatively dramatic, periodic loss spikes caused by those perils.

A look at Colorado's 50-year loss history reads like an electrocardiogram. Annual incurred losses held around or below $500 million from 1971 to 2007 followed by a series of sporadic highs and lows that began to surge in 2008, according to AM Best. In 2018, incurred losses reached a near $3 billion record high, driven by events such as a May hailstorm in Denver that damaged homes, windows and roofs.

As homeowners insurers recover from those types of events, many are reevaluating their books of business in areas that have traditionally been considered less vulnerable to natural disasters, said Dan Friehs, executive vice president and client services practice leader for Marsh & McLennan Agency.

In America's Heartland, where Friehs lives, earthquake risk has forced some homeowners carriers out of the market. The midwestern United States hasn't suffered a catastrophic earthquake since dual 7.5-plus magnitude quakes struck Missouri in 1811, yet carriers aren't taking chances.

Friehs said insurers are examining their overall collective exposure to determine if they can preserve their balance sheets and pay claims in domestic markets in the event of a large quake or other calamity.

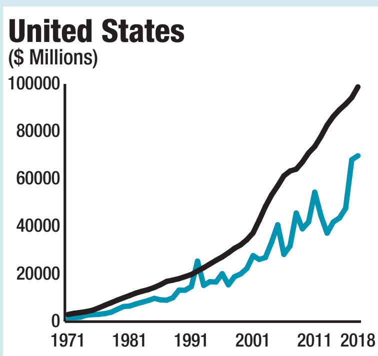
Direct Premiums Written vs. Direct Losses Incurred 1971-2018 – Selected States

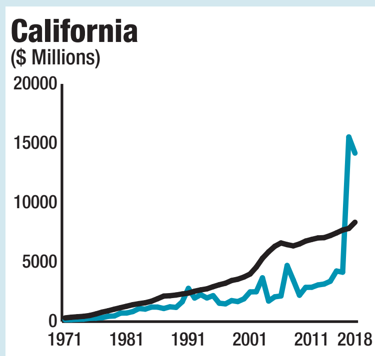
Direct Premiums Written

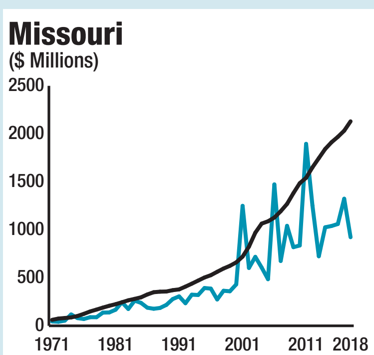
Direct Losses Incurred

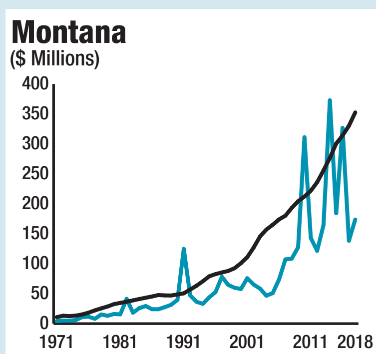
Hurricanes, earthquakes, wildfires, hail, tornadoes, blizzards and more make homeowners coverage a local and regional business. Even in generally good markets, individual states can show extreme results.

Source: AM Best data and research









Insurers will be able to withstand future losses, "as long as they are able to reflect the true cost of providing coverage in their rates and that there are no more significant regulatory changes like what we saw in Florida after Hurricane Katrina and other events."

Dr. Robert Hartwig
University of South Carolina

House of Cards

A 2011 tornado in Joplin, Missouri showed carriers' vulnerability to those exposures.

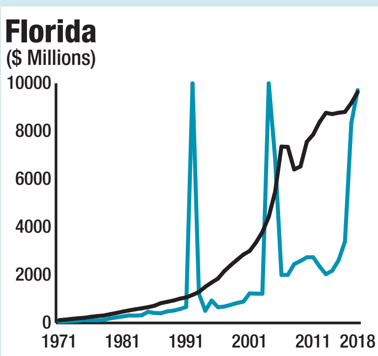
Three mutuals, Barton Mutual Insurance, Gateway Mutual Insurance and Cape Mutual Insurance, with collective premiums of $29 million, became insolvent after paying $48 million in combined claims from the storm that destroyed more than 7,000 homes.

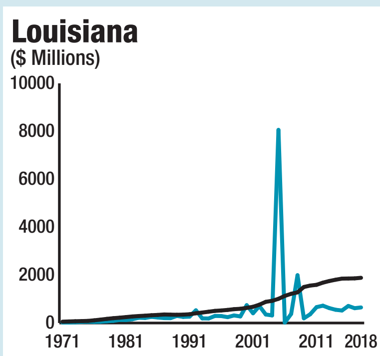
Those losses came during a three-year period from 2010 to 2012, a time when U.S. coastal areas were enjoying relatively quiet hurricane seasons but many of the nation's interior states experienced an uptick in surprise cat losses.

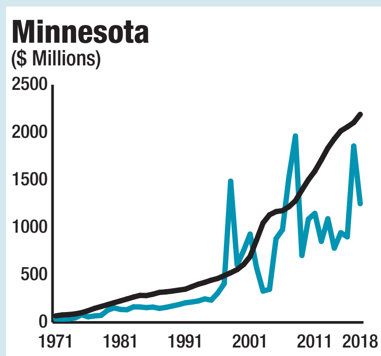
Many insurers in those states responded by increasing rates, Dr. Robert Hartwig of the University of South Carolina said. Hartwig is a clinical associate professor in finance and the director for the Center for Risk and Uncertainty Management at the university's Darla Moore School of Business.

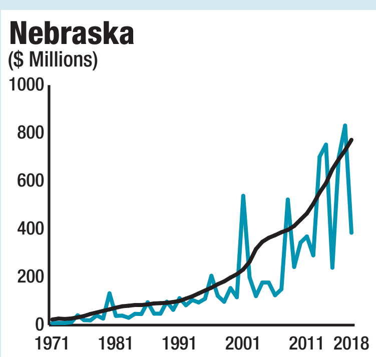
Several of those states today are home to some of the nation's highest homeowners insurance premium rates, including Oklahoma and Kansas, with the fourth and fifth highest rates, and Colorado rounding out the top 10, according to the National Association of Insurance Commissioners.

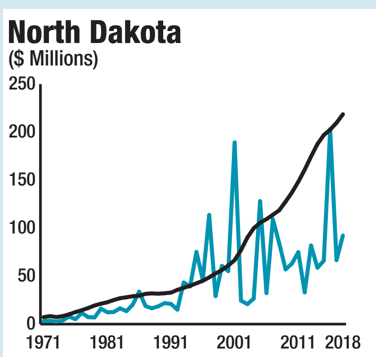
Rates in Oklahoma climbed more than any other state over the last 10 years, from an

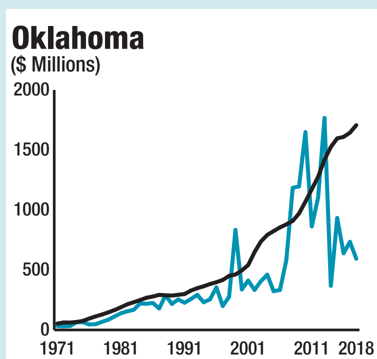












average premium of $1,054 in 2007 to $1,875 in 2016, according to the NAIC. During that period, 186 natural disasters were declared in Oklahoma, second-most in the nation behind California, according to the Federal Emergency Management Agency.

In addition to raising rates, insurers continue to spread risk in other markets, turning to reinsurance, alternative capital and sophisticated cat modeling to better manage exposures. Those tools are putting coverage back into the hands of private insurers and depopulating many state-run insurance pools created to provide alternative coverage to citizens in high-risk areas, Hartwig said.

No Place Like Home

Volatility creates losses for homeowners insurers but it hasn't abated their risk appetite.

In 2018, overall premiums in the homeowners insurance market reached $99 billion. In 1971, that total stood at $3 billion, according to AM Best. Accounting for inflation, that $3 billion would be worth $19 billion today.

In Florida, more coverage is now written in the private sector than in the past decade, said Hartwig, similar to growth in wildfire-prone markets such as Colorado, Arizona and California.

Hurricanes and earthquakes were once considered the most severe homeowners risks, but wildfires have joined that lineup.

House Divided

The past five decades have brought about changes in U.S. homeowners insurance, including an exodus by some of the market's largest writers, winnowed by consolidation, failures and withdrawals.

Companies such as Aetna, Continental, Fireman's Fund and more than a dozen others have shed their homeowners businesses to focus on other lines of insurance or left the scene, either closing their doors or merging out of existence, said Brian Sullivan, editor of Risk Information Inc.'s *Property Insurance Report* newsletter.

At the same time other companies like Progressive and Berkshire Hathaway's subsidiary Geico have changed the way they market and sell the product, opting to partner with affiliates rather than directly selling or underwriting the coverage themselves.

Berkshire Hathaway CEO Warren Buffet discussed that decision at this year's annual meeting of shareholders, saying volatility could cost the company to lose as much in one year as it made in the prior 24, and the "float isn't as large."

Berkshire Hathaway wrote homeowners coverage until 1992 when Hurricane Andrew hit Florida, the Bahamas and Louisiana.

Geico and Progressive remain focused on their core business, auto insurance, which continues to generate more new premiums than any other property/casualty line, said Dr. Robert Hartwig, a 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.

Historically, private passenger auto has always been larger and more stable than homeowners, but he said the advent of autonomous vehicles over the next several decades could change that by driving down frequency and severity of losses and depleting premiums in the auto line.

That could open the door for new market entrants who will shift their attention from private passenger auto to homeowners in an attempt to retain their customer base.

For decades, State Farm has dominated the domestic homeowners insurance market, with more than $18 billion in direct premiums written in 2018, according to historical insurance data compiled by AM Best, beginning in 1971. Allstate, Liberty Mutual, USAA and Farmers round out the current top 5.

In 1971, a time when the market was far less concentrated, State Farm's share of the homeowners line was 8.03%. From there, market share showed a steady rise, reminiscent of the recent growth in auto insurance of Geico and Progressive. State Farm's share of the homeowners market peaked at 23% in 1997, Risk Information's Sullivan said.

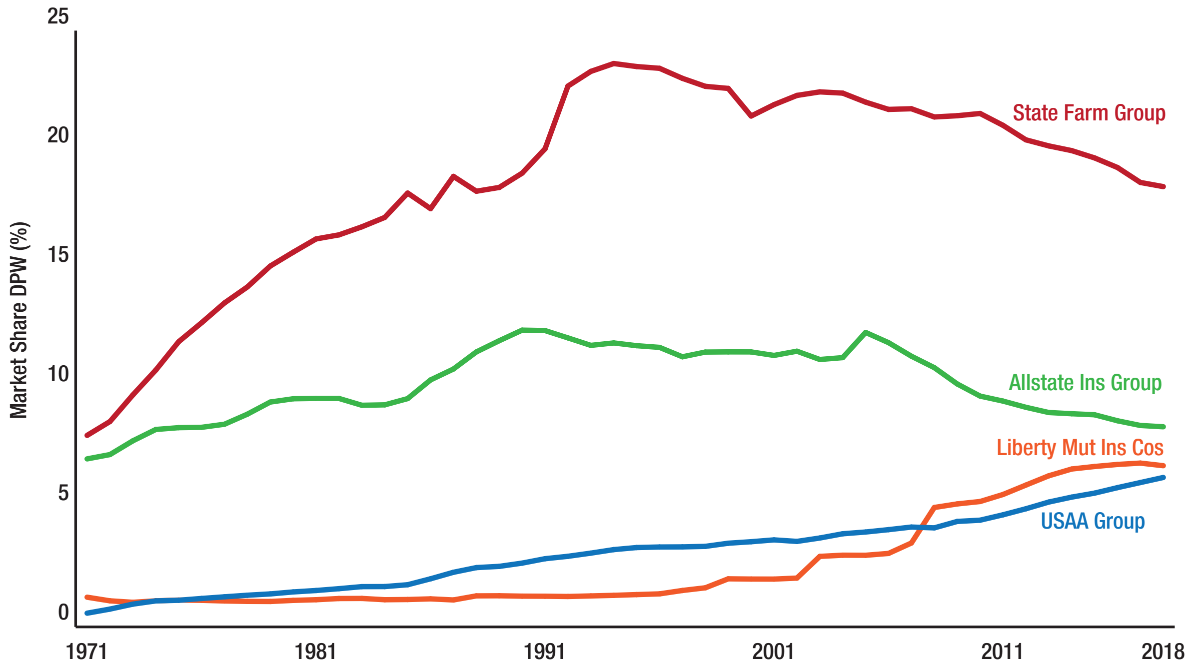
In 2018, State Farm's share of the homeowners market stood at 18.46%, a level last seen in 1989. "However, that's still extraordinarily dominant and more than twice the size of second-ranked Allstate," Sullivan said.

