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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

New York Life Building

Past as Prologue

New York Life CEO Ted Mathas finds even amid the COVID-19 pandemic that the company's 175-year history can be a guide to the future. **Page 28**

Best's Review's
Online Archives

Transformation Accelerated

Top insurance leaders share their thoughts about how the pandemic will impact the industry going forward. Also, a look at New York Life's 175-year history and an examination of business interruption insurance litigation.

The course of the insurance industry has been marked by milestone events—hurricanes, terrorist attacks, legislation, economic crises and more.

Add pandemics and related shutdowns to that list.

As COVID-19 rapidly spread global disruption, changes throughout the insurance world followed. Developments that might have taken years under normal circumstances were adopted by many insurers in days, weeks or months.

To explore those changes, and how to better meet the next big challenges, *Best's Review* and AMBestTV teamed up for a cross-media project called "An Industry Transformed." For this four-part package, we assembled industry thought leaders to discuss technology, relevance, innovation and future solutions.

"Digitally Native, Not by Choice" looks at how the pandemic has affected digital strategy. As the lockdowns spread, insurers were forced to shift to a virtual environment or close. "The velocity of decision-making that led to the crisis management is also something that was quite new for many carriers," McKinsey's Tanguy Catlin said. "They don't want to go back to the old ways of taking months and years to make important decisions."

Ordered to close because of COVID-19, businesses and organizations queried their brokers and scoured their policies to see if they were covered for business interruption. For most, business interruption was excluded because it was pandemic-related. Considering the scale of possible loss, the industry lived to insure another day. But it also put its brand at risk by becoming known as an industry that loves to exclude risk. In "Defending Relevancy," the University of South Carolina's Robert Hartwig said history shows that insurance remains an industry that exists to solve problems. "Over time, the industry will demonstrate its continued relevance as it has for hundreds of years," Hartwig said.

"Innovation Now" looks at how the pandemic has spurred innovation. Some organizations are more innovative than others, giving them a head start on meeting a changed world. AM Best has been vocal about the need to foster insurance innovation. "With all the changes and the escalation, and the speed of those changes, with data, technology and society and the climate, innovation becomes that much more important to a company," said Matthew Mosher of AM Best Rating Services.

"Reaching Beyond the Industry" explores public-private partnerships. Given that possible losses from the next pandemic, widespread cyberattacks or other large-scale perils could outstrip the total capital available to the entire insurance industry, one solution is to build risk partnerships between the industry and governments. "You're going to need every ounce of capital and capacity behind this that you can possibly get," Barry Gilway of Citizens Property Insurance said.

In "Past as Prologue," New York Life CEO Ted Mathas explains how the company's 175 years have positioned it for the next century or more.

In "Before the Bench," we examine business interruption insurance litigation related to COVID-19. While insurers contend policy language and pandemic-related coverage exclusions are legal and clear, plaintiffs' attorneys take a different view.

Patricia Vowinkel
Executive Editor
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The Question:

Coming up we'll produce a series on "The Entrepreneurial Agent/Broker." What innovations are impacting how insurance is sold?

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

Reader responses will be published in a future issue.

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Cover photo courtesy of NY Life. Cover design by Andrew Crespo.

AM Best Reinsurance Briefing Goes Virtual

Sept. 1–18: VIRTUAL. ITC World Tour, InsureTech Connect.

Sept. 8-10: VIRTUAL. NAIC Insurance Summit, Week 1. National Association of Insurance Commissioners. (Week 2, Sept. 15-17)

Sept. 9-10: VIRTUAL. Insurance Market Briefing – Canada, AM Best.

Sept. 9-11: VIRTUAL. Bermuda Captive Conference, Bermuda Business Development Agency.

Sept. 13: VIRTUAL. Reinsurance Market Briefing – Rendez-Vous de Septembre, AM Best.

Sept. 10-17: VIRTUAL. WSIA 2020 Annual Marketplace, Wholesale & Specialty Insurance Association.

Sept. 14-17: VIRTUAL. AHIP National Conferences on Medicare, Medicaid and Dual Eligibles, America's Health Insurance Plans.

Sept. 15-17: VIRTUAL. NAIC Insurance Summit, Week 2, National Association of Insurance Commissioners. (Week 1, Sept. 8-10)

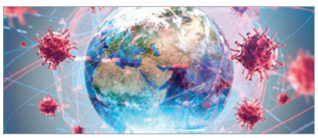
Sept. 21-23: VIRTUAL. NAMIC's 125th Annual Convention, National Association of Mutual Insurance Companies.

Sept. 24-26: Summer Meeting (In-person or virtual options available.) National Council of Insurance Legislators, Alexandria, Va.

All events subject to change as organizations monitor developments regarding COVID-19. For a full list of conferences and cancellations, visit *www.bestreview.com/calendar*

September Is Life Insurance Awareness Month
Best's Review features an interview with New York Life's CEO and Best's Rankings of life insurers. Coverage begins on page 28.

Trending Stories from *Best's Review*

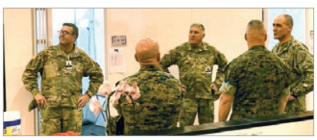


1. The COVID Catastrophe
The global pandemic is on track to be the costliest ever in insurance history. It's also a defining moment for the industry. (June 2020)

2. Top Global Insurance Brokers
Acrisure LLC and EPIC Insurance Brokers & Consultants each jump two spots in ranking. China-based Fanhua makes a return. (July 2020)

3. Remote Access
Insurance CEOs are adjusting to leading a remote workforce. Along the way, they're learning about themselves, their people and what changes they want to continue when the global pandemic ends. (July 2020)

4. 'Road to Oblivion'
Starr's Greenberg lobbies Congress to shield insurers from uncovered business interruption claims. (June 2020)



5. Serving His Country
Georgia insurance commissioner who assisted with COVID-19 facilities with National Guard likens virus fight to World War II. (June 2020)

*Top Best's Review articles from May 23-July 23

New York Life Names Craig DeSanto President

Also, International Insurance Society president-CEO to retire, Aviva names successor to retiring CEO, and newly created COO role filled at Suncorp.

New York Life has named Craig DeSanto, currently co-chief operating officer, to succeed Ted Mathas as president.

Craig DeSanto

Mathas, chairman and chief executive officer, assumed the president role when John Y. Kim retired in 2018.

DeSanto will oversee all businesses of the company, including individual life insurance and agency distribution units, as well as retail annuities, New York Life investment management, and the company's portfolio of strategic business.

DeSanto joined New York Life in 1997 as an actuarial intern and was promoted into roles of increasing responsibility across New York Life's finance and business operations, including as head of the institutional life insurance business, individual life insurance business, and Eagle Strategies.

In 2015, he was appointed to lead the company's strategic businesses, where he systematically built a portfolio of businesses that today directly support the core retail life insurance franchise, diversify the company's sales and earnings, and enhance its financial strength. In 2017, DeSanto joined the company's executive management committee, and in the two subsequent years, he assumed oversight for retail annuities and New York Life investment management, respectively, according to the company.

Mathas noted DeSanto has helped lead New York Life's pending acquisition of Cigna's group life and disability insurance business, the company's largest acquisition to date. The transaction is expected to close in the third quarter.

(See page 28 for an article on Ted Mathas and New York Life.)

—Staff Report

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Aviva plc Names Successor to Retiring CEO

Amanda Blanc

Aviva plc has named Amanda Blanc to succeed Maurice Tulloch as chief executive officer.

Blanc will transition to her role immediately and replaces Tulloch, who has stepped down from the role for family health reasons and retired from his position on the Aviva plc board. Tulloch joined the company in 1992 and held a number of senior positions before being appointed CEO in March of 2019. Tulloch has been placed on garden leave until the end of his six-month notice period on Jan. 5, 2021.

Blanc is currently an independent nonexecutive director at Aviva plc. She was appointed to the Aviva board in January 2020 and chairs the customer, conduct and reputation board committee. She was previously CEO, Europe, Middle East and Africa, and global banking partnerships at Zurich Insurance Group. Prior to that, she was group CEO, Axa UK, PPP Healthcare and Ireland and has served as chair of the Association of British Insurers and president of the Chartered Insurance Institute.

FCCI Insurance Group Names President-CEO

Christina 'Cina' Welch

The FCCI Insurance Group board of directors has named Christina 'Cina' Welch to succeed Craig Johnson as president and chief executive officer.

Welch joined FCCI in 1998 as an attorney in the legal department and has held varied roles during her tenure, taking on the role in 2018 of executive vice president, general counsel, and chief audit and compliance officer.

Welch's experience includes the development of FCCI's data security incident response and information security programs; building an enterprise risk management program; managing FCCI's business continuity management program—including the corporate COVID-19 response; and leading the company's geographic expansion efforts, according to the company.

Old Mutual Makes Williamson Permanent CEO

Iain Williamson, chief operating officer of Old Mutual Ltd. and acting chief executive officer, has been named permanent chief executive officer of Old Mutual and Old Mutual Life Assurance Co. Ltd.

An actuary, Williamson has worked at Old Mutual for almost three decades. During that time, he served in a range of senior roles, including chief financial officer and managing director of the retail affluent segment. He was appointed Old Mutual emerging markets' finance director in 2015, then COO in 2017. He also acted as the interim CEO in 2017.

International Insurance Society President-CEO to Retire

Mike Morrissey

The International Insurance Society and The Institutes said Mike Morrissey will retire after more than 11 years as IIS president and chief executive officer.

Morrissey became the IIS' fifth CEO in early 2009. He had previously spent 15 years as an active corporate member of the IIS. In addition to running 10 of the IIS' signature events, the Global Insurance Forum, he is responsible for numerous innovations, including the Global Insurance Stock Review; the Leaders of Tomorrow Program; the Vanguard Market Development Award; the Global Centers of Insurance Excellence and the Leadership Perspective: Global Pandemic webinar series, according to a statement.

Under his leadership, the IIS became a founding supporting institution of the United Nations' Principles for Sustainable Insurance, and the founding organization and Secretariat of the Insurance Development Forum, a public-private partnership led by the global insurance industry, the U.N. and the World Bank.

Horace Mann Educators Names Chief Risk Officer

Horace Mann Educators Corp. has named Paul Haley as chief risk officer. Haley has led risk assessments for the company's business development efforts since 2018.

Haley has 35 years of experience in the life insurance sector, holding senior actuarial positions at Genworth Financial, Colonial Life and Prudential Financial before joining Horace Mann in 2018.

United Insurance Holdings Names Two Leaders Company President and CRO

United Insurance Holdings Corp. has named B. Bradford Martz as company president and Chris Dittman in the newly created position of chief risk officer.

B. Bradford Martz

Martz, chief financial officer since joining the company in 2012, will expand his role to also serve as the company's president. He will oversee the company's daily operations and continue to oversee the company's financial operations.

Chris Dittman

In his new role, Dittman will oversee the company's reinsurance program with responsibility for risk management, capital management and portfolio optimization strategies.

Dittman joined the company in 2017 as the managing director of reinsurance. Prior to joining, Dittman served as a partner with TigerRisk Partners from 2010 until 2017. He started there as a reinsurance broker from 2008 until 2010.

Hartford Names CIO-President Of Hartford Investment Management

Hartford Financial Services Group has named Amy Stepnowski to succeed Brion Johnson to the positions of chief investment officer of Hartford and president of Hartford Investment Management Co.

Amy Stepnowski

Stepnowski was to transition to her role on Aug. 1. Johnson will remain with the company in an advisory capacity through the end of the year. Johnson joined the company in October 2011 as chief financial officer and head of strategy for planning and development at HIMCO.

Stepnowski was managing director and head of public credit research at HIMCO, where she worked since 2008. She joined the company as a vice president and senior research analyst for emerging markets, and then moved to the high-yield team, where she covered a wide range of industries.

United Heritage Financial Group Names Successor to Retiring President

United Heritage Insurance has named Todd Gill to succeed Dennis Johnson as president of United Heritage Financial Group and United Heritage Life Insurance Co.

Todd Gill

Gill was to begin transitioning to his role July 1, assuming oversight of daily operations, with Johnson retaining his role as chief executive officer. On Jan. 1, 2021, Gill will succeed Johnson, who is retiring after 37 years with United Heritage Insurance and 21 years as president and CEO.

Gill was most recently executive vice president and chief operating officer of United Heritage Insurance, having previously served as senior vice president and chief financial officer. He joined the company in 2004 as CFO.

Suncorp New Zealand CEO to Take on Newly Created COO Role at Parent Company

Suncorp New Zealand's CEO, Paul Smeaton, has been named to Suncorp's newly created role of chief operating officer, insurance, in Brisbane, Australia.

Paul Smeaton

Smeaton leaves the New Zealand business as part of a wider set of executive changes. Jimmy Higgins, currently Suncorp New Zealand's chief financial officer, will succeed Smeaton as acting CEO of Suncorp New Zealand.

Smeaton joined Suncorp in 1994 and has held senior positions within information technology, corporate projects, human resources, facilities and general insurance. He took up the role of CEO Vero Insurance—later Suncorp New Zealand—in 2015. BR

COVID-19 and Y2K

A reader shares experiences of dealing with a different 'novel' event years ago and looks at today's challenges.

My work with liability and legal issues associated with Y2K began in 1996. At the time, it was estimated to be a $600 billion global remediation project with the American Bar Association estimating $1 trillion in litigation costs—worthy of some examination. In my opinion, it was the greatest global remediation effort ever successfully undertaken.

Leading up to the year 2000, Y2K legal specialists were attempting to broaden arcane coverage terms, most commonly "sue and labor," originally a marine property insurance coverage designed to cover deliberately jettisoned cargo for the purpose of saving the ship and its remaining cargo during severe weather. However, most of the coverage terms clearly excluded Y2K remediation expenses. This was an example of creative reinterpretation of long-standing contract provisions.

Y2K in 2000, like COVID-19 in 2020, was novel with respect to not anyone having prior experience with the issue. While the severity of long-term COVID-19 economic issues cannot be underestimated, or possibly estimated accurately at all at this time, once again desperation turns to the assets of insurers to assist in economic support for businesses. As an odd combination of both our litigious culture and a very generous and compassionate population, Americans are not loath to spread the wealth from deep pockets to shallower ones. And it almost goes without saying that insurers are not sympathetic parties in most of our neighbors' minds.

Legislatures, starting with New Jersey and now including Massachusetts, New York, Pennsylvania, Louisiana, Ohio and South Carolina are considering a mandate for business interruption insurance coverage for businesses shut down due to COVID-19. We need to be reminded that it was New Jersey that re-wrote insurance contracts in the 1980s to require insurers to cover the costs of pollution cleanup in municipal landfills, causing huge spikes in municipal insurance premiums and a countrywide closure of municipal insurance markets. Mississippi attempted to mandate flood coverage on all homeowners policies following Hurricane Katrina. While that attempt was unsuccessful, attempts to adjust coverage contract terms following an uninsured loss, to offer financial support to those suffering losses, continues over time.

As an insurance professional adviser for 40 years it falls to me to impose realism onto notions and hopes for coverage under existing insurance policies.

Reflecting over my four decades includes an understanding that virtually every adult U.S. resident carries some form of insurance, and most people, many forms of policies. While personal and commercial insureds' disinterest in both the scope and the limitations of their coverage has offered a career path for tens of thousands of insurance advisory professionals, and the fortunes of only a few less insurance law litigators and defenders, the downside is an expectation of coverage for every eventuality.

