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AM BEST'S MONTHLY INSURANCE MAGAZINE

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Asset Managers Eye Lower Rates, Uncertainty
Page 24

Marine: War Risk Premiums, Rankings
Pages 50-63

ISSUES & ANSWERS
Affirmative Cyber
Page 20

ISSUES & ANSWERS
Architects & Engineers
Page 22

BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

Insurers face a range of strategic challenges in 2020 as they seek to meet customer expectations, improve their use of new technologies and prepare for the evolving political and economic landscape.
Pages 33-49

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


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

Insurers will be tested in 2020 as they face an uncertain political and economic landscape. *Best's Review* speaks with insurance leaders about how to remain relevant in a time of rapid change. Also, *Best's Review* examines marine war risk coverage.

Next month marks the start of a new year and the beginning of the '20s. Last time around, they were Roaring. It's too soon at this point to predict how the next decade will be remembered.

As we look ahead into 2020, events such as the U.S. presidential election have the power to shape perception and influence the political and business environment.

Change has been accelerating, in part due to advances in technology, and that will put the industry to the test, forcing insurers to rethink standard practices and move outside of their comfort zones. Insurers have often been tempted to reduce exposure to uncertain and emerging risk through the use of exclusions. Exclude too much, however, and that may force insureds to question the relevance of the insurance industry.

In the December issue, *Best's Review* looks at some of the events and challenges facing insurers in 2020.

In "Strategic Planning," *Best's Review* speaks with insurance leaders to get their views on how the industry can remain relevant at a time when insurtechs have been raising the bar on customer expectations.

Leaders interviewed include Bill Pieroni, CEO of Acord; Dan Preston, CEO of Metromile; Glenn Shapiro, president of personal lines at Allstate; Bob Reville, CEO of Praedicat; Richie Whitt, co-CEO of Markel; Brooks Tingle, president and CEO of John Hancock Insurance; and Pina Albo, Group CEO at Hamilton Insurance Group.

In "Accelerated Change," *Best's Review* looks at some of the top risks listed in Aon's biannual global risk management survey, and the challenges of insurability. Find out which risk moved from No. 38 to No. 3.

In "Shift the Narrative," James Vickers, chairman of Willis Re International, spoke with AMBestTV at the Global Insurance Forum earlier this year about what the industry needs to do to close the protection gap. "There has to be a fundamental shift in the way that the industry portrays itself to society as a whole and the way that the value of insurance is portrayed," he said.

Insurers have a clear picture of some of the events on the horizon in 2020—the Olympics in Tokyo beginning in July and the U.S. presidential election in November. The economic outlook, however, is somewhat less clear. In "A Fog of Uncertainty," *Best's Review* speaks with asset managers about what to expect. Interest rates remain low and continue to fall. But beyond that, uncertainty is the byword.

In the December issue, *Best's Review* also examines the market for marine insurance, particularly marine war risk. Rates in the war risk market have been climbing sharply following escalating tensions near the Persian Gulf. War risk policies insure the value of ships damaged or destroyed by acts of invasion, insurrection, rebellion, hijacking and terrorism.

The December issue also includes AM Best's exclusive ranking of top ocean marine, inland marine and fire and allied writers.

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

Patricia Vowinkel
Executive Editor
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The Question:

What designations, degrees or experience offer the best opportunity for advancement?

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

Reader responses will be published in a future issue.

Contents

Cover design by Andrew Crespo.

NAIC Fall National Meeting in Austin; AHIP Presents Digital Health Forum in Chicago

Dec. 3: CAGNY 2019 Fall Meeting, Casualty Actuaries of Greater New York, New York.

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

Dec. 4: Cyber Security Conference, Westminster Insight, London.

Dec. 4: Innovation Showcase, Infopro Digital, London.

Dec. 4: The Institutes' SMA Summit, New York.

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

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

Dec. 5: CLM New York Conference, Claims and Litigation Management Alliance, New York.

Dec. 6: Emerging Manager Summit, CFA Society New York, New York.

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

Dec. 9: RIMS RiskTech, Risk and Insurance Management Society, New York.

Dec. 9: MEWA Association of America Annual Meeting, MEWA (multiple employer welfare arrangement) Association of America, 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.

Dec. 11 – 12: 5th Annual General Insurance Seminar of Malaysia, Casualty Actuarial Society (CAS), Kuala Lumpur, Malaysia.

Dec. 11: IICF 2019 Benefit Dinner, Insurance Industry Charitable Foundation, New York

Dec. 13 – 15: Southern Agents Conference, Independent Insurance Agents of Georgia, Atlanta.

Jan. 2-5: 2020 WRIA Meeting, Western Risk and Insurance Association, Puerto Vallarta, Mexico.

Jan. 12 – 16: 44th NACA Annual Convention Career Fair and Expo, National Association of Catastrophe Adjusters, Las Vegas.

Jan. 15 – 16: AIMSE 27th Annual Canadian Conference, Association of Investment Management Sales Executives, Toronto.

Jan. 16: III Joint Industry Forum, Insurance Information Institute, New York.

Jan. 17 – 22: AFBF Annual Convention & Trade Show, American Farm Bureau Federation, Austin, Texas.

Jan. 20 – 22: 29th Annual Health Benefits Conference + Expo, Health Benefits Conference & Expo, Clearwater Beach, Fla.

Jan. 21 – 23: ICA Winter Meeting, International Claim Association, Indian Wells, Calif.

Jan. 23 – 26: PIMA Industry Insights Conference, Professional Insurance Marketing Association, Palm Beach Gardens, Fla.

Jan. 23 – 25: IAOA Innovation 2020, Insurance Agency Owners Alliance, San Diego.

Jan. 26 – 30: 21st Annual Windstorm Insurance Conference, Windstorm Insurance Network, Lake Buena Vista, Fla

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

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Marine Insurance Awareness Month
Marine is one of the oldest lines of insurance. *Best's Review*'s annual look at ocean marine and inland marine focuses on leading writers, underwriting and new risks. Coverage begins on page 50.

Tokio Marine HCC Names Co-Chief Financial Officers

Also: Resolution Re appoints its first CEO, New York Life appoints chief financial officer and Hartford names chief information officer.

Sharon Brock

Tom Weist

Tokio Marine HCC has appointed Sharon Brock and Tom Weist co-chief financial officers.

They succeed Brad Irick, who was named the group chief executive officer of Tokio Marine Kiln.

Brock will be responsible for corporate accounting and reporting, internal audit and controls, tax and treasury. Weist will be responsible for actuarial, financial planning and analysis, investments, mergers and acquisitions and strategy.

Brock joined Tokio Marine HCC in 2004 and most recently was executive vice president and chief accounting officer. She was previously the company's corporate tax director. She has more than 30 years of experience in the insurance industry, including 18 years with American General Corp., where she most recently was tax director.

Weist joined Tokio Marine HCC in 2011 and was most recently senior vice president and chief actuary. He has more than 20 years of experience in the insurance industry, including various roles in actuarial pricing, predictive modeling and enterprise risk management at Munich Re, Chubb and Tokio Millennium Re.

—David Pilla

Axa Equitable Holdings Names Chief Auditor

Axa Equitable Holdings named Stephanie Withers as chief auditor.

Stephanie Withers

Withers will be responsible for leading the internal audit function for Axa Equitable Holdings. She will be based in Charlotte, North Carolina, and report to Mark Pearson, Axa Equitable Holdings president and chief executive officer, and to the audit committee of the Axa Equitable Holdings Board of Directors.

Withers has over 30 years of experience working in finance, technology, operations and risk. She joins from SunTrust Bank where she most recently held the position of chief credit review officer and previously held positions in the credit review, audit services and treasury departments.

Resolution Re Appoints First CEO

Resolution Re, the Bermuda-based reinsurance arm of Resolution Life Group, appointed Steve Hales as the company's first chief executive officer.

Steve Hales

Hales joined the Resolution Life Group in 2017 as executive director of Europe and will be performing the duties of Robyn Wyatt, who executed the operational set up of Resolution Re since last year.

Wyatt, group chief financial officer, will move to London to concentrate on CFO duties and grow the group's business.

Hales previously was head of connected insurance at Assicurazioni Generali, where he led the group's data science and internet of things capabilities.

PartnerRe Makes Leadership Changes

Mario Bonaccorso

PartnerRe Ltd. named Nicolas Burnet to succeed Mario Bonaccorso as executive vice president and chief financial officer and a member of the executive leadership team, subject to customary regulatory and immigration approvals.

PartnerRe also named Andrew Gibbs as executive vice president and chief operations officer.

Burnet will join PartnerRe on Feb. 3, 2020, and will transition into his new role on April 1, 2020. Bonaccorso will retire on March 31.

Burnet comes from Zurich Insurance Group, where over the past 15 years he has held a number of leadership positions, including chief risk officer and CFO global life, CFO general insurance, and most recently group head of planning and performance management. Prior to joining Zurich Insurance Group, Burnet was with Neuberger Berman. He will be based at the company's headquarters in Bermuda.

Gibbs joins PartnerRe Ltd. from Maiden Reinsurance Ltd., where he was the executive chairman since January 2019. He brings more than 30 years of experience having held senior positions with the Bermuda Monetary Authority, Validus Holdings Ltd., Ace Group of Companies—now Chubb Group of Companies—and Ernst & Young. He will be based at the company's headquarters in Bermuda.

Chubb Appoints President Of Combined Insurance

Joe Vasquez

Chubb Ltd. named Joe Vasquez senior vice president of Chubb Group and head of the company's global accident and health insurance business, to succeed Kevin Goulding as president of combined insurance.

Vasquez will transition into his new position immediately and replaces Goulding, who has served as president since 2017 and will retire from the company at the end of the year.

Vasquez has nearly 30 years of accident and health insurance industry experience, including two decades at Chubb and Ace. He joined Ace in 2000 to create and lead the company's U.S. accident and health business. From 2015 to 2018, Vasquez served as president of ESIS, an affiliate of Chubb.

G2 Insurance Services Names President, COO

Bob Zenoni

Bob Zenoni has been named G2 Insurance Services' president and chief operating officer. Zenoni will oversee the firm's operations and strategic initiatives and will be based in San Francisco.

Zenoni has more than 30 years of experience as an executive in both insurance and other industries. He has held senior positions at a number of insurance organizations including Crum & Forster and Aon. Zenoni also served as president and COO at Equity Risk Partners, where he managed growth and development.

Munich Re Names Chief Operations Officer of Reinsurance Division

Anita Kuchma

Munich Re named Anita Kuchma as chief operations officer of the reinsurance division and a member of the reinsurance division's executive leadership team.

Kuchma has had over 27 years of experience at Munich Re in a variety of leadership positions. She has held various multiline underwriting positions, including several management positions. Previously, she also served as deputy chief financial officer and head of planning and controlling. In 2019, she joined the reinsurance division to lead the professional liability and cyber team.

New York Life Appoints CFO

New York Life Insurance Co. appointed Eric Feldstein as executive vice president and chief financial officer. He succeeds interim CFO Joel Steinberg, who resumes his position as chief risk officer.

Feldstein was previously CFO at mutual health insurer Health Care Service Corp. Earlier, he managed a portfolio of global businesses as an executive vice president at American Express.

Feldstein and Steinberg assumed CFO responsibilities when John Fleurant retired from the post earlier in the year.

Fleurant joined New York Life in 1999 to lead a mergers and acquisitions team and was CFO nearly six years.

AF Group Names New Roles for Two Executives

Steve Cooper

Abel Travis

AF Group named Steve Cooper as president of Third Coast Underwriters, which will be added to his current role of president of United Heartland, and Abel Travis as vice president of Fundamental Underwriters.

Cooper has over 30 years of experience in property/casualty roles and a significant knowledge of specialized, unique risks and a strong background in service center and claims leadership.

Travis joined AF Group in 2018 as vice president of underwriting and product innovation and has developed an impressive background in research, strategy, product development and underwriting with other major insurance carriers nationwide.

Beazley Names Head Of Corporate Development

Rachel Turk

Beazley named Rachel Turk to succeed Mark Goodman as head of corporate development. Goodman has retired after 11 years with the company.

Turk joined Beazley in January 2009 as an analyst in the management liability team before moving into underwriting. Since 2015, she has led the London directors and officers team focusing on U.S.-domiciled business and also spearheaded the launch of Beazley's Reputational Risk product earlier this year. Before joining Beazley, she worked as an equity analyst and is a qualified accountant.

Beazley named Wayne Imrie to succeed Turk as lead of the London D&O team. He has been with Beazley for 13 years as an executive risks underwriter focusing on U.S. employment practices liability and private company D&O, as well as leading the wage & hour product. Before joining Beazley he was a broker with Marsh.

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Hartford Names Chief Information Officer

Deepa Soni

Hartford Financial Service Group named Deepa Soni to succeed Mark Esposito as chief information officer.

Soni replaces Esposito, who is retiring after a 13-year career with Hartford. Soni will report to Bill Bloom, head of operations, technology, data and analytics at Hartford.

Soni will be responsible for the enterprise's information technology applications and architecture. She brings more than 20 years of technology experience in the financial services industry. Most recently, Soni served as U.S. chief information officer for BMO Financial Group, where she led technology strategies while modernizing the technology systems.

Esposito joined Hartford in 2006 and has held various technology leadership positions for the organization. As chief information officer, he led the development and implementation of the information technology strategy across the company, driving application innovation and standardizing on an agile delivery model.

AIG Names Chief Executive Officer Of First Principles Capital Management

John Panagakis

First Principles Capital Management LLC, an investment unit of American International Group Inc., elected John Panagakis chief executive officer.

FPCM is the unit of AIG Investments that serves institutional clients across the global fixed income securities and derivatives markets.

Panagakis will be based in New York and reports to Douglas Dachille, executive vice president and chief investment officer of AIG.

The role of CEO at FPCM was last held by Richard Dolan, who held the position until the end of 2017, when he moved to the role of managing partner and took a strategic advisory role.

Panagakis joins FPCM from TIAA Nuveen, where for more than 30 years he held a variety of asset management, operational and advisory leadership roles, most recently as head of international advisory services. BR

Marketing Matters

Nationwide's Cathy Lanning discusses effective insurance marketing and how she and her team are leveraging the brand in new ways.

by Lori Chordas

To raise brand awareness insurance marketers should experiment with new ideas and creative campaigns, said Cathy Lanning, senior vice president of property and casualty marketing at Nationwide. Lanning participated in an Oct. 25 webinar sponsored by AM Best and the Insurance Marketing and Communications Association.

Following is an edited transcript of the interview.

Cathy Lanning

What role does digital play in marketing and advertising?

We are really focused on new ways to support growth. We think about digital in the traditional sense, such as [search engine optimization], blogging, content marketing, paid search and more. We are focused on reaching customers and agents to drive awareness, consideration and policy yield. We utilize digital media to support retention and enriching experiences for current Nationwide members.

We are also using digital as an enablement tool, particularly with our agents to make their jobs easier, make it easier for them to keep promises to their policyholders, make it easier for them to write a policy, make it easier for them to reach prospects.

Tell us about Nationwide's recent campaigns.

We are giving the Amazon Echo auto device away to new policyholders or existing policyholders that have a multiple policy commitment with us. We really like that campaign because it highlights the value of partnerships and Nationwide's digital focus.

One of my other favorite campaigns is something my team just wrapped up called Pitch to Win, which was focused on small-business owners and their struggles with finding infusions of capital.

We created a *Shark Tank*-like campaign where contestants submitted nominations for why they should earn up to $100,000 of infusion into their businesses.

The campaign had about 90 million media impressions. We had about 130,000 unique site visits to our business solution center.

Nationwide has made a number of acquisitions. What is the branding strategy?

When we look back as recently as three to four years ago, we had a house of brands. All in all, we had 13 to 14 brands at one time. But we realized we have a lot of equity in the Nationwide logo and the jingle. We consolidated that house of brands to one branded house.

Today our logo is the "N" and eagle, which was utilized for many decades in the past. From 1999 to 2014 we made a shift in branding to a logo that we referred to as the "frame," which was a Nationwide blue square that you may remember. Research showed the strong equity in the original "N" and eagle logo and our well-known jingle, so we made the successful decision to reintroduce our historical logo and leverage our audio branding with the jingle in new ways. BR

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

AMBestTV

Cathy Lanning was interviewed as part of the Insurance Marketing Leader Lunch series hosted by *Best's Review* and the Insurance Marketing Communications Association. Go to *bestreview.com* to watch the interview with Cathy Lanning.

Year in Review

Lessons learned in 2019 will be useful to take into the new year.

By Carly Burnham

Just the other day, I was reflecting on the fact that I have been writing this column for about three years now. Last year, I spent more time on insurtech and technological trends.

Those topics are interesting, but they're not my passion. This year, I was able to focus on career development in each month's column, and I'm glad I did.

It was a reminder that even as technological change continues to speed up, people are what make the insurance ecosystem the interesting place that it is.

People and the choices they make drive the direction of our industry. We can easily be distracted by the shiny new things that come our way. But, at the end of the day, we all must remember that any shiny thing we purchase should meet the goal of facilitating the transfer of risk so that our customers are protected when they need it most. To understand which shiny things we ought to invest in, we must understand that end goal, and the mechanisms by which we can achieve it. In order to best understand, we must invest first in ourselves and the teams of people around us.

As I prepare for 2020, I am thinking of what I have learned in 2019 and how I can use those lessons best next year.

Here are three key takeaways from my professional year:

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*.

- **Resilience is key.** My career took turns this year that I never would have expected. I went through challenges in my day job that were surprising and left me wondering where I had made a wrong turn.

However, I looked at every unplanned incident as an opportunity to learn and choose my next step. I've not traditionally been a glass half-full kind of person, but I tried it on this year, and it's been refreshing. I will actively try to engage that optimism in 2020.

- **Vulnerability can open doors.** Some of the surprises led to having candid conversations with my managers and colleagues that I would not have had in the past.

But, asking for help when I needed it and expressing where I thought I was weak enabled

my manager to assist me in ways he would not have been able to if I had kept quiet.

I still think it's important to know if your vulnerability will be respected, but if you're in an environment where you can be candid, I say try it out. Start with something small and if the risk is rewarded, you can grow trust within your team and begin to help each other overcome your weaknesses.

As I move in to 2020, I will strive to be the type of professional who assists those when they share their vulnerabilities and who doesn't hide behind a facade of strength.

• **Value yourself at least as much as you value others.** We've all experienced Imposter Syndrome. When it is at its worst, for me, it can lead to second guessing myself and taking advice or opinions that I would otherwise disregard. This has led to me doing things like designing presentations in styles that don't suit my personality or re-doing work that was perfectly well done because one person objected to a single element. In either case, I ended up having to adjust to fit what I knew was best after wasting time.

While these are small examples, they are the type of things that I will look to avoid in 2020. If I remember my worth, I will perform better and engage with my strengths.

I've learned a lot this year. These three takeaways are the ones that I hope I can hold on to, and if you have had similar experiences this year, I hope that you bring that growth into 2020. BR

At Large

New Risk Reality

Insurers should be ready to fill the gaps in coverage.

by **Tony Kuczinski**

The world is faced with a growing array of new risks from natural causes, such as floods and wildfires, to man-made threats like data breaches and autonomous vehicles. However, the biggest risk may be a low-to-nonexistent awareness of today's new risks among businesses and individuals. This has created a potential gap in protection or "insurance gap" that is important for the re/insurance industry, as well as society at large, to close.