Allstate's share of the homeowners market has also followed an arc, peaking in 1990 at over 12%. Sullivan said the company's management grew less comfortable with the volatility of the homeowners sector. By steadily re-underwriting its book of business, Allstate reduced its market share back to 8.39% by 2018, almost the same as in 1976.

At the same time insurers such as Liberty Mutual and Farmers were growing their share of the market. Liberty Mutual was the biggest mover, rising from 1.25% in the early 1970s to 6.76% last year, according to AM Best.

U.S. Market Share – Homeowners – 1971 to 2018

Market share growth of top 4 carriers in 2018.



Source: AM Best data and research

In 2018, homeowners insurers incurred nearly $13 billion in insured losses from California's most deadly and destructive wildfire season that saw 8,500 fires blaze across more than 1.89 million acres in the state, according to the California Department of Insurance.

Prior to that, AM Best reports, overall annual losses in the Golden State held steadily below $4 billion for more than four decades.

Widespread recent wildfires in California convinced some insurers to stop writing home coverage in the state while others opted not to renew policies in high-risk areas.

However, wildfires and other perils have not deterred insureds from building or moving to long-standing and new cat-prone areas.

Hartwig expects over the next several years new home construction in the United States will grow, along with increasing population migration to the southern and western United States in pursuit of economic opportunity.

To help alleviate increased risk, insurers will need to support stronger building codes and zoning ordinances in those areas, Hartwig said.

Coming Home

It's challenging to eliminate volatility in the homeowners insurance market but insurers are counting on technology and data analytics to help them better price and manage risk, and achieve greater scale, Richard Attanasio, a senior director at AM Best said.

Homeowners insurers have not adopted technology as quickly as many of their auto insurance counterparts. But Attanasio expects that homeowners insurers will continue to leverage technology through the use of sensors, alarms, various monitoring devices and other elements of the internet of things.

Some homeowners insurers are partnering with technology companies and startups to deploy smart home devices that monitor smoke, flames, water and other potential drivers of loss.

Carriers are also incentivizing insureds to use those devices, as well as employing artificial intelligence and predictive analytics in their own organizations to increase connectivity, improve customer experience and reduce costs, Attanasio said.

While technology will help mitigate and manage weather-related property losses, experts say it's only part of the solution.

That's because climate change is "real," said Marsh & McLennan Agency's Friehs, who expects that changing weather patterns will continue to wreak havoc.

Annual inflation-adjusted homeowners insured losses in the 1980s hovered around $5 billion. Today, those losses top $35 billion, University of South Carolina's Hartwig said.

"You don't need a PhD in economics to figure out where this trend is going. There's no question that long-term trends of insurance cat losses are up, and the 2020s are unlikely to be any different than the prior four decades," Hartwig said.

But Hartwig is optimistic that insurers will be able to withstand those losses, "as long as they are able to reflect the true cost of providing coverage in their rates and that there are no more significant regulatory changes like what we saw in Florida after Hurricane Katrina and other events." One change in Florida included allowing greater use of "assignment of benefits," which allowed contractors to remediate damaged properties ahead of insurers' oversight. That led to sharp increases in claims costs.

Carriers writing in noncoastal areas will need to focus on core underwriting discipline and improved enterprise risk management capabilities, said Maurice Thomas, a senior financial analyst at AM Best. That includes focusing on risk selection through enhanced modeling and mapping technologies, as well as recalibrating reinsurance programs to sustain long-term viability, he said.

This will allow insurers to better manage volatility from shock losses as well as ensure long-term stability in their earnings.

However, Thomas suggests that carriers with significant concentration and limited scale should maintain a sufficient level of risk-adjusted capitalization to offset volatility in their earnings due to unexpected catastrophic events.

As volatility rises, so do insurers' needs to continuously reevaluate existing and future market opportunities, Julie Rison, vice president of private client services at Marsh & McLennan Agency said.

"If carriers are going to pull out of the Florida or California market, for example, how long will they be able to do that? Eventually they'll have to return to the market. Insuring your home is a very personal thing, and if a carrier leaves the market or pushes people away, insureds may take offense and seek other options," she said.

Hartwig remains optimistic about the future of the domestic home insurance market, which remains a profitable business, with relatively stable rates and healthy competition.

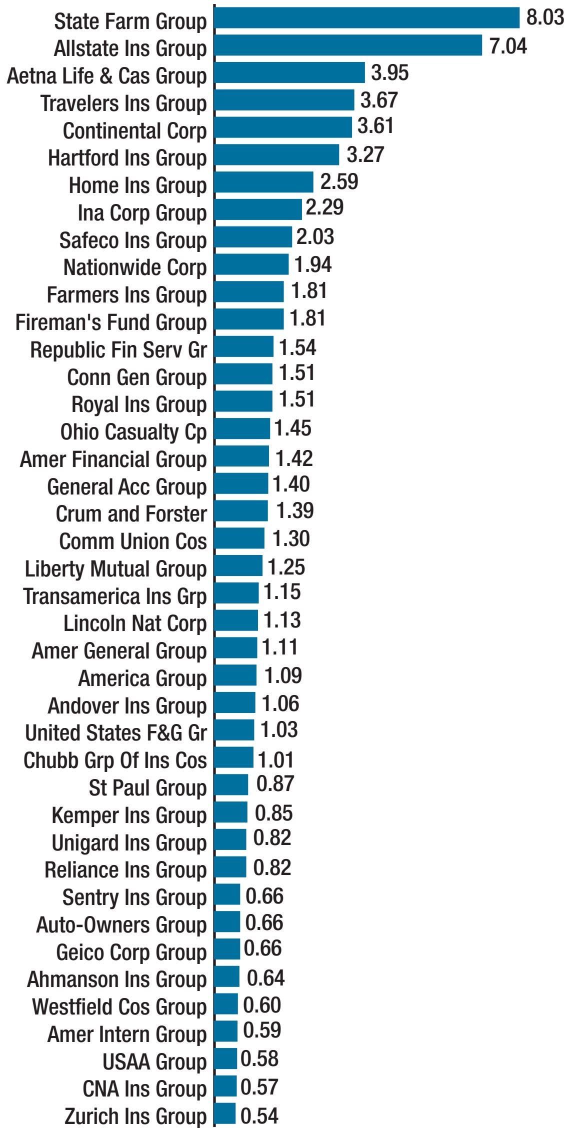
He expects direct premiums to grow $1 billion to $2 billion annually through a combination of upward rate trends and growth from new exposures.

Hartwig noted that market growth is tied to demographics that ultimately drive new exposures.

Market Share for U.S. Homeowners Insurers 1971

In 1971, 41 insurers had market share of 0.5% or greater.

1971 U.S. Market Share DPW %



Source: AM Best data

Hartwig also expects that private homeowners insurers will gain a greater stake in the flood insurance market by writing a greater share of coverage currently written by the National Flood Insurance Program.

"That's a Rubicon private insurers and reinsurers are now looking to cross, and we see that as a tremendous growth opportunity while at the same time allowing insurers to better understand the risks," he said. BR