Credible deniability of policy exclusions and terms has consistently been a successful plea for awards from sympathetic juries. Such deniability does not mitigate the existence of very simple and specific policy exclusion language: "We will not pay for loss or damage caused by or resulting from any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease." Arguing that this policy language does not specifically reference "pandemic" and thus invokes coverage, only encourages creatively assigning new or invented words any time to apply coverage where none was intended. Clever but untenable.

Rewriting insurance contracts ex post facto has no good outcome, neither for consumers nor businesses.

Nancy P. James
Licensed Insurance Adviser and past president of the Massachusetts Society of Licensed Insurance Advisers
Concord, Massachusetts

Spread the Word

Badger Mutual's Dan Wolfgram discusses the importance of building relationships and "overcommunicating" during challenging times like a global pandemic.

by Lori Chordas

Communication is crucial during unprecedented times like a worldwide health pandemic. In fact, there is no such thing as "overcommunicating" to employees, agents, policyholders and other stakeholders about how an organization supporting them during both good and challenging times, said Dan Wolfgram, chief operating officer of Badger Mutual Insurance Co., a property/casualty writer based in Milwaukee, Wisconsin.

Dan Wolfgram

Wolfgram took part in a July 13 webinar sponsored by AM Best and the Insurance Marketing and Communications Association.

Following is an edited transcript of the interview.

How are you communicating with your customers and agents during the COVID-19 pandemic?

The first thing that we did after making sure our employees were safe was to look at how to communicate to our agents and customers. We decided that we were going to have a mantra that you can't overcommunicate to any of them. If they don't want to read the email, if they don't want to take the phone call, that's fine. If they don't want to have their picture showing during a Zoom meeting, we were fine with that. There was going to be communication, and it wasn't just going to be communication about policy changes, or coverages, or things that we were going to do.

It was to reinforce that if they had a sick parent or small children that they had to attend to [they could]. The primary goal was staying healthy and taking care of business, in that order.

How are customer expectations changing the way we look at insurance and how is marketing to consumers evolving to meet those expectations?

We as an industry generally do an OK job at expectations with consumers but I still think we commoditize what we and our agents do. We don't call insureds when they get their renewal. We visit with them before their renewal, after the renewal, check in another time during a claim process. We're going to have that extra touch.

I think insurance professionals, whether they are working at an agency or an insurance company, better be able to come up with a better value proposition than price or good coverage. Consumers want to feel valued, empowered and connected. They want to know that they will be taken care of when something goes wrong with their home, auto or business.

There's much noise in the advertising world from the big captive carriers and direct writers. How do smaller companies compete?

You've got to know what you're good at. I'm not trying to compete against anybody else but I'm trying to be a better version of myself. I think that's how Badger feels. Not that we're unwilling or unable to compete, but you've got to know your strengths. With COVID, we knew what was important. We kept it focused. We knew it was the safety of our employees, agents and policyholders and that they needed a message and to hear from us. BR

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

15 Years After Katrina

Finding new and better ways to reduce loss and speed recovery remains a top priority.

By **Tony Kuczinski**

Fifteen years ago Hurricane Katrina caused unprecedented levels of devastation along the northern Gulf of Mexico coast, including more than 1,350 deaths and more than $80 billion in insured losses.

Since then, the industry has asked how it can help create more resilient communities, expedite recovery and better mitigate risk in the face of natural disasters. There is no simple answer. However, since Katrina, risk management priorities have been more clearly defined and can help guide us as we look for solutions.

Extreme weather is becoming more frequent, and infrastructure in many areas of the U.S. remains vulnerable to storm impacts from wind and flooding. This is a complex issue, and our industry should act as a change agent through education and partnership at federal, state and local levels. However, our priority continues to be finding new and better ways to reduce loss and speed recovery.

Bridging Coverage Gaps

Flood insurance penetration in coastal U.S. counties remains relatively low, averaging between 20% and 40%. In addition, storm-related flooding is not exclusive to coastal communities, and recent inland flooding events are likely becoming more extreme due to climate change.

For inland counties, typically less than 1% of homes and businesses have flood insurance coverage. This puts individuals and communities at risk for a slower and much more challenging recovery.

The biggest gap in flood coverage is for homes and businesses located outside high-risk flood hazard areas, where owners are not required to purchase flood insurance in order to acquire a mortgage. Despite the lower frequency, these areas do flood. A Rice University study found that about 40% of Hurricane Harvey flood claims in Texas came from outside of the high-risk areas.

Small-business owners outside high-risk zones are particularly vulnerable; FEMA estimates that 40% of businesses shuttered after a flood or catastrophic event never reopen. Our industry is helping to close this gap. Innovative insurance products are now available to help protect those in low-to-moderate flood zones. Economical and flexible commercial flood coverage products can

Best's Review contributor **Tony Kuczinski** is president and CEO of Munich Re US Holding. He can be reached at *insight@bestreview.com*.

help small-to-midsized businesses, a vital part of local economies, to survive and thrive.

Building Solutions

Parametric solutions can fill gaps in catastrophic coverage where traditional insurance may not be the best fit. Fast, simple payouts based on predefined parameters or triggers allow businesses to receive the funds they need as quickly as possible.

New technologies can gather more data much more quickly than was possible in the past. For example, high-resolution aerial imagery and machine learning can improve hurricane loss estimation. These tools provide individuals and businesses with a view of property damage in the affected area post event—often before claims adjusters can arrive. Recovery is accelerated when this critical data is available to help claims adjusters both focus on more complex losses first and also to settle simple loss cases faster.

New Challenges

As we remember Katrina, we also have to consider the potential impact of the coronavirus during hurricane season. The pandemic may create labor shortages, supply chain issues and much more complex coastal evacuations should the need arise.

In this rapidly changing world, we have an obligation to think ahead. This year it is the potentially devastating combination of a pandemic and an active hurricane season. Next year it could be something else. Our industry must continue to anticipate, innovate and create solutions that build resilience in the face of multiple challenges. BR

On Watch

Insurers must monitor climate change legislation that threatens the industry.

By Stephen Moriyama

California's extreme weather continues to yield devastating wildfires and natural disasters, making climate change a formidable threat. With environmental dangers like increased forest fires and rising water levels evident, lawmakers are establishing task forces and new insurance protocols.

California's representatives are swiftly proposing legislation that affects insurers and their ability to offer essential services. With new policies come major shifts in insurance offerings for individuals and organizations.

Limited Coverage vs. Increased Threats

Due to the uptick in wildfires, California residents are now living in areas previously undeclared as fire zones. In addition to seeking fire policies, homeowners and living facilities in these areas are facing brush exposure which includes mudslide, flood and water damage.

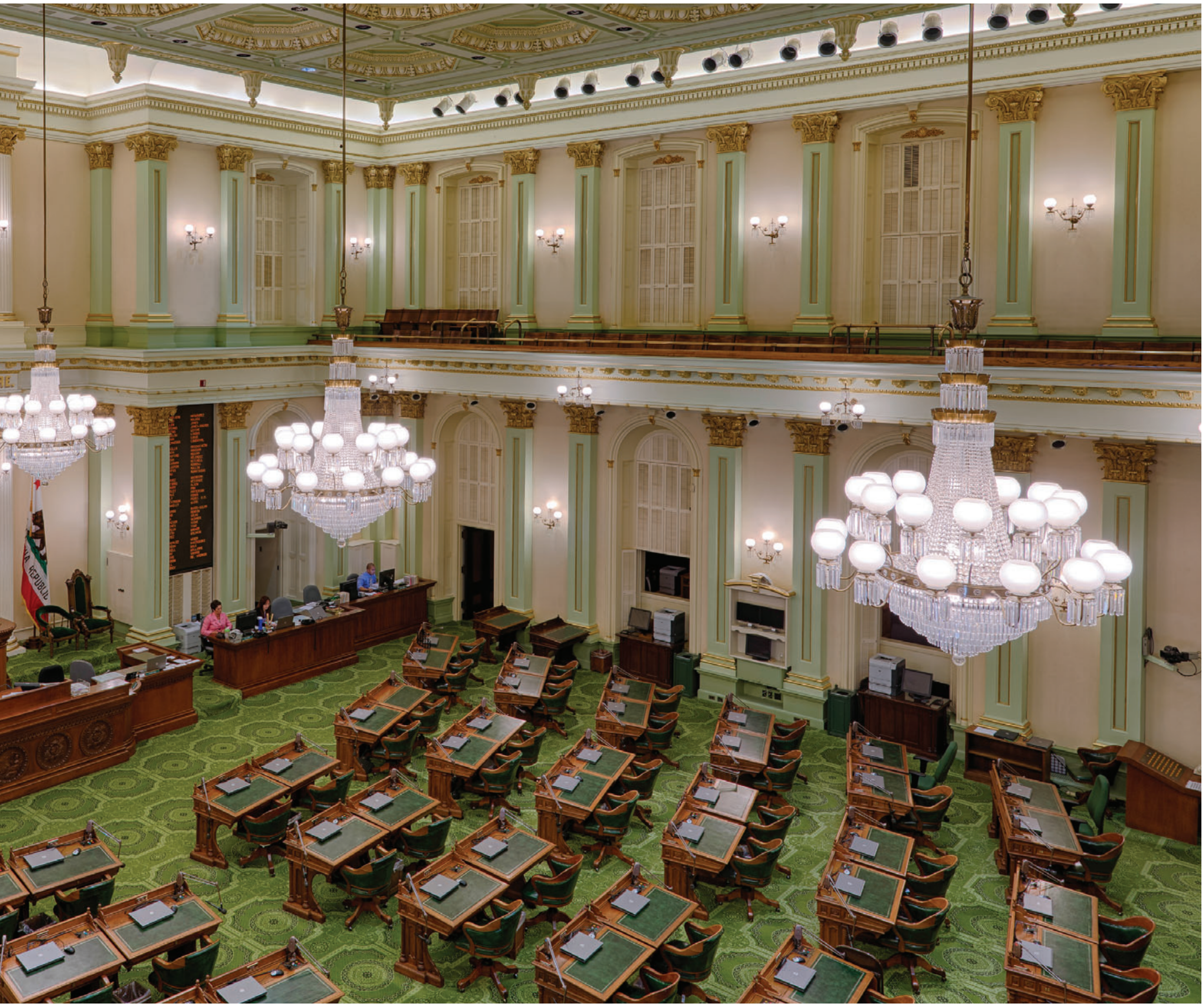
Cost-prohibitive insurance factors are displacing both current homeowners and prospective buyers, creating limited access to markets as a result of fire-damaging climate change. Unseen ripple effects due to lack of insurability—from reduced emergency service offerings to decreases in tax revenues that fund community schools and programs—make the impact worse.

Offerings From the CA Fair Plan

In the fall of 2019, California's Insurance Commissioner Ricardo Lara attempted an order to force the CA Fair Plan (insurer of last resort) to add comprehensive policies to fire plans. These included policies for water damage, personal liability and theft. This order was proposed to mitigate consumer risk of being underinsured due to unanticipated, new exposures, such as flood and water damage. In February, the California Supreme Court ruled the CA Fair Plan updates unconstitutional, as they would eliminate the need for private insurance carriers. However; although the updates did not pass, the motion's submission proved that the California government is prepared to step in and provide stop-gaps to insure consumers at all costs—even those detrimental to the future of the insurance industry.

California's dynamic, fluid situation promises

Best's Review contributor **Stephen Moriyama** is a vice president at broker NFP. He can be reached at *stephen.moriyama@nfp.com*.



to keep us on our toes. The Renew California bill proposed in February would require insurers to write or renew policies for existing homes that meet new standards for fire hardening. If this bill passes, California's insurance commissioner would have the authority to require insurers to offer financial incentives for making homes more fire-safe.

COVID-19's (Lack of) Environmental Impact

Although California's COVID-19 stay-at-home orders have improved air quality, scientists are not anticipating long-term environmental improvements that solve the problem of increased climate change threats. "I don't think we can say that there is any long-term significance in this decrease [of air pollution]," Vincent-Henri Peuch, director of the Copernicus Atmosphere Monitoring Service told Euronews.

Recent findings show that as soon as the public resumes activities, flying, driving and other pollution contributors will increase and reverse environmental improvements. Although beneficial now, our temporary halt of destructive behaviors will not be reversing potential threats of increased natural disasters, wildfires and/or water damage events.

As we navigate unanticipated challenges of climate change, it is critical to monitor our markets and keep in constant contact with our insurers. Whether or not your business resides in California, be sure to watch for new bills and proposals endorsed by the state's insurance commissioner and governor. Their actions and the task force they implement may soon appear on your state ballots, affecting coverage requirements you provide. BR

Technology

A New Dawn

COVID-19 is realigning risks for insurers and bolstering consumer appetite for digital approaches.

By **Kenneth Saldanha**

The COVID-19 crisis has sent shock waves to how we live and work, and all eyes are on the insurance industry to help reboot a punctured economy and be there for customers during a difficult time.

Insurers experienced an immediate and material impact as economies shut down and people stayed at home.

However, the COVID-19 crisis isn't a point-in-time event but one that has permanently realigned protocols in the market and customer behavior, and insurers must adapt.

The changing landscape is also shining a spotlight on the need for digital transformation and increasing customer appetite for digital services.

The insurance industry entered 2020 with relatively smooth market conditions. There was growth in most markets, and global premiums were at an all-time high at more than $5 trillion.

But that picture of positive calm was dramatically redrawn by COVID-19, which rocked the economy and, according to forecasts by the World Bank, could contract this year's global gross domestic product by 5.2%.

Insurers now face simultaneous hits on their profitability (both top and bottom line) and expansion of liabilities.

Along with the reduction in premiums, there are demands for rebates on policies that are not being used, or used less, during the COVID crisis.

While claims costs have diminished greatly, zero interest rates have wrought further damage on income. The adequacy of loss reserves at an industry, let alone carrier, level will be severely tested if insurers are called to cover COVID risks.

Measures to guard against the spread of the virus have tested traditional channels for prospecting, sales and renewals for agency and adviser channels. Local agents cannot serve their customers in person. Given the approximate 85% retention rate of property/casualty premiums, there's now an opportunity for attackers to capture revenue and serve a much broader pool of customers who are exploring digital models.

Life carriers have also been challenged to change operating protocols. For example, health professionals cannot offer the typical in-home visits for health and fluids checks considered

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critical for life insurance underwriting.

Digital disruption was well underway before the crisis, but the demand for online services from insurers has exploded during the pandemic, and it's unlikely to be a blip.

COVID-19 is accelerating digital adoption more broadly. Most consumers plan to stick with the digital habits that they've acquired during the pandemic, according to Accenture's COVID-19 Consumer Pulse research conducted in April.

Consumers interested in buying or increasing their use of technology has increased dramatically. More than half of respondents to the research study said they're likely to increase their usage of voice-enabled digital assistants, online recommendation apps, self-service apps, intelligent home devices and wearables.

As customer behavior changes, so must the behavior of insurers. They need to defend market share and be ready to satisfy consumers' desire to interact through digital channels and deliver remote sales and service. They'll need to move quickly, harnessing data and analytics with behavioral insights that enable them to predict and serve their broader needs.

One example of meeting those broader needs is in the convergence toward wellness: connecting a person's insurance, health and wealth management.