Increasingly destructive natural catastrophes, such as hurricanes, earthquakes and tornadoes, expose gaps in protection that need addressing. For instance, many homeowners do not buy flood insurance because their mortgage lender doesn't require it or they simply do not perceive themselves as being at risk. When Hurricane Harvey hit Texas, 41% of homes in the flooded areas were outside of FEMA's high-risk zones. Yet, homeowners in these "lower-risk" zones found their homes inundated by flooding and most of those homes were uninsured for flood.

New technologies and the sharing economy are both a benefit and a threat to society. Internet of things devices that protect our homes and businesses have also increased our vulnerability to hackers. A thermometer that monitored, from a distance, the water temperature, salt content, and regular feeding for a fish tank in a Las Vegas casino served as the perfect entry point for cybercriminals to gain access to the casino's main network and its data. Those engaged in the sharing economy, including ride-hailing services and short-term lodging services, have discovered they have exposed themselves to liability issues that may not be contemplated by their insurance policies.

The upside to this new risk reality is the significant opportunities for our industry to help fill those gaps. But, first, we must create awareness of the risks and their impacts. One way to accomplish this is to work more closely with trusted advisers, such as insurance and real estate agents, mortgage lenders, lawyers and accountants. Our industry must help these stakeholders better understand the risks and the importance of sharing that information with their clients.

The re/insurance industry is also in a position to support and work closely with associations

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and public/private entities that are committed to helping society understand and protect against risk, such as the Institute for Business and Home Safety, the Insurance Information Institute and the California Earthquake Authority.

Finally, our industry has a tremendous opportunity to help fill the potential insurance gap by developing or modifying products and services. Fortunately, the competitive nature of the re/insurance industry is already resulting in the development of new coverages and approaches to mitigating risk.

Policies are available that respond to liability issues that may arise when people rent out their personal primary home for a few nights or a few weeks. Underwriters are talking to insurance brokers about why farmers need specialized property and liability coverage for commercial drones that help them monitor their crops and livestock in fields far from the barn. There's also been a trend for insurers to offer their cyber insurance customers a suite of services pre- and post-breach and expanded first-party cyber breach response expenses to address new risks such as business interruption, ransomware and extortion attacks, and business email compromise.

The role of the re/insurance industry is to help protect people, communities and businesses from the risks that are emerging so that they can go from harmed to whole as quickly as possible. By identifying and creating awareness of the risks and providing insurance protection and services to help mitigate the threat, the industry is addressing the new risk reality head on and working toward fulfilling its mission to society. BR

No Place To Hide

As active assailant attacks occur in numerous venues, the focus must be on prevention and new coverages.

By Peter Bransden

As the number of active assailant incidents rises, the targets of attacks become ever broader. Alongside such higher-profile locations, we have seen incidents at nightclubs, supermarkets and apartment complexes. Those businesses that believe themselves to be immune need only be reminded of the mass shooting at the Gilroy Garlic Festival earlier this year—nowhere and no one is without risk.

Organizations are poorly protected by traditional insurance policies against the modern-day terror of an active assailant. Many may hope that their terrorism policy would step in when the unthinkable occurs. However, this coverage is generally triggered only when there is a clear political, ideological and/or religious motive on the part of the assailant. Most acts of workplace violence show no such motive. The motive behind the deadliest shooting in American history—in Las Vegas—is still unknown.

Standard P/C forms may provide business interruption coverage only until the damaged property is restored. The goal of an active assailant is not to damage a building, but to cause injury and death to as many people as possible. Hoping that general liability insurance provides coverage is an increasingly unrealistic strategy in the wake of multimillion-dollar lawsuits following these incidents—the largest being a reported \$800 million settlement following the Las Vegas MGM attack. Many carriers now have explicit firearms and assault and battery exclusions for this reason, a trend we expect will continue.

Businesses must look for a solution that goes beyond relying on coverages that inadequately treat the symptoms of these attacks, and instead focus on preventing the cause itself—taking a proactive role in preventing, mitigating and responding to these incidents.

The consequences of failing to do so can be devastating, and the aftermath of a mass shooting can shut down businesses entirely. The Pulse Nightclub in Orlando never reopened after the 2016 shooting. For those companies that survive, they may suffer reputational damage for many months to come.

Best's Review contributor **Peter Bransden** is vice president, crisis management, at Aspen Insurance. He can be reached at *peter.bransden@aspen-insurance.com.*

In trying to solve the problem of what businesses can do to prevent these attacks, the specialty insurance industry has created active assailant policies. The coverage mitigates their outcomes, and responds in a manner that cares for victims, protects reputations and gets operations back up and running.

These policies provide experienced professionals who can implement such risk control measures as threat assessments, social media monitoring and staff training. Crisis management structures can also be put in place to navigate through the immediate aftermath of an attack. Providing victim benefits (e.g., medical expenses, long-term psychiatric treatment), brand rehabilitation costs and access to crisis consultancy expertise, combined with procuring temporary security and alternative premises can help to mitigate future lawsuits and minimize downtime.

Finally, first-dollar, dedicated coverage to protect against liabilities, defense costs, property damage and business interruption also can be provided. A risk management strategy that not only fills gaps left by traditional policies, but assists in preventing these tragedies from unfolding in the first place.

In light of the emerging risk of active assailants, best-practice preparation now reflects a broader understanding within risk management. The goal is no longer simply to transfer financial risk down the line; rather it is about having access to the right services from the right people, at the right time. BR

Unlocking The Potential

Blockchain is the key to insurance ecosystem transformation.

By **Jim Bramblet and Matt Lehman**

Insurers are excited by the prospect of blockchain technology. The market for blockchain in the insurance industry is expected to grow from $64.5 million in 2018 to $1.39 billion by 2023 at a compound annual growth rate of 84.9%, according to Reuters estimates.

Despite the industry hype, however, most early blockchain proofs of concept did not deliver the value that organizations expected, and many insurers were unsure how to take them into production.

That's not to say those proofs of concept haven't been valuable. Failure has helped insurers understand the most promising ways to use blockchain technology. It also birthed a range of enterprise-friendly blockchain platforms and helped insurers realize the ultimate potential of blockchain as a catalyst for insurers to build out their ecosystem opportunities.

An ecosystem is a network of cross-industry players who work together to define, build and execute market-creating customer and consumer solutions. They are defined by the depth and breadth of potential collaboration among a set of players, and each can deliver a piece of the consumer solution or contribute a necessary capability.

Despite enthusiasm and a desire to compete through ecosystems, insurers are falling short on having the right capabilities, culture and technologies to fully exploit ecosystem opportunities. Less than 5% of insurers are "ecosystem masters," or companies with the right attributes to disrupt their industry-using ecosystems and that plan to lead as many ecosystems as possible, according to Accenture research. This ranks insurance second-to-last among the dozen of industries analyzed in terms of the number of ecosystem masters.

Blockchain is the technology solution most likely to help insurers fully exploit these emerging opportunities. Industry players understand that collaboration and partnerships present the best opportunity to unlock the value of blockchain and are pushing their network of partners to align behind the technology. Additionally, blockchain could potentially shift the cost curve through revenue growth and cost reduction if insurers team up to redefine how they engage with each other and their customers, partners and broader ecosystems.

Such technologies are also better suited to new,

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emerging models of collaboration, with insurance organizations seeing the real value of blockchain in its ability to enable different parties to share a unified view of the core information that drives an ecosystem. Providing a single source of truth allows friction in business processes to be drastically reduced, using solutions such as smart contracts to facilitate and automate blockchain networks.

There are three reasons why now is the right time to embrace blockchain to pursue ecosystem opportunities.

• The growing maturity of software platforms, including R3 Corda, Hyperledger Fabric, Project Concord, Digital Asset and Quorum, which are now ready to support production-grade blockchain solutions.

• Blockchain is ideal to unlock needed cost efficiencies against today's backdrop of slow or flat industry growth forecasts.

• Blockchain investment has shifted from public, permissionless networks to private, permissioned networks such as Corda and Hyperledger Fabric. At this stage of evolution, these types of platforms are proving to be the best fit with evolving enterprise requirements around data, security and risk, especially as blockchain networks move to live production.

By working together to determine how their market may benefit from an industrywide solution and how to share the costs of ideation and development, insurance organizations can lay a foundation for the distributed, and collaborative, economy of the future.

Blockchain's true power does not lie only in unlocking internal operating efficiencies but also in its potential to transform entire insurance markets and ecosystems. BR

Marine Risks On the Rise

Marine insurance has seen changes in risks throughout the years and now faces even more challenges.

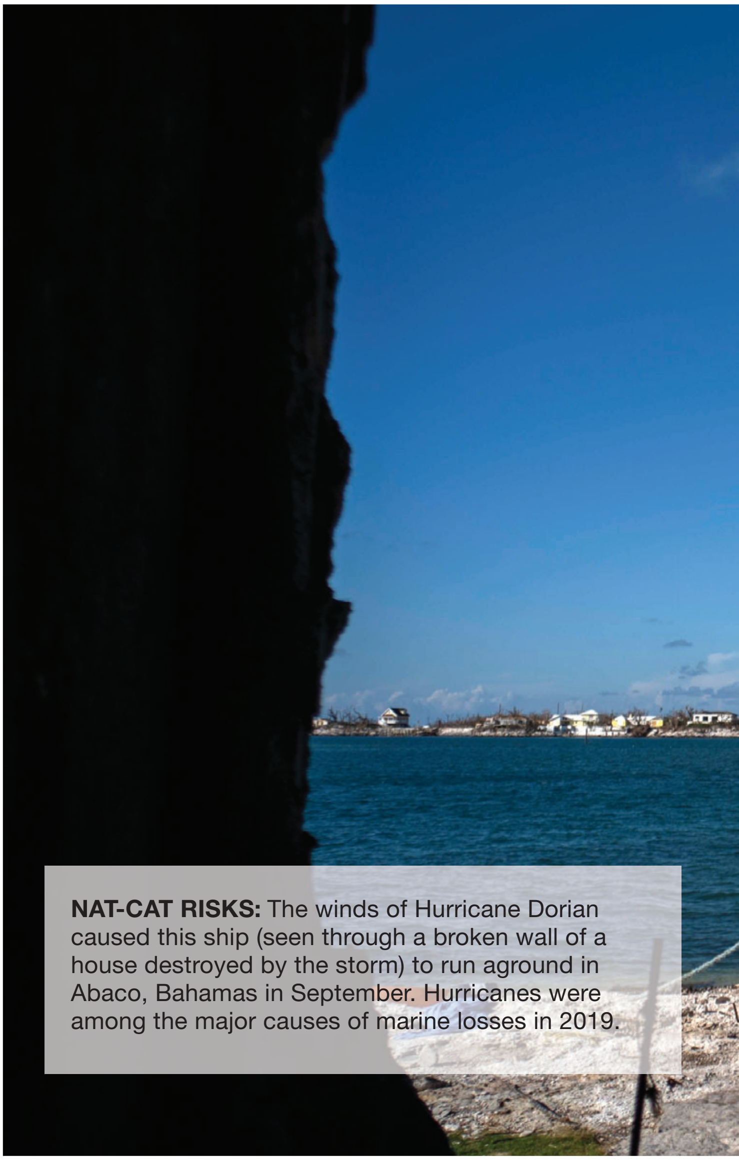
By **Alicia Gurries**

Taking a look back at 2019, changes in climate and technology have increased the need to manage insurance losses arising from severe marine events. While punitive damages remain a part of marine risks, a new Supreme Court case limits their availability in certain marine claims.

Natural Catastrophes

Hurricanes Barry, Dorian, Humberto and Lorenzo, as well as Tropical Storm Imelda helped make hurricane losses among the biggest marine losses of 2019. Hurricane Lorenzo became the easternmost Category 5 Atlantic hurricane on record, and the tug supply vessel Bourbon Rhode sank in the Atlantic Ocean during the storm with 14 crew members on board. Typhoons Wipha, Lingling and Hagibis resulted in the sinking of two barges, a bulk carrier, a coaster, a container ship and a cargo ship.

Warmer ocean temperatures and higher sea levels are expected to both increase the frequency of Category 4 and 5 hurricanes and intensify their impacts with higher rainfall rates, according to the Geophysical Fluid Dynamics Laboratory. While global politics may help address the climate change risks facing the marine industry, continuing climate change is anticipated to lead to more intense weather events that will effect marine risks.



AP Photo/Ramon Espinosa

NAT-CAT RISKS: The winds of Hurricane Dorian caused this ship (seen through a broken wall of a house destroyed by the storm) to run aground in Abaco, Bahamas in September. Hurricanes were among the major causes of marine losses in 2019.

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Technology's Effect on Risks

While improved ship design and technology have helped to prevent breakdowns and accidents from turning into major losses, new technology does not necessarily decrease the number of overall losses. The International Maritime Organization is requiring a .50% cap from the current 3.5% sulphur cap on marine fuel from Jan. 1, 2020. Exhaust gas cleaning systems using scrubbing technology on ships are necessary to comply. These changes are anticipated to increase claims relating to machinery breakdown. While the growing prevalence of smart sensors may help reduce the anticipated machinery claims through performance monitoring and early intervention, this technology also comes with its own set of

risks, including technical issues with engines and bunkering of biofuels.

While sensor technology is also aiding better monitoring and early intervention, ship fires continue to generate large losses for insurers. According to reports, four significant container ship fires since March 2018, including the ER Kobe, APL Vancouver, Maersk Honam and Yantian Express, have an estimated US$130 million in damages. The Sept. 2 fire and sinking of the Conception in California's Santa Cruz Island resulting in the loss of 34 lives is a reminder that despite improvements in safety and technology, disasters cannot always be prevented.

Supreme Court Rulings

Punitive damages have been an increased risk to vessel owners since the Supreme Court's rulings in 2008 and 2009. In *Exxon Shipping Co. v. Baker (2008)* the Court ruled punitive damages are recoverable under maritime law and in *Atlantic Sounding Co. v. Townsend* (2009) it ruled punitive damages are available in actions for maintenance and cure under general maritime law.

This year, the Supreme Court issued an opinion in *Dutra Group v. Batterton* holding that punitive damages are available for maintenance and cure claims but not for claims of unseaworthiness.

The *Dutra* ruling provides a higher level of predictability for maritime insurers in the United States.

These changes will continue to impact marine insurance for years to come. BR


CYBER INSURANCE CAN
BE FULL OF UNKNOWNS.
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Bridging the Cyber Gap

Ben Beeson, head of insurance for Arceo.ai said the market for cyber insurance, estimated to be between $4 billion and $5 billion in gross written premium, should be a lot bigger than it is. “When you think about the size of this risk, how interconnected it is, that’s not a big number, certainly relative to other classes of risk,” he said. Following are excerpts of an interview.

Ben Beeson
Head of Insurance
Arceo.ai

“Data supports the risk picture of the client, and then makes a case for explaining why risk transfer and insurance is relevant to them which will ultimately accelerate the growth of the market.”

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

How much do cyber incidents impact small and medium-sized enterprises or SMEs?

According to last year’s Verizon data breach investigations report, 58% of cyberattack victims are small businesses. Another way to look at this issue is what’s the financial impact? Our own research at Arceo indicates a cyberattack can have an impact 70 times greater to an SME’s revenue as opposed to the market as a whole. What that means in dollars is about $3 million for a small business. That’s a lot of money for a small business. So this is very much an SME issue.

Do SMEs understand this?

Education is one of the main challenges. If you ask anybody who’s a cyberrisk specialist in the insurance industry, on the broker side or on the carrier side, education is a work in progress. We’re not there yet. That’s certainly one of the reasons why the market perhaps has not grown as fast as it might have done. The good news is that we are now on the right path thanks to an increasing awareness that the risk data exists to support the education process.

Will data and analytics play a role in helping to correct the market?

Data and analytics will be absolutely crucial in correcting the market and indeed they are already having an impact. Insurers increasingly accept that the risk data does exist but it’s about harnessing and understanding it. That means investing and partnering with technology companies. For example, if I want to understand whether a company I’m looking to underwrite has a lot of its employees’ personal details already out on the dark web, they’ve already been compromised, I can find that out without even asking them. That data is there, and it’s about how do you get it, and then how do you understand it.

What role is Arceo.ai playing in helping to bridge the insurance world and the cybersecurity world?

Arceo is delivering enterprise cyber resilience by leveraging both the cybersecurity and insurance industries. We have two very different industries, one very heavily technical in cybersecurity and one more financially risk-driven in insurance. They need to be able to speak to each other. At Arceo, we see ourselves sitting in the middle of that, as the translation layer between the two to help ultimately drive enterprise cyber resilience.

Designing the Right Coverage

Bob Rogers, global head of construction professional liability at AIG said Lexington Insurance Co. has underwritten architects & engineers PL for more than 45 years. Following are excerpts of an interview.

LEXINGTON INSURANCE
An AIG company

What has been happening in the architects & engineers (A&E) professional liability market?
For more than a decade, the U.S. A&E professional liability market has been very stable. Capacity has remained consistent, though there has been some churn in the carriers. Terms and conditions have evolved to be mostly standardized among different carriers. Insurers seek to differentiate themselves with value-added services for their clients. At Lexington, we pride ourselves on our underwriting courage and claims expertise, coupled with our industry-leading risk management service. Outside of the U.S., the A&E market is quite different, particularly in London, where carriers have reacted to adverse underwriting results. Most non-U.S. markets have hardened in 2019 and seem likely to continue to do so.

Are there any emerging trends that impact the business of your insureds?
The A&E market has tended to focus on risks specific to the design and construction industry including the increased use of design build contracting and the emergence of public private partnerships to deliver projects. These issues are certainly relevant to design clients and their underwriters, but collectively, we must also focus on the macro trends that are steering the broader casualty market: widespread increase in litigation, increasing tort costs, proliferation of "nuclear" verdicts, etc. It is certain that these trends have the same impact on architects and engineers that they do on virtually all other segments of the economy. At Lexington, we collaborate with our clients and brokers to mitigate and manage emerging exposure trends.

Have these trends impacted insurance industry results?
Yes. In recent years, there have been several well-publicized settlements in excess of $100 million. Overall loss frequency has also increased sharply in recent years. Some designers have suffered from both frequency and severity. Each claim has its own story, but the macro trends that have impacted the broader casualty market have had the same adverse impact on A&E insurers. At Lexington, through the right balance of attachment, coverage, and limits, we provide comprehensive solutions to complex coverage challenges.

Bob Rogers
Global Head of Construction Professional Liability
AIG

"At Lexington, we are individual risk underwriters and we will remain valued partners to the design community that we've served for so many years. We understand and insure risk."

What is the most important thing for underwriters to consider?
The key thing for underwriters to consider in a changing environment is risk selection. Experienced underwriters know the design disciplines and project types that have historically driven A&E claims. Prudent risk selection requires a synthesis of these historical drivers, recognition of emerging trends, and individual account metrics to make differentiated underwriting decisions. Lexington has underwritten A&E professional liability insurance for more than 45 years. We are fully committed to this industry and will continue the thoughtful underwriting that has been our hallmark.

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

A FOG of Uncertainty

Participants in a *Best's Review* investing roundtable view the prolonged low rate environment as continuing to put pressure on portfolios. Everything else is anyone's guess.

by Jeff Roberts

The time of uncertainty has dawned.

As 2019 winds down and 2020 approaches, many insurance asset managers face the unknown within the markets and on a macroeconomic level.