Best's Rankings

U.S. Homeowners Multiple Peril – 2018 Top 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	000088	$18,177,462	3.5	18.4	18.6	19.2	61.9	80.9	54.2	27.6
2	2	Allstate Ins Group	000008	8,262,445	3.8	8.4	8.4	8.6	65.6	55.6	50.0	24.8
3	3	Liberty Mutual Ins Cos	000060	6,655,452	2.8	6.7	6.9	6.8	51.3	65.1	51.4	19.2
4	4	USAA Group	004080	6,170,558	8.2	6.2	6.1	5.8	83.4	83.4	72.9	28.1
5	5	Farmers Ins Group	000032	5,795,044	3.2	5.9	6.0	6.0	78.8	77.5	53.8	28.5
6	6	Travelers Group	018674	3,766,277	6.2	3.8	3.8	3.7	69.3	65.1	45.7	14.4
7	8	Amer Family Ins Group	000124	3,399,406	7.5	3.4	3.4	3.2	63.7	61.8	47.9	34.0
8	7	Nationwide Group	005987	3,184,627	-3.2	3.2	3.5	3.6	76.8	99.2	57.6	17.3
9	9	Chubb INA Group	018498	2,832,082	2.0	2.9	2.9	3.0	91.9	87.4	53.2	12.8
10	10	Erie Ins Group	004283	1,675,976	5.0	1.7	1.7	1.7	66.0	53.3	46.5	23.5
11	11	Auto-Owners Ins Group	004354	1,642,906	10.4	1.7	1.6	1.5	71.1	68.4	48.2	19.7
12	14	Progressive Ins Group	000780	1,403,095	28.5	1.4	1.2	1.0	66.7	58.8	49.8	4.2
13	12	Amer Intl Group	018540	1,153,299	2.3	1.2	1.2	1.2	219.0	107.2	52.4	7.8
14	16	Universal Ins Hldgs Group	018752	1,116,377	13.6	1.1	1.0	1.0	100.6	67.0	28.8	93.7
15	13	MetLife Auto & Home Group	003933	1,102,128	-0.3	1.1	1.2	1.2	58.3	62.6	60.6	29.1
16	15	Hartford Ins Group	000048	983,754	-5.2	1.0	1.1	1.2	88.1	77.1	54.5	8.1
17	17	CSAA Ins Group	018460	924,000	2.8	0.9	1.0	1.0	164.3	163.5	50.4	22.7
18	18	Amica Mutual Group	018522	909,196	7.3	0.9	0.9	0.9	65.5	74.4	64.7	37.6
19	19	Auto Club Enterprises Ins Group	018515	827,909	4.8	0.8	0.8	0.8	48.3	70.8	60.3	19.4
20	24	Natl Gen Companies	018863	792,392	21.1	0.8	0.7	0.6	98.1	76.8	52.6	16.6
21	21	United Ins Group	018881	786,377	10.5	0.8	0.8	0.7	102.4	72.1	47.5	67.7
22	20	Heritage Ins Hldgs Group	018891	783,541	-0.2	0.8	0.8	0.8	70.2	86.8	36.1	84.2
23	22	COUNTRY Financial PC Group	000302	698,990	3.8	0.7	0.7	0.7	60.5	69.1	56.7	27.9
24	23	Auto Club Group	000312	684,538	3.8	0.7	0.7	0.7	54.5	61.8	42.9	24.5
25	26	Assurant US PC Companies	018924	672,055	10.3	0.7	0.7	0.6	52.2	46.9	51.8	9.3
26	27	The Hanover Ins Grp Prop & Cas Cos	004861	626,816	6.4	0.6	0.6	0.6	53.1	50.8	42.3	13.0
27	28	Cincinnati Ins Cos	004294	580,848	6.1	0.6	0.6	0.6	74.3	62.5	58.6	11.6
28	25	Tower Hill Group	018636	578,532	-5.4	0.6	0.7	0.7	144.4	80.7	39.8	83.8
29	30	QBE North America Ins Group	005658	552,996	4.3	0.6	0.6	0.6	56.6	91.3	58.7	12.6
30	34	PURE Group of Ins Companies	018740	544,773	19.7	0.6	0.5	0.4	66.3	58.4	60.0	56.6
31	29	Munich-Amer Hldg Corp Cos	018753	543,468	1.8	0.6	0.6	0.6	70.7	56.8	52.3	21.9
32	35	Mercury Gen Group	004524	506,146	12.0	0.5	0.5	0.5	103.8	91.3	60.5	14.4
33	32	FedNat Ins Group	018925	496,823	0.1	0.5	0.5	0.5	133.7	84.8	43.0	85.7
34	31	MAPFRE North America Group	018801	490,528	-4.6	0.5	0.6	0.5	42.1	105.6	38.1	18.2
35	33	Citizens Property Ins Corporation	011712	489,870	6.3	0.5	0.5	0.5	75.6	148.8	50.4	56.4
36	36	Shelter Ins Cos	000598	424,543	3.4	0.4	0.4	0.5	58.4	66.9	60.0	24.5
37	39	State Auto Ins Cos	000856	411,667	19.5	0.4	0.4	0.4	54.1	53.4	51.1	21.7
38	37	TN Farmers Ins Cos	018154	409,915	5.1	0.4	0.4	0.4	50.8	66.3	53.5	30.3
39	41	Security First Ins Co	011468	345,809	7.0	0.4	0.3	0.3	104.5	98.8	63.8	81.9
40	40	First Protective Ins Co	012201	339,218	4.4	0.3	0.3	0.3	162.7	95.3	42.6	81.8
41	42	NC Farm Bureau Ins Group	018279	331,554	3.6	0.3	0.3	0.3	103.6	55.3	66.3	28.9
42	43	Andover Companies Pool	000166	327,515	2.5	0.3	0.3	0.3	53.4	41.8	44.8	58.9
43	45	Florida Peninsula Group	018790	323,542	4.9	0.3	0.3	0.3	97.7	115.9	36.8	100.0
44	44	Farm Bureau P&C Group	004233	318,327	0.0	0.3	0.3	0.4	47.8	78.6	52.5	20.8
45	49	Amer Natl Prop & Cas Companies	018565	306,885	5.6	0.3	0.3	0.3	61.4	59.3	54.8	18.5
46	48	Alfa Ins Group	000106	300,561	-0.8	0.3	0.3	0.3	79.4	65.7	53.7	22.2
47	46	Universal Ins Group of Puerto Rico	018672	300,268	-1.1	0.3	0.3	0.3	61.1	110.7	66.2	42.0
48	47	HCI Ins Group	018848	293,540	-3.2	0.3	0.3	0.4	67.7	90.4	30.4	86.4
49	56	St. Johns Ins Co, Inc.	012686	291,342	15.0	0.3	0.3	0.3	132.8	104.9	50.1	91.4
50	54	NJM Ins Group	003985	285,506	8.9	0.3	0.3	0.3	64.8	50.3	54.0	14.3
		Top 50 Writers		**$84,820,878**	**4.4**	**85.8**	**86.1**	**86.2**	**73.3**	**75.6**	**53.2**	**20.9**
		Total U.S. P/C Industry		**$98,904,060**	**4.8**	**100.0**	**100.0**	**100.0**	**72.7**	**74.6**	**52.8**	**14.6**

Note: Data for some companies in this report has been received from the NAIC.
Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK – State/Line (P/C Lines) - P/C, US; Data as of: September 23, 2019

U.S. Homeowners Multiple Peril - 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	211	$1,741,937	1.8	2.9	64.0	0.9	21.4	78.6	State Farm Group	28.2	Alfa Ins Group	13.5
AK	50	50	93	171,663	0.2	4.5	60.8	0.4	9.1	90.9	State Farm Group	32.2	USAA Group	18.8
AZ	25	25	228	1,687,244	1.7	4.8	62.7	1.5	25.3	74.7	State Farm Group	18.0	Farmers Ins Group	13.0
AR	31	31	190	941,727	1.0	3.8	66.6	0.9	18.1	81.9	State Farm Group	26.2	Farm Bureau Mutual Ins Co of Arkansas	14.4
CA	3	3	218	8,361,872	8.5	6.7	176.2	3.6	27.1	72.9	State Farm Group	17.6	Farmers Ins Group	16.0
CO	12	13	206	2,486,828	2.5	9.0	128.0	1.5	19.7	80.3	State Farm Group	20.1	USAA Group	11.3
CT	26	26	205	1,526,118	1.5	2.8	68.2	1.6	52.1	47.9	Liberty Mutual Ins Cos	10.8	Chubb INA Group	10.4
DE	45	45	174	283,058	0.3	6.3	54.0	1.2	27.9	72.2	State Farm Group	25.2	Liberty Mutual Ins Cos	11.5
DC	51	51	140	166,369	0.2	3.9	72.2	2.0	45.4	54.6	State Farm Group	22.3	Travelers Group	19.7
FL	1	1	237	9,632,577	9.7	5.0	103.6	7.5	81.3	18.7	Universal Ins Hldgs Group	9.8	State Farm Group	6.9
GA	7	7	267	3,346,785	3.4	6.9	74.9	1.2	25.6	74.5	State Farm Group	26.7	Allstate Ins Group	12.1
HI	42	42	98	399,064	0.4	4.0	47.3	1.4	51.3	48.8	State Farm Group	31.1	Heritage Ins Hldgs Group	13.3
ID	43	43	164	386,963	0.4	9.2	98.6	1.3	25.2	74.8	State Farm Group	15.1	Liberty Mutual Ins Cos	13.7
IL	5	5	292	3,719,689	3.8	4.5	66.8	1.4	20.7	79.3	State Farm Group	33.1	Allstate Ins Group	12.0
IN	18	18	241	1,990,281	2.0	4.5	47.6	0.9	31.8	68.2	State Farm Group	25.3	Liberty Mutual Ins Cos	8.1
IA	33	33	216	811,406	0.8	3.6	67.0	0.8	28.5	71.5	State Farm Group	26.0	Nationwide Group	12.2
KS	29	29	201	1,205,261	1.2	3.8	41.3	0.5	20.6	79.4	State Farm Group	21.5	Amer Family Ins Group	15.3
KY	28	28	205	1,217,016	1.2	4.1	49.7	1.0	21.9	78.1	State Farm Group	23.7	KY Farm Bureau Group	22.4
LA	19	19	203	1,907,119	1.9	2.4	35.0	1.1	37.1	62.9	State Farm Group	26.5	Allstate Ins Group	11.2
ME	39	39	178	432,543	0.4	3.3	38.3	0.6	49.4	50.6	State Farm Group	12.0	Liberty Mutual Ins Cos	11.4
MD	20	20	215	1,841,929	1.9	4.9	91.4	1.5	35.1	64.9	State Farm Group	18.1	Allstate Ins Group	11.8
MA	13	12	252	2,460,803	2.5	4.0	44.7	1.6	74.2	25.8	MAPFRE North America Group	13.3	Liberty Mutual Ins Cos	10.3
MI	9	9	187	2,847,213	2.9	3.1	50.6	1.0	38.6	61.4	State Farm Group	16.4	Auto-Owners Ins Group	14.9
MN	15	15	224	2,188,417	2.2	4.1	58.5	0.7	27.7	72.3	State Farm Group	25.4	Amer Family Ins Group	14.5
MS	30	30	176	990,884	1.0	2.4	41.2	0.7	16.2	83.8	State Farm Group	26.1	Southern Farm Bureau Cas Group	16.0
MO	16	16	221	2,130,092	2.2	4.8	44.5	0.6	14.7	85.3	State Farm Group	25.3	Amer Family Ins Group	15.3
MT	44	44	147	352,551	0.4	6.8	51.2	1.3	19.2	80.8	State Farm Group	24.3	Liberty Mutual Ins Cos	16.7
NE	34	34	186	772,065	0.8	6.0	51.6	0.4	26.5	73.5	State Farm Group	24.2	Farmers Mutual Ins Co of NE	11.3
NV	35	35	198	620,692	0.6	6.9	52.8	1.8	23.0	77.0	State Farm Group	19.8	Farmers Ins Group	14.2
NH	40	40	179	420,199	0.4	3.3	46.1	0.9	43.0	57.0	Liberty Mutual Ins Cos	14.4	State Farm Group	9.9
NJ	10	10	261	2,767,524	2.8	3.0	55.9	1.8	40.2	59.8	State Farm Group	10.7	NJM Ins Group	10.0
NM	37	37	170	547,015	0.6	6.5	64.9	1.0	20.0	80.0	State Farm Group	20.0	Farmers Ins Group	17.8
NY	4	4	293	5,427,513	5.5	2.1	55.9	1.8	53.8	46.2	Allstate Ins Group	14.1	State Farm Group	13.1
NC	11	11	220	2,710,120	2.7	5.7	94.0	1.3	33.3	66.7	State Farm Group	17.8	NC Farm Bureau Ins Group	12.2
ND	47	47	158	218,605	0.2	4.2	43.3	0.6	28.2	71.8	State Farm Group	15.7	Amer Family Ins Group	12.2
OH	8	8	280	2,970,685	3.0	3.6	45.9	1.1	39.0	61.0	State Farm Group	20.9	Allstate Ins Group	10.9
OK	24	24	201	1,706,404	1.7	3.8	35.6	0.9	16.8	83.2	State Farm Group	28.1	Farmers Ins Group	16.9
OR	32	32	186	868,227	0.9	7.0	46.4	1.1	17.9	82.1	State Farm Group	22.1	Farmers Ins Group	15.8
PA	6	6	297	3,424,268	3.5	2.8	59.2	1.9	40.7	59.4	State Farm Group	17.7	Erie Ins Group	15.5
RI	41	41	178	419,521	0.4	5.2	56.6	1.5	39.9	60.1	Amica Mutual Group	16.3	Allstate Ins Group	12.4
SC	22	22	238	1,772,395	1.8	4.7	42.0	1.0	40.6	59.4	State Farm Group	20.4	Allstate Ins Group	9.8
SD	46	46	178	261,228	0.3	6.4	73.9	0.8	34.0	66.0	State Farm Group	19.9	Amer Family Ins Group	11.4
TN	17	17	227	2,101,110	2.1	4.8	46.8	1.0	22.7	77.3	State Farm Group	23.8	TN Farmers Ins Cos	19.5
TX	2	2	273	9,447,668	9.6	6.8	44.8	1.2	29.1	70.9	State Farm Group	19.6	Allstate Ins Group	13.1
UT	36	36	184	568,442	0.6	7.3	59.9	1.6	29.8	70.3	State Farm Group	17.0	Farmers Ins Group	12.2
VT	49	49	160	206,220	0.2	3.4	42.3	0.7	56.8	43.2	Liberty Mutual Ins Cos	12.3	VT Mutual Group	12.2
VA	14	14	251	2,344,935	2.4	5.1	78.3	1.1	30.9	69.1	USAA Group	17.8	State Farm Group	17.5
WA	21	21	200	1,830,721	1.9	6.2	53.5	1.2	25.1	74.9	State Farm Group	17.0	Liberty Mutual Ins Cos	13.7
WV	38	38	161	457,818	0.5	3.3	64.0	1.3	37.9	62.1	State Farm Group	25.3	Erie Ins Group	18.9
WI	27	27	256	1,484,980	1.5	4.6	52.1	0.9	42.0	58.0	Amer Family Ins Group	21.3	State Farm Group	16.4
WY	48	48	148	210,760	0.2	5.0	127.3	1.0	14.4	85.6	State Farm Group	21.9	Farmers Ins Group	17.5
Guam	53	54	14	18,862	0.0	48.1	13.4	1.4	95.6	4.4	Chung Kuo Ins Co, Ltd GUB	32.2	Amer Intl Group	25.1
Puerto Rico	52	52	22	75,739	0.1	-0.7	-73.6	26.9	99.2	0.9	Universal Ins Group of Puerto Rico	49.0	MAPFRE North America Group	39.1
U.S. Virgin Is.	54	53	18	16,773	0.0	-17.3	525.5	5.9	98.5	1.5	Underwriters at Lloyd's, London (VI)	67.5	MAPFRE North America Group	16.6
Canada	57	57	10	54	0.0	447.0	-99.9	-99.9	0.0	100.0	FM Global Group	102.4	Hartford Ins Group	0.0
Other	55	55	27	5,931	0.0	-43.5	30.2	-60.4	100.0	0.0	Amer Intl Group	55.4	Chubb INA Group	44.4
N. Mariana Is.	56	56	6	175	0.0	-1.7	256.1	69.9	100.0	0.0	First Net Ins Co	35.9	DB Ins US Group	30.7
Grand Total			**1,084**	**$98,904,060**	**100.0**	**4.8**	**72.7**	**2.1**	**37.1**	**62.9**	**State Farm Group**	**18.4**	**Allstate Ins Group**	**8.4**