Rather than trying to sell individual products, insurers are designing solutions and services to make their customers' lives simpler, which is even more pertinent during challenging times such as a global health pandemic. BR

EQUITABLE

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Rates shown are current and are subject to change and state availability.
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Age at Nearest Birthday	Unisex	Male	Female	Age at Nearest Birthday	Unisex	Male	Female
20	0.58	0.65	0.39	60	1.59	1.70	1.44
21	0.55	0.61	0.37	61	1.74	1.85	1.57
22	0.52	0.58	0.37	62	1.88	2.00	1.68
23	0.49	0.54	0.35	63	2.00	2.13	1.81
24	0.45	0.49	0.35	64	2.14	2.27	1.93
25	0.40	0.44	0.33	65	2.34	2.49	2.12
26	0.39	0.42	0.33	66	2.51	2.68	2.27
27	0.38	0.40	0.32	67	2.72	2.89	2.46
28	0.38	0.40	0.32	68	2.99	3.18	2.70
29	0.38	0.40	0.32	69	3.35	3.56	3.03
30	0.37	0.39	0.32	70	3.83	4.10	3.42
31	0.37	0.38	0.32	71	4.40	4.71	3.93
32	0.37	0.38	0.32	72	5.33	5.57	4.41
33	0.38	0.39	0.33	73	6.11	6.46	5.16
34	0.39	0.40	0.34	74	7.06	7.57	6.03
35	0.40	0.42	0.34	75	8.17	8.47	6.08
36	0.41	0.43	0.34	76	8.47	9.08	6.88
37	0.42	0.45	0.37	77	8.83	9.35	7.77
38	0.44	0.47	0.40	78	9.45	9.89	8.41
39	0.47	0.49	0.42	79	10.09	10.59	9.00
40	0.49	0.52	0.42	80	14.03	14.48	12.23
41	0.51	0.54	0.42	81	15.22	15.65	13.54
42	0.53	0.56	0.44	82	16.68	17.11	14.96
43	0.56	0.58	0.48	83	18.63	19.19	16.39
44	0.59	0.61	0.52	84	21.58	22.17	19.24
45	0.63	0.66	0.54	85	25.35	26.11	22.31
46	0.68	0.70	0.59	86	29.98	30.62	26.58
47	0.74	0.76	0.65	87	34.87	35.87	30.85
48	0.79	0.81	0.71	88	41.20	42.18	37.29
49	0.83	0.85	0.74	89	49.25	50.38	44.70
50	0.89	0.92	0.76	90	59.52	62.98	51.95
51	0.96	1.00	0.81	91	80.31	85.02	58.07
52	1.03	1.08	0.85	92	101.10	113.08	64.48
53	1.08	1.12	0.90	93	126.85	141.34	71.41
54	1.12	1.16	0.95	94	136.12	150.46	78.76
55	1.16	1.21	0.98	95	145.95	160.79	86.59
56	1.21	1.27	1.07	96	155.01	170.07	94.76
57	1.30	1.38	1.17	97	164.57	179.88	103.34
58	1.40	1.49	1.27	98	174.70	190.28	112.39
59	1.49	1.59	1.35	99	185.41	201.28	121.90

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The TermOne® policy has a conversion privilege that permits the policy owner to exchange the TermOne® policy with a new permanent life insurance policy before the final conversion date without evidence of insurability. The new policy may be on any plan of life insurance, except for term insurance, that we or an affiliate of ours offer on the date of exchange subject to our or our affiliate's rules then in effect as to plan, age and class of risk. This exchange is subject to the requirements stated in TermOne® policy form number ICC07-148-51, 148-51, or state variations.

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Special Advertising Section

BEST'S REVIEW®
ISSUES & ANSWERS:
MUTUAL SUCCESS

Insurers and reinsurers examine the advantages and challenges of mutual insurance operations and how these companies are finding new and innovative ways to serve policyholders. Also, a look at the excess & surplus lines insurance market.

Interviewed Inside:

Brady Kelley
WSIA

Joe Stuhl
Munich Re

Tricia Loney
Nationwide

John Smith
PLM

Lindsey DiGangi
PLM

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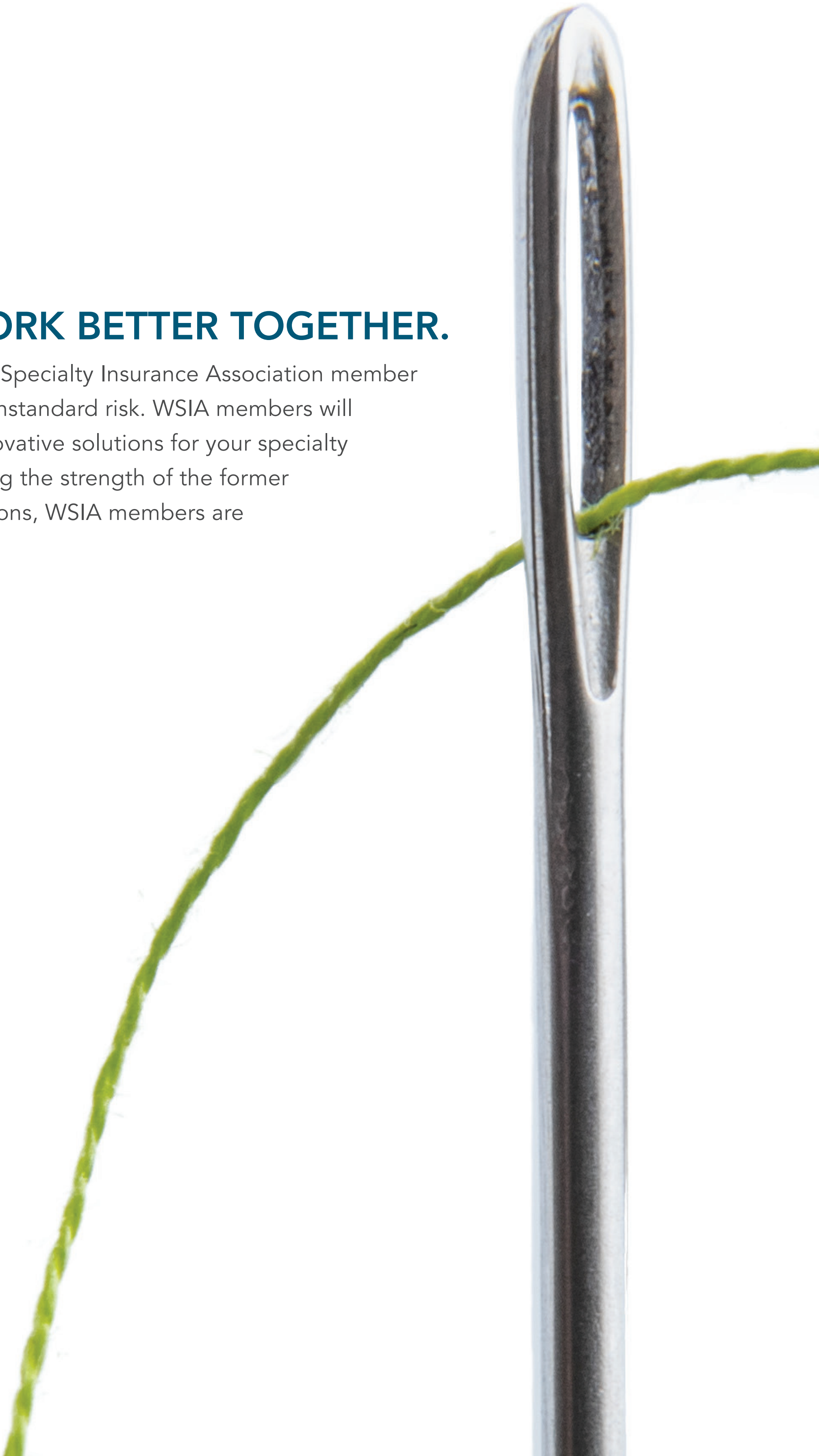


Excess & Surplus Value

Brady Kelley, WSIA executive director, said the excess and surplus lines insurance market was in a relatively strong position entering into this year. "That helped well-position members to manage through the pandemic and continue to serve clients as seamlessly as possible," he said. The following are excerpts of an interview.

Brady Kelley
Executive Director
WSIA

"Our Annual Marketplace facilitates network-focused meeting time for professional and financial lines specialists and their wholesale-dedicated trading partners."

How is WSIA serving the needs of professional and financial lines specialists?

WSIA is the only trade association that serves the entirety of the wholesale, specialty and surplus lines insurance industry, with domestic and international wholesalers, wholesale-dedicated insurance markets and service-provider members comprising the U.S. wholesale insurance distribution system. We recognize the growing need for networking-focused events for our professional and financial lines brokers and underwriters who are dedicated to wholesale distribution. Our Annual Marketplace meeting last year highlighted those attendees with a discounted first-time attendee rate, a special networking reception and the opportunity for them to proactively schedule networking and business meetings during the week with other attendees.

What is WSIA's position on potential liability arising from COVID-19 claims?

WSIA supports temporary, targeted, and timely COVID-19-related liability relief legislation to safeguard business and the U.S. economy from unfair lawsuits that could impede an effective recovery from the pandemic. We, and more than 500 other organizations with broad-based interests, have worked with the U.S. Chamber of Commerce to advocate for temporary liability protections for business and institutions that work to follow applicable public health guidelines against COVID-19 exposure claims; healthcare workers providing COVID-19-related services; manufacturers and distributors of medical devices and therapeutics related to COVID-19 response; and public companies targeted by opportunistic COVID-19-related securities lawsuits.

Sen. John Cornyn (D-Texas), has introduced the "SAFE TO WORK Act," which would help ensure COVID-19 liability reform for these frontline workers and small businesses who follow public health guidelines, and we are hopeful that it will gain the needed support to protect them from undue litigation.

How are WSIA members delivering value to their clients through the disruption of the pandemic?

The COVID-19 pandemic has dealt significant disruption for the global economy, and this industry has certainly not been spared. WSIA members have experienced operational impacts of remote work and the need to quickly adapt through this evolving situation, but the wholesale, specialty and surplus lines industry has a successful track record in navigating through catastrophic situations like this. As key players in the wholesale distribution system, WSIA members excel at creating customized responses in unique, and often challenging, times.

Strategic communication is also absolutely imperative right now. The impacts of the pandemic on insureds and the business operations of industry partners have varied widely. Some industry stakeholders have been able to maintain business essentially as usual, while others are in much more challenging circumstances, so our members have communicated openly with their partners in order to clearly understand each situation.

Trusted Partnerships

Joe Stuhl, senior vice president, broker executive for Munich Re US, said it's important to understand the client's needs, ambitions and business strategy. "Trust is the foundation for any business or personal relationship and our clients know Munich Re has the credibility to bring the solutions they need," he said. The following are excerpts of a recent interview.

Munich RE

Joe Stuhl
Senior Vice President, Broker Executive
Munich Re US

"People want to talk to reinsurers like Munich Re to find out how we can help them manage through the crisis that is this global pandemic."

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

What should brokers look for in a reinsurance partner to help insurers grow their business?

It comes down to four key areas—communications, partnership, innovation and claims management. As far as communication, it's more important than ever that we have an open dialogue with our broker partners and clients. We found that especially for us, as we evolve from a direct reinsurer to more of a broker market reinsurer, it was really important to build trust with our broker partners. Another part is being innovative or solution-oriented. The client is looking to us to be a trusted adviser on a whole range of issues, from capital management to geographic expansion to analytics. Finally, brokers should look for a partner that is reliable and fair when it comes to claims payment.

What should insurance companies expect from their reinsurance partners to help them mitigate and manage emerging risks?

The broker is looking for a risk expert, someone that can help insure and manage these emerging risks. A lot of times, the number one question a broker is being asked by the client is, "How can you help us grow our business?" Usually that involves getting into a new area where there is emerging risk. The insurer may not have the comfort level or the expertise to either underwrite the risk or manage the claims. That's where a reinsurer like Munich Re can come in and provide the expertise, help them with forms, help them with pricing, help them with analytics, and then back it up on the claims side. Also, we hear from clients seeking to manage climate change. A company like Munich Re that spends a lot of time with our scientists on understanding the impact of climate change is a great value to brokers.

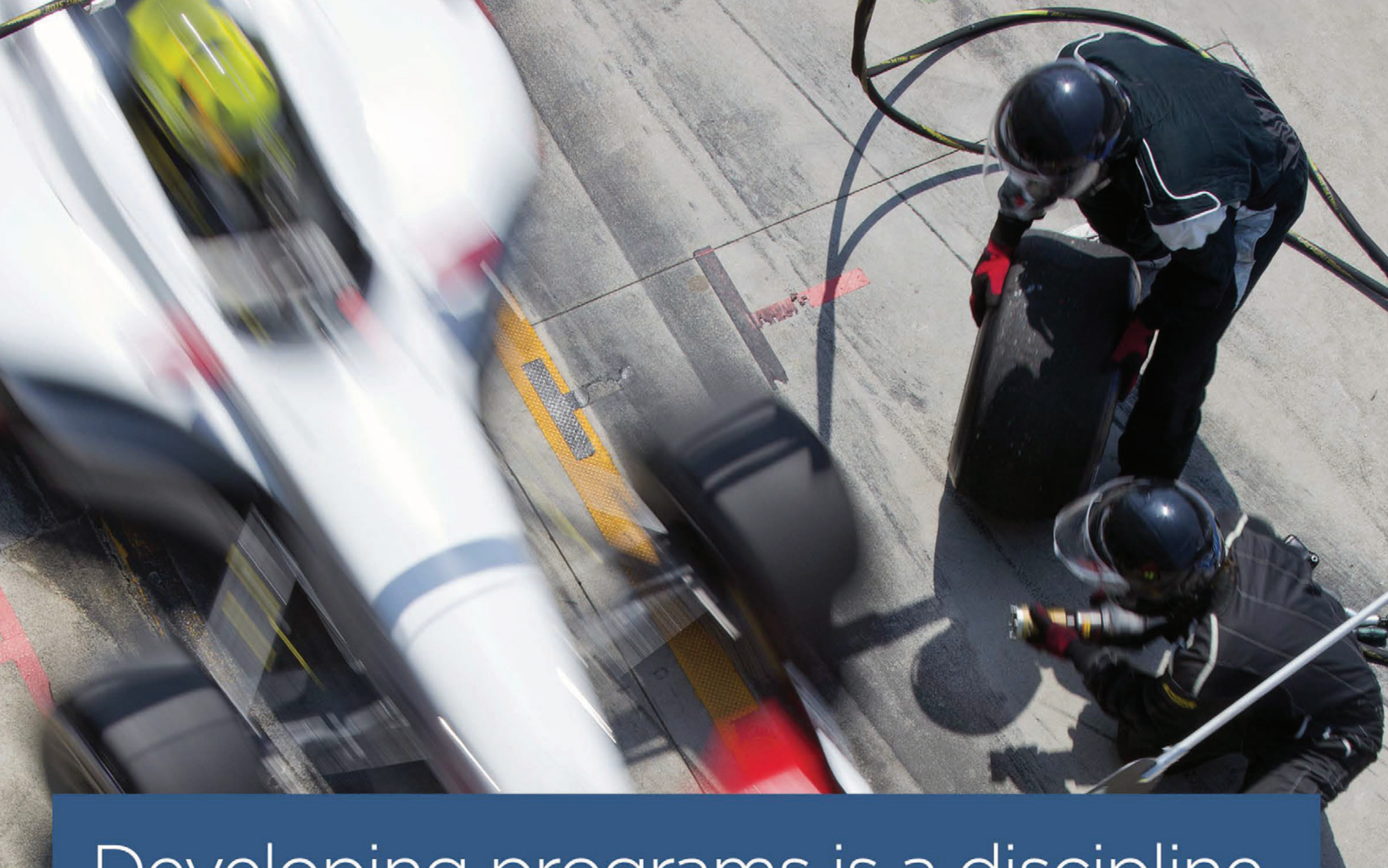
What are some tools that brokers should expect from their reinsurers that will enable them to offer innovative solutions to their insurance clients?