The longest expansionary period in the history of the U.S. economy is more than a decade old. Interest rates remain historically low and continue to fall. And a contentious presidential election awaits in November 2020.

What will all that mean for insurers' portfolios? Asset managers wish they knew.

"The biggest headline is uncertainty," said Alton Cogert, president and CEO of Strategic Asset Alliance, an independent insurance investment consulting firm. "The next biggest headline in the U.S. is the potential for even lower—and possibly negative—rates. Those are the key things that hang over us."

He was among the experts participating in a *Best's Review* roundtable discussion in October who expect plenty of uncertainty in the months ahead as the hunt for return continues to challenge asset managers.

According to AM Best data, net yields on life/health insurers' invested assets in 2018 remained largely static, falling to 4.65% from 4.66%, and remain well below the 2013 mark of 4.98%.

On the property/casualty side, gross yields on invested assets rose to 3.7% in 2018 from 3.4%.

In addition to Cogert, this year's panelists were: John Simone, managing director and head of the Insurance Solutions Group for Voya Investment Management; and Jeb Doggett, managing director

Key Points

Stagnant Yields: Net yields remained largely static in 2018 for life insurers, falling to 4.65% from 4.66%. But property/casualty gross yields rose slightly to 3.7%.

Rate Pressure: Low interest rates continue to exert pressure on portfolios, and there seems no end in sight.

Convergence: Low rates, tax changes and tight spreads are forcing life and P/C companies to target many of the same asset classes.

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with Deloitte Consulting and a founding partner of Casey Quirk. They discussed overall investment trends for insurers and what keeps them up at night, such as those lower-for-longer rates.

What are the investing headlines for life insurers and for P/C insurers as we head toward 2020?

Simone: It's somewhat depressing with the 10-year [Treasury note] at a little over 1.50% today [closing at 1.537% on Oct. 8]. We thought rates were going to be climbing, and they've come back down. It's almost like the old saying, "Just when I thought I was out, they pull me back in." In terms of a headline, it's low for longer. It just continues to grind lower in terms of yields. It's quite upsetting to insurance companies because they were starting to model out higher yields, and things have fallen back to Earth.

Cogert: There's always uncertainty. Uncertainty is good because that means risk, and with risk, comes return. That's the way it works in finance. But it just feels like, at least in the short run, increased uncertainty is the headline for a host of reasons.

And then with about a third of global debt being in negative interest rates and our interest rates being unusually low—by design I would underline—it makes you think, "Can they go lower?" And then of course you start thinking about what would happen in a negative rate environment, certainly for the least risky of securities, the Treasurys and so forth. If you're going to stay up at night worrying, those are the kinds of things that you'd be worrying about.

Doggett: There's pricing pressure, overcapitalization and overcapacity. There's a low organic growth rate and there's the low interest rate environment. All in all, it's a challenging environment for insurers of all types. The No. 1 strategic concern of chief investment officers is no surprise: the low rate environment. Even six to eight months ago, things were looking better. And now it's as bad as ever. What do they do? Views on rates have key implications for how CIOs think about asset allocation.

Not surprisingly, we are seeing increased allocations to alternatives, private fixed income and real estate. This is not a big change, but the momentum is continuing. Most of the allocation increases are coming from lower allocations to public fixed income.

What poses the greatest macroeconomic risks to insurers' portfolios? What keeps asset managers up at night?

Simone: It's policy mistakes, and what's going to happen with China. Will it be a hard landing in terms of what they're doing over there? Overall global growth is a concern. Europe has been in a pretty bad spot for quite some time. The trade war is creeping into more and more of the newsfeed and creating a lot more volatility.

But overall, insurance companies have to manage their assets against specific liabilities and have to put money to work and underwrite underlying investments. A lot of that is bottom up as opposed to worrying about macro issues. Obviously they have to look at sensitivities to industries in the macro environment. It's something to be aware of and consider when investing, but strong, bottom-up underwriting of the asset that they will be purchasing will make a lot of clients comfortable and keep investments reasonably healthy.

Have we reached the tipping point in the U.S. where a near-term recession is inevitable? If so, when?

Simone: We don't think a recession is around

“Uncertainty is good because that means risk, and with risk, comes return.”

Alton Cogert
Strategic Asset Alliance

the corner, frankly. A lot of people said 2020. We just don’t see it. It looks like the U.S. economy is still quite strong. But that doesn’t mean when you’re talking to clients and their boards they’re not getting ready for it. They don’t know the timing. We look at it this way: If you can get strategies that generate attractive yield and provide a defensive mechanism should we get into a recession, do it. It definitely pays to start thinking that way.

When we’re advising a client, we’re trying to not only improve yields, but also we’re trying to address that future situation. We also tell folks, “When you get into a recession, middle market lending becomes a very attractive place to be because the banks become even more restrictive, and then you’re lending to very high quality companies at very attractive rates.”

What you need to do is have a plan in place, so when that happens you can react. We’re working with clients to basically take investment-grade mandates and add the ability to go below investment grade with that optionality, should an opportunity arise to take advantage of it. It’s almost an accordion-type strategy. It’s the most prudent thing clients need to be thinking about.

Another idea along the accordion is, if you’re investing in very high-quality, investment-grade [collateralized loan obligations], consider an accordion approach of adding other [asset-backed securities] and [commercial mortgage-backed securities] to your allocation. Become more diversified.

These are some of the things that we’re telling clients. If you like infrastructure investing and you understand that asset class and take the time to learn about it, think about extending into specialized areas like renewables, as an example. You can still pick up a very attractive yield in the mezzanine piece, but also have an off-take on that type of deal to investment-grade quality utilities taking that type of power, if it’s wind and solar for example.

Cogert: We’ve seen storm clouds on the horizon for years. Years. We’ve could have had a discussion about recession on the horizon five years ago. “The average expansion lasts x years ….” The economy just keeps rolling along here. Economics is a social science—underline social. It is not a science no matter how hard economists try to tell you it is. It’s not like physics or chemistry or biology. You can’t test and get reproducible results. We can’t say, “What would have happened if the Fed didn’t drop rates?”

I don’t think anything’s inevitable. There’s so much that can go on as well as things the Fed can do.

What are the top investing trends you’re witnessing in life and in P/C?

Simone: Folks are looking at things they can invest in through cycles. They’re looking for more diversification, more levers to pull and also looking at more areas of the market that are more recession-proof. For larger clients, we’re looking at strategies that we manage that are quite unique, that have a low correlation to various spreads and interest rates. It’s really alternatives that provide diversification. But at the same time, these alternatives have to be cost effective, transparent and held on the balance sheet in such a way that they’re capital efficient. Capital is still something that folks want to be cognizant of in that a strategy doesn’t consume too much capital.

Cogert: Let’s just say there’s talk of [pulling back and jumping into safe harbor assets]. But I don’t see any of our clients saying, “Oh, we have to pull back.” Up until recently, we’ve seen companies saying, “Hey, can I take a little more risk and get a little more return? Can I diversify a little bit and take advantage of diversification?”

It’s really activity at the margins. It’s not a huge sea change in philosophy. That’s because if you have

“We don’t think a recession is around the corner, frankly. A lot of people said 2020. We just don’t see it.”

John Simone
Voya Investment Management

a group of folks on an investment committee or on a board, as long as that group doesn’t significantly change, you’re going to have similar risk appetites. So any changes you might see are related to looking for additional yield, certainly, and looking at ways to further diversify the portfolio at the margin.

Doggett: What we’re seeing is a substitution across the public fixed-income bucket into other asset classes that can deliver a slightly higher yield, whether that’s real estate, securitized, privates or origination. Those are areas where there’s real evidence that allocations are increasing.

[Origination] is an area that is not commoditized. Many large insurers have significant resources and commitment to loan origination, and for that matter, real estate. And those capabilities are hard to replicate. Insurers have an advantage in accessing those asset classes, although it’s getting more competitive.

If you look at the competition for those assets, it’s coming from the independent asset managers now, both traditional as well as the more alternative-oriented. Because, it is not only insurers that are struggling in a low return environment, it is also the pension plans, foundations and endowments. They’re all facing the same need for higher returns. However, new entrants may have eroded the return premium over time because more dollars are chasing a limited opportunity set. In addition, if you have a capability that is highly differentiated, you can charge a premium fee. But we see massive fee pressure across the investment management business.

The Fed has made three interest rate cuts since July. What kind of pressure is the lower-for-longer environment putting on insurers?

Simone: Everyone would agree we’re even farther in the credit cycle. So the trend of getting a little bit more defensive and cautious will continue to grow. But that’s also countered by the fact that people need income based on their liabilities. It’s this balance between those two different types of pressure that we’re going to continue to see.

What we’ve been talking about for the past few years is going to continue. There’s no getting around the need for private assets. The need for more diversification beyond just corporate credit to securitize. The need for looking at alternatives as a source of excess return. And the need for companies to look at different types of fixed income asset classes that they might not have historically looked at to generate attractive yields. It all has to come under the guise of stringent underwriting to make sure that no one is chasing yield and steps on that rake, so to speak.

Quite frankly, it’s wind in our sails in terms of offering alternative credit for clients to address this. In the last five years of low rates, we’ve added 30 insurance clients and have grown our business significantly from zero. But it’s not something we take lightly. We really feel for our clients’ predicament. We’re in the same one. We have a general account ourselves.

Cogert: Low rates are a threat as they stand. They impact a host of issues, especially for the interest-sensitive writers. It also brings up the issue of the closer you get to the zero level, you start thinking, “In other countries, it’s negative and what would that mean for us?” It does turn a lot of financial concepts on their head. Continued low rates are a threat to investors everywhere.

Doggett: It’s a significant pressure. Life insurance is a spread business, and insurers may have business on the books that assumes a higher rate of return. If they are reinvesting at lower rates, it will directly hurt margins. BR

A NEW GAME

When insurers and insurtechs engage with each other, it accelerates the speed of change and forces both sides to up their game.

by Kate Smith

Vidado Chief Executive Officer Nowell Outlaw was confident his company could handle a project of one million New York Life policies. But when those one million policies turned out to include 100 million pages, it tested his company's capabilities as well as its computing power.

Partnering with insurtechs and adopting a digital environment is equally a test for carriers. Joel Albarella, senior vice president and co-founder of New York Life Ventures, compared it to training baseball players to play ice hockey.

Albarella and Outlaw spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas, about how both sides are affected when insurers and insurtechs form working relationships.

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

Following is an edited transcript of the interview.

Vidado does intelligent automation. What does that mean?

Outlaw: Vidado exists to essentially extract and automate processes that have really been untouchable in existing companies like New York Life. There's a lot of processes and there's a lot of data that these organizations have that they have needed access to that have helped them drive a new way of doing business.

Intelligent automation is helping them uncover all of this trapped data that exists in the organization.

Can you give me an example of how your two companies are working together?

Outlaw: It started about a year ago. New York Life had a warehouse with about 100 million pages,

We had to scale tremendously in order to be able to service the needs of the organization.

I think it's an interesting dynamic when you have a New York Life, which has been around for more than 100 years, and a startup. Can you talk a little bit about the challenge of the speed of pace, moving at the speed of a startup, versus moving at the speed of an insurance company?

Albarella: It's an important consideration, I would say, now as much as any time in history. With the world changing as quickly as it is, how you engage and how you partner with companies and firms that are moving faster than you are is going to be a critical competitive differentiator.

We've been driving partnerships over the last seven years at a rate of about one every two-and-a-half weeks. We are able to have driven a [proof of concept] somewhere within New York Life's business, a tremendous value driver.

Even if they don't lead to implementations, it's been able to help us think differently about our road maps and so on. Based on that experience, I wish I had some really insightful thing, beyond it's mostly about empathy.

It's mostly about understanding where the other person is coming from. Self-awareness, and understanding what your blind spots may or may not be, as a larger organization. New York Life, as you noted, actually well over 100 years, 175 next year, we'll be celebrating our anniversary.

Having some empathy, having some self-awareness, and really acknowledging this exciting intersection between an organization that's very, very large—which implies a certain speed, a certain cycle time—and companies that are very, very small, which is going to have a much tighter cycle time.

Really trying to figure out what's going to work best for your organization to be the interface, to be the friction plate that's going to manage those two relationships. That's something we've been very pleased with our results to be able to do that, but something that I encourage all incumbents to think very hard about.

Winners and losers, again, will be separated by the speed at which they can learn new things. To be able to learn quickly, you're going to need to have a strategy and a capability to engage with smarter and faster earlier-stage companies.

or documents, contained in it. In that 100 million pages is all kinds of data elements that help them build and understand their business better.

New York Life approached us about figuring out how to pick the needle out of the haystack for all of these pages, and then applying intelligent automation and machine learning to it to extract the data out, so that they can then use it in their data and analytics research departments for learning more about their business and the outcomes of their business.

We did that. It started in October of last year, and we got done in July.

As a tech company, how big of a challenge is 100 million pages? It seems overwhelming.

Outlaw: It was overwhelming, to be sure. I think the interesting thing about startups, especially as it relates to insurance companies, is that you have to understand the scale and size of these organizations. We went into this initially with a discussion about one million policies.

You say, "OK, that's pretty easy," but what shows up at your doorstep is 100 million pieces of paper.

"With the world changing as quickly as it is, how you engage and how you partner with companies and firms that are moving faster than you are is going to be a critical competitive differentiator."

Joel Albarella
New York Life Ventures

How about for you as the startup?

Outlaw: You want to move at Mach 3 as a startup. Large companies that have been in business for 170 years, they don't necessarily move at Mach 3. It's good, because it teaches you how you have to define value for the organization.

A lot of tech startups want to talk about their tech a lot. It's important, but the driving thing is, what's the value to the customer? I think the one thing is having a company, like a life insurance company, that helps you understand the value chain and where the technology can be greatly applied, is really of fundamental, building-block importance for any startup.

You might have really great analytics technology. You might have really good machine learning, but it's the application of that tech to find product-market fit. The only way you find that is with a customer that's willing to take you into those various business areas and say, "Let's apply this, and here's the business value that you get out of it."

That's what you need a partner like New York Life for.

Doing a proof of concept every two weeks seems pretty quick. Is it hard to get full adoption?

Albarella: It is. I think that the cycle time there, every two-and-a-half weeks, has been great, because it's a speed to insight advantage.

The knowledge is there to inform our very talented business leader on how they think about their road maps and how they think about engagement going forward. It's very helpful from that perspective. But for anything that is large and has been around a very long time, it's hard to be agile.

If you'll forgive me, I'll use a sport metaphor. If you think about the game of baseball, and you take the best baseball players in the entire world, and now, you think about the environment that we live in—a digital environment, customer expectations changing. We're on the cusp of quantum computing.

We're on the cusp of more meaningful AI. We have a well-funded venture industry that's focusing on solving big problems, really trying to get ahead of potential use cases. The game is changing.

It's almost like we have an industry full of very talented baseball players, and we're going to have to play hockey here pretty soon. As good as those players are at baseball, you've got to re-skill. You've got to retrain. You've got to attract talent.

Really, what you need to do also is learn the fundamentals. The fundamentals of baseball are very different than the fundamentals of hockey. You need to understand how to hold a stick. You need to understand that ice is slippery.

You try to understand those sort of aspects. I think the industry is doing a very fine job—and I know New York Life focuses on this very well—getting in and understanding the rules of this new game, and really adopting the right fundamentals to be able to compete as things evolve.

As the hockey player in this analogy, is it tough teaching the baseball player?

Outlaw: Sometimes. I think the interesting thing is, the baseball players really want to learn. It's how much time do you spend educating them on how to play NHL hockey, when you're also trying to drive a business and move forward. Everybody's super excited. They're hungry for knowledge, and, "How are you doing this? How is it moving forward?" It's good. I think fundamentals of baseball also get applied to hockey, as far as how do we score, how do you have a winner, and how do you do things?

"You want to move at Mach 3 as a startup. Large companies that have been in business for 170 years, they don't necessarily move at Mach 3. It's good, because it teaches you how you have to define value for the organization."

Nowell Outlaw
Vidado

A lot of the people can move very quickly. It's just, as a startup, your value to them is because you have the best goalie, the best center forward. You know already how to skate, so you can help them accelerate quicker.

Albarella: I would just add, to clarify, less about the actual business, more about adoption of cloud, more about how you properly leverage an API strategy, how you truly think about analytic enablement throughout the value chain.

That is where the game is changing, not so much the businesses that we're in. I just want to clarify that.

As an investor, is that part of what you're looking for, who can teach you something?

Albarella: I think as a venture investor, it's no big secret that it's really important who the management team is, what perspectives they take, and how they think about the problem that they're trying to solve.

For us, a cultural fit is very important, and I think an aspect of that cultural fit is, again, understanding what it would mean to work with a large organization, understanding that you need to have that right level of compassion and empathy to understand where that opportunity is.

Able to meet in the middle, able to have a high self-awareness around the product that you're offering or the problem that you're trying to solve. Doing your homework to understand where that lives within the value chain.

If you're going to try to have some sort of a role in a core function to our business, something that, literally, we hang our hat on as a business, you can't expect a very fast and loose type of engagement. That's just not the way that it's going to work.

Having that kind of understanding is a very important aspect of a management team, just to be able to acknowledge that, while at the same time, understand where there are opportunities to push faster, where there are opportunities to help us.

What do startups need to be prepared to handle?

Outlaw: I think a combination. You have to manage to process, because a very large carrier is used to managing things in a very certain way. If you come in and are trying to get things done in a week—that might take three months. It's how do I fit into their process and how can I work with them to get this done?

I think the other thing is, understand the scale of the requirements. A lot of times, you may think you understand it, but you really need to do some deep exploration about—OK, we're going to start with 100,000, half a million, or a million. Really ask some tough questions back to the customer to say, "What does this represent as far as data policies, contracts, amount of money?"

Sometimes, even the customer themselves may not understand the full impact that you need to be able to handle for their business, because they're big.

We've seen customers that have made estimates, and they're like, "Well, we think it's going to be about 10,000 things a day." Instead of 10,000, it's 50,000. You have to be able to rapidly adopt to that. I don't like to go back to customers and say no. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Joel Albarella and Nowell Outlaw.

VISION

As a new decade begins, insurance executives grapple with big events, big risks and big changes.

In "Strategic Planning," executives weigh in on what insurers must do to remain relevant to customers in the future.

Along those lines, James Vickers, chairman of Willis Re International, suggests in "Shift the Narrative" that the insurance industry needs to do a better job telling its story to the world.

To find out which risks are of greatest concern to managers—and which risk jumped 35 spots to No. 3 in the ranking of top risks—check out "Accelerated Change."

"The Show Must Go On" digs into coverage needs for some of the mega-global events being held in Asia, including the 2020 Olympics in Japan.

In this special section, *Best's Review* looks at insurers' vision for 2020.

CONTENTS

Strategic Planning

From curating content for individual customers to tackling the industry's image problem, insurance leaders weigh in on how to remain relevant in the new decade ahead.

by Kate Smith

Expand coverage. Personalize interactions. Convey purpose. Understand where customers are heading. There are many theories on what businesses should do to stay relevant in today's ever-changing environment.

As 2020 approaches, *Best's Review* asked executives what the insurance industry must do in order to maintain its relevance to customers. Here's what they said.

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

Meaningful Differentiation

In most mature markets, you're essentially engaged in a zero sum situation. In other words, your customer was someone else's customer, and vice versa. In those "hypermature" markets, cost-focused due diligence tends to dominate.