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: September 23, 2019

Homeowners Insurance

Photo by AM Best

Unearthing History

Homeowners insurance policies help guide archeological discoveries at James Monroe's Highland estate in Virginia.

by Kate Smith

When Sara Bon-Harper took over as executive director of James Monroe's Highland estate in 2012, she knew something was missing—part of the Founding Father's house.

That knowledge came from Monroe's homeowners insurance policies.

"One set of information that researchers in the fields of archeology and archeological history often use is historic insurance documents," Bon-Harper said. "There was an awareness that a portion of a building, if not an entire building, was missing. And we know that, in part, because of the three Mutual Assurance sketches from 1800, 1809 and 1816."

The fifth president of the United States moved to Highland in 1799 and took out a homeowners policy on the property with the Mutual Assurance Society, which still exists today as the Mutual Assurance Society of Virginia. The Mutual Assurance Society also insured Thomas Jefferson's Monticello, just two miles down the road from Highland, as well as the home of Harry Lee, Revolutionary War leader and father of Civil War General Robert E. Lee.

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

REVISING HISTORY: Historians long believed this small dwelling (opposite) was part of a two-wing home depicted in James Monroe's homeowners insurance policies. In 2016, archeologists found remains of the main house, which was destroyed by fire, and learned this white structure was a guest house built in 1818.

Monroe's homeowners policies include hand-drawn sketches of his dwelling, which included two wings constructed of wood and brick.

The larger wing is believed to have been destroyed by fire after Monroe's death. It was long believed that a modest white dwelling that still stands at Highland was the smaller wing of the original 1799 home. The small white building is attached to the rear of a Victorian era home.

"We had long understood that that smaller white building was a part of the original main house," Bon-Harper said.

Questions surrounded that theory, though, due to conflicting newspaper accounts. One newspaper claimed Monroe's former home was partially burned while another said it was entirely burned.

"The two stories coexisted and there was a somewhat confused history that was inconsistent for the last 180 years or so," Bon-Harper said. "So those questions remained, and the insurance documents were a key point in saying, 'Absolutely, Monroe's original house from 1799 had two main rectangular pieces.'"

Additional research, which included tree-ring dating of the wood used in construction, revealed that the little white house was neither of the wings referenced in Monroe's homeowners policies. Instead, it was a separate guest house built in 1818.

William & Mary University, which owns Highland, excavated the property in hopes of finding Monroe's original 1799 home. Three years ago, it uncovered foundation walls, pottery and other remains of the original house, located in front of the Victorian house that stands today.

While the excavation wasn't meant to confirm what was listed on the insurance documents, Bon-Harper said the documents did provide a guide for researchers.

"We were informed by the documents as to how big the building should be," she said. "We were able to confirm in some senses that the building did conform to what we had on paper, more or less. There was enough similarity that directed us toward the conclusion that absolutely that was the 1799 main house.

"The real linchpin for that, though, was the tree-ring dating of the standing house, which told us that was from 1818 rather than 1799."

While Highland has no plans to build a replica of Monroe's 1799 house, Bon-Harper said there are plans to continue archeological research on the site. The Victorian house was built over part of the original structure, and Bon-Harper is eager to find out more about the portion of Monroe's home that lies beneath. If the 1809 policy is accurate, they could uncover a kitchen cellar.

> "One set of information that researchers in the fields of archeology and archeological history often use is historic insurance documents."
>
> **Sara Bon-Harper**
> **Executive Director of James Monroe's Highland Estate**

"The 1809 document says there's a stone kitchen cellar, 34 feet by 16 feet. That's one wing," Bon-Harper said. "One person said that in 1809. I'm never going to take one person's word on this from a document. I'm going to verify it."

Bon-Harper said Monroe's insurance policies have been very useful in Highland's research, but they are also a clear example of why additional verification is needed.

"The interesting thing about the series of three insurance documents that Monroe had here is that the sketches on those documents are not entirely consistent," Bon-Harper said. "The sketches themselves, therefore, can't all be accurate."

While all three policies show two wings of a home, the 1800 and 1809 policies show the smaller wing located on opposite sides of the larger wing. The 1816 policy, meanwhile, shows two wings of equal size.

"It's a really good lesson of how we use these documents," Bon-Harper said. "We have to take them as one source of information, but there has to be an independent source of information as well. We can't just accept them, but they are often a really important part of our research strategy." BR

From Reactive

Hippo's McCathron: Technology allows homeowners insurers to care for policyholders before and after natural disasters strike.

by Kate Smith

Last November's Camp, Hill and Woolsey wildfires caused more than $12 billion in insured losses. But for Hippo, an MGA offering homeowners insurance, the work of helping California policyholders began before the fires even reached them. Rick McCathron, chief insurance officer at Hippo, said insurers can use technology to assist policyholders both before and after disasters.

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

McCathron spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas.

How can technology help homeowners before an event happens?

The real focus from anybody that provides homeowners insurance is they want to make sure that the customer's well taken care of. Over the years, it's usually been very reactive. It's been a reactive result to something that occurred.

At Hippo and other modern insurtech providers, what we're trying to do is be proactive. We work

to Proactive

with various data sources to identify when an exposure is about to happen, when the claim is about to happen, and then reach out to our policyholders to make sure that they are well taken care of, even before they have a claim.

That is a differentiator, I think, of what technology can provide.

What kind of data sources are you using to figure that out?

We have automatic, real-time feeds with various weather providers, weather bureaus, with California Fire in the event of wildfire. The second we know the path of a storm or where a fire has popped up, we do an overlay with all of our customers. Then, we use an algorithm to determine which of those customers are in harm's way.

We reach out to those customers proactively, letting them know that there's an event on the way or an event that's popped up. Then we give them our advice of how they should handle their family, their property, what they should do to protect themselves.

Is that a phone call? Is it a text message? An email? How are you communicating with them?

A little of everything. We reach out to them electronically via email and text message. But we also take time to have our claims concierge pick up the phone, old fashioned. This is an empathetic approach. These are our customers. This is their most valuable asset.

More importantly, it's their home. It's where they raised their families. It's where they have their memories.

We want to make sure that we reach them and we let them know what's happening, what they can expect. If they need help making a hotel reservation because they're in evacuation, we'll do that for them.

Do they have pets? Do we need to make a reservation at a wag hotel or a dog hotel? Everything that we can do proactively—that involves, from our perspective, an empathetic human touch, which is a physical phone call.

Do customers want to hear from their insurer when something's about to happen?

The response from our customers has been overwhelming. They are very excited because they didn't know what to expect. They didn't know what they needed to do. We let them know what to expect.

They're very appreciative. Oftentimes they're trying to figure out, "Do I have coverage if I have to go stay in a hotel? Is there coverage for that?"

We're taking all of that uncertainty out of the mix. Then, we text them our claims concierge contact information. That concierge is assigned to them. They are available 24/7 during the entire process. If they need to call their claims concierge at 2 in the morning—maybe they said they didn't want the hotel but they need it now because they decided to evacuate—we stand ready to assist them. The response has been overwhelmingly positive.

> "We work with various data sources to identify when an exposure is about to happen, when the claim is about to happen, and then reach out to our policyholders to make sure that they are well taken care of, even before they have a claim. That is a differentiator, I think, of what technology can provide."

Is there a way to use those data sources in terms of first notice of loss? Do you know they've had damage before they even call?

Yes, absolutely. There's a whole host of imagery, of data sources that we can use. More importantly, it's making sure that the customer is connected to you through that entire process.

We don't just call them at one particular time. We call them throughout the process, not in an intrusive way of trying to add stress to their lives, but removing it.

In California, when the wildfires hit last year, we were fortunate. Not a lot of our customers actually had wildfire claims, but a lot of them had smoke damage because they were close. They weren't even sure if that was covered for them.

We want to make sure that we let them know all the different aspects of protection that we provide.

When you're doing something like that, what kind of pressure does it put on your own resources? Are you staffing up or do you have enough people available who can handle the amount of communications you're going to have to put out?

We generally use our own people.

What we do is we take people off our sales queue to reach out to these customers proactively to make sure that they are well taken care of. I would rather not sell a single policy for a month if I can help one customer alleviate a challenge.

Thus far, we've been able to support the volume quite well and quite extensively, but we have significant plans in the event that we are just overwhelmed on how we can still provide the same level of service, the same level of communication with partners.

In these types of situations, do you have the autonomy to be going outside of the carriers that you work with to be having these interactions?

Yes, we do. We have some contractual requirements where we have to make sure the carrier is aware of what's going on. We have full claims authority to make sure that the customers are taken care of.

Even if one of our carrier partners decided it may be something they weren't comfortable paying, Hippo would go ahead and take the responsibility of that. Because, at the end of the day, the expectation of the modern consumer is much more of a proactive partnership, less of an insurance company telling the customer: "This is the way that you're going to handle this." BR

AMBestTV

Go to *bestreview.com* to watch the interview with Rick McCathron.

The Bitter Truth About Sugar

Praedicat's Reville: Will sugar join the insurance risk hot list?

by Meg Green

Potential mass litigation over sugar, air pollution and prescription antibiotics could rival lawsuits against companies in the opioids supply chain, said Bob Reville, CEO of data analyst Praedicat.

He spoke with AMBestTV at Les Rendez-Vous de Septembre conference in Monte Carlo, Monaco.

Following is an edited transcript of the interview.

Les Rendez-Vous de Septembre

The following stories—pages 59 – 64 are excerpts from AMBestTV coverage of the event.

You specialize in casualty risk. What do you see as the next asbestos?

This year at Monte Carlo what we're talking about is that really the issue is not about the next asbestos, [but] that we're more worried about the next opioids. As you may know, right now, there is a large-scale mass litigation happening in the United States, where there is concern about the public health impact of opioids.

Some 55,000 people a year are dying as a result of opioids addiction. States, counties, cities and tribal nations are all bringing over 2,000 suits right now to recover the health costs and other sorts of costs associated with the opioids crisis.

This is interesting also, because it's not just lawsuits against the opioids manufacturers, but it's against the distributors and also the retailers. The size of it, in our estimate, could be in the tens of billions of dollars.