One of our most innovative tools is called NATHAN. It helps a client by providing spatial technology to identify risk and exposures worldwide, because we have a global database. Wildfire is another area that is an emerging exposure, especially for West Coast clients. It's very difficult to model, so we're working hard to develop some scoring strategies using data, and applying a scientific method to help clients understand their exposures and manage their portfolio.

As for clients who are trying to get into different classes of business, we've developed a lot of white label products for exposures such as inland flood.

Cyber is another emerging risk that's on a lot of folks' minds. Especially in this remote work environment, their clients are asking them about it. We have developed solutions that allow them to keep their customers from going to another competitor to look for a solution.

As we address these emerging issues, there's a lot of hard work and dedication put into solving clients' problems and providing solutions.



Room for Growth

Tricia Loney, senior director, P&C Programs, Nationwide E&S/Specialty said that while mutual success can happen quickly, it involves a long-term partnership. "It's about taking on the challenges of each other to find a solution and building a level of trust that neither party feels like they could replicate with anyone else," she said. Following are excerpts of an interview.

Nationwide®

- Fortune 100 company
- AM Best Rated A+ (Superior) FSC XV
- Third-largest domestic specialty (Excess and Surplus) commercial lines insurer

Tricia Loney

Senior Director, P&C Programs
Nationwide E&S/Specialty

"With the property market hardening, we are seeing more property opportunities than we might have in the past."

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

How do you define mutual success between a program manager and a carrier?

Mutual success between a program manager and carrier is one of the components of a true partnership. You want that success for your program manager as much as they want it for you. That is the goal with all of our program manager relationships. It's about hitting your objective goals, but it reaches well beyond that. It's about each party bringing their own expertise to create value and delivering an outcome that neither one could probably deliver on their own.

What trends have you seen regarding new program opportunities?

We're noticing the emergence of unique coverages and structures along with more risk-sharing. All of this is a positive trend for us since we are always looking for opportunities that are unique and different. For example, we just launched a program for rent default coverage, and our professional programs area just launched a program for collateral protection insurance. While these aren't never-before-seen products in the industry, they are certainly unique compared to your traditional P&C and Management Liability products.

Nationwide writes over $1.3 billion in programs business. What makes Nationwide such an appealing market for programs?

We understand the program manager model, the challenges they face, and how to complement what they do through all cycles of the program. Between our Management Liability and P&C lines, we have a very broad appetite that can fit almost any opportunity. We also are investing in new technology that will give our program managers better data to measure performance and add efficiency to their processes. We have an experienced group of people, which is recognized immediately by our program managers and brokers that are sending us new opportunities. Most importantly, Nationwide's financial strength and A+ paper sets us apart from much of the competition and gives our program managers the stability of knowing they will have a long-term partnership with Nationwide.

As the programs market continues to grow, what's Nationwide doing to capitalize on that growth?

It's actually amazing how much the program market has grown. According to the Target Markets Program Administrators Association, program business produces over $40.5 billion in premium annually. Nationwide's $1.3 billion seems like a large number, but if we think about it against total market share, really, it's still quite a bit of room for growth, so it is very important to see what opportunities are on the horizon. No doubt with the pandemic, we will see an emergence of new programs or products. We want to make sure we explore that, and are ready and have the right internal and external partners to pursue that type of business if it makes sense.

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

Knock on Wood

John Smith, president and CEO of Pennsylvania Lumbermens Mutual Insurance Company, and Lindsey DiGangi, corporate marketing manager for Pennsylvania Lumbermens Mutual Insurance Company sat down with *Best's Review* to discuss the COVID-19 pandemic, how it's affecting the insurance industry and what the future looks like. The following are excerpts of an interview.

PLM

John Smith
President and CEO
PLM

Lindsey DiGangi
Corporate Marketing Manager
PLM

Go to the Issues & Answers section at *bestreview.com* to watch an interview with John Smith and Lindsey DiGangi.

How has the pandemic impacted mutuals?

Smith: Businesswise, I'm not sure mutuals have been impacted any differently than stock companies. We're all seeking production, we all have losses, expenses, and it's probably not that much different between the two types of organizations. Where you are likely to see the difference is in how mutuals reacted internally. Mutuals tend to be a little more family-oriented and perhaps have closer relationships with their customers. It puts us in a more unique position than a stock insurance company. When the coronavirus broke, we made clear to our employees that our number one concern was their safety, and taking that stance I believe has paid off as we have been COVID-free from day one.

How has the pandemic impacted the wood industry?

DiGangi: For the most part, the wood industry has really fared well throughout the pandemic. With so many people at home more often, there's been more time to spend on household projects. We're seeing that a lot of our insureds experience actual growth during this period. We're also seeing that the sawmills and pallet mills as well as heavy manufacturing are still operating as well. We've had about 85% to 90% of our insureds deemed essential. For the most part, things are going well in the wood industry.

Has the pandemic offered an opportunity for mutuals to shine?

DiGangi: Any crisis offers any company the opportunity to shine, but mutuals are really poised to take advantage of that opportunity, with our focus solely on our insureds. For a lot of mutuals being focused in niche areas like we are, we really have a good understanding about how our insureds are doing. We're in tune with the industry, the industries that we serve. I think that gives us the ability to offer more flexibility in the way we work with our insureds as mutuals in general, and it gives us the opportunity to be close to them, and to hear them, and respond to them.

Where do you see the market headed in 2021?

Smith: On one hand, there are a lot of uncertainties with things such as COVID-related claims, the upcoming election and pandemic issues that are floating that are not claims-related. On the other hand, there's also a great deal of certainty. We know commercial auto will continue to be a problem. We know that the reinsurance industry has started applying COVID exclusions, pricing on reinsurance programs has gone up about 10% in the property to catastrophe area, and that many companies are struggling for cash flow. I think many companies are coming to understand that the fixed-income portfolios are going to have muted returns for a long time. As such, that would tell me that pricing will continue to be harder as opposed to softer. I think the only wildcard there is that it'll be interesting to see as we get into the fourth quarter, whether companies start chasing premium to make premium plans. Otherwise, I don't see any softening coming into market in the short term.

Photo courtesy of NY Life

Key Points

Timing: Storied New York Life had a lot to celebrate coming into 2020 as it prepared for its 175th anniversary year. Nature, and macroeconomics, had other plans.

Leadership: Chief Executive Ted Mathas now finds himself in the second crisis of his tenure. He came on board just in time for the 2008 financial crisis.

Ethos: Mathas likes to point to the institutional culture of New York Life, which he said focuses on preparation and long-term planning, as perhaps its greatest strength.

Past as Prologue

New York Life CEO Ted Mathas finds even amid the COVID-19 pandemic that the company's 175-year history can be a guide to the future.

by Terrence Dopp

One domestic civil war. Two world wars. The 1918 Spanish flu. The Great Depression. Even the Great Recession.

The New York Life Insurance Company has seen a lot happen in its 175 years, all of which Chief Executive Ted Mathas said has helped the company prepare for the current COVID-19 pandemic that's brought large swaths of the global economy to a near standstill. In fact, he said the company has spent years running stress tests of what it would face using the 1918 epidemic as a basis.

> "Having [run stress tests] doesn't mean you can predict when a pandemic would occur or that you can actually think through all of the issues. When we look back at things like World War II and the 1918 pandemic, they're in our history but they're also in New York Life's DNA and they help us navigate events like today."
>
> **Ted Mathas**
> **New York Life**

"Having done that doesn't mean you can predict when a pandemic would occur or that you can actually think through all of the issues," Mathas, 53, said from his family's vacation home in New York state. "When we look back at things like World War II and the 1918 pandemic, they're in our history but they're also in New York Life's DNA and they help us navigate events like today."

Terrence Dopp is a senior associate editor. He can be reached at *terry.dopp@ambest.com*.

Like nearly all of corporate America, New York Life finds itself working remotely these days. Particularly challenging for a storied insurance carrier: Prior to the novel coronavirus appearing, 97% of the company workforce was based in its New York City headquarters and its additional 100-plus offices around the country. Today that's flipped with 98% of employees putting in hours at home.

This is the biggest challenge for the company right now, he said.

"We built out a technology infrastructure. We spent a significant amount of time and money in the last five years to allow the company's systems to be more nimble and flexible—and we did it—we have been able to pivot to 98% work from home from 97% work in the office." Mathas said.

"If you're a 175-year-old company, there are a lot of strengths that come with that, but generally your technology is not one of them. We've been around 175 years so it's sort of like renovating a house versus building a new house. It's actually much easier to build a new house. But you don't get the character of the old house. This is an ongoing experiment in how to do business," Mathas said.

Best Laid Plans

New York Life and Mathas had a lot to celebrate coming into 2020. It notched $2.39 billion in operating earnings for the year, had more than $1.06 trillion worth of in-force individual life insurance in place and $628 billion in assets under management. It paid out $1.9 billion in total dividends to policyholders, making it the sole major U.S. mutual life insurance company to declare a record level of such payments in each of the last six years, according to the company.

In 2019, NY Life reported total revenues of $34.5 billion compared to $28.8 billion in the prior year and a surplus of $26.97 billion, according to financial reports available on its website.

In fact, AM Best in July affirmed the Financial Strength Rating of A++ (Superior) assigned to New York Life and subsidiaries, as well as its aaa Long-Term Issuer Credit grade. That rating cited a strong balance sheet, as well as its operating performance, business profile and risk management strengths.

"The group has a history of very strong operating performance from a diverse revenue base, which provides the company with material amounts of room to absorb shocks to income in a potential adverse economic scenario," AM Best said. "The business profile mix of life and annuity products provides risk diversification to the group's business profile, as it holds market-leading positions in the segments it operates in."

Of course, that was mostly prior to the discovery in December of a novel coronavirus in Wuhan, China. In March, the World Health Organization declared it a global pandemic and governments began to issue lockdown orders that had the effect of putting economies in a rapid state of contraction for the time being.

The plans for a year of 175th celebrations? Off. Time to think of a backup to say the least. "We're not celebrating but we are very much embracing the history, the values and how we live them."

Eric Feldstein, New York Life's chief financial officer, pointed to the company's surplus of $27 billion at the end of 2019 and record life insurance sales for the 23rd consecutive year as examples of just how strong the company entered 2020. He called that position "rock solid."

Still, when asked about the challenges in this current COVID world, Feldstein points to a risk trifecta confronting the company in this environment: a severe recession; operations risk from the abrupt displacement of its workforce; and mortality risk.

"New York Life ended 2019 and went into 2020 in what arguably is the strongest financial position it's enjoyed in about 175 years," Feldstein said. "We went into this environment with about as strong of a position as we could have imagined."

A Life Insurance Story

The roots of the insurer lie in the city's financial district, where in 1841 the seed of the company grew as Nautilus Mutual Life, which also sold fire and maritime coverage. In 1845, the company renamed itself New York Life to focus on its core business line.

A Best's Ranking of the 200 largest U.S. life/health insurers based on 2019 admitted assets released in July found New York Life retained its No. 3 ranking right behind the publicly traded behemoths of Prudential and MetLife. The next-nearest competitor mutual was Northwestern Mutual at sixth place.

Today, along with solid financials and strong sales, the company has a largest-in-class force of 12,000 agents and brokers it sees as the backbone of how it reaches the market. To make his point about the wisdom of proper planning and the need to maintain a heart in business, Mathas said during the pandemic the company assumed health insurance costs, paid rent and instituted a salary floor for commission-based workers amid the pandemic.

For customers, the company also committed to not allowing policies to lapse during the first 90 days of the pandemic. For those customers still feeling pinched at the end of that period, New York Life instituted a second round of relief aimed at helping customers keep policies in place, along with a repayment schedule that allows them to affordably stretch the costs over a period of years.

As Mathas sees it, the move by predecessor Sy Sternberg to resist a wave of demutualizations across the industry was smart and preserved a corporate structure that's inherent to where the company will be going in the coming 175 years. He doesn't knock publicly traded companies. Still, there's an inherent conflict between satiating the quarterly push for earnings to appease shareholders while the needs of creditors and the customers can get lost in the middle, he said. The mutual structure has business advantages and allows the company to be run with heart, Mathas said.

"If I was at a publicly traded life insurance company, and we had a successful asset management or retirement business, I've got to take all the profits from that and dividend them to my shareholders. The core life and income annuity policyholders don't benefit from that but at New York Life they do. That's a cool thing."

Mutuality

Key to his vision is holding onto that structure and remaining focused on New York Life as serving its current base of policyowners that is mixed both ethnically and in terms of income, he said. In the third quarter of this year, the company is expected to close on its $6.3 billion acquisition of Cigna's group life and disability insurance business, its largest acquisition to date.

Being a mutual and a growing business feed into each other as Mathas sees it: As a mutual, earnings from the new businesses go into one kitty and for the most part the earnings flow to the policyowners, who in essence are both the shareholders and life blood of the company.

"Our typical policyowners can't always get access to a diversified business portfolio like this. They don't own private equity in their own accounts. They do, however, get access to a diverse range of investments by being policyowners with New York Life—they get access to the investments we make as a company. So going forward as we run the business, we are staying focused on the core mission—

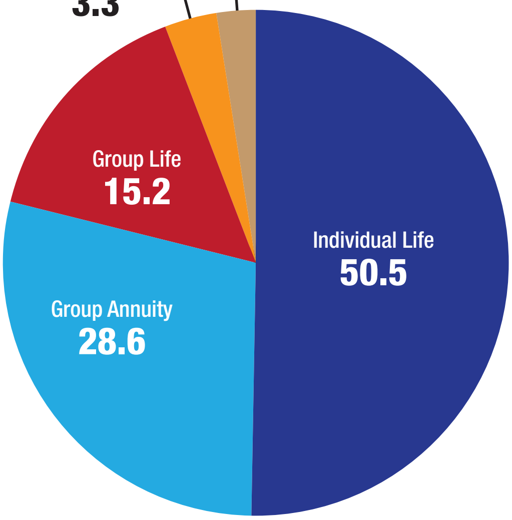
Mutual companies "can manage for the longer term. They can be more patient, they can accept some fluctuation in earnings and performance over the short term to meet longer term objectives."

Thomas Rosendale
AM Best

New York Life Insurance Company

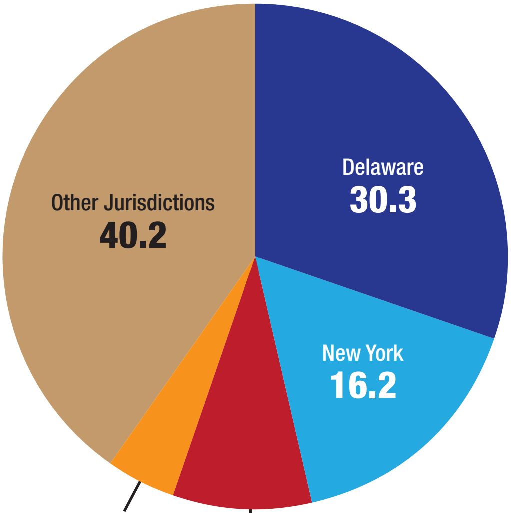
Top Lines of Business

(%)



Top States of Business

(%)



Source: BESTLINK – Best's Credit Report (AMB# 006820)
Data as of August 7, 2020

leveraging our agents who are providing advice. We are working with our policyowners to put in place protection-first financial plans so we can continue to provide peace of mind to our clients in the years to come."