When I think about what we need to do as an industry, we need to change consumption patterns for buyers of insurance. It is critical that we, as an industry, change passives to enthusiasts. Specifically, taking buyers who tend to focus on price—the comparison shopping—and turning them from opportunists into loyalists.

We need to ensure that we invest and execute around meaningful differentiation. Price competition is not differentiation at all. Anybody can copy a price. Anybody can copy an ad campaign. Strategic differentiation compels buyers to switch and stay for reasons beyond price.

There are three levers to sustainable, meaningful differentiation—innovation, products, and experience.

Innovation is less about what you are going to do, and more about when and how you will do it. Awareness of innovation levers is critical, but not as critical as execution.

In terms of products, tailoring to a buyer's preferences and values is critical. Carriers must move beyond the concept of mass customization to true tailored products and corresponding experiences.

Finally, delivering a superior and consistent customer experience across touchpoints is a critical strategic differentiator. We need to engage consumers not only around the shopping experience, but around claims, endorsement, service—every dimension.

You know what's interesting? As Churchill said, "The longer you can look back, the farther you can look forward." We need to execute around what agents have done for decades, if not centuries. When customers walked into an agent's office in the 1950s, the agent immediately started trying to answer two questions. First, what experience is the potential buyer expecting? And second, what product or service is required to meet this customer's needs? Successful agents tailored their approach and offerings on a dynamic basis.

As an industry, we need to do what these agents have done seamlessly for decades. However, we need to do it in the context of widely divergent consumer expectations and requirements, and on a 24/7 basis across multiple touchpoints—the agent, the call center, online, maybe even via mail.

This requires an explicit strategic intent, and resource allocation. It's not going to happen by accident.

Bill Pieroni
CEO
ACORD

Stay Nimble

There are a number of efforts that are critical to staying ahead. You need to be spending time with technology companies that are either reinventing the safety features of a car or thinking differently about how cars are owned—whether it's car sharing, ride sharing or other subscription models.

It's important to understand where the consumer is headed. What the person is doing with their car will change the way in which they are insured. So that's one dimension of understanding the market overall.

I do think that just spending time with insurtech companies in general and finding ways to partner together, some of which may not be obvious in terms of bottom-line earnings, is pretty important. We found a lot of value in this with some of our strategic partners like Intact. These partnerships inspire a lot of ideas for the future.

But I also think staying relevant, frankly, is about being nimble and spending time with your customers. That's ultimately what will drive a lot of interesting insights. We spend a ton of time on video chats with customers, trying to understand what they like and don't like. That inspires a lot of the new ideas we have. As an example, our recent partnership with [car-sharing service] Turo was actually inspired by customer behavior. We had a relationship with them before and got the idea that we could use per-mile insurance to help the owners of the vehicles save money. But we also found that our customers were using per-mile insurance to save on the product already, but just didn't have the seamless experience yet. So we were able to develop an experience that Turo can extend to all of its customers.

So it really needs to be from multiple dimensions.

Dan Preston
CEO
Metromile

Embrace Customer Expectations

I would say the insurance industry is incredibly relevant. We make it possible for people to own homes and take risks in their lives, and have comfort in those risks because they're covered for them. So insurance is and will continue to be relevant.

But from a customer-service standpoint, we have to look at the world around us. People's perceptions of service are being framed by things well beyond insurance. We have to embrace those ways that they're being served in other places, and bring those in. Their Amazon experience and their Netflix experience are framing the way they think about service. And they're not going to compare us to other insurance companies; they're going to compare us to other experiences they have.

I think we can compete pretty favorably, when you think about the capabilities we have. I go back to telematics, because as much as you can get out of your shopping experience with Amazon, it's not going to make you a safer driver or tell you who in your family is the best driver, if you want to have a little friendly competition. It's not going to tell you when your young driver is going over 80 miles per hour and being unsafe; it's not going to help you protect your family; and it's not going to help you reduce your rates.

Those are things we can do, and we can really be relevant in that way.

Glenn Shapiro
President of Personal Lines
Allstate

Aggregation Mindset

When I speak to senior executives for insurers, particularly in the larger corporate casualty space, there is a concern about creeping irrelevance. I say creeping because nothing in casualty moves that quickly. But also because there's a slow and steady erosion of coverage.

When you look at casualty insurance in the 1970s, it was occurrence coverage. The number I saw was that 94% of U.S. tort was covered by insurance. In the intervening years, there was a lot of movement away from occurrence and an increasing number of exclusions.

The net effect of all of that is that in 2012 only about 55% of commercial tort was covered by insurance. Today, that number could be as low as 50%.

So the relevance of insurance to commercial tort has declined. When I talk about that with people in the industry, they're worried about it. I believe the industry needs to be looking for new solutions. Insurers need to try to find ways that will allow the coverage to continue to be profitably written, but also be there to solve the problems of their clients.

We need to move from an exclusion mindset toward an aggregation management mindset. We have to find ways to be responsible without moving away from coverage.

Also, when risk management is more in terms of claims management than it is underwriting, that is not sustainable. So sometimes claims management ends up being about disputing coverage, and that does not lead to good long-term relationships with clients. That risks making you irrelevant, as well. So the more the work can be done at underwriting stage, the better.

And one of the areas we're really interested in is figuring out how to go even further upstream in managing the risk. To the extent that analytics can be delivered by insurers to their clients in ways that allow them to lower their risk, where they can tangibly see how it lowers their risk, and that information uniquely comes from insurers—that's the home run. Because then the insurers share in the value of the risk reduction, and it's a great way for the industry to be extremely relevant.

Bob Reville
CEO
Praedicat

Purpose Over Products

We need to face facts that we sell a product that people really wish they didn't have to buy. It's not about your product, it's about what your product does.

We need to focus on the customer experience. We need to recognize that the insurance product itself isn't that exciting to people. How do we integrate ourselves into their lives where it's not just about insurance? Where it's about helping them accomplish things they want to accomplish in their lives or business?

I listened to a presentation where the speaker said, "It's about purpose, not product." I thought that was brilliant. We need to do a better job as an industry of relating to our customers and talking to them about purpose instead of just bringing them a product. Because let's face it, it's hard to get excited about insurance products.

Richie Whitt
Co-CEO
Markel


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Personalize Offerings

I would say personalization is key. When you think of all our interactions as consumers, companies we work with know so much more about us now. We should be able to personalize people's experience. Even in the context of our Vitality wellness program, it's a wonderful program that broadly serves everybody, but everybody's wellness journey is a little bit different. The root of all my wellness evils is a lack of good sleep, so I probably need help getting more sleep. Someone else may have a chronic condition they're trying to manage.

Data is also big. A lot of people worry about big data, but think about the power of data to personalize experiences for people. We offer healthy food recipes, but we offer the same healthy food recipes to all of our customers.

We have a healthy food program where people can get 25% off healthy food purchases at over 16,000 grocery stores nationwide. So we have data that says, "This person tends to buy lima beans and corn," and "That person tends to buy squash and zucchini." Instead of giving everyone the same recipes, why wouldn't we serve the first person recipes that feature lima beans and corn and the second person recipes that include squash and zucchini?

Even with exercise, with wearable devices we know whether someone likes to run in the mornings or walk in the afternoons or row on weekends. If we know someone's primary form of physical activity is rowing, why aren't we serving them content on rowing activities rather than general content around physical activity?

I love to boat and spend most of my free time boating. But I've only ever owned power boats, which I use to go fishing. I still get target marketing material for sailboats. The data is out there to say, "He's only ever owned this kind of boat, and look at all the fishing equipment he's bought." So the future, in many ways, will be about taking that information and using it for more personalization.

Brooks Tingle
President and CEO
John Hancock Insurance

Talent and Tech

I think our relevance hinges on two components: talent and technology.

Let's look at technology first. Is it self-evident to say our relevance revolves around technology? Yes, of course, it is. While we can acknowledge this as an obvious statement of fact, taking action is complex.

In spite of the best strategic intentions, the manner in which insurers and reinsurers embrace technology is often thwarted by legacy systems and old habits.

Many of our well-established carriers have been in the business for decades. M&A is increasing the number of large, publicly traded insurers. Purchasing or upgrading systems, hardware and software, and educating a multigenerational workforce about how to maximize these new tools, is costly and labor-intensive for a company of any size, but it's a material consideration for companies being held to quarterly performance metrics.

And given the importance placed on relationships throughout the industry's distribution channels, an increasing focus on data-driven operations can lead to a culture clash where the traditional ways of doing business are mightily resistant to change. This dynamic is symptomatic of a general complacency that's plagued our industry for years.

However, as emerging risks like climate change and cyber continue to evolve in real time, and as, increasingly, a premium is placed on the ability to gather and analyze data (also in real time), there's no room for complacency—not if we want to stay relevant, let alone increase our relevance. Systemic, organizational and operational changes are required.

And to unlock the value in technology and effectively respond to a world of new risks, we need the right talent.

Again, an obvious statement of fact, but one made against the backdrop of an industry that continues to grapple with an image problem and a talent crisis.

Few high school and undergrad students give insurance a second thought as a compelling career choice. Many look at the demographics of our sector and don't see themselves reflected. They also pigeonhole the industry as boring and conservative.

If we're talking about what makes us relevant, it's presenting opportunities to young people that resonate with their sense of self and their generational need for a sense of purpose. It's establishing work environments that genuinely and authentically acknowledge and welcome the diversity of the world we live in.

The irony is that solving the talent riddle is likely to address the challenges related to technology. The digital natives entering the workforce will have the skills we need to provide products and services that are relevant to the digital world. It's one they were born into, and one they understand well.

I don't think this is a chicken/egg equation. It's more a "build it and they will come" proposition: Offer a compelling reason to be part of an industry in flux to the right talent, and informed, astute choices will be made about what's needed to get the data-driven job done.

Pina Albo
Group CEO
Hamilton Insurance Group

Accelerated Change

Survey results reveal risk managers are increasingly worried about disruptions in the geopolitical landscape.

by Meg Green

Although the top risk concern for respondents to a biannual global risk management survey is an economic slowdown, the third risk cited was very interesting, said Anup Seth, managing director, Aon Bermuda. The third risk, which ranked 38 in the last survey, is accelerated change in market factors, he said.

Aon's 2019 *Global Risk Management Survey* offers the following insight into accelerated change in market factors.

"It shows that the increasing volatility of many interconnected market factors—erratic trade policy (EU/UK, US/China) and regulatory changes, large-scale geopolitical conflicts, frequent financial market turmoil, and rapid technology advancements—is causing a seismic shift in demand and supply, and has substantially affected organizations across every region of the globe. Its appearance also illustrates the fast evolving and sometimes unpredictable key risk concerns facing organizations today."

Seth spoke with AMBestTV at the Bermuda Captive Conference, held in Southampton, Bermuda.

Aon recently released a global risk management survey. Can you tell us what the big takeaways are?

Aon conducts a global risk management survey once every two years. The key findings coming out of the 2019 survey were economic slowdown is the top risk. We had about 2,600 respondents, and these are risk managers around the world.

The top risk was the economic slowdown. The second top risk was damage to reputation or brand.

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

Current Top 15 Risks

	2019	2017
Economic slowdown/slow recovery	1	2
Damage to reputation/brand	2	1
Accelerated rates of change in market factors	3	38
Business interruption	4	8
Increasing competition	5	3
Cyberattacks/data breach	6	5
Commodity price risk	7	11
Cash flow/liquidity risk	8	12
Failure to innovate/meet customer needs	9	6
Regulatory/legislative changes	10	4
Failure to attract or retain top talent	11	7
Distribution or supply chain failure	12	19
Capital availability/credit risk	13	21
Disruptive technologies	14	20
Political risk/uncertainties	15	9

Source: Aon's 2019 *Global Risk Management Survey*

The third risk was very interesting—it ranked [No. 38] in the last survey, but it's up to No. 3—and that is accelerated change in market forces.

What we mean by that is changes to the geopolitical landscape. Whether it's trade policies, whether it's Brexit, for example, in the U.K., in conjunction with talent changes—the struggle that companies are finding in terms of finding the right talent—and also, advancements in technology.

These are the accelerated market forces, and that risk has come up to No. 3. The other interesting finding is only one out of the top 10 risks is fully insurable. That's the business interruption risk that ranked No. 4 in our survey.

Do you think there will be a move to extend coverage to those other areas? Is that a possibility?

It certainly is, and I think one of the areas that Aon is looking at is not just focusing on the transfer of risk, but actually looking at how we can assess risk, how we can mitigate risk, how we can quantify risk, so we're broadening that risk conversation.

The risk transfer, or the insurability, is certainly important, but it's just one element now of that broader risk conversation.

You also did a survey on cyberrisk. Can you tell us what you found there?

This was a cyber captive survey, and what we found is over the last 12 to 18 months, there has been a significant increase in the premiums that are flowing through captives to incubate cyberrisk.

It's across all industry sectors, but certainly, led by the health care and the energy sectors. I think we will continue to see that trend. It's been a common theme at some of the meetings that I've attended at the conference, around how can companies utilize their captives for cyberrisk, or incubating cyberrisk. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Anup Seth.

Shift the Narrative

Willis Re International chairman urges the industry to create stories tailored to its customers about the importance of buying insurance protection.

by Meg Green

A large portion of the world's risks will remain uninsured unless insurers and reinsurers better demonstrate the protection and restoration their products can provide, said James Vickers, chairman of Willis Re International. Vickers spoke with AMBestTV at the Global Insurance Forum, held in Singapore.

Vickers said society as a whole doesn't acknowledge how important insurance and reinsurance were in rebuilding New Zealand's economy after the 2011 Christchurch temblor. As of January 2015, insured losses totaled NZ$16.7 billion, according to Munich Re. "They do not understand just how much money the insurance and reinsurance industry put into the New Zealand economy and what would have been the effect to the New Zealand economy had there not been a global reinsurance industry prepared to help."

Following is an edited transcript of the interview.

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

What does the insurance industry need to do to close the protection gap?

The challenge for the insurance industry is distribution. It's how to sell more insurance product to people who are not buying at the moment.

RECOVERY STORY: The insurance and reinsurance industry played a vital role in rebuilding Christchurch, New Zealand, after a 2011 earthquake caused NZ$16.7 billion in insured losses. New Zealand's recovery story illustrates the value of insurance.

The insurance industry is doing a decent job in terms of managing capital, raising capital and product design. Yet even in the most developed markets, we've seen in some recent major catastrophes there's still huge underinsurance, people just not buying the product at all. We then translate that down into emerging and developing markets, the situation is obviously far worse.

We have to ask what it is about insurance. Why are people not interested in buying? The insurance product is sold rather than bought. We have to ask some very fundamental questions about that.

Yes, there's a huge amount of talk these days, very encouraging, about different forms of distribution, the rise of mobile telephones which is reaching swathes of population that never had access to this before.

But even once we find ourselves partnered up with the right providers and maybe producing product appropriately pitched at different sectors of society, we still face the problem: How do we persuade people that they should buy even a product with a very small premium, but it's still a chunk, a big chunk of their disposable income? Why should they invest that?

Half of the problem has to do with human behavior. Insurance protects downside risk, the nasty things that can happen to you in life, not the good things.

Of course, people don't want to think about the nasty things, they blank it out of their minds. If something horrible happens, they think, "Well, I'll try and deal with it then." In many cases, if it's a large natural catastrophe, a pandemic event, the government steps in and provides some sort of support. All of that acts as a dampening effect.

There has to be a fundamental shift in the way that the industry portrays itself to society as a whole and the way that the value of insurance is portrayed.

If you look at most countries, you look at most particularly personal lines of insurance, it's seldom

"There has to be a fundamental shift in the way that the industry portrays itself to society as a whole and the way that the value of insurance is portrayed."

James Vickers
Willis Re International

priced. It's not sold on value. Very rarely will policy terms and conditions be discussed. It's you can get cheaper car insurance or motor insurance here.

We have to shift that narrative. The way to do it is actually to start talking about stories—individuals, communities, businesses where something unpleasant happened—and the insurance industry was able to step in and help and provide both financial help, and in other cases, more than financial help, to restore people to the position they were before.

Obviously, those stories have to be very tailored to the individual sector, the country, the culture that we're talking about, but that shift needs to happen.

Yes, of course there can be some pushing through other channels, particularly banks, other forms of finance. People talk a lot about embedding insurance product. That may help a little bit, but I still worry about that.

If the insurance product is embedded, people don't understand they're buying insurance. They think they're buying a fridge, and they've forgotten or they ignore the fact that within that they've actually got an insurance product which will replace it if it breaks down.

This is the big challenge for the industry and requires a paradigm shift in how we present ourselves to society as a whole.

How do you do that shift? How do you change the stories? Do you see that as a promotion, as a commercial?

It has to be a lot more than that. Just a few promotions and commercials doesn't really work. It has to be a concerted campaign over many, many years.

The image that the insurance industry has is not great. We're not seen as being particularly helpful. We're seen as an industry that takes in money and then when a claim happens, we are regularly paying out. We have to change that.

You're not going to change people's attitudes easily and quickly, but by consistently over time telling stories about how communities have been restored and individuals' lives, and families have been able to carry on. Over time I think that will change. I'll give you an example on a macro level.

All of us in the insurance industry know that the New Zealand economy was basically rebuilt by the global insurance and reinsurance industry after the terrible earthquakes. We know that, society as a whole does not understand that.

They do not understand just how much money the insurance and reinsurance industry put into the New Zealand economy and what would have been the effect to the New Zealand economy had there not been a global reinsurance industry prepared to help.

That's a very simple story. Of course, there are others we should talk about, about the individual, the breadwinner in the family who fell ill, and their family is on a subsistence level and they would face total destitution if there wasn't some form of even modest insurance policy to help the family tide over that period.

It's a whole series of interconnected stories. We need to be quite clever about tailoring those stories correctly in different countries and different cultures and tailor it to different sectors of society that we're trying to reach. BR

AMBestTV

Go to *bestreview.com* to watch the interview with James Vickers.

MAIN EVENT: In 2013, a flame was lit in the 1964 Olympics cauldron at the National Olympic Stadium in Tokyo in celebration of the Japanese capital being selected to host the 2020 Olympics. A new stadium at the site is scheduled to open this month. Insurance programs for such mega events often are put in place years in advance.

Photo by Kyodo via AP Images

The Show Must Go On

Mega-global events such as the upcoming Olympics and this year's G20 and Rugby World Cup put a spotlight on Asia-based events.

by Meg Green

Asia is seeing an increasing number of sports, entertainment, music, trade show and conference events hosted for both local and international participants.

Tommy Elliot, regional director, Asia-Pacific, Circles Group, said most losses paid for event coverage are related to event cancellation, catastrophe impact and other property-related causes.

Elliot spoke with AMBestTV at Lloyd's Meet the Market conference in Hong Kong.

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

Following is the edited version of the transcript.

Tokyo will host the Olympics next year. Can you tell us more about the risk management and insurance program needed for such a big event?

For an event like the Olympics, obviously you have billions of dollars on the line, multiple stakeholders involved. Believe it or not, the insurance programs for something like the Olympics are planned, organized, and put in place, in some cases, even years before the event takes place.

Taking the Olympics as an example, you would have the various stakeholders, including folks like the International Olympic Committee, the local organizing committee—in this case, it would be the Tokyo Organizing Committee—and then various other stakeholders, people like sponsors, TV broadcasters. All of these folks would have a financial interest in the overall event.

It tends to be the Olympic Committee that are the folks that go in sometimes three, four years before the event to procure their insurance coverage. Then pretty much once the Olympic Committee has bought their cover, it's a bit of a mad dash for everybody to go into the market and procure coverage.