Though, because most of the pharmaceutical companies don't buy insurance, there's not likely to be a large insurance footprint. Nonetheless, it creates very important legal precedents. We see other types of similar public health issues with a strong commercial driver that could result in similar types of government mass litigation.

For instance, we see the potential for something like an antibiotics overprescription mass litigation. Deaths from antibiotic resistance in the United States

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

"Our No. 1 issue that we're concerned about is the potential for there to be a government-driven sugar litigation. The local governments have been the largest driver in the United States of things like trying to reduce supersizing or the sale of sugar-sweetened beverages in schools."

Bob Reville
Praedicat

or illnesses that result from antibiotic resistance are now as much as 39,000 people per year.

It's growing every year. It wouldn't be long before it's a public health issue on the scale of opioids. A mass litigation, where counties and states were all looking to have recovery of the medical expenses associated with that could easily result in a mass litigation and tens of billions of dollars as well.

What's interesting about it also, or concerning, is that it would also involve agriculture, where there's heavy use of antibiotics, and where many of the firms are covered by insurance. The insurance impact of a litigation like this would be larger.

We're also looking at the potential for, in light of potentially the federal government reducing air pollution, and a lot of science around the impact of diesel on cardiovascular disease or on things like developmental injury.

That a litigation, where counties, cities, or states were to try to recover those types of health expenses, that also could be tens of billions of dollars and a larger industrial footprint that is covered by insurance.

Finally, our No. 1 that we're concerned about is the potential for there to be a government-driven sugar litigation. The local governments have been the largest driver in the United States of things like trying to reduce supersizing or the sale of sugar-sweetened beverages in schools.

If they were to instead pursue that as a government litigation, you could easily have tens of billions of dollars of damages sought by these governments to cover the health care expenses of obesity, which incidentally, according to the CDC, results in over 100,000 deaths per year in the United States.

This would also be an almost entirely insurance-covered litigation, if the bodily injury were found to be covered by insurance and covered on the occurrence form as well. It could be a very large insurance footprint, indeed.

Would they have to prove some sort of blame? For opioids, there's an attempt to prove that they knew that people would get into trouble, being prescribed opioids. Would that same situation arise with sugar?

I think, in sugar, first of all, there has been a lot of bad press lately about the fact that sugar manufacturers, the sugar industry, was involved in trying to shape the public perception in the United States that it was fat that was driving the obesity crisis.

In fact, it was the sugar the whole time. The argument is that they knew. Whether that would actually be what was found in the litigation would obviously have to play out in the litigation. There also is a lot of science these days around the idea that sugar may be addictive.

Interestingly, if you were to look at the scientific literature and do a query that looks for sugar and obesity—if you did it 10 years ago, and also added to the query addiction, you'd find that there were no hits.

If you did that today, it's about 25%. Scientists are investigating that not only is obesity caused by sugar, but it also might be addictive. Then there may be manipulating of ingredients to cause people to want to consume more of the sugar products.

All of that really makes it convincing as a potential next tobacco. There also is a next tobacco, and that is opioids. The next question is what's next after opioids? That's why we'd say sugar is the next opioids. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Bob Reville.

POWERFUL STORM: Typhoon Jebi brought high winds, waves and heavy rain to Japan's Wakayama Prefecture in September 2018. Jebi caused an estimated $16 billion in losses for insurers. Cat bonds, collateralized reinsurance vehicles and ILS funds were impacted by the storm.

AP Photo/Yomiuri Shimbun

ILS Market Calms After Storms

Hannover Re executive says the hype over insurance-linked securities is over.

by Meg Green

After years of hype, the market for insurance-linked securities is moving toward a "kind of normality," said Henning Ludolphs, managing director at Hannover Re.

Ludolphs spoke with AMBestTV at Les Rendez-Vous de Septembre in Monte Carlo, Monaco.

Following is an edited transcript of the interview.

How would you describe the ILS market today?

I would say it's getting to a kind of normality after the last couple of years where we've had an almost ILS hype. The hype is more or less gone. It's probably going on to startups and digitalization. ILS is getting a normal part of the overall business.

So, yes, people are experiencing losses two years in a row. They're experiencing that losses go up, like with Typhoon Jebi. But, this is also part of the business, and so it's normal. Also, I think it's not unusual so many may leave the market, but others will come in.

How has the ILS market responded to those losses and the trapped capital aspect?

Of course, this is also a bit of a new experience for some of them. I would say most of investors accept this as a part of the business. They knew it before. It was part of the contracts. Others may try to rethink it. Can we maybe negotiate terms

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

“The hype is more or less gone. It’s probably going on to startups and digitalization. ILS is getting a normal part of the overall business.”

Henning Ludolphs
Hannover Re

for the future? I don’t see that the trapped capital point will change the market dramatically. It’s part of the business.

What do you see happening in the future with ILS?

Probably getting a bit more through cycles as reinsurance does. As we see currently, it’s probably 5% to 10% less money in the market than we had two years ago. I’m sure this money will come back early or later, clearly depending on how the rest of this year goes.

This is a normal way in long-term. I’m sure ILS, first of all, plays a major role in the business. Secondly, it will also draw. It will draw because for investors, it is simply good to have something which is not that correlated with other financial markets. If interest rates go up or down, it doesn’t cause an earthquake.

It’s a very simple thing, but this is really the major thought behind us all. In the long-term, there will be more need for reinsurance coverage, in particular, property catastrophe. We would have more catastrophes. We have larger ones. There are lots of people in the world who haven’t bought insurance yet, a protection gap. This all will lead to more requirements for catastrophe reinsurance, which benefits the reinsurers and ILS.

In the long-term, I think more money will come in.

Hannover Re was one of the first to market with the cat bond in 1994. How have you seen the industry evolve since then?

The first 10, 15 years were more quiet. Then, it started to become bigger in 2005-2006 until there was a disruption, which was the Lehman [Brothers] crisis and investors disappeared. Since then, money came back, but we had some structural changes. In those days, there were more investors who came from all sorts of parts of the world.

Then, we have now the ILS managers, specialized people, knowledgeable, and they invest money on behalf of others.

There was a structural change in 2008, but also, I believe 2008 has shown the relevance and the value of ILS because ILS was almost the only asset class which was fairly stable, whereas all others went down dramatically.

I’m convinced that a lot of people looked at it and said, “Oh, wow. You should put a bit of money into this little ILS market,” which happened. Since then, more or less, it obviously went up. Now, we have a little bit of a curve down, but that’s fine.

Do you see it expanding more into liability in the future?

I am skeptical. You may think about nice ideas, how to do it via parametric covers, blending a reinsurer with an ILS investor. I’m skeptical because it takes longer until you know whether you have a loss or not. There needs to be capital put behind it, which doesn’t have enough premium to earn a decent interest every year.

I’m skeptical. I don’t believe this is in the next couple of years. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Henning Ludolphs.

'A Win-Win Situation'

Phoenix CRetro Re CEO: Sovereign cat bonds offer important protections for infrastructure projects such as China's Belt and Road Initiative.

by Meg Green

Kirill Savrassov, chief executive officer of Phoenix CRetro Re, says the reinsurer's foray into sovereign catastrophe bonds is a win-win solution for governments in earthquake-prone regions, where insurance penetration has been historically low. He spoke with AMBestTV at Les Rendez-Vous de Septembre in Monte Carlo, Monaco.

Following is an edited transcript of the interview.

You're a Bermuda insurance-linked securities-based specialist. Can you tell us what projects you're working on right now?

The key project we have at the moment is the introduction of sovereign catastrophe bonds to the government of the ECIS [Europe and Commonwealth of Independent States] region, which we do in association and in partnership with the United Nations Development Programme, and we have very good partners in them because these questions have very serious implications for that particular region.

Due to some historical reasons, insurance penetration stands at a very low level, and unfortunately, insurance does not play an important role for the government if some really devastating event happens. However, this region and these territories historically have been prone to serious catastrophic events like earthquakes, for example.

Why is the ILS program needed there?

Unfortunately, insurance didn't develop to the level where it can be a proper relief instrument

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

> "What is most important is over the last decade, private markets developed some instruments which can be really instrumental and really successful for the transfer of catastrophic risks at the sovereign level."
>
> **Kirill Savrassov**
> Phoenix CRetro Re

at the state level. What is most important is over the last decade, private markets developed some instruments and private markets do have some expertise, which can be really instrumental and really successful for the transfer of catastrophic risks at the sovereign level.

How does it relate to the China's Belt and Road Initiative?

That is also very important because even without it yet being implemented, there is no doubt that the Belt and Road Initiative is one of the largest infrastructure projects in mankind's history. However, when leaving China on the way to Europe, it passes through some, probably the most, earthquake-exposed territories of the world.

Having large infrastructure investments in these territories, the problem is if something happens, and it has happened ... I mean like when Tashkent [the capital of Uzbekistan] was 80% demolished in the 1966 earthquake. If that happens, it has also a very important implication not only for physical damage for those infrastructure bits, but also it has some very important contingent business interruption consequences.

Even now, there are more than 10,000, in fact 13,000, trains traveling from China to Europe on this route at the moment. You can imagine what would happen if a large earthquake demolished even five kilometers of the railways. That's really important and in the interest of not only China investing into the project, but for those transit countries, who very much rely on participation on Belt and Road as a reorientation to the West.

It's really important to use some form of infrastructure protection. Things like critical infrastructure, for example the railways, they do not belong to private individuals. They belong to the state. It's a natural state responsibility actually to repair this.

Instruments like catastrophe bonds—based on the big success of other territories like Latin America, for example, like the Caribbean Insurance Facility, like African Risk Capacity—can be really implemented in that territory and work for real critical protection. It's a win-win situation, and it's a win-win partnership.

What is very important is collaboration between international agencies like the United Nations, for example, and the private market because the private market does have a solution and people like the United Nations Development Programme, they do have a capability to introduce these principles at the governmental level.

This is not a little project. This is a systemic protection of critical infrastructure, which helps very much in case of a really big earthquake, for example. BR

AM BestTV

Go to *bestreview.com* to watch the interview with Kirill Savrassov.

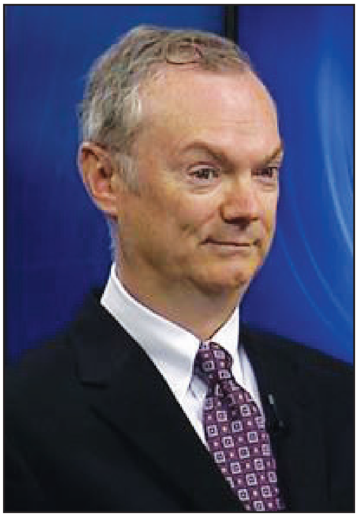
A Look at Innovation

AM Best director's overview of updated innovation criteria.

by John Weber

Steve Irwin, managing director of Credit Ratings Criteria, Research and Analytics, provides an overview of the updated innovation criteria released by AM Best. AM Best held a second comment period for the innovation criteria draft, releasing an update to Best's Credit Rating Methodology and issuing a Best's Commentary that will cover some of the changes.

Following is an edited version of the transcript.



Steve Irwin

The criteria was released earlier this year in March and went through a comment period. What's happening right now?

One thing we certainly learned through this journey and process is that it reinforces our opinion that innovation is certainly important to the industry. That's something that was shared with us through the comment period.

What's happening now is we're having a second comment period for the scoring and assessing innovation criteria draft. We're also accompanying that, simultaneously releasing an update to Best's Credit Rating Methodology.

Finally, we're also issuing a Best's Commentary, which will talk about some of the changes that are occurring within both the scoring and assessing of innovation criteria, as well as the Best's credit rating methodology.

[Comment period closed October 31, 2019.]