This ethos, in part, fueled the decision early in Mathas' tenure to shed much of the company's international life insurance operations, which due to regulatory and structural differences didn't create the mutually beneficial relationship that exists with its U.S. customer base. The company retained one international business in a Mexico life operation.

Thomas Rosendale, a senior director with AM Best, said one of the advantages of mutuality is that when mutual companies accumulate capital through earnings they don't have to pay a portion out to stockholders separately.

"They also don't have to manage their financial statements strictly to the quarter," Rosendale said. Mutual companies "can manage for the longer term. They can be more patient, they can accept some fluctuation in earnings and performance over the short term to meet longer term objectives."

Early Days

It's quite a journey for a lawyer by training who never envisioned himself in the insurance industry.

Mathas first gained a new respect for what it does after his freshman year at the University of Richmond in his home state of Virginia. Though Richmond is a good school, he longed for Stanford University. Financial constraints put Stanford out of reach until his father borrowed against a life insurance policy to bankroll his transfer. He never looked back.

Mathas joined New York Life in June 1995 as an officer in the asset management department, and assumed the top position in July of 2008.

Mathas speaks of himself as a steward rather than an issuer of corporate edicts. He said he attempts to foster an environment of collaboration and being prepared for any event or short-term catastrophe, be it societal or economic. He pointed to the Brave of Heart Fund established in just weeks in the earlier part of this year by the company in partnership with Cigna to provide payouts to the families of health care workers who lose their lives to COVID-19—

including orderlies and janitorial staff who may be underinsured or lack any coverage—as an example of where being prepared for a disaster and collaboration freed up New York Life to work on a program that benefited society, not an economic constituency.

Immediately after assuming the CEO role, he was confronted with guiding the organization through the financial crisis that was wreaking havoc on the larger financial services industry and decimating the balance sheets of insurers.

He likes to point to five principles, which he says were long standing New York Life values he simply codified.

1) Greater purpose. Do you feel part of something bigger than yourself? 2) Individual accountability and accompanying collective pride. 3) Grow the pie; only be in businesses that are mutually beneficial to customers, the company and its agent force. 4) Everything you do has to build trust; if it doesn't, then stop doing it. 5) Remain confident but also be humble.

Sheila Davidson, the company's chief legal counsel, remembers the daily meetings to grapple with the issue of the day at the onset of the Great Recession in 2008, just after Mathas became CEO.

What sticks out to her is the deep sense of collaboration Mathas, who so embodies the culture of the company, sought to forge and foster. He set up meetings every day at 5 o'clock in the afternoon with a core group of senior executives and he would invite in those who had expertise in the area being discussed.

"He built his decision-making and leadership model on that experience," she said. "To me that was probably the first and best example—because it was such a sustained example, but that's how we make all the decisions at the company. It's iterative. We test it and then we come back and test it again. We have a longer decision-making horizon because we are not worried about the next quarter; we don't think in quarters, we think in quarter centuries."

Like Mathas, Davidson had her own experience with life insurance at a formative age with the death of her father in her senior year of college as she was pondering continuing to law school. She used part of the $90,000 death benefit her family received—along with student loans—to finance law school at George Washington University.

Mathas, Davidson and Feldstein all mention a fierce team ethic at New York Life and insist they aren't just using buzzwords. The phrase "confidently humble" is thrown around: as in, plan and evaluate and hope at the end of the process you can rest easily knowing any situation is dealt with.

Part of being humble, Mathas said, is having the ability to recognize when you "just got lucky" and an outcome was not anticipated.

He points to the decision early in his tenure to divest the international businesses around 2010 in favor of America's growth, where the base is immigrant heavy and culturally diverse. Emerging markets was seen as a source of growth for an international life insurance business, he said. But as a mutual, higher-risk emerging markets exposed the mutual owners to the risk with little upside.

"You know what happened? There was a complete rout in international markets. Do you know how many people said 'oh my God, Ted, how did you know the international markets were going to do so badly?'" he said. "It was the right strategy because of who we are. It wasn't because of some unique insight around those markets."

Going forward, New York Life intends to build its future based on a respect for the past coupled with a human interaction and bond between the company and its customers. Mathas said that can prove tricky at a time when trust in institutions is at record low levels and many people have lost the connective tissue with those institutions. Maintaining and growing that connection will be the key, he said.

"When I think about New York Life, that's our company. We do it through 12,000 agents who build individual relationships in our communities. You know New York Life, but you really know Joe or Sally or Paul. That's who you've gotten to know and you've let them know you," Mathas said. BR

Learn More

New York Life Insurance Company (AM Best # 006820)

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

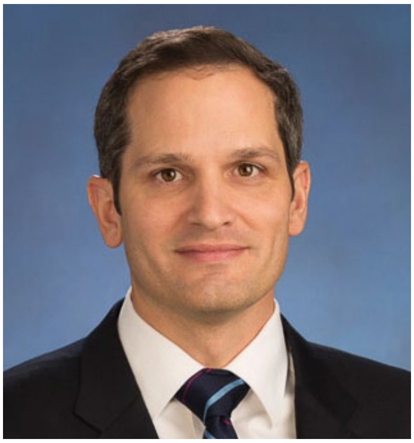
Hold the Line

Goldman Sachs Asset Management: Insurers likely to retain assets ahead of rebound from COVID-19 market dip.

by Terrence Dopp

Despite the COVID-19-related economic turmoil in the first half of 2020, insurers are likely to hold onto investments they'd pursued in recent years amid the low interest rate environment as the speed of rebound and Federal Reserve actions cause the market to tighten up, according to Goldman Sachs Asset Management.

Matt Armas, global head of insurance fixed income portfolio management, said during the 2020 GSAM Insurance Roundtable some companies that went to reduce their risk in late March or April found it tough to do so because liquidity "wasn't there." A market springing back to where it was at the beginning of the year also shifts the calculus on whether those losses will be realized, he said.



"Conceptually, we went from fine to panic with never really stopping at nervous."

Matt Armas

Goldman Sachs Asset Management

"Conceptually, we went from fine to panic with never really stopping at nervous," Armas said. "From a realized loss perspective, if you went to reduce risk in late March into early April, it was very hard to do because the liquidity wasn't there. So you generally held onto your positions and now you move into a world where the liquidity is there, but if you're reducing your risk you're wondering 'can I get it back?'"

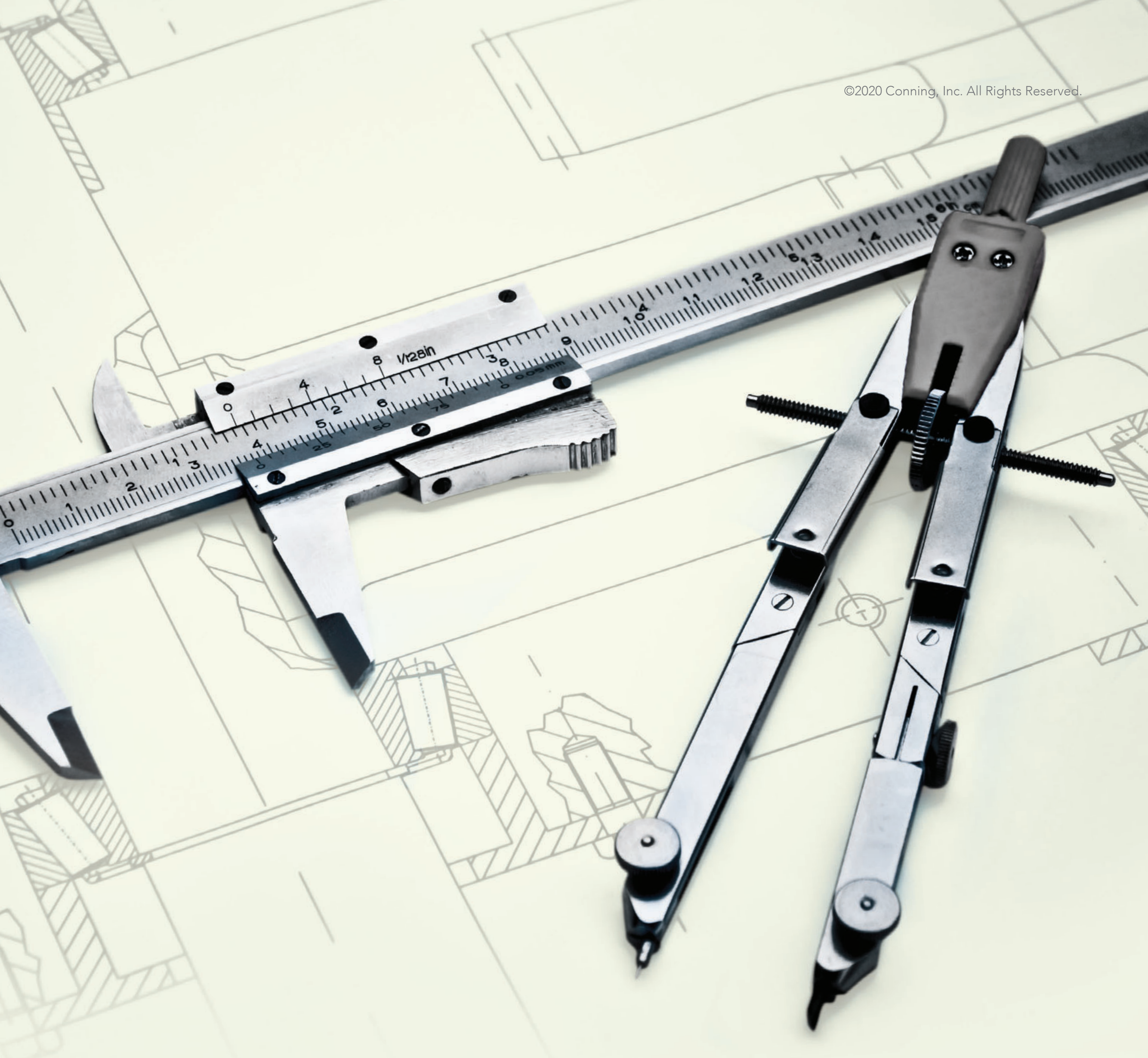
GSAM's "Ready, Set, Reset" report of insurance industry investment officers found investments in private credit, private equity and securitized assets continued and in some cases accelerated amid the pandemic, which prompted lockdowns globally that curtailed economic activity. The report, which was based on pre-COVID-19 surveys with 273 chief investment and operating officers globally, found little changed in terms of long-term investment strategies as many had begun positioning for a possible downturn.

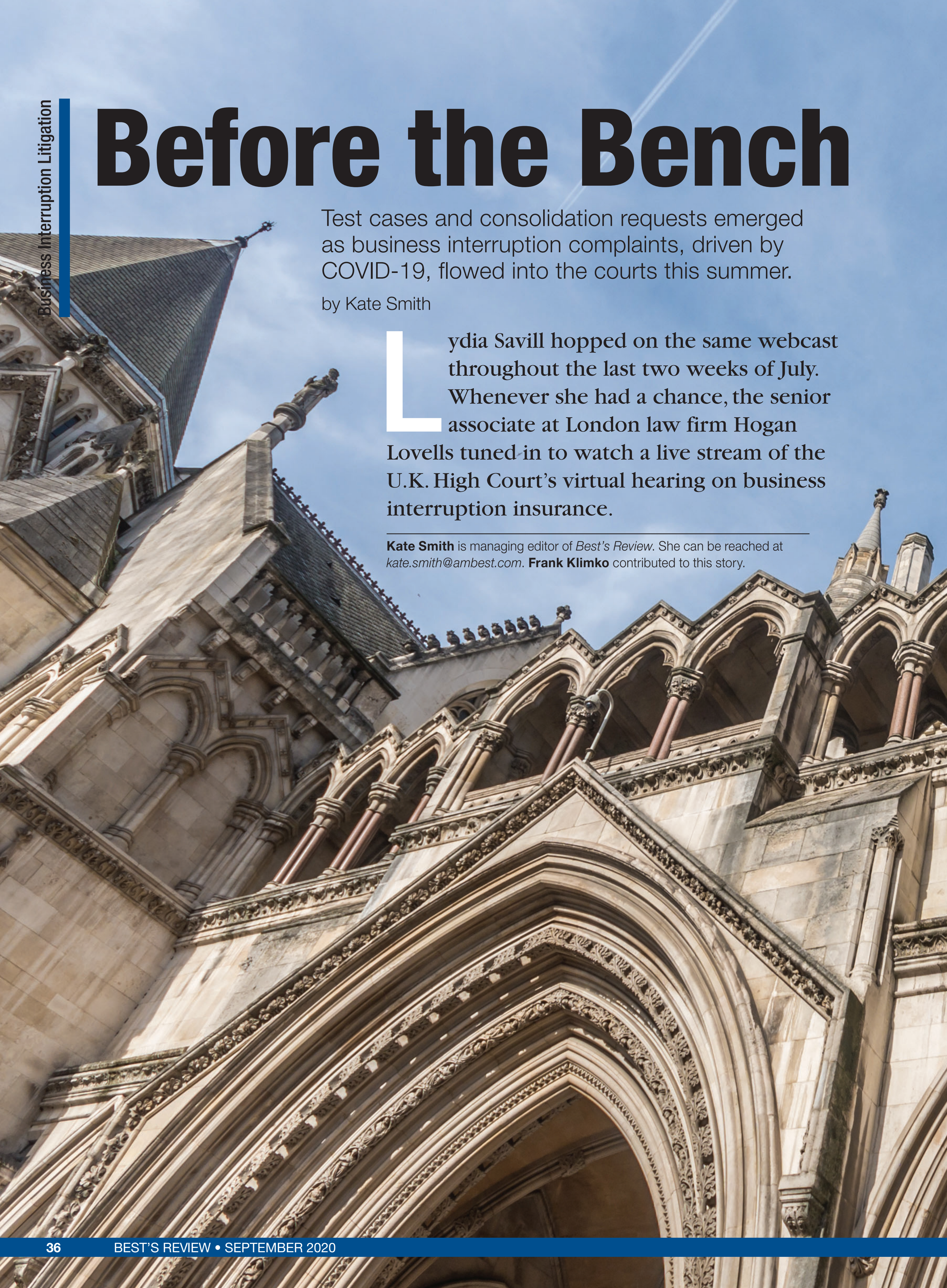
Investment in the less liquid asset classes in order to earn additional premium is primarily an Americas phenomenon as European regulators require greater capital reserves for things like securitized products, Mike Siegel, global head of insurance asset management, said. In Japan, in particular, there was a movement toward greater investment in collateralized loan obligations and a resulting pressure by regulators to hold them down, he said.

"The amount of realized losses is still going to be on the low side of things," Siegel said, adding many companies shed investments in energy and lower rated companies. "The unrealized losses grew quite dramatically. The unrealized losses shrank dramatically given the recovery in the markets."

The report also found growth in so-called environmental, social and governance investing, with 95% of those surveyed saying some hurdles remain. It also found a 14% year-over-year increase in investments in insurtech, with 60% reporting that they do so. BR

Terrence Dopp is a senior associate editor He can be reached at *terry.dopp@ambest.com*.