Make no mistake, it's a global placement. You'll have hundreds of millions, if not up to billions of dollars on the line, and you would have involvement from the global marketplace.

Do you see increasing insurance demands from Asia markets hosting other high profile events such as [this year's] G20 and Rugby World Cup?

With these big, big, high-profile mega-events, the insurance programs would have been put in place, in some cases, years in advance. As a result, most of those are pretty well-baked-in [by the time the events take place].

What we would say though, is in general, since we're having more and more international events come out to Asia, is we've seen an increasing demand from smaller and medium-size events around the region, places like Southeast Asia, Greater China, and more mature developed markets like Australia and New Zealand.

What are the emerging risks for sports and entertainment events, and international conferences in Asia?

The first one, it's a risk that's been around, and it continues to obviously make headlines. One that an event organizer can't ignore at this stage is terrorism and political violence insurance. There are varying degrees of risk and uncertainty within that peril across the region.

Weather is something out here that we certainly can't avoid, in Asia. Fortunately or unfortunately, we've got everything out here. We've got typhoons. We've got earthquakes. We've got tsunamis. We have extreme temperatures, snowstorms, you name it. We've got it out here. Managing those risks on a local basis is very important.

Communicable disease or pandemic outbreaks of infectious diseases, this is something that, again, can't be ignored here in Asia. Taking for example, SARS, which happened a number of years back, was one of the largest market losses for the global contingency market ever. We're always on the lookout for what the next emerging risk there could be.

The fourth area that we see is what we call nonappearance, so the nonappearance of either a key performer or artist, say, such as at a rock concert. [That can happen] even at a trade fair and exhibition level or a seminar or conference level where you have a keynote speaker who's unable to attend due to accident, death, or illness, either of the artist or keynote speaker, or of one of their immediate family members.

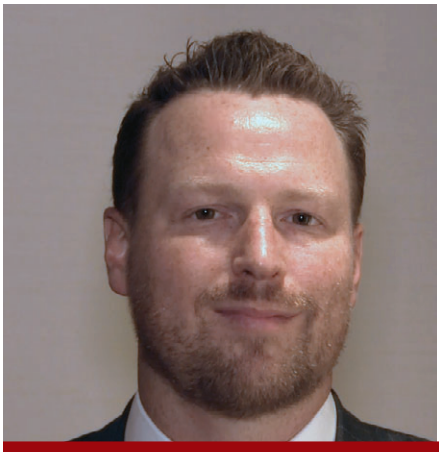
Particularly, as more and more Western artists continue to travel into Asia, into more and more markets, we have seen more and more issues in the nonappearance space.

Finally, in terms of the areas of risk that we see, sometimes it's the ones that you don't really think about, but that are, in some cases, the more practical ones.

For example, if you're holding a concert, and you have some very key sets and things that are coming from the previous concert city that might be in South Africa, and due to a breakdown of the airplane or issues in transport, the gear doesn't show up for the concert.

Oftentimes, the artist will have specific guidelines in terms of the equipment that they need to use. As a result, they'll say, "Look, I can't perform, because I don't have the right equipment, and it's unsafe."

There's a whole host of factors that we look at. Some are more obvious, and some are less obvious, I guess, in that sense.



"Where we cut the big checks is where events get cancelled, the organizer has contractual liabilities—things like ticket refunds, loss of deposits—that's where the earth shakes, the wind blows. That's where we've had the biggest exposures over time."

Tommy Elliot
Circles Group

How would you describe the market conditions for events in Asia?

The risk management space for events in Asia is an evolving process and space, I would say. It depends on which markets you're in.

Of course, some of the more high profile cancellations of events in recent weeks and months, and things like catastrophes that we've seen an uptick in in the region, have definitely brought up the awareness.

Really, what we try and do is work with our brokers, who in turn, work with their clients. What we try and advise is that whilst insurance is one part of an overall effective risk management program, it can't simply be a backstop for everything that happens. You need to be able to manage your risks so your event goes ahead as planned effectively.

One of the other things that we see in terms of risk management awareness is oftentimes there's a focus in the region on the liability insurance which is arranged for an event, which—don't get me wrong—is extremely important that an event organizer has effective and adequate liability insurance in place.

Honestly speaking, we've been insuring hundreds of thousands of events across the world over the last 20 years, and less than 5% of our claims actually come from liability exposures.

Where we cut the big checks is where events get cancelled, the organizer has contractual liabilities—things like ticket refunds, loss of deposits—that's where the earth shakes, the wind blows. That's where we've had the biggest exposures over time.

How do you see terrorism risks impacting insurance demands for events in Asia?

I think Sri Lanka was an interesting one. It wasn't really on anybody's radar in terms of a risk and exposure. Obviously, it was very, very unfortunate what happened there.

New Zealand, again, is another place that people would have never thought that you would have an issue. What it's shown is that, unfortunately again, none of us are safe in this day and age.

Hong Kong and Singapore, again, have always been seen as beacons within the region, as safe havens, and as somewhere where an issue like this couldn't happen. When you speak to some of the security and intelligence folks around the region, they will tell you that things could have potentially happened. They just happen behind the scenes.

It is something that we all have to be conscious of and aware of. That awareness, and then how to manage and mitigate those risks, is something that we're working on with our brokers and clients on a daily basis. BR

AMBestTV

Go to *bestreview.com* to watch the interview with Tommy Elliot.

Uncharted Waters

A series of attacks on oil tankers near the Persian Gulf is driving up war risk premiums.

by Lori Chordas

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

DANGEROUS WATERS: Anchored off of Fujairah, United Arab Emirates, the oil tanker Kokuka Courageous was damaged by a limpet mine near the Strait of Hormuz in June. Marine insurers have reportedly paid more than $100 million in damages from similar attacks.

AP Photo/Fay Abuelgasim

Key Points

Danger Zone: Strikes on tankers just outside the Persian Gulf are driving up oil prices and war risk premiums.

Up in Arms: Shipowners face spiraling insurance costs to sail through the Persian Gulf and surrounding areas, which are now designated additional premium areas.

Abandon Ship: The rising threat of maritime attacks may soon drive some carriers out of the marine insurance market or create the need for more endorsements or riders on existing policies.

An Iranian oil tanker traversing the Red Sea near the Saudi port city of Jeddah allegedly was struck Oct. 11 by two missiles, damaging two of its main storage tanks and causing oil to spill into the sea.

The attack, the latest in a string of vessel strikes off the coast of Saudi Arabia this year, could cause a further spike in war risk premiums.

Rates in the war risk market rose tenfold this past summer following a series of tanker attacks and seizures in the Persian Gulf, according to the Norwegian Shipowners' Mutual War Risks Insurance Association, known as DNK.

War risk policies insure the value of ships damaged or destroyed by acts of invasion, insurrection, rebellion, hijacking and terrorism.

In May, four commercial ships were attacked off the coast of the United Arab Emirates near the Fujairah port. The following month, the Norwegian-owned Front Altair and the Japanese tanker Kokuka Courageous were attacked near the Strait of Hormuz.

Insurers reportedly have already paid more than $100 million in damages from those attacks, and industry experts expect payouts could rise even higher as a result of the latest incident and future attacks.

Shipowners also are being forced to dig deeper into their pockets.

Ships crossing the Strait of Hormuz, the narrow passage that links the Persian Gulf with the Arabian Sea and the Gulf of Oman, are now paying up to $400,000 per sailing in war risk premiums, according to DNK, which insures more than 3,000 ships against the risks of war.

Every day about 19 million barrels of crude oil pass through the Strait of Hormuz—a critical passageway for more than 20% of the world's oil, according to the International Association of Independent Tanker Owners.

Rough Seas

Accusations continue to swirl around who is behind the recent attacks.

The United States called this summer's maritime incidents in the Gulf, along with a September drone attack on Saudi Arabia's largest oil processing facility, "unprovoked attacks" by Iran, which denies involvement in the events.

Iran, in turn, pointed the finger at Saudi Arabia for the Oct. 11 attack on one of Iran's own vessels in the Red Sea.

As investigations into that attack continue, what's already discernible is the impact that incident and other similar attacks are having on war risk insurance.

"We're now seeing a kind of microcosm of the hardening of the market, along with rising premiums," said Jonathan Moss, head of marine and trade at DWF Law LLP, a multinational law firm based in London.

He expects rates to continue pushing upward with the ongoing threat of attacks and the fallout from the Joint War Committee's decision in May to designate the entire Persian Gulf and waters outside the area, including the Strait of Hormuz, as a so-called "listed area" under risk of "Hull War, Piracy, Terrorism and related perils." Listed areas are regions that pose a significant risk for shipping.

The Joint War Committee, which is made up of underwriting representatives from Lloyd's and the International Underwriting Association of London company markets, represents the interests of marine hull war business writers in the London market.

The last time the entire Persian Gulf was in a listed area was in 2005 during the Iraq war, according to reports.

The latest designation allows underwriters to change the terms and conditions of policies and offers them more room to charge higher rates, Moss said.

While he said the Joint War Committee's decisions aren't binding, they are typically followed by global insurers.

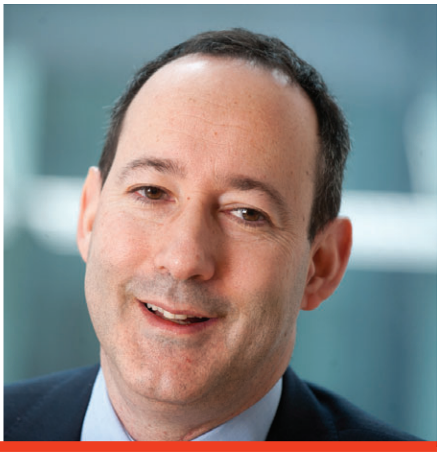
Ships entering listed or breach areas are required to pay additional premiums for the time spent there. Premiums vary per vessel and are not automatically added to existing policies, according to the Joint War Committee.

Shipowners who fail to pay additional premiums aren't covered, said Catherine Thomas, senior director of analytics at AM Best Europe-Rating Services Ltd. "And once the Joint War Committee lists a location as a war breach zone, policies covering those areas are excluded on war risk policies," she said.

War risk underwriters such as the Hellenic Mutual War Risks Association (Bermuda) Ltd. require ships to declare to the association's

“Whether the latest attacks were an act of terrorism or a breach of international sanctions is of crucial significance in determining whether and how cover might respond, if at all.”

Jonathan Moss
DWF Law LLP



underwriting team when entering or breaching the geographical limits of additional premium areas. Bespoke short-term coverage is then provided for the duration of the ship’s visit. The association protects Greek ships against loss or malicious damages caused by a third party.

Even before recent attacks broke out near the Persian Gulf, shipowners trading in countries such as Libya, Iraq and Yemen were requested to make payment of additional premiums to transit through those high-risk areas.

But the October attack pushed those breach premium rates even higher from about 0.35% of the value of a vessel to about 0.5%, which means additional costs of about $100,000 for large crude carriers on a seven-day voyage, Moss said.

Market Conditions

The gross written premium of the war risk market is between $100 million and $200 million, said Luca Patron, a financial analyst at AM Best Europe-Rating Services Ltd.

Claims reportedly involved in the May and June attacks in the Persian Gulf were approximately $100 million, which at that time represented the majority of the global annual war risk premium income, he said.

“Therefore, we’d expect the total premiums to have increased substantially during 2019,” Patron said. “We would also expect the premiums to revert to previous years’ figures going forward if the number of large claims should diminish.”

Despite the recent and expected rise in war risks for additional premiums, rates for war annual cover, which covers ships when in geographical areas other than additional premium areas, remain relatively low compared to other lines, “at typically around a few hundred dollars even for ships valued at tens of millions,” said Rod Lingard, joint managing director at Thomas Miller War Risks Services Ltd., which acts as consultants to the managers of the Hellenic Mutual War Risks Association (Bermuda) Ltd. and manages the UK War Risks Club.

Today, the bulk of war risk coverage in the market is underwritten by those and other global mutual war risk associations including the Swedish Club and DNK. Coverage is largely reinsured by Lloyd’s.

Singapore is the latest nation to offer war risk insurance for ships. The Singapore War Risk Insurance Conditions launched in January with coverage for nearly 800 Singapore-registered ships.

Soon after this year’s maritime and land-based attacks near Saudi Arabia, several mutuals began pushing up their war risk premiums. In July, the Swedish Club amended its war risk insurance clauses and increased the rate for all calls in the Persian Gulf area from 0.25% to 0.5%, according to reports.

DNK also announced after the June dual attacks that it planned to increase rates for war insurance. The mutual insurer reportedly covered one of the ships damaged in those attacks.

Others such as the Hellenic and UK war risk clubs, however, have been able to hold prices steady partly because they haven’t been directly impacted by losses from those incidents, Lingard said.

However, they and their global mutual association counterparts continue to face rising reinsurance rates.

“War risk underwriters or clubs tend to buy reinsurance to spread the risk. Most war risk

"Once the Joint War Committee lists a location as a war breach zone, policies covering those areas are excluded on war risk policies."

Catherine Thomas
AM Best Europe-Rating Services Ltd.

business ultimately finds its way back to London, so reinsurance becomes more expensive for everyone," Lingard said.

Changing Course

In addition to pricing premiums, heated geopolitical tensions between Iran and its American and Saudi Arabian rivals are also driving other changes, including rising oil prices.

After the October attack in the Red Sea, global oil prices soared nearly 6%, DWF's Moss said.

Those prices have since eased back a bit.

Rising oil rates create other concerns in the market, including the threat of pirate attacks on crude oil tankers in areas such as the Gulf of Guinea near Africa. Industry experts fear those events could push war risk premiums in that area even higher.

Shipowners are reacting to rising threat levels in the Persian Gulf and other areas by tightening security measures and taking added precautions such as ordering vessels to sail through the Strait of Hormuz only during daylight hours and at high speed rather than slowing down to conserve fuel costs.

Others are altering their routes or scaling back the purchase of marine fuels from Fujairah and turning instead to bunkering hubs such as Singapore and India. Companies such as Frontline Ltd., which owns and operates one of the largest fleets of crude oil and refined products in the industry, have temporarily paused trading from the Persian Gulf, according to reports.

Not all ships, however, can avoid sailing through the Strait of Hormuz, and industry experts expect other shipowners to continue visiting Fujairah despite higher insurance premiums.

Rising maritime threats are driving another concern in the war risk market.

There's speculation that future attacks could eventually drive some marine insurers out of the market, Moss said.

"So far we haven't seen much of that movement but fears about being exposed to too much risk could make underwriters less willing to cover these exposures," he said.

Other carriers, however, see war risk as a new market or growth opportunity. "However, we'll likely see many of those new entrants and existing companies begin adding endorsements, riders and exclusions to their policies to impose constraints on where vessels can navigate," Moss said.

Turning the Tide

DNK warns the threat of more attacks on commercial shipping in the Strait of Hormuz remains highly likely.

A representative for the company said at a recent seminar in Singapore that continuing U.S. sanctions against Iran's oil exports may spur some of those attacks.

Also, tensions between the two nations continue to escalate after President Donald Trump announced last year that he was pulling the United States out of the international nuclear deal with Iran.

DWF's Moss said marine insurance, cargo and hull & machinery cover incorporating war risks, is inextricably linked with geopolitical conflict.

As a result, shipping companies operating in the region will continually be forced to absorb those added costs with "affordable insurance in this high-risk zone becoming harder to find," he said, adding that could lead to cost-cutting measures in other areas of maritime trade.

"Whether the latest attacks were an act of terrorism or a breach of international sanctions is of crucial significance in determining whether and how cover might respond, if at all," Moss said.

He said what is certain, however, is that continued instability in the region will adversely impact sea trade, and will reinforce the argument that the United Kingdom doesn't have enough naval assets to protect its interests in the area.

Ongoing investigations into the latest attack in October have so far not shown what financial toll the incident will have on insurance and reinsurance markets.

However, AM Best's Patron said insurers and reinsurers are well positioned to quickly recover from those losses.

"In high-traffic areas they'll be able to recover in just a few months. When the recent attack occurred, premiums likely were already high enough to cover claims arising in the Gulf," he said.

Rapid recovery of losses, along with growing competition in the market, could soon begin driving down war risk rates, Patron said.

Mutuals will remain a stronghold in the market.

"Insurance at cost, the service mentality of a mutual and other benefits such as better cover that you get with a mutual are very appealing to shipowners. The way that they buy their war risk insurance will likely be the same for many years," Thomas Miller's Lingard said.

Rising threat levels and climbing premiums have driven some positive changes in the market, including forcing shipowners to review their existing war risk cover and examine available alternatives—something some shipowners have failed to do in the past, he said.

Moss said market changes are bringing attention to individual exposures.

"The insurance market is comprised of insurers, coinsurers, reinsurers, retrocessionaires, all of whom share risk. In a market like war risk there will be more of a demand for lead underwriters to scrutinize the risk, and we'll see a closer look at individual risks going forward," he said.