Either as a result of those comments or other reasons, what are the major updates to the draft?

Let's talk about the things that aren't changing first, then we'll talk about some of the things that are changing. If you look at some of the core components of the criteria that are not changing, that includes the definition of criteria.

We certainly received input from commenters talking about their own definition of innovation, but we feel our definition of innovation is appropriate in terms of focusing on while technology plays a non-trivial role, innovation itself is not just about technology.

We also looked at the formula for innovation, which continues to be the same. It's the sum of the innovation inputs, as well as some of the innovation output scores.

Finally the subcomponents of innovation are also not changing. The input components of leadership, culture, resources, and process and structure remain the same, as well as outputs, which are results and the level of transformation.

Those things remain consistent.

What is changing is that we indicated in our initial draft that we were publishing the innovation scores. We're not publishing the innovation scores at the time of the release. That is certainly a change.

We also looked at the innovation assessment descriptors, which in the first draft of the criteria were non-innovator, reactor, adopter, innovator and innovation leader. And it moved away from

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

"As part of its building block profile, AM Best will consider whether a company's innovation efforts have had an impact on its financial strength and considers a company's innovation relative to its particular circumstances. It really depends on the context of the company's particular circumstances if there is going to be an impact on the rating."

Steve Irwin
AM Best

that perspective and looked to an assessment of the innovation abilities.

So those assessment descriptors will now be minimal, moderate, significant, prominent and leader.

We also looked to try to find some points of clarification which we go through in the criteria. Throughout the document, we did make clarifying comments. An example of that is that within the actual culture subassessment we don't expect companies to actually change their mission statement to explicitly include innovation.

We also provided some clarifying elements within the culture and leadership sections, as well.

Finally, within the Best's Credit Rating Methodology, the BCRM, I indicated we will be updating that, as well. What we're doing there is incorporating innovation as the ninth element of the business profile subassessment.

That joins market position, degree of competition, distribution channels, pricing sophistication, and data quality, management quality, product and geographic concentration, product risk, and the regulatory events, markets and country risk.

Will the update impact ratings?

It's important to have a distinction between the innovation score and the impact within the BCRM. All rated companies will be scored and then given innovation ability assessments.

That's an absolute assessment of a company's level of innovativeness. As part of its building block profile, AM Best will consider whether a company's innovation efforts have had an impact on its financial strength and considers a company's innovation relative to its particular circumstances.

It really depends on the context of the company's particular circumstances if there is going to be an impact on the rating.

We expect that if the rapid pace of innovation continues, it will serve as a leading indicator for a company's financial strength. However, at the time of the release we are not anticipating that any ratings will be impacted.

You mentioned the end of the commenting period. What happens after that?

The commenting period [closed] on October 31, 2019. We will go through the same process we went through in terms of the first comment period, which is we'll be reviewing comments that are received and need to see if there's a need to update the criteria to reflect any comments that were received, as well. Internal as well as external.

It's the same process we go through for any new criteria that's developed. The process is that we expect it to take effect in the first half of 2020, both the updates to the BCRM as well as the scoring and assessing innovation criteria. As always, that is comment dependent.

As you mentioned, we don't plan on publishing individual company assessments. However, we are looking at looking at a special report which will provide an industry level review of the innovation assessments. We will continue to have dialogue with companies as we go through this process to talk about their innovation efforts. BR

AMBestTV

Go to *www.bestreview.com* to watch the interview with Steve Irwin.

Dealing With Change Today, Artificial Intelligence Technologies

AM BestWebinars

An AM Best webinar explores why developing innovative solutions early is smart business strategy and how AI is transforming the insurance industry.

On Demand

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. (Now available.).

Transforming Business By Integrating Data Into SaaS Core Systems

As property/casualty insurance carriers look to upgrade their core insurance systems, one key requirement is being able to integrate the increasing number of data sources and services required for the processing of insurance. (Now available.)

State of the Surplus Lines Market

A panel of industry leaders in the surplus lines sector of the U.S. insurance market reviews the market and discusses 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.)

Streaming Live

Developing Innovative Solutions: Addressing the Trends Of Tomorrow Today

From the sharing economy to extreme weather, the insurance industry is dealing with transformational change. A panel of insurance experts will explore why developing innovative products and solutions now, to address tomorrow's trends, can be a smart business strategy. Case studies will highlight new product development in key areas including home sharing and natural disasters. Tuesday, Nov. 5, 2 p.m. ET

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- Best's Impairment Study 2018
- How Drones, Satellites and Aerial Data-Gathering Are Remaking Claims
- State of the Cyber Insurance Market
- State of the Caribbean Insurance Markets
- How MGAs are Leveraging Insurtech To Transform Operations and Drive Business

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Market Dynamics Among the Topics At InsureTech Connect

AMBestTV reports on the InsureTech Connect conference in Las Vegas, which brought leaders of technology startups together with insurers and brokers. AMBestRadio discusses the need to update life insurance policies.

On Demand

AM Best's Holzberger and Gillard: Innovation Is More Than Words

Stefan Holzberger, chief rating officer, and Jim Gillard, executive vice president and chief operating officer at AM Best, said AM Best's revised rating criteria is aimed at a broad range of innovation assessments. Holzberger and Gillard spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas. (Sept. 26, 2019)

Jim Gillard, left, and Stefan Holzberger

Markel's Whitt: 'We're All In on ILS'

Richard Whitt, co-chief executive officer, Markel, said the organization has expanded its access to capital markets because peak risks are better handled via broader venues. Whitt spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas. (Sept. 23, 2019)

Richard Whitt

Allstate's Shapiro: Don't Guard Against Disruption, Lean Into It

Glenn Shapiro, president of personal lines, Allstate, said insurers have been shielded from early disruption by the industry's complexity, but have the opportunity to apply technologies to disrupt themselves. Shapiro spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas. (Sept. 23, 2019)

Glenn Shapiro

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

Thriving Wholesale, Specialty Sectors Draw Insurers to WSIA Event

Attendees to the Wholesale and Specialty Insurance Association's largest gathering of the year, held in San Diego, said the surplus lines sector supports its growth by focusing on new risks and coverages. (Sept. 23, 2019).

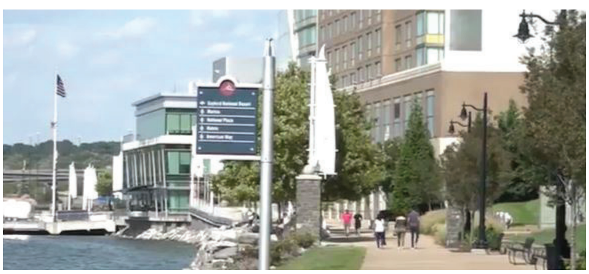
Lloyd's Watkins: Blueprint Outlines the Market's Future

Hank Watkins, president, Lloyd's North America, spoke with AMBestTV in San Diego at the 2019 WSIA Annual Marketplace conference, prior to the Sept. 30 release of the Future of Lloyd's blueprint. He said three pillars of the blueprint are new approaches to claims, exchanging risk and quicker syndicate creation. (Sept. 30, 2019).

Hank Watkins

Mutuals Look to Link Small-Town Values With Big-Time Tech

Attendees to the National Association of Mutual Insurance Companies' annual convention held in National Harbor, Maryland, said insurtechs are bringing new service and product opportunities, helping insurers meet the expectations of today's prospects and policyholders. (Sept. 24, 2019)



Time to Review Life Insurance Needs; Protect Business from Wildfires

Industry experts talk with AMBestRadio about reviewing life insurance needs and what businesses should do to protect themselves and employees in case of wildfires.

Time to Review Life Insurance Needs

Brad Hearn, president of Prudential Advisors, explains it's the perfect time for consumers to review their life insurance needs.

The Changing Risk of Wildfire

Loretta Worters, vice president of media relations for the Insurance Information Institute, discusses the increased risk of wildfires and what businesses must do to protect themselves and their employees from this peril.

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

U.S. Property/Casualty - 2018 Asset Distribution

Ranked by 2018 total admitted assets.

($ Millions)

2018 Rank	2017 Rank	Company/Group	AMB#	Nonaffiliated Bonds	% of Assets	Nonaffiliated Common Stocks	% of Assets	Affiliated Bonds & Stocks	% of Assets	Cash & Short-Term Investments	% of Assets	Total Admitted Assets	Gross Yield on Invested Assets 2018	2017	2016
1	1	Berkshire Hathaway Ins	000811	$8,524	2.7	$157,435	49.2	$21,779	6.8	$50,123	15.7	$320,224	4.1	3.7	3.7
2	2	State Farm Group	000088	99,468	52.0	53,682	28.0	14,098	7.4	3,861	2.0	191,451	2.7	2.9	2.9
3	5	Liberty Mutual Ins Cos	000060	43,771	52.9	1,886	2.3	7,101	8.6	696	0.8	82,738	6.9	2.8	2.8
4	4	Travelers Group	018674	58,873	73.7	102	0.1	1,357	1.7	1,871	2.3	79,901	3.9	3.9	3.9
5	3	Amer Intl Group	018540	43,572	60.2	591	0.8	1,398	1.9	410	0.6	72,344	4.5	4.3	4.9
6	6	Chubb INA Group	018498	47,418	66.0	435	0.6	172	0.2	1,353	1.9	71,865	3.7	4.1	3.2
7	8	Allstate Ins Group	000008	31,765	60.7	2,865	5.5	4,016	7.7	815	1.6	52,362	4.2	5.0	3.1
8	7	Nationwide Group	005987	20,598	40.1	63	0.1	5,848	11.4	567	1.1	51,362	3.4	3.2	3.5
9	9	USAA Group	004080	21,301	43.7	3,731	7.7	11,653	23.9	1,053	2.2	48,721	3.4	4.3	4.0
10	10	CNA Ins Cos	018313	35,125	80.6	148	0.3	670	1.5	679	1.6	43,579	5.6	5.1	5.4
11	11	Hartford Ins Group	000048	26,956	62.6	995	2.3	140	0.3	672	1.6	43,034	4.1	3.9	3.7
12	12	Progressive Ins Group	000780	26,224	61.6	2,480	5.8	684	1.6	971	2.3	42,600	2.9	2.5	2.4
13	13	Zurich Ins US PC Group	018549	19,135	58.5	1,164	3.6	0	0.0	90	0.3	32,728	3.3	3.0	2.9
14	14	Farmers Ins Group	000032	16,642	54.7	387	1.3	3	0.0	649	2.1	30,426	4.3	2.9	2.8
15	15	Tokio Marine US PC Group	018733	18,522	71.2	94	0.4	834	3.2	446	1.7	26,012	4.8	4.6	4.7
16	17	Fairfax Financial (USA) Group	003116	9,052	40.2	991	4.4	2,825	12.6	2,176	9.7	22,508	2.3	1.7	2.4
17	19	Auto-Owners Ins Group	004354	15,095	68.0	2,905	13.1	564	2.5	165	0.7	22,198	3.1	2.7	2.7
18	16	Munich-Amer Hldg Corp Cos	018753	13,788	62.4	95	0.4	92	0.4	1,043	4.7	22,093	2.9	2.3	2.4
19	18	Amer Family/Main Street America Grp	018928	11,733	55.9	2,180	10.4	1,037	4.9	435	2.1	20,985	7.5	3.2	3.0
20	20	State Compensation Ins Fund	004028	19,028	91.6	952	4.6	0	0.0	82	0.4	20,763	3.4	3.4	3.4
21	22	Swiss Reins Group	003262	15,033	73.0	983	4.8	0	0.0	316	1.5	20,606	2.7	2.4	2.3
22	21	FM Global Group	018502	6,710	32.9	6,462	31.6	1,626	8.0	1,495	7.3	20,423	2.1	2.0	2.0
23	23	W. R. Berkley Ins Group	018252	10,948	54.3	452	2.2	1,288	6.4	763	3.8	20,180	6.7	4.9	5.0
24	25	State Ins Fund WC Fund	004029	15,900	82.0	1,418	7.3	0	0.0	160	0.8	19,389	3.1	3.2	3.2
25	24	Alleghany Ins Holdings Group	018640	10,617	55.6	2,847	14.9	922	4.8	1,209	6.3	19,086	2.7	2.7	2.7
		Top 25 Insurers		**$645,797**	**46.2**	**$245,343**	**17.6**	**$78,107**	**5.6**	**$72,102**	**5.2**	**$1,397,579**	**3.9**	**3.5**	**3.5**
		Total U.S. P/C Industry		**$1,054,804**	**51.1**	**$309,605**	**15.0**	**$86,599**	**4.2**	**$103,856**	**5.0**	**$2,065,781**	**3.7**	**3.4**	**3.4**