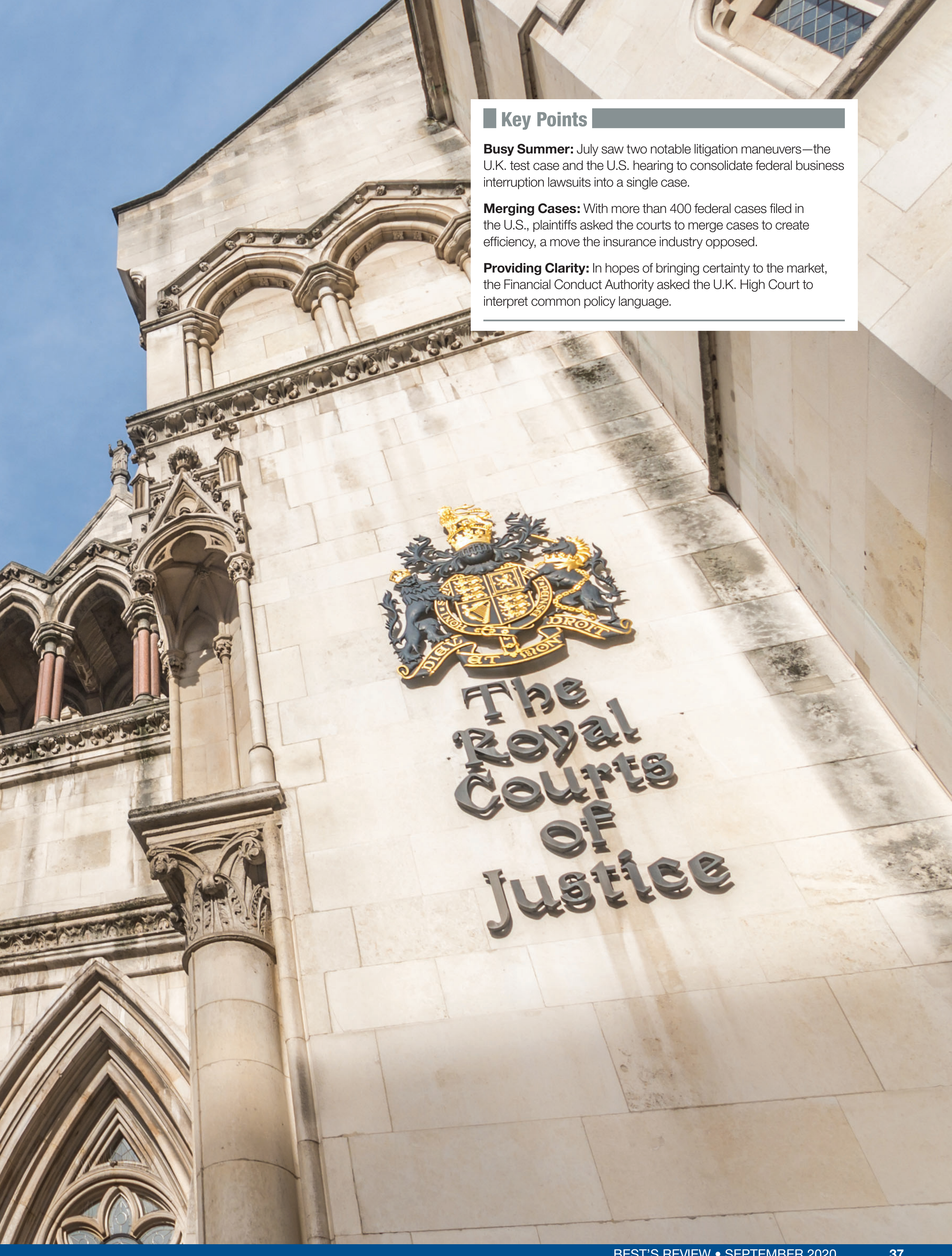
Before the Bench

Test cases and consolidation requests emerged as business interruption complaints, driven by COVID-19, flowed into the courts this summer.

by Kate Smith

Lydia Savill hopped on the same webcast throughout the last two weeks of July. Whenever she had a chance, the senior associate at London law firm Hogan Lovells tuned in to watch a live stream of the U.K. High Court's virtual hearing on business interruption insurance.

Kate Smith is managing editor of *Best's Review*. She can be reached at *kate.smith@ambest.com*. **Frank Klimko** contributed to this story.



Key Points

Busy Summer: July saw two notable litigation maneuvers—the U.K. test case and the U.S. hearing to consolidate federal business interruption lawsuits into a single case.

Merging Cases: With more than 400 federal cases filed in the U.S., plaintiffs asked the courts to merge cases to create efficiency, a move the insurance industry opposed.

Providing Clarity: In hopes of bringing certainty to the market, the Financial Conduct Authority asked the U.K. High Court to interpret common policy language.

"What the FCA has done is pick a number of policies that represent the trickiest issues and the most common wordings on these points."

Lydia Savill
Hogan Lovells

She wasn't alone. The Financial Conduct Authority's "test case" against insurers captured the market's attention this summer, with at least one news outlet blogging a play-by-play of each side's legal arguments.

"There were a lot of people in the market who were paying close attention," Savill said.

Typically a slow month for insurance news, July was filled with legal drama this year as business interruption lawsuits stemming from the COVID-19 pandemic took center stage on the insurance litigation landscape.

As new cases of COVID-19 began rising at alarming rates earlier this year, governments around the world shut down businesses to prevent the spread of disease. Within weeks of the March lockdowns in the U.S. and Europe, insurance executives and experts began to predict a tsunami of business interruption lawsuits related to the closures.

The first wave has formed.

Across the U.S., businesses have been filing lawsuits en masse against insurers over denial of business interruption claims related to the global pandemic. As of July 31, there were 973 COVID-19-related insurance lawsuits filed in the U.S., according to law firm Hunton Andrews Kurth, which tracks litigation.

With more than 400 business interruption-related lawsuits filed in U.S. federal court, plaintiffs' attorneys asked a Judicial Panel on Multidistrict Litigation to consolidate cases in an effort to expedite them.

That hearing was held on July 30, the same day the FCA wrapped up its eight-day test case.

As claims denials rolled in in the U.K. during the spring, the FCA took a proactive approach, announcing in May that it would ask the High Court of Justice Queen's Bench Division to interpret a sampling of policy language under the legal system's test case mechanism. The intention, the FCA said in announcing its plan, was to "resolve the contractual uncertainty around the validity of many BI claims."

The Insurance Council of Australia (ICA) and the Australian Financial Complaints Authority (AFCA) have undertaken a similar effort. In late July, they agreed to file a test case that would consider the application of infectious diseases cover in business interruption policies.

"The landscape is changing almost daily," said Kymberly Kochis, partner at Eversheds Sutherland and co-head of its insurance litigation and class action defense group. "In order to be on top of everything, it's a full-time job."

These rulings are the beginning of the legal road rather than the end, experts said, as appeals are likely.

"Our view has been that we expect those exclusions to hold but, because of those lawsuits already in progress and more to come, that this will play out over years, not over months," Stefan Holzberger, chief rating officer at AM Best, said. "So the defense and containment costs could be very significant for these companies, even if they get a favorable verdict."

US Landscape

Business interruption litigation was a recurring theme in second-quarter earnings calls. Chubb CEO Evan Greenberg said the insurance industry is "under attack" from trial bar attorneys looking to "reverse engineer" policy language to force business interruption insurance coverage.

Indeed, plaintiffs' attorneys have pursued multiple angles and arguments, including asking the courts to invalidate the standard Insurance Services Office virus exclusion and bar insurers from enforcing it (*Crossroads Investments, LLC v. Philadelphia Indemnity Insurance Co.*).

"I put that into the category of creative arguments," Kochis said of the attempt to void the virus exclusion. "I'm not sure how successful that will ultimately be."

Still, she said, it shows that plaintiffs' attorneys will try every avenue. And all eyes are on these early cases to see which arguments stick and how the courts lean.

"Both sides are watching the early decisions closely," Kochis said. "Plaintiffs' lawyers and plaintiffs themselves are watching the early decisions to see which direction courts are headed and whether there's any creativity in terms of the plaintiffs' arguments and the courts' decisions."

Some U.S. insurers' property policies include business interruption or business income as a coverage within the policy, while others, including those insurers that use Insurance Services Office (ISO) forms for their policies' content, add this coverage with an endorsement.

Before the virus exclusion even comes into play, a policyholder must have suffered direct physical loss or damage to property. While plaintiffs have argued that the coronavirus and the ensuing lockdowns met that threshold, two notable early decisions have gone in favor of insurers.

In the case *Social Life Magazine Inc. v. Sentinel Insurance Co. Ltd.,* a New York publisher said the coronavirus caused damage to its Manhattan office, thus preventing it from printing its luxury lifestyle magazine. U.S. District Court Judge Valerie E. Caproni, in the Southern District of New York, ruled against Social Life, saying the virus "damages lungs. It doesn't damage printing presses."

In early July, Judge Joyce Draganchuk of Michigan's 30th Circuit Court reiterated that the coronavirus harms people rather than property. In *Gavrilides Management Company et al. v. Michigan Insurance Co.*, a restaurant group argued that government shutdown orders created a physical loss of property. Draganchuk rejected the argument, stating that a tangible alteration to a property is required to trigger coverage.

"I think the industry is cautiously optimistic based on the early court cases and ruling around the contract language. Judges have come back and confirmed that the existence of COVID-19 does not constitute a direct physical loss or damage to a covered property."

Stefan Holzberger
AM Best

"There has to be something that physically alters the integrity of the property," Draganchuk said.

The two cases have been seen as good signs for insurers.

"I think the industry is cautiously optimistic based on the early court cases and ruling around the contract language," Holzberger said. "Judges have come back and confirmed that the existence of COVID-19 does not constitute a direct physical loss or damage to a covered property, and reinforced the argument that businesses are closed because of the fear of the guests or shoppers spreading the virus, which is different than if you were to have some sort of chemical spill or gas leak in the place of business."

Debate over these issues is likely to surface in just about every business interruption insurance lawsuit. To prevent duplicating the costs and effort spent answering common questions, multiple plaintiffs' groups asked the Judicial Panel on Multidistrict Litigation to merge federal court suits into a Multidistrict Litigation (MDL).

More than 400 people dialed in to listen to the livestreamed MDL hearing, in which attorney W. Mark Lanier, who represented several plaintiffs, argued that all policies have common issues of fact.

"This is an issue not only to the United States economy but [of] how we thrive in an unprecedented worldwide catastrophe in really uncharted territory," Lanier said. "There are few cases that have this much riding on it.

"There are a number of common issues of fact, regardless of state, insurance company or policy," he added "This boils down to five words in contract language: direct physical loss or damage."

Lawyers for the insurance industry disputed the simplification of language.

"It doesn't matter that all the policies require property damage. What property damage means is a legal issue," the insurance industry's lead counsel, Richard Goetz of O'Melveny & Myers, told the seven-judge panel.

Goetz argued that consolidating hundreds, if not thousands, of lawsuits into a single case would be a "nightmare" and would create inefficiency rather than alleviate it.

The court agreed. It rejected the motion for industrywide consolidation on Aug. 12, stating that "an industrywide MDL in this instance will not promote a quick resolution of these matters."

"Put simply, the MDL that movants request entails very few common questions of fact, which are outweighed by the substantial convenience and efficiency challenges posed by managing a litigation involving the entire insurance industry," the court added.

However, the panel did leave the door open for single-insurer MDLs, indicating consolidation could be appropriate for cases against the four carriers facing the bulk of the litigation—Cincinnati Insurance Co., certain underwriters at Lloyd's, Hartford Financial and Society Insurance.

Attorneys for the four carriers were ordered to appear before the panel on Sept. 24 to explain why the pending litigation should not be merged.

Kochis said early decisions could set the tone for additional lawsuits in the U.S.

"If plaintiffs start to win, then you have incentive for other plaintiffs to file," Kochis said. "So you could see additional suits in that scenario. But even if they win right now in these preliminary stages, there will be an appeal, probably no matter who wins. It's going to take a while to get a ruling that's definitive."

UK Test Case

The U.K. debate is markedly different. Coverage under standard business interruption policies is not in question. Policyholders have not challenged virus exclusions and have not contended that the virus caused physical damage to property.

The battle is over a less common type of policy: non-damage business interruption policies. Such policies extend business interruption coverage without requiring policyholders to prove their property suffered physical damage. They also specifically include coverage for "notifiable diseases" and shutdowns imposed by authorities due to a danger or emergency within a specified radius of the premises.

"In these cases, whether BI resulting from government actions to control a pandemic such as COVID-19 should be covered would very much be dependent on the contract wording," Catherine Thomas, senior director, analytics, at AM Best's London office, said. "What has become evident is that policy wording across the market is inconsistent. In some instances, whether the coverage applies or not in a pandemic situation, where you have a BI loss due to government actions to control that pandemic, is not clear.

"There can be a real disparity between what the insurer believes is covered and what the insured believes is covered."

To resolve uncertainty around claims, the FCA asked insurers to participate in a test case. Arch Insurance (UK) Ltd., Argenta Syndicate Management Ltd., Ecclesiastical Insurance Office plc, Hiscox Insurance Co. Ltd., MS Amlin Underwriting Ltd., QBE UK Ltd., Royal & Sun Alliance Insurance plc and Zurich Insurance plc agreed to join the test case as defendants.

The regulator combed through those insurers' non-damage business interruption policies and selected widely used phrases to present to the High Court for interpretation.

"What the FCA has done is pick a number of policies that represent the trickiest issues and the most common wordings on these points," Savill said.

The FCA also asked all insurers, including those not named in the test case, to examine their policies for wordings similar to those under consideration in the test case. While only defendants will be bound by the test case ruling, Savill said the expectation is that all insurers will adhere to the outcome.

The test case specifically looked at denial of access clauses and notifiable diseases clauses.

Broadly speaking, denial of access clauses are triggered when a "competent authority denies or hinders access to an insured premises due to an emergency or danger within a certain specified vicinity of the premises," Savill said.

Insurers have argued this threshold was not met.

"They're saying that even if a policyholder can show that there were cases of COVID in the relevant five miles, 25 miles or whatever vicinity was specified, that wasn't the reason the premises were closed," Savill said. "The premises were closed because the government said it was imposing the lockdown because of the national situation.

"The FCA's case on causation included the argument that a national danger encompassed a local danger. Just because the lockdown was imposed on a national basis doesn't mean there wasn't a danger or occurrence of COVID in any individual location in the U.K. And it was precisely for that reason that there was a national lockdown, because the danger was everywhere."

Authorities added COVID-19 to the list of "notifiable diseases" in March. Notifiable disease clauses are triggered by the presence of a notifiable disease on the premises.

"There is no debate that COVID was made a notifiable disease," Savill said. "The question is whether the premises were closed because of an occurrence of a notifiable disease at or within the relevant vicinity of the premises.

"What happened here is, premises weren't closed by the government specifically because they had COVID on their premises; rather they were closed as a protective measure to stop the spread of the disease, as part of the lockdown."

The High Court was expected to rule within a relatively short time frame. The decision likely will be appealed either way. Thomas said the test case was generally viewed positively by all sides.

"It really is to speed up that process so you don't have to have individual policyholders taking individual insurers to court," she said. "When the outcome does come, it should provide policyholders with greater clarity as to whether they'll receive payment from insurers or not. Otherwise that could be a lengthy and costly process because of legal fees.