Moss also expects to see the addition of more riders and endorsements onto existing war risk contracts, and added costs in the market from ships' crew members demanding higher salaries to enter high-risk areas. BR

Best's Rankings

Top 25 U.S. Ocean Marine 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	Amer Intl Group	018540	$564,511	12.2	16.1	15.3	16.5	26.1	37.1	21.8	3.8
2	3	Berkshire Hathaway Ins	000811	291,743	15.3	8.3	7.7	6.4	79.4	96.7	69.8	0.7
3	4	Travelers Group	018674	250,719	5.1	7.1	7.2	6.7	40.0	51.2	40.3	1.0
4	2	Chubb INA Group	018498	203,280	-22.4	5.8	7.9	6.9	29.3	55.6	50.1	0.9
5	7	Starr Intl Group	018756	190,899	17.4	5.4	4.9	6.4	108.8	110.1	85.3	7.0
6	5	Hartford Ins Group	000048	187,407	-3.2	5.3	5.9	5.8	47.2	74.0	44.2	1.5
7	6	Allianz of America Companies	018429	169,905	1.9	4.8	5.1	5.2	67.2	50.2	64.6	3.7
8	8	AXA U.S. Group	018557	128,863	-5.9	3.7	4.2	5.5	78.6	125.5	68.6	2.5
9	9	Tokio Marine US PC Group	018733	128,690	5.3	3.7	3.7	3.7	40.0	42.3	36.9	1.8
10	11	CNA Ins Cos	018313	125,574	8.5	3.6	3.5	3.3	14.8	52.1	27.3	1.2
11	13	Markel Corp Group	018468	125,016	22.8	3.6	3.1	2.7	65.6	62.1	43.4	2.4
12	10	OneBeacon Ins Group	018458	122,662	1.6	3.5	3.7	3.5	65.1	52.2	44.5	10.1
13	12	Great Amer P & C Ins Grp	004835	111,192	3.8	3.2	3.3	3.0	55.9	77.0	34.7	1.9
14	15	Liberty Mutual Ins Cos	000060	92,825	16.0	2.7	2.4	2.4	49.6	61.7	45.7	0.3
15	14	Amer Steamship Owners Mut P & I Assn	000161	82,842	-3.2	2.4	2.6	2.8	46.9	35.3	63.1	100.0
16	16	Zurich Ins US PC Group	018549	81,525	11.5	2.3	2.2	2.1	66.0	49.0	75.1	0.7
17	17	Sompo Hldgs US Group	018878	67,971	6.9	1.9	1.9	1.8	114.0	78.8	46.8	2.3
18	18	Farmers Ins Group	000032	55,245	8.6	1.6	1.5	1.4	79.0	98.4	80.4	0.3
19	20	The Hanover Ins Grp Prop & Cas Cos	004861	47,399	16.7	1.4	1.2	1.3	48.3	83.3	97.2	1.0
20	25	HDI/Talanx US PC Group	018907	45,331	96.7	1.3	0.7	0.5	21.4	73.2	191.2	6.8
21	19	Fairfax Financial (USA) Group	003116	39,962	-20.1	1.1	1.5	2.2	40.0	53.1	69.1	0.7
22	22	Swiss Reins Group	003262	35,708	18.4	1.0	0.9	0.7	-22.3	144.7	48.0	1.8
23	21	ProSight Specialty Group	000419	33,323	-9.8	1.0	1.1	1.1	72.2	37.6	87.0	3.7
24	23	RLI Group	003883	32,223	22.9	0.9	0.8	0.7	57.9	57.1	47.6	3.4
25	24	W. R. Berkley Ins Group	018252	27,343	5.2	0.8	0.8	0.8	28.1	-91.2	152.6	0.5
		Top 25 Writers		**$3,242,158**	**5.6**	**92.4**	**93.1**	**93.5**	**51.7**	**63.0**	**50.7**	**1.3**
		Total U.S. P/C Industry		**$3,509,322**	**6.4**	**100.0**	**100.0**	**100.0**	**52.6**	**64.6**	**51.1**	**0.5**

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: October 3, 2019

Top 25 U.S. Inland Marine 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	CNA Ins Cos	018313	$3,719,721	-0.4	15.1	16.4	16.2	51.0	63.8	70.6	34.8
2	2	Liberty Mutual Ins Cos	000060	3,532,537	3.2	14.4	15.1	15.1	62.9	54.6	51.7	10.2
3	4	Amer Intl Group	018540	1,620,922	47.4	6.6	4.8	5.0	11.7	84.7	36.7	10.9
4	3	Chubb INA Group	018498	1,275,555	7.8	5.2	5.2	5.3	53.0	48.8	42.1	5.8
5	5	FM Global Group	018502	1,114,915	7.7	4.5	4.6	4.7	46.3	30.9	21.5	28.4
6	6	Allianz of America Companies	018429	1,106,688	13.8	4.5	4.3	4.2	42.1	46.3	54.0	23.8
7	10	Assurant US PC Companies	018924	796,387	27.8	3.2	2.7	2.8	54.3	69.0	80.9	11.1
8	8	Nationwide Group	005987	756,487	16.8	3.1	2.9	2.8	63.1	60.8	53.4	4.1
9	7	Travelers Group	018674	742,823	7.5	3.0	3.0	3.4	51.5	51.1	42.3	2.8
10	11	Zurich Ins US PC Group	018549	655,390	7.5	2.7	2.7	2.9	35.6	51.2	35.7	5.3
11	9	State Farm Group	000088	648,348	0.2	2.6	2.9	2.9	42.1	45.0	38.4	1.0
12	13	Progressive Ins Group	000780	427,570	13.8	1.7	1.7	1.6	52.1	55.8	48.2	1.3
13	14	AXA U.S. Group	018557	372,848	6.8	1.5	1.5	1.4	79.1	73.7	41.6	7.1
14	15	Fairfax Financial (USA) Group	003116	371,398	17.6	1.5	1.4	1.2	64.2	81.8	64.4	6.1
15	16	Old Republic Ins Group	000734	334,101	6.1	1.4	1.4	1.3	38.1	41.2	46.1	7.8
16	18	Great Amer P & C Ins Grp	004835	320,533	14.0	1.3	1.2	1.2	38.5	33.0	32.4	5.3
17	17	USAA Group	004080	297,658	4.6	1.2	1.3	1.3	44.2	36.5	37.0	1.4
18	19	Markel Corp Group	018468	291,362	12.2	1.2	1.1	1.1	44.3	53.1	38.3	5.5
19	31	Berkshire Hathaway Ins	000811	267,994	102.5	1.1	0.6	0.6	50.7	68.6	46.6	0.6
20	22	Amer Pet Ins Co	013860	257,620	25.4	1.1	0.9	0.7	64.9	63.8	64.4	100.0
21	20	Hartford Ins Group	000048	248,650	-2.2	1.0	1.1	1.2	56.2	49.2	46.2	2.0
22	21	The Hanover Ins Grp Prop & Cas Cos	004861	247,432	6.8	1.0	1.0	1.0	50.0	68.0	38.7	5.1
23	23	Fortegra P&C Group	018686	215,280	8.6	0.9	0.9	0.8	10.1	9.6	17.8	34.8
24	25	Jewelers Mutual Group	018905	197,809	10.7	0.8	0.8	0.8	34.4	33.8	42.9	88.0
25	24	Allstate Ins Group	000008	197,111	-0.1	0.8	0.9	1.0	40.5	40.4	37.9	0.6
		Top 25 Writers		**$20,017,139**	**8.2**	**81.3**	**81.4**	**81.6**	**48.8**	**55.6**	**50.0**	**5.0**
		Total U.S. P/C Industry		**$24,614,630**	**8.3**	**100.0**	**100.0**	**100.0**	**47.3**	**54.0**	**48.8**	**3.6**

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: October 3, 2019

Top 25 U.S. Fire and Allied 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	Zurich Ins US PC Group	018549	$3,130,740	6.2	7.2	7.1	7.1	80.2	92.6	53.1	25.2
2	2	Chubb INA Group	018498	2,902,083	1.7	6.7	6.9	6.8	64.8	90.1	51.5	13.1
3	3	Amer Intl Group	018540	2,402,731	-4.5	5.5	6.1	5.8	70.9	165.3	63.3	16.2
4	4	FM Global Group	018502	2,050,828	12.2	4.7	4.4	4.4	134.8	134.8	64.2	52.2
5	6	QBE North America Ins Group	005658	1,765,264	7.6	4.1	4.0	3.7	58.4	70.6	40.4	40.2
6	5	Assurant US PC Companies	018924	1,717,412	-3.1	3.9	4.3	4.4	52.0	118.3	45.2	23.9
7	7	Travelers Group	018674	1,433,500	4.9	3.3	3.3	3.4	67.8	76.9	46.9	5.5
8	9	Liberty Mutual Ins Cos	000060	1,283,414	15.3	2.9	2.7	2.7	34.1	122.5	65.7	3.7
9	10	Sompo Hldgs US Group	018878	1,208,093	8.5	2.8	2.7	2.4	83.8	88.5	48.5	41.3
10	11	Farmers Ins Group	000032	1,117,644	3.6	2.6	2.6	2.6	49.1	158.7	55.4	5.5
11	12	CGB Ins Co	022038	1,114,187	14.6	2.6	2.4	1.5	68.3	56.1	65.6	100.0
12	8	Great Amer P & C Ins Grp	004835	1,037,180	-7.1	2.4	2.7	2.5	55.6	59.5	38.9	17.3
13	13	Tokio Marine US PC Group	018733	900,540	12.5	2.1	1.9	1.9	77.5	95.9	62.7	12.3
14	15	USAA Group	004080	793,471	3.3	1.8	1.9	1.8	80.1	129.2	90.5	3.6
15	14	FMH Ins Group	018171	790,821	-0.7	1.8	1.9	1.7	64.8	48.7	30.8	98.1
16	16	CA Earthquake Authority	012534	774,296	12.2	1.8	1.7	1.5	0.0	0.0	0.0	100.0
17	18	AXA U.S. Group	018557	656,308	11.6	1.5	1.4	1.4	85.0	185.2	83.7	12.5
18	20	Berkshire Hathaway Ins	000811	647,915	23.4	1.5	1.3	1.2	67.1	65.9	36.4	1.5
19	23	Fairfax Financial (USA) Group	003116	636,565	27.1	1.5	1.2	1.1	108.3	94.8	76.7	10.5
20	17	Wright National Flood Insurance Company	012582	619,223	2.4	1.4	1.5	1.5	11.6	383.4	126.1	100.0
21	25	Allianz of America Companies	018429	590,323	26.3	1.4	1.1	1.2	94.8	171.0	49.2	12.7
22	19	Nationwide Group	005987	559,829	-3.0	1.3	1.4	1.7	86.7	88.5	76.8	3.0
23	21	Selective Ins Group	003926	546,625	4.5	1.3	1.3	1.2	57.8	60.6	75.0	18.9
24	22	Swiss Reins Group	003262	463,791	-8.7	1.1	1.2	1.2	67.7	171.3	30.7	23.2
25	27	Auto-Owners Ins Group	004354	410,160	2.1	0.9	1.0	1.0	62.0	44.6	39.9	4.9
		Top 25 Writers		**$29,552,943**	**5.0**	**67.8**	**68.1**	**66.3**	**71.4**	**110.0**	**54.5**	**10.6**
		Total U.S. P/C Industry		**$43,583,441**	**5.5**	**100.0**	**100.0**	**100.0**	**69.9**	**106.6**	**53.6**	**6.4**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: October 3, 2019

U.S. Fire and Allied Lines - Top Writers by State, Canada and U.S. Territories - 2018

Ranked by 2018 direct premiums written.

($ Thousands)

State	2018 Rank	2017 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	31	30	441	$497,552	1.1	5.6	81.8	1.0	74.7	25.3	Chubb INA Group	7.4	Zurich Ins US PC Group	6.2
AK	47	48	253	114,342	0.3	11.7	151.3	1.8	62.4	37.6	Western Natl Ins Group	10.8	USAA Group	9.6
AZ	35	35	447	403,405	0.9	-2.4	89.7	1.2	69.1	30.9	Great Amer P & C Ins Grp	14.3	Travelers Group	7.4
AR	32	32	425	466,423	1.1	3.1	77.2	0.6	63.8	36.2	Farm Bureau Mutual Ins Co of Arkansas	12.5	Amer Intl Group	6.8
CA	3	2	463	4,588,578	10.5	6.4	71.6	1.4	74.7	25.3	CA Earthquake Authority	16.9	Zurich Ins US PC Group	6.6
CO	27	28	440	579,725	1.3	5.7	106.0	1.6	71.1	28.9	Chubb INA Group	9.8	Zurich Ins US PC Group	8.0
CT	39	37	398	323,903	0.7	2.7	45.1	1.2	69.4	30.7	Assurant US PC Companies	8.4	Farmers Ins Group	6.6
DE	50	50	368	81,680	0.2	-3.5	41.4	1.0	78.5	21.5	Zurich Ins US PC Group	17.7	Assurant US PC Companies	10.4
DC	53	53	304	69,953	0.2	7.0	220.5	1.4	64.2	35.8	FM Global Group	19.3	Travelers Group	14.3
FL	1	1	462	4,742,015	10.9	9.5	85.0	4.8	87.1	12.9	Assurant US PC Companies	9.2	Citizens Property Ins Corporation	8.0
GA	18	19	490	852,985	2.0	7.3	87.8	1.6	71.5	28.5	Sompo Hldgs US Group	6.2	FM Global Group	5.9
HI	41	41	253	236,717	0.5	12.1	59.1	1.5	89.0	11.0	Tokio Marine US PC Group	16.8	Amer Intl Group	10.0
ID	44	45	380	153,860	0.4	14.1	48.8	0.7	80.1	19.9	Chubb INA Group	20.5	QBE North America Ins Group	12.0
IL	5	5	521	1,535,269	3.5	1.2	37.4	0.5	77.8	22.2	Great Amer P & C Ins Grp	9.5	Zurich Ins US PC Group	9.4
IN	19	18	479	846,814	1.9	3.2	37.6	0.6	83.4	16.6	Amer Intl Group	8.0	QBE North America Ins Group	6.9
IA	10	9	421	987,743	2.3	-6.9	103.2	0.7	89.3	10.7	Chubb INA Group	16.1	FMH Ins Group	14.6
KS	11	11	424	978,727	2.2	6.3	67.9	0.5	85.0	15.0	Zurich Ins US PC Group	15.2	Chubb INA Group	10.9
KY	33	33	438	448,398	1.0	3.3	56.7	0.9	73.8	26.2	Zurich Ins US PC Group	11.3	FM Global Group	6.8
LA	7	7	417	1,104,309	2.5	-1.4	27.2	1.0	77.8	22.2	Wright National Flood Insurance Company	6.6	Louisiana Citizens Property Ins Corp	5.3
ME	48	49	339	107,770	0.2	10.0	45.6	1.6	67.4	32.6	Chubb INA Group	10.4	Zurich Ins US PC Group	6.8
MD	36	36	423	363,656	0.8	7.4	74.8	1.7	69.1	31.0	Travelers Group	9.8	FM Global Group	8.3
MA	25	25	410	638,501	1.5	2.9	50.5	0.5	73.3	26.7	FM Global Group	8.9	Amer Intl Group	6.8
MI	22	22	426	680,958	1.6	4.2	87.7	1.4	77.8	22.2	Zurich Ins US PC Group	10.6	Auto-Owners Ins Group	9.0
MN	6	6	428	1,194,914	2.7	-2.4	54.2	0.3	90.1	9.9	Zurich Ins US PC Group	18.3	QBE North America Ins Group	9.1
MS	34	34	407	438,883	1.0	1.7	65.3	0.9	72.9	27.1	CGB Ins Co	16.3	Sompo Hldgs US Group	6.7
MO	13	13	460	911,388	2.1	2.5	61.9	0.6	74.3	25.7	Chubb INA Group	17.8	Great Amer P & C Ins Grp	7.7
MT	40	40	359	267,885	0.6	19.1	59.1	0.4	87.1	12.9	Chubb INA Group	28.7	QBE North America Ins Group	23.5
NE	15	14	392	887,894	2.0	0.3	61.1	0.0	92.4	7.6	Zurich Ins US PC Group	15.0	QBE North America Ins Group	14.5
NV	42	42	400	212,119	0.5	11.7	72.1	0.9	65.5	34.5	Travelers Group	9.9	FM Global Group	8.5
NH	51	51	360	78,412	0.2	7.3	29.0	1.5	66.5	33.6	FM Global Group	8.0	Zurich Ins US PC Group	6.1
NJ	16	15	438	879,731	2.0	1.5	39.9	1.1	78.8	21.2	Selective Ins Group	9.3	Assurant US PC Companies	9.3
NM	45	44	377	153,575	0.4	13.1	91.6	1.3	70.0	30.0	Great Amer P & C Ins Grp	9.2	Amer Intl Group	7.6
NY	4	4	516	1,697,968	3.9	4.2	37.1	1.4	77.4	22.6	Travelers Group	10.0	Amer Intl Group	8.8
NC	14	16	460	907,736	2.1	7.1	252.7	4.2	73.1	26.9	Zurich Ins US PC Group	8.7	NC Farm Bureau Ins Group	5.4
ND	9	8	354	1,070,280	2.5	-2.4	42.3	0.1	93.3	6.7	QBE North America Ins Group	23.5	Chubb INA Group	20.5
OH	12	10	494	937,882	2.2	1.9	34.5	0.6	80.2	19.8	Zurich Ins US PC Group	10.5	Amer Intl Group	6.4
OK	26	27	417	597,522	1.4	7.8	69.1	1.6	71.3	28.7	Amer Intl Group	12.1	Zurich Ins US PC Group	6.3
OR	38	38	418	338,790	0.8	15.7	35.1	0.6	60.1	39.9	Liberty Mutual Ins Cos	10.2	Chubb INA Group	7.8
PA	17	17	544	854,024	2.0	1.2	57.9	1.9	71.3	28.7	FM Global Group	8.9	Travelers Group	6.4
RI	49	47	350	106,448	0.2	3.7	57.1	1.4	69.5	30.5	Assurant US PC Companies	9.1	FM Global Group	7.6
SC	23	23	450	670,866	1.5	4.3	68.5	1.7	72.7	27.3	Chubb INA Group	8.8	Assurant US PC Companies	7.3
SD	21	20	370	725,188	1.7	-5.2	50.5	0.1	97.2	2.8	Chubb INA Group	26.3	Zurich Ins US PC Group	14.0
TN	24	24	479	662,196	1.5	4.5	23.3	0.9	62.8	37.2	TN Farmers Ins Cos	9.5	Travelers Group	6.9
TX	2	3	536	4,730,124	10.9	9.9	58.8	1.8	79.3	20.7	Sompo Hldgs US Group	7.8	Germania Mutual Group	6.7
UT	43	43	408	211,833	0.5	13.7	36.3	0.8	63.8	36.2	Assurant US PC Companies	15.6	FM Global Group	8.0
VT	52	52	331	71,195	0.2	0.8	34.6	2.0	38.9	61.1	Queen City Assur, Inc.	38.6	FM Global Group	5.1
VA	29	29	471	573,261	1.3	6.4	66.8	1.5	67.4	32.7	USAA Group	10.8	Zurich Ins US PC Group	10.4
WA	20	21	429	774,028	1.8	11.3	37.7	0.6	66.1	33.9	Chubb INA Group	9.6	Zurich Ins US PC Group	7.8
WV	46	46	353	118,037	0.3	7.7	57.2	2.3	70.1	29.9	Amer Natl Prop & Cas Companies	8.0	Assurant US PC Companies	6.9
WI	28	26	445	578,950	1.3	1.4	98.4	0.9	86.6	13.4	Zurich Ins US PC Group	12.5	Amer Intl Group	7.8
WY	54	54	348	67,035	0.2	11.3	59.7	1.1	62.5	37.5	FM Global Group	10.9	QBE North America Ins Group	7.7
Amer. Samoa	58	58	5	48	0.0	504.2	7.9	0.3	99.9	0.1	Tokio Marine US PC Group	74.0	AXA U.S. Group	25.8
Guam	56	55	40	45,699	0.1	-1.5	-10.1	1.0	99.9	0.1	DB Ins US Group	41.0	Amer Intl Group	20.0
Puerto Rico	37	39	102	355,318	0.8	47.7	280.4	10.7	90.6	9.5	MAPFRE North America Group	28.9	Amer Intl Group	11.8
U.S. Virgin Is.	55	56	59	51,949	0.1	52.8	815.5	24.8	99.1	1.0	Underwriters at Lloyd's, London (VI)	73.8	Guardian Ins Group	8.2
Canada	30	31	55	510,624	1.2	12.3	127.1	1.5	41.3	58.7	FM Global Group	43.3	Allianz of America Companies	19.3
Other	8	12	95	1,096,177	2.5	19.4	70.9	0.9	77.8	22.2	Fairfax Financial (USA) Group	38.7	Chubb INA Group	23.2
N. Mariana Is.	57	57	12	2,181	0.0	38.1	999.9	13.1	99.8	0.2	DB Ins US Group	48.7	First Net Ins Co	35.1
Grand Total			**1,302**	**$43,583,441**	**100.0**	**5.5**	**69.9**	**1.6**	**78.2**	**21.8**	**Zurich Ins US PC Group**	**7.2**	**Chubb INA Group**	**6.7**

Note: Data for some companies in this report has been received from the NAIC.
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.
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; Data as of: October 3, 2019

Carrying a Heavy Load

Cargo risks, such as food safety and identity theft, are testing the resourcefulness of inland marine carriers.

by Meg Green

Cargo carriers are assuming a broader range of exposures but are dealing with a narrowing base of clients, according to a panel of experts that spoke with AMBestTV at the 89th Annual Meeting of the Inland Marine Underwriters Association in Leesburg, Va. Participating in the panel were Ben Tuttle, senior vice president commercial marine, Tokio Marine America; Ronald Wallace, vice president inland marine, Sompo International Insurance; and Jean Gardner, chief executive officer, Central Analysis Bureau.