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

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between September 1 and September 30, 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								
⇅	H	AultCare Health Insuring Corporation *Aultman Health Foundation*	061778	B++ bbb+	Stable Stable	B++ bbb+	Positive Positive	Ohio
⇅	H	AultCare Insurance Company *Aultman Health Foundation*	068111	B++ bbb+	Stable Stable	B++ bbb+	Positive Positive	Ohio
⚑	L	Colonial Life Assurance Company Limited *Edmund Gibbons Limited*	086817	A u a u	Developing Developing	A a	Stable Stable	Bermuda
⇥	H	Dental Care Plus, Inc.* *DCP Holding Company*	064698	NR nr		B u bb u	Developing Developing	Ohio
—	L	Genworth Life and Annuity Insurance Co *Genworth Financial, Inc.*	006648	B bb+	Stable Stable	B+ bbb-	Stable Stable	Virginia
—	L	Genworth Life Insurance Company *Genworth Financial, Inc.*	007183	C++ b	Stable Stable	B- bb-	Stable Stable	Delaware
—	L	Genworth Life Insurance Company of NY *Genworth Financial, Inc.*	060026	C++ b	Stable Stable	B- bb-	Stable Stable	New York
⇅	L	Grange Life Insurance Company *Kansas City Life Insurance Company*	007332	A- a-	Negative Negative	A- a-	Stable Stable	Ohio
⇅	H	Heartland Fidelity Insurance Company	076359	A- a-	Positive Positive	A- a-	Stable Stable	District of Columbia
⇅	L	Kansas City Life Insurance Company *Kansas City Life Insurance Company*	006605	A a	Negative Negative	A a	Stable Stable	Missouri
☑	L	Sagicor Life Insurance Company *Sagicor Financial Corporation Limited*	006057	A- a-	Stable Stable	A- u a- u	Developing Developing	Texas
⊕	L	SSQ, Life Insurance Company Inc. *Fonds de solidarité FTQ*	066903	A a	Stable Stable	A- a-	Positive Positive	Quebec
—	L	Transamerica Financial Life Insurance Co *Aegon N.V.*	007267	A a+	Stable Stable	A+ aa-	Negative Negative	New York
—	L	Transamerica Life Insurance Company *Aegon N.V.*	006095	A a+	Stable Stable	A+ aa-	Negative Negative	Iowa
—	L	Transamerica Premier Life Insurance Co *Aegon N.V.*	006742	A a+	Stable Stable	A+ aa-	Negative Negative	Iowa
⇥	H	Vision Service Plan (OH) *Vision Service Plan (CA)*	064473	NR nr		A u a u	Negative Negative	Ohio
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
⚑	P	21st Century Preferred Insurance Co *Zurich Insurance Group Ltd*	002796	A u a u	Negative Negative	A a	Stable Stable	Pennsylvania
⚑	P	Alaska National Insurance Company *Alaska National Corporation*	002648	A u a+ u	Developing Developing	A a+	Stable Stable	Alaska
⊕	P	Allied Eastern Indemnity Company *ProAssurance Corporation*	012527	A+ aa-	Negative Negative	A a+	Stable Stable	Pennsylvania
⇅	P	Arbella Indemnity Insurance Company *Arbella Mutual Insurance Company*	011661	A- a-	Positive Positive	A- a-	Stable Stable	Massachusetts
⇅	P	Arbella Mutual Insurance Company *Arbella Mutual Insurance Company*	010663	A- a-	Positive Positive	A- a-	Stable Stable	Massachusetts

* Ratings were downgraded to B/bb from B+/bbb- and remained under review on September 20, 2019. Ratings were withdrawn on September 20, 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)								
⇅	P	Arbella Protection Insurance Company *Arbella Mutual Insurance Company*	011335	A- a-	Positive Positive	A- a-	Stable Stable	Massachusetts
⇅	P	Briar Creek Mutual Insurance Company	004753	A- a-	Positive Positive	A- a-	Stable Stable	Pennsylvania
New	P	Brit Reinsurance (Bermuda) Limited *Fairfax Financial Holdings Limited*	090226	A a	Stable Stable	NR nr		Bermuda
⇅	P	Casualty Underwriters Insurance Company *American Sheep Industry Assoc*	010770	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Utah
New	P	Cerity Insurance Company *Employers Holdings, Inc.*	020728	A- a-	Positive Positive			New York
⚑	P	Colonial Insurance Company Limited *Edmund Gibbons Limited*	086816	A u a u	Developing Developing	A a	Stable Stable	Bermuda
⚑	C	Colonial Medical Insurance Company Ltd *Edmund Gibbons Limited*	086818	A u a u	Developing Developing	A a	Stable Stable	Bermuda
⊕	P	Colorado Farm Bureau Insurance Company *Southern Casualty Holding Company*	000278	A+ aa-	Stable Stable	B+ u bbb- u	Positive Positive	Mississippi
⇅	P	Concord General Mutual Insurance Company *Auto-Owners Insurance Company*	000289	A a+	Positive Positive	A a+	Stable Stable	New Hampshire
⚑	P	CopperPoint American Insurance Company *CopperPoint Mutual Insurance Holding Co*	014225	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint Casualty Insurance Company *CopperPoint Mutual Insurance Holding Co*	013986	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint General Insurance Company *CopperPoint Mutual Insurance Holding Co*	013987	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint Indemnity Insurance Company *CopperPoint Mutual Insurance Holding Co*	014226	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint Insurance Company *CopperPoint Mutual Insurance Holding Co*	014958	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint National Insurance Company *CopperPoint Mutual Insurance Holding Co*	014227	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint Premier Insurance Company *CopperPoint Mutual Insurance Holding Co*	013813	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⚑	P	CopperPoint Western Insurance Company *CopperPoint Mutual Insurance Holding Co*	013988	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
⇅	P	Covenant Insurance Company *Arbella Mutual Insurance Company*	011706	A- a-	Positive Positive	A- a-	Stable Stable	Connecticut
⊕	P	Eastern Advantage Assurance Company *ProAssurance Corporation*	013861	A+ aa-	Negative Negative	A a+	Stable Stable	Pennsylvania
⊕	P	Eastern Alliance Insurance Company *ProAssurance Corporation*	012115	A+ aa-	Negative Negative	A a+	Stable Stable	Pennsylvania
⇅	P	Eastern Atlantic Insurance Company	010105	A- a-	Stable Stable	A- a-	Negative Negative	Pennsylvania
⊕	P	First Chicago Insurance Company *Warrior Invictus Holding Company, Inc.*	003138	B- bb-	Stable Stable	C++ b+	Positive Positive	Illinois
—	P	Frederick Mutual Insurance Company	003233	B++ bbb+	Stable Stable	A- a-	Negative Negative	Maryland
⇅	P	Green Mountain Insurance Company Inc *Auto-Owners Insurance Company*	002315	A a+	Positive Positive	A a+	Stable Stable	Vermont
⊕	P	International General Insurance Co. Ltd. *International General Insur Holdings Ltd*	077852	A a	Stable Stable	A- a-	Positive Positive	Bermuda
⇅	P	Lawyers Mutual Liability Ins Co of NC	003848	A a	Stable Positive	A a	Stable Stable	North Carolina

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⇅	P	Medmarc Casualty Insurance Company *ProAssurance Corporation*	002216	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Vermont
⚑	P	MountainPoint Insurance Company *CopperPoint Mutual Insurance Holding Co*	022107	A- u a- u	Positive Positive	A- a-	Stable Stable	Arizona
–	P	National Farmers Union Prop and Cas Co *National General Holdings Corp.*	000676	A- a-	Stable Stable	A u a+ u	Negative Negative	Wisconsin
⇅	P	New England Mutual Insurance Company *Quincy Mutual Fire Insurance Company*	013575	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Massachusetts
⇅	P	Noetic Specialty Insurance Company *ProAssurance Corporation*	012468	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Vermont
⇥	P	PartnerRe Insurance Company of New York *Employers Holdings, Inc.*	003025	NR nr		A- u a- u	Developing Developing	New York
⇅	P	Patrons Oxford Insurance Company *Quincy Mutual Fire Insurance Company*	004204	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Maine
⇅	P	Podiatry Insurance Company of America *ProAssurance Corporation*	001832	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Illinois
⇅	P	ProAssurance American Mutual, A RRG *ProAssurance Corporation*	022383	A+ aa-	Negative Negative	A+ aa-	Stable Stable	District of Columbia
⇅	P	ProAssurance Casualty Company *ProAssurance Corporation*	002698	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Michigan
⇅	P	ProAssurance Indemnity Company, Inc. *ProAssurance Corporation*	003826	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Alabama
⇅	P	ProAssurance Specialty Insurance Co Inc *ProAssurance Corporation*	011697	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Alabama
⇅	P	Quincy Mutual Fire Insurance Company *Quincy Mutual Fire Insurance Company*	000796	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Massachusetts
⊕	P	Restoration Risk Retention Group, Inc.	076779	A a	Stable Stable	A- a-	Positive Positive	Vermont
New	P	Rock Ridge Insurance Company *Pine Brook Capital Partners II AV, LP*	020623	A- a-	Stable Stable	NR nr		Indiana
⇅	P	State Mutual Insurance Company *Auto-Owners Insurance Company*	004771	A a+	Positive Positive	A a+	Stable Stable	Maine
⇅	P	Sunapee Mutual Fire Insurance Company *Auto-Owners Insurance Company*	001937	A a+	Positive Positive	A a+	Stable Stable	New Hampshire
⊕	P	United Security Health & Casualty Ins Co *Warrior Invictus Holding Company, Inc.*	008442	C+ b-	Stable Stable	C ccc	Stable Positive	Illinois
⇅	P	Vermont Accident Insurance Company, Inc *Auto-Owners Insurance Company*	004780	A a+	Positive Positive	A a+	Stable Stable	Vermont
EUROPE, MIDDLE EAST AND AFRICA								
⇅	C	Abu Dhabi National Takaful Company PSC	090708	A- a-	Positive Positive	A- a-	Stable Stable	United Arab Emirates
–	P	Hamilton Insurance DAC *Hamilton Insurance Group, Ltd.*	091318	A- a-	Stable Stable	A u a u	Negative Negative	Ireland
⊕	P	Ingosstrakh Insurance Company PJSC *Ingosstrakh Insurance Company PJSC*	086892	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Russia
⊕	P	Intl General Ins Co (UK) Ltd *International General Insur Holdings Ltd*	091476	A a	Stable Stable	A- a-	Positive Positive	United Kingdom
New	P	Premier Insurance Co Ltd *Premier Underwriting Holdings (GI) Ltd*	092597	B++ bbb	Stable Stable	NR nr		Gibraltar
ASIA PACIFIC								
New	L	BEA Life Limited *The Bank of East Asia, Limited*	090742	A- a-	Stable Stable	NR nr		Hong Kong