"Just the fact that they get some certainty and don't incur legal costs is a positive for the policyholders. Meanwhile, the insurers will have a better understanding of which policies are expected to respond to these COVID-19 related business interruption claims, and they'll be able to pay out and reserve accordingly. The certainty that they get from that is, again, a positive. And they'll also presumably save on legal costs as well."

Following in the footsteps of the U.K., Australia also has scheduled a test case. In Australia, however, exclusions are the primary issue.

The Biosecurity Act of 2015 replaced the Quarantine Act of 1908, yet some business interruption policies still reference the Quarantine Act. Policyholder attorneys argue that exclusions referencing the Quarantine Act should not hold up.

To find resolution on the matter, the ICA, which represents the general insurance industry, and the AFCA, which serves as an ombudsman in financial disputes, have asked the Federal Court of Australia to decide whether references to a quarantinable disease under the Quarantine Act should be construed as a reference to a listed human disease under the Biosecurity Act.

The outcome of the test case will be used by the AFCA to determine relevant complaints arising from business interruption claims.

"A decision from a superior court will assist insurers, AFCA and customers in developing a better understanding of how exclusions in policy documents respond to the unique circumstances of the COVID-19 pandemic," Rob Whelan, CEO, Insurance Council of Australia, said in a statement.

"Insurers believe the intention of pandemic and communicable human disease exclusions are clear. However, a judicial determination will provide insureds and AFCA with greater legal certainty on this issue." BR

Regulatory/Law

Risk Transfer Mechanisms

Additional insured or contract indemnitee? What difference does it make?

By Laura B. Dowgin

Commercial contracts, such as construction contracts and leases, often have both insurance procurement and contract indemnity provisions. For example, many project owners in New York require their general contractors to provide additional insured coverage to them as part of the construction contract. In that same contract, the general contractor likely also agrees to defend and indemnify the owner for all liability arising out of the work, to the fullest extent permitted by law. Why have both? These risk transfer mechanisms are distinct and have some important differences and considerations for both insurers and policyholders.

Importantly, an insurer is bound only by the terms of the policy it issued to its insured. It is not bound by the terms of its insured's contracts.

If the general contractor agreed in its contract to provide additional insured coverage to the owner, but the policy itself has no such provision, or if the owner does not satisfy the terms of the additional insured endorsement, the insurer does not owe coverage to the owner. This is so, regardless of what the general contractor promised in its contract. The general contractor may be in breach of contract if it did not obtain the insurance it promised, but such a claim is not covered by a commercial general liability policy.

Thus, when considering whether to accept an additional insured tender, insurers need only consider their own policy language. However, even if an insurer does not owe additional insured coverage, it is prudent to consider whether their policyholder is likely to owe contract indemnification to the entity seeking coverage.

While a breach of contract for failure to procure insurance is not covered, a claim for contract indemnification could be, if the policy's contractual liability exclusion has an exception for insured contracts.

If the insurer has to defend its policyholder against a contract indemnification claim, and ultimately indemnify it for that liability, it may be more cost effective to accept the tender even where there is no additional insured coverage. In

Best's Review contributor **Laura B. Dowgin** is a member of Cozen O'Connor and is co-chair of the firm's Casualty & Specialty Lines Practice Group. She can be reached at *ldowgin@cozen.com*.

that scenario, the basis for agreeing to defend an entity that is not an insured is the fact that the insurer would owe indemnity to its own insured for those defense costs.

An argument can be made then, that this proffered defense should reduce the policy limit. The standard commercial general liability policy also states that the insurer will defend the insured's indemnitees, outside the policy limit, but only if the same defense counsel can represent both and if the indemnitee agrees to cooperate with the insurer (among other conditions that must be met).

Another consideration is the scope of additional insured coverage. While anti-indemnity statutes may prohibit one party from shifting the risk of its own negligence to another, insurance is often an exception. For instance, New York's General Obligations Law Sec. 5-322.1 states that an agreement to indemnify a party for its own negligence is void as against public policy, but it does not affect insurance coverage. Thus, if an owner negligently causes or contributes to an accident, it may not be able to pass all of its liability to the contractor in a contract indemnity claim, but it may be entitled to complete indemnification as an additional insured.

Contract indemnification and additional insured coverage are two different methods to transfer risk that are often seen together. Understanding the differences and how the concepts affect each other will enable parties to make more educated and efficient decisions. BR


Digital Distribution & Sales
Analysis
▲+89%
AR Consumption growth
Average user base

An Industry Transformed

Industry leaders discuss the pandemic and its impact on the insurance industry.

Digitally Native, Not by Choice

Bill Pieroni
ACORD

Sean Ringsted
Chubb

Tanguy Catlin
McKinsey

Innovation Now

Matthew Mosher
AM Best
Rating Services

Michael Pieciak
Vermont Dept. of
Financial Regulation

Matthew Josefowicz
Novarica

Hank Watkins
Lloyd's America

Defending Relevancy

Robert Hartwig
University of
South Carolina

Neil Sprackling
Swiss Re

Pina Albo
Hamilton Insurance

Suki Basi
Russell Group

Reaching Beyond the Industry

Barry Gilway
Citizens Property
Insurance

Tim Richison
California Earthquake
Authority (formerly)

Howard Kunreuther
University of Pennsylvania

AMBestTV

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Digitally Native, Not by Choice

The COVID-19 pandemic illustrates how quickly insurers can adapt.

by Kate Smith

Insurers have been plodding along the road to digital transformation for years. But when the COVID-19 pandemic caused wide-scale shutdowns and forced most business to be conducted virtually, the insurance industry was able to achieve years' worth of digital progress in a matter of weeks.

The crisis taught them a valuable lesson: They can turn on a dime, when forced.

Though insurers are still far from the goal of being successful digital organizations, experts said the pandemic showed the industry what it's capable of.

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

PANELISTS

Bill Pieroni, ACORD (pictured above)

Sean Ringsted, Chubb

Tanguy Catlin, McKinsey

"Most insurance companies were very surprised by their ability to pivot their entire operating model toward virtual over the course of hours, days, at most, weeks," Tanguy Catlin, senior partner at McKinsey, said. "I think what it has led to is a paradigm shift in mindset about the art of the possibilities. Most carriers now do not imagine going back to a pre-COVID world. There is a mindset shift that was spurred by COVID-19 for many, many insurers."

Catlin recently joined ACORD CEO Bill Pieroni and Chubb Chief Digital Officer Sean Ringsted for a panel discussion on how COVID-19 has impacted insurers' digital journeys and strategies. Their panel was part of a four-part series put together by *Best's Review* and AMBestTV on how COVID-19 has transformed the insurance industry.

According to these digital experts, the COVID-19 pandemic accelerated insurers' digital strategies and spotlighted digital shortfalls within organizations. It also showed carriers the value of their past digital investments.

"Digitization, as our industry knows, is a very long, lengthy process," Pieroni said. "For those that were digitized firms or digital competitors, they're certainly gaining sources of competitive and tactical advantage. For the laggards, though, and for those that had isolated digitization, purpose-built forms of digitization for pieces of the value chain, they're probably a little behind now.

"If they were having issues around resource allocation, investment, and business cases, they're probably getting a little more traction now."

Organizationally, the pandemic forced insurers to become more agile.

"The velocity of decision-making that led to the crisis management is something that was quite new for many carriers," Catlin said. "They don't want to go back to the old ways of taking months and years to make important decisions. There is a rethinking of the operating model toward agile ways of working that was very much accelerated in big part by the experience of managing the crisis."

Embracing new ways and new mindsets is critical to continued transformation. And there is a lot of room for future digital transformation. While the transition to a digital operating environment was a collective success for the industry, true digitalization goes well beyond the operational changes that have occurred during the COVID-19 shutdown.

"I draw a distinction between, say, operating remotely and the digital age," Ringsted said. "For us, the digital age is a much broader perspective in terms of how we think about product and service, and how we think about the customer.

"By and large, we haven't moved forward as an industry collectively in that regard. It's shown that we can operate remotely, but we're a long way away from being an industry that's operating and succeeding in a digital age."

To get there, insurers should focus on three areas—data integration, customer journeys and partnerships.

80%

The percentage of North American consumers that interact with their insurer through digitized mechanisms.

Source: ACORD

Data Deficits

Pieroni said insurers that have struggled during the pandemic typically show deficits in three areas—data, software and architecture.

"You have to be able to share data internally in an unsiloed way across the value chain," he said. "You need to be able to use data and analytics at the moment of value when you have first notice of a loss, when you've got a customer inquiry.

"Many carriers globally use data for analysis to develop insights, applications, and imperatives," Pieroni said. "But if you don't do so near real time, I think it really puts you in a poor position relative to those carriers that do."

Ringsted said gaining insight from data is easy, operationalizing it at the customer level is hard.

"It's one thing to have the insights," Ringsted said. "Making it operational—whether that's in the underwriting piece with the field, with the agents, or in claims—that's the critical piece to this. I'm a big proponent of the operational last mile. You can have all the data that you want. And in some ways, getting the insights is actually the easy part of this; it may be 10% of it. But the rest of the work, the hard yards, is in getting that to where it can make an impact at the transaction level with

the customer or the end user."

In practical terms, that could mean routing calls to the right person in a call center, quickly getting information into the hands of agents at the point of purchase, or knowing where and how to get a product in front of a customer.

"Today you have the tools and the technology to be to be able to do that," Ringsted said. "The question is, can you stitch it all together and deliver it at the point of impact?"

Catlin said three dimensions are changing around data: It's shifting from static to dynamic, internal to external and structured to unstructured. For example, rather than using a raw credit score to price auto insurance, carriers are starting to look at shifts in a credit score.

"They are realizing that it's increasingly the change in the credit score that provides more information rather than the credit score itself," Catlin said.

Carriers also are collecting and using external sources of data to build a more complete view of customers and risks.

"There is a lot of evidence right now that, in the low-engagement category, having access to external data might be more representative of what's happening in the life of the customer or the enterprises that you're trying to help protect," Catlin said. "Then finally, it's the migration from structured to unstructured data, which allows you to provide a higher level of personalization of the experience.

> "The velocity of decision-making that led to the crisis management is something that was quite new for many carriers. They don't want to go back to the old ways of taking months and years to make important decisions. There is a rethinking of the operating model toward agile ways of working that was very much accelerated in big part by the experience of managing the crisis."
>
> **Tanguy Catlin**
> McKinsey

"When you put those three together—static to dynamic, internal to external, structured to unstructured data—you start to see massive differences in level of performance that different carriers can achieve based on their maturity."

Journeys and Partners

The COVID-19 crisis also highlighted customer "journeys." These are how the client interacts with insurers and experiences the insurance process—be that buying a policy, servicing a policy or making a claim.

"As an industry, we've been failing our customer in terms of experiences," Catlin said. "Satisfaction is low."

This ties directly into insurers' ability—or inability—to integrate technologies.

"COVID certainly is disrupting the way you are looking into the purchasing journey, the claims management journey, the servicing journey," Catlin said. "You cannot really solve the industry problem just by data alone or by architecture alone. You really need to invent end-to-end journeys, and that requires a level of integration of multiple technologies."

"I draw a distinction though between, say, operating remotely and the digital age. For us, the digital age is a much broader perspective in terms of how we think about product and service, and how we think about the customer."

Sean Ringsted
Chubb

Catlin suggested rethinking the entire journey first, and then considering what technical components are needed to deliver that improved experience. One simple example, which was evident during the pandemic, was the requirement of wet signatures.

"Right now, that's an opt-in under regulation," Ringsted said. "Therefore, paper is the default system. I think you have to turn that on its head and make the electronic signature the default. To me, that's just a simple example of where and how we need to work together to make more of a digital ecosystem within the industry."

Ringsted said the COVID lockdown gave insurers proof points around customer experience. Whereas before, carriers questioned how customers would respond to change, the pandemic showed them their clients welcome certain changes. Virtual claims adjusting is one example. During the pandemic, Chubb has relied on mobile technology for claims adjusting and site inspections. Policyholders use video to show inspectors around a site.

"Before, we may have thought the customer is going to find that intrusive," Ringsted said. "But in fact, it's been very well received. In part, it's because the customer owns the schedule."

Customers are demanding digitization, Pieroni said. According to the *ACORD Insurance Digital Maturity Study*, the number of North American consumers interacting with their insurer through digitized mechanisms has doubled in the last five years, jumping from 40% to 80%.

ACORD saw similar jumps around the world. Yet, in its study of the top 130 worldwide insurers, it found "fewer than 30% have truly digitized the value chain while 13% are not leveraging digital technologies within their current business processes." More than half of the insurers in the study, it said, are "still exploring how digitization can be applied against their business model."

To truly deliver great products, services and experiences to policyholders, insurers should be thinking about partnerships and collaboration. Insurers will eventually find themselves operating in a broader ecosystem, where multiple industries connect to provide an experience—a journey. For example, when buying a house, one might also buy a life insurance policy to pay off the principal in case a spouse dies.

"This is my homeownership journey. Across many customer journeys, insurance plays a role," Catlin said. "There is a fundamental shift that's happening right now in society where, through technologies, the definition of the boundaries of industries are blurring.

"That creates both massive opportunities for insurers, because they can engage a lot more with their customer, as well as challenges, because they're going to need to position themselves on the strategic chessboard of relationship with their customers." BR

Innovation Now

Prodded by changes in regulations, the pandemic and the ratings process, insurers are finding new ways to improve and produce products.

by John Weber

Spurred by the pandemic's impact on people, businesses and society, the need for innovation has moved from an aspiration to a necessity for many insurers. A recent discussion organized by AMBestTV and *Best's Review* drew a variety of perspectives on the topic of insurance innovation, including the role that regulation and ratings play in fostering an environment for innovation.

Matthew Mosher, president and CEO of AM Best Rating Services, said the agency has always considered innovation in its evaluations of insurers but only recently made that a formal element in the rating process.

"It's going to grow in its importance overall to a company's financial strength," Mosher said. "We wanted to start laying that out, put it out there for companies to understand what we're looking for, and understand that aspect. Once we have that out there, we can then evaluate companies. It's part of their rating now. It's not a major weight, but as it grows, they'll understand it. It'll be part of the process and the rating process."

One challenge is to define innovation.

"That's where it comes back to the fact of what is innovation. Is it just about technology? It's an important aspect," Mosher said. "We spent a lot of

PANELISTS

Matthew Mosher, AM Best Rating Services

Michael Pieciak, Vermont Dept. of Financial Regulation

Matthew Josefowicz, Novarica (pictured above)

Hank Watkins, Lloyd's America

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

time walking through with people and explaining to them what the differences are and what we're looking for."

Matthew Josefowicz, president and CEO of Novarica, agrees, and names the issue as one of the elements of insurance innovation.

"The first is just definition," Josefowicz said. "Is it real strategic innovation or is it tactical innovation and improvement? Tactical innovation is about fixing broken processes. Strategic innovation is about fixing broken experiences and broken value propositions."

The Paths to Innovation

Innovation begins by focusing on the objective, not the tools to be used, Josefowicz said. "A lot of carriers think about innovation just in terms of emerging technology.

"While sometimes that's helpful, sometimes it leads to carriers starting from a technology and looking for an application as opposed to thinking about their core business values and process improvement opportunities and then thinking about how technology could potentially enable or support that."

Josefowicz points to a contradiction within the insurance industry. "It's fascinating to me that an industry that's built on a comprehensive understanding of risk and a managed failure rate, which is called underwriting, is still so risk-averse when it comes to its own operations."