Following is an edited transcript of the interview.

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

Can we start with an overview of the cargo liability market?

Gardner: Cargo liability over the last five years has evolved. The policies are still very historical, providing what was normally expected to be the carriers' exposure for cargo loss. What we're seeing in the last five years is that motor carriers are accepting much greater risk. The measure of damages and the exposures that they face are critical.

They have less of a client base. Where years ago you had a motor carrier and they did work with everybody throughout the country, they now have their 10 select customers. The motor carriers are taking on greater exposures under the contracts. We're seeing those types of exposures that were never anticipated in the past. Product liability exposures are creating more of a risk for the clientele.

Tuttle: Carriers are accepting more risk, in many cases not understanding the risk that they're accepting and assuming that their insurance will cover it.

When the incident occurs and there's a loss, and then it's not covered, they're out financially, individually, as opposed to having the insurance company protect them for that.

Wallace: Logistics plays a big part in a lot of the contractual changes. Now they're making the motor carrier basically their transportation arm for the manufacturers and the wholesalers.

That's part of the reason why we have this shift in contractual liability in the transportation industry.

Gardner: I do think that there's a disconnect sometimes where the motor carrier and their customer assume that as long as they've paid for cargo liability insurance, if anything happens, that the insurance company will respond.

The insurance companies have policies that respond to certain liabilities but not all liabilities. Therefore, when the loss occurs and something isn't covered, they're very surprised at that.

Could you give us an example of one of those risks that may not be covered?

Gardner: One of the common ones today relates to food safety. We now have a lot of cargo losses where there's nothing wrong with the product but it's been rejected because there are good manufacturing practices, there are other terms and conditions that those parties have agreed to which make the motor carrier liable for that loss. That is probably one of the biggest exposures that we see.

Wallace: A lot of food products have to be hauled under temperature-condition controls. If those conditions are not met in any form or fashion, then even without seeing damage to the product—if the temperature was supposed to be 32 degrees and they hauled it at 29— because of the FDA laws about food, a lot of times the grocery store chain will not accept that food. They're afraid of the liability, so they will reject the load.

Also, what's happened is that load has been deemed now by the FDA that it has to be destroyed. Where it used to be a long time ago, if the load was rejected, the trucker could take the load and dispose of it in ways of reselling it, or selling it to another customer. That's not the case these days. That's created more of a total-loss situation when you have these types of loads.

What's the value of load like that?

Wallace: It varies. If you are talking general commodities, you're basically talking about $100,000 to $200,000. If you're talking about seafood or things of that nature, you could be talking $500,000 to a $1 million.

Tuttle: A lot of insurance companies would be able to mitigate those claims with the food by either reselling it, shipping it overseas to other places, but the Food Safety Modernization Act has made it so that it's not legal to ship it overseas or to sell it. It must be destroyed per the FDA.

That has also affected the insurance companies' recoveries on their claims and being able to mitigate that loss.

Gardner: Frequency and severity have changed. Years ago, you might have a lot of losses but you would be able to reduce those claims so they weren't as severe. Now policy limits are exhausted more often than not.

There's more exposure out there because things are rejected for any number of reasons that didn't exist before. That has really changed the focus.

We see that underwriters are more concerned. They always cared about understanding the commodities that the motor carrier was hauling, but it was always a focus on target commodities—the high-theft risks. Obviously, a load of cell phones or a shipment of electronics was expensive.

We see more underwriters at Central Analysis Bureau really wanting to drill down into the type of commodities that the motor carrier's hauling. If they do a large amount of product that is potentially subject to product liability exposures, or adulteration issues, that's going to change the exposure—make it more frequent and more severe.

How is the industry responding to that emerging risk?

Wallace: The industry is responding by placing endorsements on the policies and restrictions on limits, deductibles to help to mitigate the loss, also being very specific on what is a rejected load, and how it's going to be treated. We're dealing with it through endorsements and deductibles.

Tuttle: And education as well, informing our brokers who we work with about what the effects of that are and what the changes to the laws have been through seminars at the IMUA and other organizations. The brokers can then educate the insureds when they're hauling this type of a commodity that they've got to have some stepped-up regulations, or stepped-up training, so that it's not just the insurance company is going to pay for it.

The trucker themselves, the carrier, needs to make sure that they're following the rules as well, so that it then helps everybody in the supply chain.

Let's discuss the risk of identity theft.

Tuttle: A trucker will get contracted to haul a load and someone else will assume the identity of that trucker and show up an hour before. [They] have the documentation that looks like they're the person who's supposed to be picking it up, have the paperwork. They sign it. They drive away. An hour or two later, the correct driver shows up and the goods are already gone.

In some cases, the trucking company has been held responsible for those goods because the shipper gave it to who they thought it was. All the documentation appeared to be correct.

Some ways that people have used to get around that is they require the driver's picture, a copy of a driver's license, be transmitted prior to the pickup.

They're making efforts—again, hopefully, using the internet and communications—to mitigate it or lessen the severity, but there can be some significant losses through that.

Who's behind that, a common street criminal?

Wallace: It can be, but sometimes it's even internal jobs by the dispatchers for the company. They know what's on a certain load. They will arrange with one of their friends or some organization to get that particular load.

Gardner: It's very easy to become a motor carrier initially. You can just simply go online, you can apply to become a motor carrier. You pay the fee. You have to get an auto liability filing in place. You no longer need a cargo filing. There's a period of time where you are considered a new entrant and you don't have to comply.

We saw this in the last couple of years that somebody would go on—this is clearly an organized scheme—create a trucking company and then get insurance. They would get a cargo policy. They would have a certificate of insurance that showed that they're insured with a reputable company for auto liability and cargo, and they would go on the load board and they would bid.

It takes 90 days before they're ever going to be shut down. You can steal a lot of cargo in 90 days. I'm not dealing with you as my customer every day. I'm going on a load board, and I'm bidding on a different load every day with a different truck broker. Nobody knows what's going on. The product disappears.

What types of cargo are the most likely targets for that kind of scam?

Tuttle: It tends to be food products and beverages where there is no serial number. There's no necessarily identifiable, individual product number. It's something that's easily salable, easily consumable, and able to be moved quickly.

Gardner: There tends to be less security on those type of loads. If you have a truckload of drugs and medical devices, there's a higher tendency for them to pay attention to what motor carrier they're picking.

Wallace: Around the holidays, a lot of electronics, a lot of toys even, are stolen, when people know there's going to be a lot of a popular toy on a truck.

We require sometimes on high-end products to have two drivers, so they can continue driving and they can meet the laws for how long they can move the vehicle, just to keep it moving.

One of the biggest things about theft is what we call drop trailers, or unattended vehicles. They go to a truck stop, and the guy says, "I need to go to the doctor," or "Something happened." He disconnects the trailer. He comes back. It's not there anymore.

Tuttle: Or goes home for the weekend. They'll park in a parking lot and go home. They come back Monday morning, the trailer's gone.

Wallace: Another big problem is you have a lot of young drivers, or first-time drivers, or people who are not quite as experienced. So the industry has a void in qualified drivers. BR

AMBestTV

Go to *bestreview.com* to watch the video of this panel discussion.

Marine Life

Industry professionals talk to AMBestTV about the challenges in the marine insurance market.

"Another interesting initiative is our initiative to address issues related to the ocean and the ocean economy. We have produced recently, for example, a guide for the marine insurers to address the issue of illegal, unreported, and unregulated fishing.

Statistically, approximately one out of five fish is caught illegally around the world. We want to make sure that insurers are able to reduce the risk of insuring vessels or companies associated with illegal fishing activities. This is really a sustainability issue because we have unsustainable fishing happening in many waters around the world."

Butch Bacani
Program Leader
United Nations Principles for Sustainable Insurance Initiative

"Historically, the marine industry has looked to London for its insurance. The DNA of the Lloyd's market has been marine insurance.

What we're seeing more recently has been a rise in the level of sophistication and a rise in the level of capital and capacity in the local Asian markets. That means that the insureds and the marine companies out here in Asia are increasingly looking locally for that insurance product."

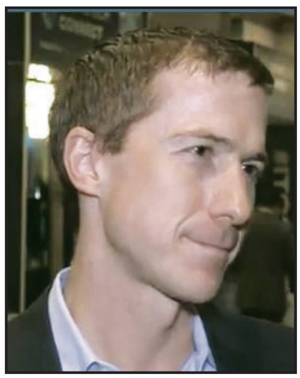
Christian Stobbs
Managing Director-Asia
Markel International

"Container ships now are being introduced that are approaching 24,000 TEUs, twenty-foot-equivalent units. There's just been a steady rise in the size of these vessels over the last decade.

There was just in the news that the newest, largest ship is being launched, and it carries containers 24 wide on one of these new vessels.

The value of the cargo aboard one of these vessels is easily over $1 billion. The vessel itself, hundreds of millions of dollars, so there's a tremendous concentration of value aboard these vessels. That's an ongoing concern for marine insurers."

John Miklus
President
American Institute of Marine Underwriters



"If you look at the total aggregate exposure in errors and omissions, in property business and eruption towers, in directors and officers, and even increasingly in lines that you wouldn't have thought about, like aviation, marine, energy, there really isn't a sector of P/C insurance that isn't transformed by cyberrisk.

Therefore, getting a handle on that silent cyber exposure, particularly the aggregation exposure to a catastrophic event, is really important."

Pascal Millaire
Chief Executive Officer
CyberCube

"The marine industry has been suffering for a while from high expenses and a lot of paper. We decided to utilize blockchain technology to address that pain point and put shipping onto an online blockchain platform.

We put together a consortium of the insurance industry, of brokers, a reinsurance panel, and insurers, along with shipping companies like Maersk. This consortium is working together with Guardtime and Ernst & Young to put together this solution.

We've recently done a hull and war cover. When a ship went through a recent war zone, we managed to do real-time pricing, and the captain chose an additional premium before he went through the war zone.

That was in his time zone, and in real time with granular data. This was a premium that wouldn't have been had so quickly in the industry.

Blockchain itself is evolving, not only as we see it today. The prime directive of blockchain is protection of the data layer, and then you see a lot of architectures coming in, ledgers, the smart contracts, but we'll see blockchain like it's a mutual kind of approach. We'll see this evolving into financial inclusion area, definitely a benefit for capital markets securitization.

Eventually, it will become mainstream as a layer over the internet that will make the internet tell the truth as opposed to just trusting the internet, which we all realize is probably not a good idea."

David Piesse
Chief Risk Officer
Guardtime

"These are challenging times for the marine insurance industry. Probably the most recent statistic that was put out by the International Union of Marine Insurance, which is the global trade organization for marine underwriters, is that global marine insurance premium is just shy of $30 billion.

Now what's really interesting is from 2012 through 2017, that's down about 12% as far in real dollar terms. Alarming as well, is that the largest lines of business, cargo, and hull insurance, are unprofitable and have been so for many years.

While there's certain markets around the globe that outperform and underperform, and companies within markets that do the same, when you aggregate these results on a global basis, it's really challenging and concerning.

Marine is a specialty line of business, and one of the motivations for being in that business is that you hopefully, over time, can outperform your property/casualty counterparts. We're showing globally we're underperforming. It's a challenging time for underwriters, and brokers and insurers alike."

Sean Dalton
Head of Marine, North America
Munich Re America

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Jan. 1 Renewals, TRIPRA Among Issues at APCIA

AMBestTV reports on the annual American Property Casualty Insurance Association conference in Boston. Also, AMBestTV speaks with a number of high-profile industry leaders, including Starr's Hank Greenberg and Arceo.ai's Mario Vitale. AMBestRadio discusses professional liability as well as DNA science.

On Demand

APCIA Attendees: Expect Moderate Increases at Jan. 1 Renewals

Primary insurers with more risk and higher losses might see higher reinsurance rates on Jan. 1, 2020, while the overall market might expect to see moderate increases, said attendees at the APCIA conference in Boston. Munich Re's Steve Levy was among the attendees who spoke with AMBestTV. (Oct. 21, 2019)

Steve Levy

A Lapse in TRIPRA Would Disrupt the Market

The Terrorism Risk Insurance Protection and Reauthorization Act, which expires year-end 2020, would disrupt the market if not reauthorized, said attendees at the APCIA Conference. Mike Hudzik of Swiss Re was among the attendees who spoke with AMBestTV in Boston. (Oct. 21, 2019)

Mike Hudzik

Starr's Greenberg: 15%-20% of Insurtechs Offer Promise; Others Will Fail

Maurice R. "Hank" Greenberg, chairman and chief executive officer, Starr Insurance Cos., said China is a leading example of the growing presence of online marketing. (Oct. 7, 2019)

Maurice R. "Hank" Greenberg

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

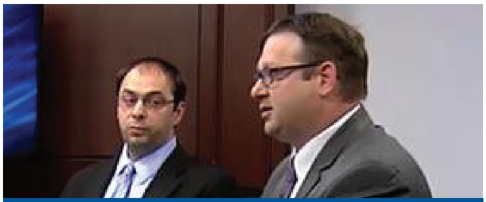
Arceo.ai's Vitale: Cyber Losses Are Biggest Risk Facing Businesses Today

Mario Vitale, president of Arceo.ai, said the ever-changing sophistication of cyberattacks is making cyberrisk the biggest challenge insurers face today. (Sept. 18, 2019)

Mario Vitale

AM Best Analysts: US Life Fraternals Could Harness Social Media, Education to Grow Membership

Edward Kohlberg, director, and David Marek, financial analyst, both with AM Best, explain the challenges facing U.S. fraternal life insurers. (Oct. 22, 2019).



Edward Kohlberg and David Marek

AM Best Analysts: Health Insurers See Strong Results, Accommodate ACA Changes

Sally Rosen, senior director, Doniella Pliss, director, and Jason Hopper, associate director, all of AM Best, said U.S. health insurers have continued to adapt to changes brought about the Affordable Care Act and its modifications. (Sept. 19, 2019)

Jason Hopper, Sally Rosen and Doniella Pliss

AM BestRadio

Insuring Architects And Engineers; DNA Can Help Underwriters

Industry experts talk with AMBestRadio about trends in construction professional liability and new advancements in the study of DNA.

Designing the Right Coverage

Bob Rogers, global head of construction professional liability at AIG, discusses the current state of the architects and engineers professional liability market as well as emerging trends and how they've impacted insurance results.

Epigenetics Offers Life Insurers The Story of an Applicant's Health

Samantha Chow, Aite Group, and Jon Sabes of YouSurance and Life Epigenetics, explain the developing science and study of DNA.

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

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TOTAL IMPACT

Insurers are on the front lines dealing with increases in frequency and severity of natural catastrophes in the wake of climate change.

by Meg Green

Global temperatures. Water levels. Insurance claims.

All are rising, due to climate change, an issue that has the potential to touch every aspect of the insurance business.

As the Earth's climate continues to change, the size and frequency of natural catastrophe claims are increasing. Property/casualty insurers and reinsurers are bracing for more frequent flooding, wildfires and stronger hurricanes. Life/health insurers face increased risks of infections and diseases, pollution and the struggle to have adequate clean water, according to Swiss Re.

Insurers face increased regulation and legislation, higher claims and challenging underwriting, plus increased pressure to mitigate risks where possible and to close the "protection gap"—the difference between those covered by insurance and those who are not.

While insurers say climate change is a slow-moving force, today they are dealing with it on two fronts: underwriting and investments.

"It's impacting the industry. That's really changing the nature of overall risk," said David Priebe, chairman of Guy Carpenter.

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

The Frog in the Pot

2018 was the fourth-warmest year of all time, continuing a series of record years. All 18 years since 2001 rank among the 20 warmest since measurements began, according to Munich Re.

"Our job is to analyze data on longtime series, and where we see changes when it comes to the climate, is that over the last hundred years or so, the world has warmed up by somewhere in the order of one degree centigrade, both the atmosphere, and also the sea surface," said Ernst Rauch, head of climate and public sector business development for Munich Re.

From an uptick in wildfires in California to more drastic monsoons and heat waves in Asia, climate change is being blamed for influencing severe weather trends around the world.

Global insured losses from natural catastrophe events in 2018 were $76 billion, the fourth highest on Swiss Re records. The combined insurance losses from natural disasters in 2017 and 2018, soared to $219 billion, the highest-ever for a two-year period, Swiss Re said.

2018

The fourth-warmest year of all time.

Source: Munich Re

Insurers are grappling to accurately estimate future losses. Catastrophe models have come under fire for not always being accurate.

"[It] looks like the catastrophe activity is getting more severe, more frequent. We need to be comfortable as an industry that these models are properly assessing this risk at the end of the day," said Kathleen Reardon, chief executive officer of Hamilton Re.

What this means to those who "put a price tag on these risks," is they can no longer rely solely on the data from the past, Rauch said. But understanding the impact of a changing environment is a challenge.

"Changes with respect to probabilities of certain extreme weather events occurring, they don't happen overnight," Rauch said. "It is not the case that on a year-by-year basis, the probability of a tropical cyclone or hurricane occurring is by a factor of x higher or so. These are slow changes."

Insurers' views of catastrophes are evolving, said Frieder Knüpling, group chief risk officer with Scor.

Climate change is "having potentially significant implications on parts of our balance sheet, on the asset and liability sides."

Frieder Knüpling
Scor

Climate change is "having potentially significant implications on parts of our balance sheet, on the asset and liability sides," Knüpling said. "We invest a lot in trying to understand the implications of climate change on our loss exposure and our key natural catastrophe exposed areas. We make significant investments on our modeling capabilities. We've tried to factor in climate change trends as diligently and as quickly as necessary in order to avoid that we underestimate the speed of climate change. It means that our views on those big exposures are evolving. They are evolving quite rapidly, which has important implications in how we look at the adequacy of pricing of certain exposures which are important for us."

Major catastrophes, like hurricanes and earthquakes, may dominate news coverage, but the total costs of natural disasters, amounting to $155 billion in 2018 alone, are increasingly driven by smaller recurring events known as secondary perils, Swiss Re said.

Primary perils are events that are low frequency but high severity such as hurricanes, cyclones and earthquakes. But more than 60% of the 2017 insured losses, and more than 50% of the 2017-2018 losses, stemmed from so-called "secondary" perils: independent, high-frequency events, such as severe thunderstorms, river floods, drought and wildfires—all on the rise due to climate change, according to Swiss Re.

So what's an insurer to do?

"It's a little bit like the situation with the frog which swims in a pot of water, and the pot is on the stove. When you turn on the stove, the water warms up, and the frog doesn't realize that the threat to him is increasing with the warmer water. Once the water starts boiling, it is too late for the frog," Rauch said. "What I'm saying is that it is a challenge that slow-onset changes driven by climate change, change in probabilities on a year-by-year basis are not easy to really translate into markets."

Challenges Bring Opportunities

One opportunity some insurers see is the increased emphasis on closing the "insurance gap," the gap between insured losses and uninsured catastrophe losses. The Swiss Re Institute puts the figure of the global protection gap at $280 billion in the last two years alone.

A solution to closing the gap is increased use of public/private partnerships, said Simon Konsta, senior partner with attorneys Clyde & Co.

"Nobody's actually grappled with something like climate change before," Konsta said. "There are insurance solutions."