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
ASIA PACIFIC (CONTINUED)								
—	C	Royal Insurance Corp of Bhutan Ltd	093021	C u ccc+ u	Negative Negative	B- u bb- u	Negative Negative	Bhutan
⇅	P	Samsung Reinsurance Pte. Ltd. *Samsung Fire & Marine Insurance Co, Ltd*	091577	A a	Negative Negative	A a	Stable Stable	Singapore
CARIBBEAN AND LATIN AMERICA								
⚑	L	Atlantic Medical Insurance Limited *Edmund Gibbons Limited*	086819	A u a u	Developing Developing	A a	Stable Stable	Bahamas
⚑	P	Bahamas First General Insurance Co Ltd *Bahamas First Holdings Limited*	086960	A- u a- u	Developing Developing	A- a-	Stable Stable	Bahamas
⚑	P	British Caymanian Insurance Company Ltd *Edmund Gibbons Limited*	086808	A u a u	Developing Developing	A a	Stable Stable	Cayman Islands
⚑	P	Cayman First Insurance Company Limited *Bahamas First Holdings Limited*	086807	A- u a- u	Developing Developing	A- a-	Stable Stable	Cayman Islands
⚑	L	Colina Insurance Limited *AF Holdings Ltd.*	089077	A- u a- u	Developing Developing	A- a-	Stable Stable	Bahamas
⚑	C	Colonial Insurance (BVI) Limited *Edmund Gibbons Limited*	083012	A u a u	Developing Developing	A a	Stable Stable	British Virgin Islands
⚑	L	Family Guardian Insurance Company Ltd *FamGuard Corporation Limited*	087111	A- u a- u	Developing Developing	A- a-	Stable Stable	Bahamas
⚑	P	RoyalStar Assurance Ltd. *RoyalStar Holdings Ltd.*	087888	A u a u	Developing Developing	A a	Stable Stable	Bahamas
☑	P	Sagicor General Insurance Inc. *Sagicor Financial Corporation Limited*	086979	A- a-	Stable Stable	A- u a- u	Developing Developing	Barbados
☑	L	Sagicor Life Inc. *Sagicor Financial Corporation Limited*	086569	A- a-	Stable Stable	A- u a- u	Developing Developing	Barbados
☑	L	Sagicor Life Jamaica Limited *Sagicor Financial Corporation Limited*	086086	B++ bbb+	Stable Stable	B++ u bbb+ u	Developing Developing	Jamaica
⚑	P	Security & General Insurance Company Ltd *Edmund Gibbons Limited*	086820	A u a u	Developing Developing	A a	Stable Stable	Bahamas
⚑	P	Summit Insurance Company Limited	083010	A- u a- u	Developing Developing	A- a-	Stable Stable	Bahamas
⇅	L	Worldwide Medical Assurance, Ltd. Corp. *Landeshut Holding Ltd.*	091354	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Panama
☑	C	Zurich Aseguradora Mexicana, S.A. de C.V *Zurich Insurance Group Ltd*	084250	A- a-	Stable Stable	A- u a- u	Developing Developing	Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⚑	Colina Holdings Bahamas Limited	055763	bbb- u	Developing	bbb-	Stable	Bahamas
⚑	FamGuard Corporation Limited	087110	bbb- u	Developing	bbb-	Stable	Bahamas
⊕	International General Insur Holdings Ltd	051883	bbb	Stable	bbb-	Positive	United Arab Emirates
⇅	ProAssurance Corporation	050660	a-	Negative	a-	Stable	Delaware
☑	Sagicor Financial Corporation Limited	088130	bbb-	Stable	bbb- u	Developing	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.

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

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BEST'S 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.

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Going Up

North Carolina homeowners rates to rise an average 4%.

North Carolina homeowners insurance will rise an average of 4% for policies written as of May 1, 2020, according to a settlement reached between the state Insurance Department and the North Carolina Rate Bureau.

Insurance Commissioner Mike Causey also announced a settlement on mobile home rates. Casualty policies will increase 4.3% and fire policies will rise 6.6%, according to a statement.

The settlement with the bureau, which represents companies writing property insurance in North Carolina, averts a legal battle.

"I am happy to announce that North Carolina homeowners will save nearly $285 million a year in premium payments compared to what the NCRB had requested," Causey said in a statement.

The rate bureau proposed a 17.4% statewide overall increase in homeowners insurance rates, it said. Causey's staff was able to negotiate a settlement of 4%.

Increases in rates were capped at 10%, with the highest increases of 9.8% set for the beach areas of the Outer Banks and 37 coastal ZIP codes.

The state's largest cities, including Charlotte, Greensboro, Winston-Salem, Raleigh and Durham and their surrounding areas will see rate hikes of 3.5%. The western-most territory in the state—Cherokee, Clay, Graham, Jackson and Macon counties—will see an average 0.1% decrease.

The mobile home rate requests also were significantly higher than the approved rates. The bureau requested a 19% increase for casualty coverage and 19.9% for fire policies. The approved rates too will vary by territory, the statement said.

Causey and the rate bureau in 2018 negotiated a 4.8% statewide average homeowners insurance rate increase, the first rate hike in six years.

—Timothy Darragh

* Regional / National insert

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All in the Name

The financial stakes for domain names are higher than ever, and several insurance-related domain names are now among some of the costliest in the world.

by Lori Chordas

The insurance industry has some of the costliest domain names in the world today, and insurers are paying top dollar for those unique identifiers that are the foundation for a business's online brand and reputation.

Online marketing company QuinStreet Inc. in 2010 purchased carinsurance.com and its related entities for $49.7 million. That same year, the Foster City, California-based lead generation company acquired insurance.com's website and domain name for $35.6 million.

Those purchases were made during QuinStreet's aggressive buying spree of major insurance websites and other generic dot-com domain names, including its $16 million purchase of insure.com's corporate name and related domain and its $18 million acquisition of a portfolio of names under the internet.com brand.

Other insurance sites also have come with big price tags. In 2010, homeownersinsurance.com was sold in a private sale for $570,000. Several years earlier, insurancerates.com was acquired for $225,000, according to reports.

Having the right domain name that's a perfect fit for your company is like winning the lottery for any organization, said Bill Sweetman, president of boutique domain name acquisition firm Name Ninja. "The cost of a qualified lead for insurance is very valuable. So when you are in an industry where a single qualified lead is so highly valued, a domain name like weddinginsurance.com, for instance, that has those specific keywords in the domain is important because anyone typing that name into their web browser is likely looking to purchase insurance."

Dot-coms are "beachfront real estate" because of their high appeal, said Joe Uddeme, a broker with NameExperts.com, which helps sellers identify, negotiate and purchase domain names and assists buyers to appraise and position their domain names for sale.

Many of the world's largest carriers, brokers and insurance associations have dot-com domains attached to their websites. However, over the last 15 years nearly 90% of the inventory of insurance-related domain names has been "swallowed up by insurance providers or companies looking to build a web presence in the industry," he said.

That's caused several insurers to move away from generic dot-com domains and create their own dot-brands. Several years ago, Axa Group launched a website with its own branded top-level domain extension, .axa, to bolster its online presence and establish credibility and recognition among consumers.

FTLD Registry Services, a coalition of global banks, insurers and financial services trade associations formed in 2011, created the industry's first insurance-specific generic top-level domain. The dot-insurance extension was released on the internet in 2016.

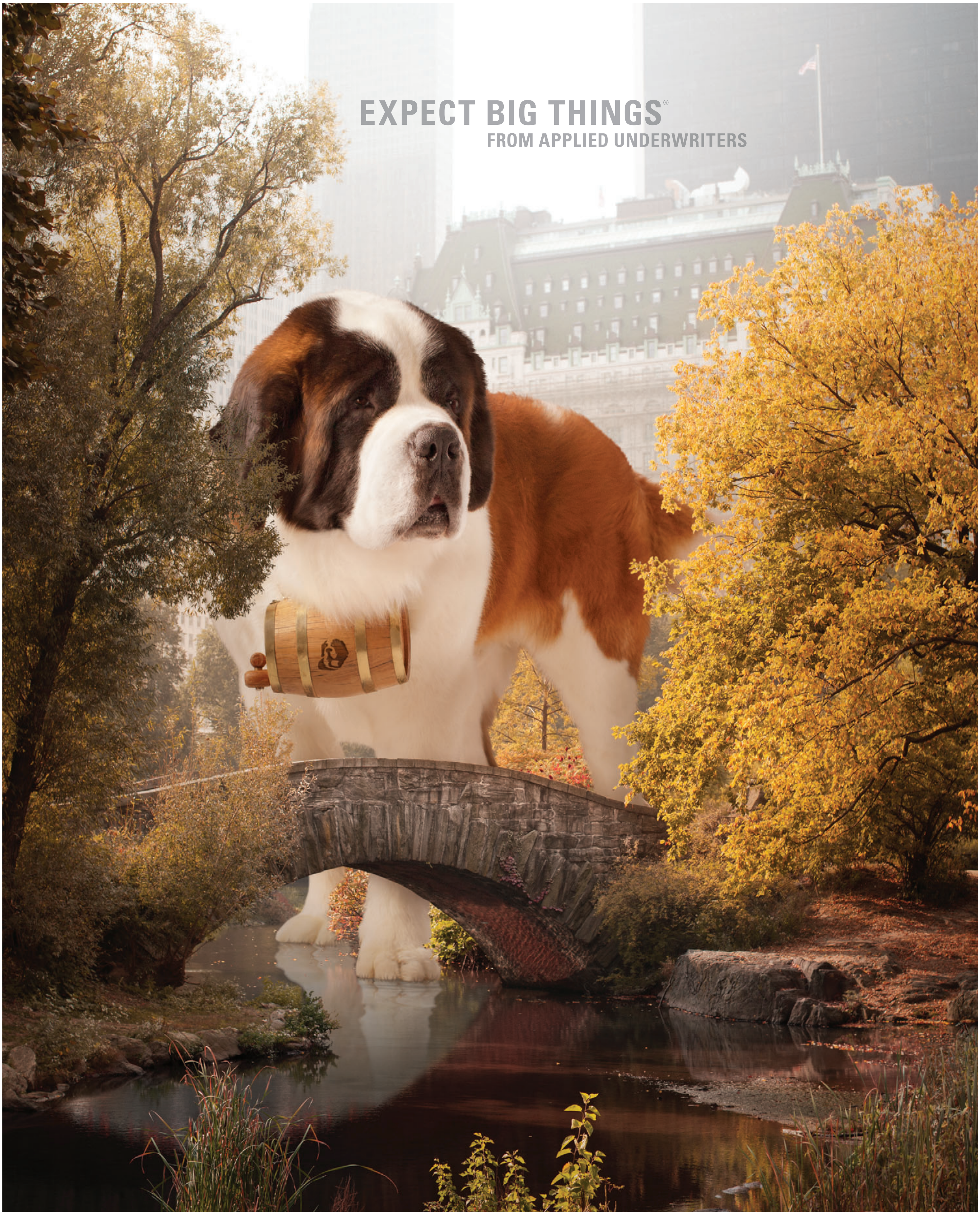
Name Ninja's Sweetman warns there's a trade-off when companies launch or purchase domains using these new extensions. Most consumers, he said, are typically unfamiliar with "anything to the right of the dot other than dot-com."

Several insurers have waged legal battles related to their domain names.

Allianz filed a complaint with the World Intellectual Property Organization Arbitration and Mediation Center in late 2017 in a dispute over the AGCS.com domain. A WIPO administrative panel, however, found that Allianz had engaged in reverse domain name hijacking.

Last year Axa lost a cybersquatting complaint it filed against the axa.org domain. BR

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