He suggested the enhanced use of parametrics, whether in the growing resilience bond product or in an insurance product, might help countries manage increased natural catastrophe risks.

“Insurance companies can’t just keep charging more and more money as the risk increases.”

Lara Mowery
Guy Carpenter

Another potential solution is microinsurance, said Shaun Tarbuck, president and CEO of the International Cooperative and Mutual Insurance Federation. But these small policies with tiny premiums offered in Third World countries haven’t always delivered the protection promised, he said, because getting people to buy into the coverage is still challenging.

“Microinsurance hasn’t done what it should have done, which is taking protection insurance to the masses,” Tarbuck said. “It’s ticked a few boxes, but unfortunately, most of those are ones you wouldn’t call successful because they haven’t actually done the education piece.”

John Huff, CEO and president of the Association of Bermuda Insurers and Reinsurers, said the protection gap isn’t just about emerging markets.

“The best example in the United States is flood insurance, which is an optional product in the U.S.,” Huff said.

An all-perils policy could remedy this, Huff said. “Should everything be covered so consumers don’t have to pick a menu of whether they’re going to be covered for wind, tornado, hurricane, earthquake and flood? Really, an all-perils policy that is truly a full protection product. That would come with a cost. But if it were uniform coverage it would be cheaper for all than if there were certain markets with just that coverage.”

Mitigating the Loss

Insurers are also looking at how to lessen claims before they happen.

“We need to have a much more robust conversation about how we can prevent losses and help communities to become much more resilient and storm-resistant or resistant to wildfires, instead of just paying for the losses after they occur,” said David Sampson, CEO and president of the American Property Casualty Insurance Association.

One example: the Institute for Business and Home Safety found that a fire-mitigated house can now be built for roughly the same cost as a regular house, said Lara Mowery, head of global property, specialty at Guy Carpenter.

This has the potential to be a game changer. Losses from wildfires added up to $5.1 billion over the past 10 years, IBHS said, with 4.5 million U.S. homes identified at high or extreme risk of wildfire—more than 2 million in California alone.

“Their research shows, absolutely, that taking some pretty simple steps—the kinds of siding that you choose to use, the way you choose to build your deck, what you use for landscaping around your house—has an incredible impact on your house’s ability to withstand an event or to respond positively in an event,” Mowery said.

In areas most at risk for wildfire, the IBHS found every $1 spent in mitigation can reduce $3 in future losses.

“Insurance companies can’t just keep charging more and more money as the risk increases,” Mowery said. “We’ve got to find ways to address the risk in ways that reduce the amount of dollars in those losses.”

29

The number of global insurers who have enacted formal coal insurance restrictions and associated divestments across their investment portfolios.

Source: Institute for Energy Economics and Financial Analysis

"Nobody's actually grappled with something like climate change before. There are insurance solutions."

Simon Konsta
Clyde & Co.

Dirty, Dirty Coal

Coal is considered the dirtiest fossil fuel, and carries the bulk of the blame for the man-made factors contributing to climate change. Regulators—and public opinion—are putting pressure on companies to distance themselves from the coal industry.

Insurers are announcing they are stepping back from insuring or investing in the coal industry on a regular basis.

As of October, 29 global insurers have enacted formal coal insurance restrictions and associated divestments across their investment portfolios, according to the Institute for Energy Economics and Financial Analysis.

Axis Capital announced a new policy Oct. 16, saying it won't provide new coverage for the construction of new thermal coal plants or mines, or to companies that rely on coal for 30% or more of their revenues. Also, the company said it won't make new investments in companies that rely on coal for 30% more of their revenue.

"We believe insurers have an important role to play in mitigating climate risk and transitioning to a low-carbon economy," Albert Benchimol, CEO of Axis Capital, said in a statement announcing the decision.

"You're starting to see some corporate activism, joining social activism, to try to raise the visibility of the urgency of climate change," Benchimol said during an interview in September.

In August, Chubb U.S. became the first U.S. insurer to announce a formal coal exit policy. At the time, Chairman and CEO Evan G. Greenberg said the company enacted the policy recognizing "the reality of climate change and the substantial impact of human activity on our planet…. The policy we are implementing today reflects Chubb's commitment to do our part as a steward of the Earth."

Call to Purpose

But no matter how the world's environment, and the frequency and severity of natural catastrophes continue to evolve, "we as an industry are going to be there when natural disasters hit," said Sampson. "We want to help individuals and communities get back on their feet again. One of the real value-adds that we believe the industry can play is bringing all of our resources and research together to help communities become much more resilient."

Huff of ABIR said the timing of the insurance industry focusing on climate change "has never been better."

"There's unprecedented capital and capacity available in the market at the same time the government need protection, and they're really under pressure for their own budgets," Huff said. "It's really a new era, if you will, in protecting communities and governments, municipalities and states." BR

$5.1 billion

Losses from wildfires over the past 10 years.

Source: Institute for Business and Home Safety

AMBestTV

Go to *www.bestreview.com* to watch AMBestTV Special Programming "Putting a Price Tag on Climate Risk."

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between October 1 and October 31, 2019. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
		U.S., CANADA AND BERMUDA LIFE/HEALTH						
New	L	Athene Co-Invest Reins Affiliate 1A Ltd. *Athene Holding Ltd.*	071720	A a	Stable Positive			Bermuda
New	L	Athene Co-Invest Reins Affiliate 1B Ltd. *Athene Holding Ltd.*	071721	A a	Stable Positive			Bermuda
⊕	H	Blue Care Network of Michigan *Blue Cross Blue Shield of MI Mut Ins Co*	068741	A a	Stable Stable	A- a-	Positive Positive	Michigan
⊕	H	Blue Cross Blue Shield of MI Mut Ins Co *Blue Cross Blue Shield of MI Mut Ins Co*	060081	A a	Stable Stable	A- a-	Positive Positive	Michigan
⊕	L	Cincinnati Equitable Life Insurance Co *Michigan Farm Bureau*	006757	B++ bbb+	Stable Stable	B+ u bbb- u	Positive Positive	Ohio
⊕	H	Equitable Life & Casualty Insurance Co *SILAC, Inc.*	006342	B+ bbb-	Stable Stable	B bb+	Positive Positive	Utah
—	L	Foresters Life Insurance and Annuity Co *Independent Order of Foresters*	006413	A- u a- u	Negative Negative	A a+	Stable Stable	New York
⇅	L	Funeral Directors Life Insurance Company *Directors Investment Group Inc*	009492	A- a-	Stable Stable	A- a-	Negative Negative	Texas
⊕	L	Kentucky Funeral Directors Life Ins Co *Directors Investment Group Inc*	060365	A- a-	Stable Stable	B+ bbb-	Stable Stable	Kentucky
⇥	H	Memorial Hermann Health Insurance Co *Memorial Hermann Health System*	060368	NR nr		B+ bbb-	Stable Stable	Texas
⇥	H	Memorial Hermann Health Plan, Inc. *Memorial Hermann Health System*	061814	NR nr		B+ bbb-	Stable Stable	Texas
New	H	Regence BlueShield of Idaho, Inc. *Cambia Health Solutions, Inc.*	060266	A- a-	Stable Stable	NR nr		Idaho
		U.S., CANADA AND BERMUDA PROPERTY/CASUALTY						
⊕	P	Accident Fund General Insurance Co *Blue Cross Blue Shield of MI Mut Ins Co*	013044	A a	Stable Stable	A- a-	Positive Positive	Michigan
⊕	P	Accident Fund Ins Co of America *Blue Cross Blue Shield of MI Mut Ins Co*	011770	A a	Stable Stable	A- a-	Positive Positive	Michigan
⊕	P	Accident Fund National Insurance Co *Blue Cross Blue Shield of MI Mut Ins Co*	013043	A a	Stable Stable	A- a-	Positive Positive	Michigan
⊕	P	American Heartland Insurance Company *United Equitable Group Ltd*	011662	C- ccc-	Stable Stable	C- cc	Stable Stable	Illinois
New	P	American Transportation Group Ins RRG	020620	B bb	Stable Stable	NR nr		North Carolina
⇅	P	British American Insurance Company *Austin Industries Inc*	003695	A a+	Stable Negative	A a+	Stable Stable	Texas
—	P	California Insurance Company *North American Casualty Co.*	002637	A u a u	Negative Negative	A u a+ u	Negative Negative	California
☑	P	Canopius Reinsurance Limited *Fidentia Fortuna Holdings, Ltd.*	078185	A- a-	Stable Stable	A- u a- u	Negative Negative	Bermuda
☑	P	Canopius US Insurance, Inc. *Fidentia Fortuna Holdings, Ltd.*	013830	A- a-	Stable Stable	A- u a- u	Negative Negative	Delaware
⇅	P	Chautauqua Patrons Insurance Company	010564	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	New York
—	P	CMIC Risk Retention Group *Connecticut Medical Insurance Company*	014143	B++ bbb+	Stable Stable	A- u a- u	Negative Negative	District of Columbia
⇅	P	Columbia Lloyds Insurance Company *Columbia Lloyds Insurance Company*	011069	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Texas

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⊕	P	CompWest Insurance Company *Blue Cross Blue Shield of MI Mut Ins Co*	010134	A a	Stable Stable	A- a-	Positive Positive	California
—	P	Connecticut Medical Insurance Company *Connecticut Medical Insurance Company*	010085	B++ bbb+	Stable Stable	A- u a- u	Negative Negative	Connecticut
—	P	Continental Indemnity Company *North American Casualty Co.*	013065	A u a u	Negative Negative	A u a+ u	Negative Negative	Iowa
⇅	P	Florida Farm Bureau General Insurance Co *Southern Casualty Holding Company*	011337	A a	Negative Negative	A a	Stable Stable	Florida
⇅	P	Florida FB Casualty Ins Co *Southern Casualty Holding Company*	003590	A a	Negative Negative	A a	Stable Stable	Florida
⇅	P	Grange Insurance Association *Grange Insurance Association*	002208	A- a-	Negative Negative	A- a-	Stable Stable	Washington
⇅	P	Granwest Property & Casualty *Grange Insurance Association*	002209	A- a-	Negative Negative	A- a-	Stable Stable	Washington
New	P	ICW Casualty Insurance Company *Ernest Rady Trust*	023181	A a	Stable Stable	NR nr		Nevada
New	P	ICW National Insurance Company *Ernest Rady Trust*	000181	A a	Stable Stable	NR nr		California
New	P	ICW Premier Insurance Company *Ernest Rady Trust*	023182	A a	Stable Stable	NR nr		Nevada
—	P	Illinois Insurance Company *North American Casualty Co.*	011132	A u a u	Negative Negative	A u a+ u	Negative Negative	Iowa
⇅	P	IMT Insurance Company *IMT Mutual Holding Company*	000530	A a	Negative Negative	A a	Stable Stable	Iowa
—	P	KAMMCO Casualty Company, Inc. *Kansas Medical Mutual Insurance Company*	022317	B++ bbb+	Stable Negative	A- a-	Negative Negative	Kansas
—	P	Kansas Medical Mutual Insurance Company *Kansas Medical Mutual Insurance Company*	011382	B++ bbb+	Stable Negative	A- a-	Negative Negative	Kansas
⇅	P	MDOW Insurance Company *Columbia Lloyds Insurance Company*	013583	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Texas
⚑	P	Members Insurance Company *Carolina Motor Club, Inc.*	013811	B++ u bbb+ u	Positive Positive	B++ bbb+	Stable Stable	North Carolina
⇅	P	Mesa Underwriters Specialty Insurance Co *Selective Insurance Group, Inc*	013842	A a+	Positive Positive	A a+	Stable Stable	New Jersey
—	P	Pennsylvania Insurance Company *North American Casualty Co.*	022134	A u a u	Negative Negative	A u a+ u	Negative Negative	Iowa
⊕	P	Pinnacle National Insurance Company *Markel Corporation*	002061	A a+	Stable Stable	A a	Stable Stable	Texas
⚑	P	Privilege Underwriters Recip Exch *Trident VI LP*	013816	A u a u	Positive Positive	A a	Stable Stable	Florida
⚑	P	PURE Insurance Company *Trident VI LP*	013929	A u a u	Positive Positive	A a	Stable Stable	Florida
⇅	P	Selective Auto Insurance Co New Jersey *Selective Insurance Group, Inc*	013079	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	P	Selective Casualty Insurance Company *Selective Insurance Group, Inc*	014421	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	P	Selective Fire and Casualty Insurance Co *Selective Insurance Group, Inc*	014420	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	P	Selective Insurance Co of NE *Selective Insurance Group, Inc*	012663	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	P	Selective Insurance Co of SC *Selective Insurance Group, Inc*	002019	A a+	Positive Positive	A a+	Stable Stable	Indiana
⇅	P	Selective Insurance Company of America *Selective Insurance Group, Inc*	000826	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	P	Selective Insurance Company of New York *Selective Insurance Group, Inc*	000351	A a+	Positive Positive	A a+	Stable Stable	New York
⇅	P	Selective Insurance Company of SE *Selective Insurance Group, Inc*	002020	A a+	Positive Positive	A a+	Stable Stable	Indiana

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	Selective Way Insurance Company *Selective Insurance Group, Inc*	003555	A a+	Positive Positive	A a+	Stable Stable	New Jersey
New	P	Synergy Insurance Company *Synergy Holdings, LLC*	013594	A- a-	Stable Stable	NR nr		North Carolina
—	P	Texas Insurance Company *North American Casualty Co.*	022281	A u a u	Negative Negative	A u a+ u	Negative Negative	Texas
⊕	P	Third Coast Insurance Company *Blue Cross Blue Shield of MI Mut Ins Co*	011876	A a	Stable Stable	A- a-	Positive Positive	Wisconsin
⇅	P	Tokio Marine Pacific Insurance Limited *Tokio Marine Holdings, Inc.*	012553	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Guam
⊕	P	United Wisconsin Insurance Company *Blue Cross Blue Shield of MI Mut Ins Co*	001932	A a	Stable Stable	A- a-	Positive Positive	Wisconsin
⚑	P	Universal Insurance Company (NC) *Carolina Motor Club, Inc.*	003680	B++ u bbb u	Positive Positive	B++ bbb	Stable Stable	North Carolina
⇅	P	Upland Mutual Insurance, Inc.	000940	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Kansas
⇅	P	Wadena Insurance Company *IMT Mutual Holding Company*	013117	A a	Negative Negative	A a	Stable Stable	Iowa
⚑	P	Westminster American Insurance Company *Westminster American LLC*	004198	A- u a- u	Positive Positive	A- a-	Stable Stable	Maryland
EUROPE, MIDDLE EAST AND AFRICA								
New	P	First European Title Insurance Co Ltd *First American Financial Corporation*	071718	A a	Stable Stable			Malta
—	C	Jordan International Insurance Company	078963	B bb+	Stable Stable	B+ bbb-	Negative Negative	Jordan
☑	L	Life Insurance Corp (Intl) B.S.C. (c) *Life Insurance Corporation of India*	077623	B bb	Negative Negative	B u bb u	Negative Negative	Bahrain
New	C	National Insurance Co	092539	B- bb-	Positive Positive	NR nr		Jordan
ASIA PACIFIC								
☑	P	Capital General Insurance Company Ltd *Capital Insurance Group Limited*	092953	C+ b-	Negative Negative	C+ u b- u	Negative Negative	Papua New Guinea
⇅	L	Capital Life Insurance Company Limited *Capital Insurance Group Limited*	092954	C- cc	Stable Stable	C- cc	Negative Negative	Papua New Guinea
⇅	P	EQ Insurance Company Limited *Citystate Capital Asia Pte. Ltd.*	086776	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Singapore
CARIBBEAN AND LATIN AMERICA								
New	P	East Caribbean Reinsurance Company Ltd *St Kitts-Nevis-Anguilla Trading Develop*	094569	B+ bbb-	Stable Stable			Anguilla
New	P	LOTS Reassurance Company *Tiptree Inc.*	075015	A- a-	Stable Stable			Turks and Caicos
⊕	P	Nationale Borg Reinsurance N.V. *Liberty Mutual Holding Company Inc.*	092564	A a	Stable Stable	A- u a- u	Positive Positive	Curaçao
New	P	Tokio Marine HCC Mexico Cia Afianzadora *Tokio Marine Holdings, Inc.*	071692	A a	Stable Stable			Mexico
—	L	Universal Life Insurance Company *Universal Group, Inc.*	060097	B+ u bbb- u	Negative Negative	B++ u bbb u	Negative Negative	Puerto Rico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇥	ProSight Global Holdings Limited	059716	nr		bbb-	Stable	Bermuda
⇅	Selective Insurance Group, Inc	058466	bbb+	Positive	bbb+	Stable	New Jersey

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

BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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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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 Version 010219

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 to the Extreme

Rising risk exposures from extreme sports are driving the need for specialized insurance coverages in the surplus lines market.

by Lori Chordas

Growing interest in extreme sports is creating new exposures for insurers, including potential abuse and molestation allegations, negligence and a rising risk of injuries from traditional and new sports that push human limits.

Every year tens of thousands of thrill-seekers are injured by extreme sports activities such as surfing, rock climbing, skydiving and skiing. Last year, a 20-year-old New Jersey woman died from head injuries sustained from a snowboarding accident at a Pennsylvania ski resort. Several months later, an 18-year-old man from San Diego was paralyzed after a failed attempt at a 32-foot jump on his mountain bike.

Incidents like those are driving some big changes in the insurance industry, including limited coverage for sports and adventure activities with a high level of perceived risk.

Insurers are increasingly placing narrow restrictions on their traditional insurance policies for extreme sports participants based on the type of sport, the dangers associated with it, participation frequency, level of experience and the type of equipment they use.

Also, policies typically exclude coverage for injuries such as head trauma, said Christopher Phillips, a vice president at insurance broker and consultant NFP.

Venue requirements, growing participation rates and rising risk surrounding adrenaline-inducing extreme sports activities are increasingly driving coverage out of the admitted market and into the hands of excess and surplus writers, said SportsInsurance.com president Mark DiPerno.

Last year Charles Merritt, Jay Paul and David Vogeleer created an insurtech called Buddy to provide on-demand accident insurance for active outdoor adventurists. The co-founders, avid skiers, snowboarders and river runners, recognized the struggles participants of those high-risk activities faced with high deductibles and limited coverages. Buddy's guaranteed issue policies, which are purchased online and written on an admitted basis, are provided through National Specialty Insurance and State National Insurance and are backed by Lloyd's.

Extreme sports date back to ancient Greece, but they gained notoriety during the 1990s with the introduction of ESPN's X Games. Since then, there's been a global evolution of new sports with a potential risk of serious and permanent physical injury and even death. In 1998, parkour, or freerunning, was introduced in France as a training discipline that uses movement developed from military obstacle course training and has participants running, jumping and climbing over terrain. Activities like that are creating new exposures, including the rising risk of injuries such as broken bones, paralysis, concussion and death, NFP's Phillips said.

Extreme sports venues, operators and sponsors face a host of potential liability exposures including negligence, gross negligence or recklessness, abuse and molestation, and brand and reputation damage. However, Phillips said courts are doing a fairly good job of containing the limits for which individuals or organizations can seek litigation for those risks.

"Coverages such as general liability, accident medical and umbrella policies can also help mitigate those exposures and protect both owners and athletes," he said. Phillips also suggests organizers and venues put risk management and safety controls in place, including waivers and hold-harmless agreements. "They also need to create special controls for each sport. For instance, big wave surfing needs protocols for spectators and potential shark attacks," he said. BR

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