Just as claims occur, not all business initiatives blossom. "Insurance companies are very comfortable with underwriting loss and managing underwriting loss to tolerable margins, but they're very uncomfortable with failed operational initiatives," Josefowicz said. "Very few companies think about their operating strategy with the same level of risk tolerance that they think about their underwriting side," he said.

"There's no way to do innovation without failure. Some of the most innovative initiatives that we've seen in other industries are the result of failures. One of the best examples is Amazon's Alexa, which came out of their Fire Phone, which was a huge disaster."

Another irony: The insurance industry's relative stability can lull insurers into complacency.

"How do you prioritize betting on a different future when the present is mostly working out?" Josefowicz asks. "Insurance isn't retail, where customers can abandon you when a better deal comes along. Most insurers have a greater than 80% renewal rate, so it takes a complacent insurer a long time to feel the pain.

"A lot of technology companies like to talk about innovate or die, but for an insurance company it's more like innovate or accelerate a slow decline."

1%

of AM Best's rating units scored as Leaders for innovation capability.

Source: *Best's Special Report: Understanding AM Best's Innovation Scoring*

A Different Approach

Vermont Insurance Commissioner Michael Pieciak said legislators in his state recently enacted a "regulatory sandbox" designed to allow insurers more latitude in creating new products.

"One of the reasons we created a sandbox last year in our legislative process and implemented rules that went effective this January, was because we often heard from the industry, not necessarily here in Vermont, but more from national players when we go to the NAIC or other industry groups, that the insurance laws were not built for the 21st century. They were not built for innovation," Pieciak said.

"Not that we're disagreeing with that point, but what our sandbox allows us to do is to say, 'Tell us specifically, what part of our regulation, what part of our statute is preventing you from innovating?'"

The sandbox was implemented prior to pandemic closures but may benefit from timing, Pieciak said. "We think both the non-pandemic related products and the products that will come out of the pandemic have the potential to utilize this regulatory regime we've created here in Vermont."

But regulatory guardrails remain intact, Pieciak

"One of the reasons we created a sandbox last year … was because we often heard … from national players … that the insurance laws were not built for the 21st century. They were not built for innovation."

Michael Pieciak
Vermont Department of Financial Regulation

said. "We do an analysis, and so long as it's not a core regulatory function like dishonest trade practices or something that's going to impact the solvency of the company, we at the department have the ability to waive that provision, whether it's a regulatory provision or a statutory provision, for a period of time while that product is in our marketplace."

Hank Watkins, president of Lloyd's America, said Lloyd's and its members have been turning their attention to earlier stages in the risk cycle, with an eye on not only new coverages but risk prevention services and tools.

"Look over the past number of years. Anybody in the industry has seen how we've evolved from providers of capital following events and basically repair and restore properties to an industry that recognizes full well that there are a lot of intangible assets that people need covered, whether it's IP, brand, reputation or other things," Watkins said. "Our industry has responded very well to that."

Watkins points to a track record of product innovation. IP coverage has been around for quite a while, he said. "We've had cyber respond for decades now and reputational risk is taking front and center now."

Some risks will be bigger than any individual insurer, or even the industry, Watkins said. "I'd suggest that not just the future pandemics, but other systemic-type risks, such as a major cyberattack or effects of climate change, are going to require all of us to work together."

Innovation also plays a growing role in how insurers treat their customers, Watkins said. "Our industry has done a pretty good job of responding over the past four months to the current crisis. Whether it's delaying or deferring premium payments, or returning premiums, in many cases, oftentimes, without regulatory encouragement."

Insurers have responded to the pandemic, Watkins said. "There have been a number of brokers and underwriters around the world who've actually created coverages to facilitate return to work, and so we're seeing a lot of progress made in that front."

Lloyd's is also betting with its own money, Watkins said. "We've got about a £15 million investment by the Lloyd's market into a seed capital funding for governments, NGOs [nongovernmental organizations], capital markets, customers, and the insurance industry to get together on our platform and try and develop solutions that the entire world can use going forward as we move toward a healthier and more resilient future."

As the pandemic gives way to recovery, Pieciak sees a widening vista of insurance opportunity. "If you think of what the pandemic has done to both employers and employees, I think it's fast-forwarded a lot of trends that were occurring prior to the pandemic. Remote work, work from home was certainly something that we saw prior to the pandemic, but the amount of folks that are going to want to stay remote is going to be quite considerable."

"[Innovation] is part of their rating now. It's not a major weight, but as it grows, they'll understand it. It'll be part of the process and the rating process."

Matthew Mosher
AM Best Rating Services

A range of coverages are up for reinvention, Pieciak said.

"What does that do for things like workers' compensation insurance—for auto rates? People might not be driving as much. What does that do for cybersecurity risks and threats and insurance?"

"Think about other areas. Telemedicine is certainly one. There were certainly trends toward telemedicine prior to all of this but we've heard from folks that you probably wouldn't have thought would like telemedicine who say, 'I'm never going to go to my doctor's office again after this pandemic.'"

The switch to remote work and all-digital communication is more than substituting new modes for old, Josefowicz said. "Technology and video conferencing and digital communication is not just about streamlining and taking cost out. It's also about providing an opportunity to share content and educate in totally different ways," Josefowicz said.

"That's something that the industry will start to explore."

Insurers may have embraced innovation, but many other sectors enjoy a multiyear or multidecade head start, Pieciak said. "Financial services probably was one of the last big industry segments to be disrupted by waves of innovation and technology. You look at the ways that we book hotel rooms, the ways we catch a ride to a location downtown—any of the ways that we interact on a daily basis with our smartphones to get something done for our daily lives."

50%

of AM Best's rating units scored as Moderate for innovation capability.

Source: *Best's Special Report: Understanding AM Best's Innovation Scoring*

Whatever future innovation looks like, it won't be uniform, Mosher said.

"I'd say we're out of the starting blocks, but it's not everybody at the same pace," Mosher said. Some companies have made progress and others have just gotten started. "The best part is that everybody's looking at it. They're looking for ways they can do things better," he said.

"I've seen some presentations that talk about the insurance industry turning into more of an active risk manager than a risk transfer type of aspect," Mosher said.

"There are many different ways of where the insurance industry could go. It will be up to the individual companies for what they feel best suits their customers and delivering the risk management approaches that they need." BR

Defending Relevancy

The global pandemic raises questions about the insurance industry's present and future relevancy.

by Meg Green

In 2019, Swiss Re estimated a $1.2 trillion protection gap between the world's economy and available insurance protection—this was before the COVID-19 pandemic demonstrated all too clearly that a theoretical insurance gap can cause real economic pain.

From commercial businesses being surprised that they lacked business interruption cover to consumers unsure if their life policies would pay out in a pandemic, the COVID-19 pandemic raised questions about the insurance industry's present and future relevancy.

A panel of industry experts discussed how insurers are evolving and could become more relevant in a post-COVID-19 world.

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

PANELISTS

Robert Hartwig, University of South Carolina

Neil Sprackling, Swiss Re

Pina Albo, Hamilton Insurance Group (pictured above)

Suki Basi, Russell Group

Gap Too Big to Bridge

"On the capacity side, the reality of it is, is that to fully close the protection gap would require vastly more capital than the industry currently possesses," said Robert Hartwig, director of the Center of Risk and Uncertainty Management, University of South Carolina. "That is made abundantly clear in the United States alone, purely through the business interruption exposure, or the potential business interruption exposure that we see."

When the virus began to spread in the United States, many state governments began closing businesses and mandating quarantines. Many U.S. businesses were surprised to discover they were not insured for pandemic-related business interruption.

While lawsuits challenging policy language are likely to continue for years, the American Property Casualty Insurance Association estimates that business continuity exposure across all U.S. businesses is about $1 trillion per month. The total capital base for all property/casualty lines is $800 billion, Hartwig said.

"That tells us one thing and what we've also learned from COVID is that there are simply some risks out there that cannot be fully insured in the private sector," Hartwig said. "They fail most of the acid tests, if you will, the requirements for insurability, such as the ability to diversify risk. How do you diversify a risk when every single business unit in America—or essentially every single business unit in America—is impacted simultaneously? There's no way to diversify that sort of risk. Certainly not within the private sector."

$1 trillion

per month - the estimated business continuity exposure across all U.S. businesses.

$800 billion

The total capital base for all property/casualty lines.

Source: Robert Hartwig, citing American Property Casualty Insurance Association

Contract Confusion

In the wake of the Sept. 11 terrorist attacks, many commercial insurers faced lawsuits challenging whether the World Trade Center's destruction should be considered one loss or two. While that litigation lasted years—and yielded mixed results for insurers—it forced the insurance industry to buckle down to improve contract certainty.

This year, the pandemic brought that issue to the forefront again.

The insurance industry needs to focus on contract wording to resolve the confusion of what is, and what is not, covered, said Pina Albo, chief executive officer of the Hamilton Insurance Group.

"A lot of what's going on right now [is] uncertainties revolving around wording that was opaque or unclear," Albo said. "If anything, maybe that will be something to focus on going forward, the clarity of the contract that we offer and the clarity of the coverage, so that the consumer understands what it is that they are buying."

Insurance contracts and jargon are notoriously difficult to read and understand.

During the pandemic, Swiss Re surveyed U.S. and U.K. life insurance holders and found 37% of consumers weren't sure if life insurance policies would pay out for a death related to COVID-19.

"That's the stat that was a surprise," said Neil Sprackling, president, Swiss Re U.S. Life Health. "The number is even higher if they didn't have a life insurance policy."

Swiss Re reached out to a number of its primary life insurers, who thought that consumers understood a standard life insurance policy would pay out if they died during a pandemic.

"You've got a disconnect between what the consumer's saying ... that they're not sure ... and the insurers are saying, 'Yeah, we're clear,'" Sprackling said. "We've got to close that gap. There's a perception gap, not just the protection gap here, and people understanding fully what they're buying."

That perception gap "gets more confusing if you widen it out into the broader insurance coverages, because obviously then you're into things that are not covered. In life insurance, honestly, it's fairly black and white. It says, 'If the person, unfortunately, passes away, we will pay out in those circumstances,'" he said.

> "The industry, despite having a reputation for being stodgy and backwards and old-fashioned—the reality of it is, it's quite innovative."
> **Robert Hartwig**
> University of South Carolina

This uncertainty is "actually an opportunity," Sprackling said. "For me, the opportunity here is around consumer engagement. This is around demystifying the coverages, whatever line of insurance that we're talking about, highlighting, and the benefits of educating consumers, raising awareness."

Shifting Risks

Insurers are being forced to consider the intangible, Albo, said.

"The insurance industry can get their hands around tangible objects and assigning a value and how to rate those aspects. When it comes to intangible, it gets a little bit more difficult to value and therefore, to insure. What is the value of a [name like] Apple?" Albo said. "That is very difficult and it shows the limits, to a certain extent, to what insurance can provide and not provide."

Only 20% of commercial risk is insured, according to a study by the Russell Group.

"The one key takeaway … [is] that leading up to the pandemic, insurers were largely peril-driven, whereas the corporates are actually, a heartbeat even more so, risk-driven," said Suki Basi, managing director of the Russell Group, a risk management data and analytics company.

Risk managers are starting to look from "outside-in" at their companies' risk, versus from "inside-out." For example, supply chain risk has emerged as a major issue during the pandemic. "The connectivity and the relationships between companies is very important to understand more," Basi said.

Maintaining Relevancy

While the pandemic highlighted the fact that not all risks are insurable, there is more that the industry can be doing to close the protection gap, Albo said.

"Whether that involves geographically looking at areas which are underserved for insurance and providing more protection there, or even looking at some risks that are new and emerging, like cyberrisk where the industry has come and provided some protection for that risk," Albo said. "Certainly, the industry is not capable of underwriting every risk that is out there."

Albo said the pandemic "has allowed us to go back and revisit what coverages could we offer as a result of a scenario such as this.

"This whole COVID scenario has given us a lot of opportunity to think about how we operate our businesses and also what kind of coverages we can offer on a go-forward basis," she said.

Hartwig said the insurance industry has always responded after major events, such as developing terrorism insurance after Sept. 11 or launching more capacity to cover property catastrophe risk after Hurricane Katrina in 2005.

"We typically see insurers at the forefront of what this new risk landscape is and to find solutions," Hartwig said. "The industry, despite

“Some of these big events are just showing where that collaboration can be most effective. No one party, be it public or private sector, can solve the challenge on their own.”

Neil Sprackling
Swiss Re

having a reputation for being stodgy and backwards and old-fashioned—the reality of it is, it's quite innovative.”

New emerging opportunities include event cancellation type coverages, he said.

“There's a lot of risk that is going to have to be laid off for events, large and small, from the Olympics and Wimbledon, on down to your local hometown sporting events, all of those sorts of things,” Hartwig said.

“There's an opportunity for this industry to do what it has always done, to do what it has always done well, and that is, almost getting back to what we began with, we will be helping to close some of those gaps that we now see are quite gaping and satisfy some of the demand that is out there,” he said.

From a life/health perspective, “it takes a pandemic to get people to think about their own personal and family protection,” Sprackling said.

Life insurance sales also spiked after 9/11, but just for a couple of months, he said. Sales also increased during the pandemic.

“The challenge and the opportunity for the industry is to have something that's more sustainable, Sprackling said.

He added he expects to see insurers continue to rely more on digital means to do business, including sales and collecting the data needed to underwrite life insurance.

“Ultimately that will put more insurance in the hands of the consumer and it will make us a more efficient industry as a result. There's reasons to feel wildly optimistic,” Sprackling said.

Basi said the key to transmuting the uninsurable to the insurable is information.

“There's going to be a lot of risk areas that aren't insurable, but from what we're told, there are plenty of currently uninsured that potentially are insurable if there is better data available,” Basi said. “The small change or small penetration of the uninsured bit is actually a big change for the industry in terms of premium dollars in.”

One important component going forward is likely to be private-public partnerships.

“We model that pandemic risk, but the sheer scale of it means that that can't be borne entirely by the private sector, which, I think, is a point that was being made,” Sprackling said. “I think that's going to lend itself for more collaboration with governments around the world on how you can cover risks of this scale and magnitude.”

Collaboration, he said, will be key.

“Some of these big events are just showing where that collaboration can be most effective. No one party, be it public or private sector, can solve the challenge on their own,” Sprackling said.

”I'm not concerned about relevance in this context. The industry has been around for 400-plus years. There's a reason in a global pandemic it's designated an essential business, because we are, as often described, the backbone to the economy in many respects. From that perspective, the relevance remains.” BR

Reaching Beyond the Industry

Pandemic risk is one of several exposures that have insurers looking outside of the industry for coverage.

by Lee McDonald

Mounting losses from pandemic-related shutdowns and business interruptions dwarf the collective capacity of private insurance markets. Worse yet, they are in the vanguard of emerging risks that might represent even larger potential losses.

In a panel gathered by *Best's Review* and AMBestTV, industry leaders discussed the issues involved with building tomorrow's larger-scale risk solutions.

At the state level, Florida and California have been at the forefront of tackling large-scale risk, creating both Citizens Property Insurance Corp. and the California Earthquake Authority to backstop catastrophic property loss.

Setting up the next Citizens- or CEA-like organizations to address new catastrophic risks won't be simple, said professor Howard Kunreuther, co-director of the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania.

PANELISTS

Barry Gilway, Citizens Property Insurance (pictured above)

Tim Richison, California Earthquake Authority (formerly)

Howard Kunreuther, University of Pennsylvania

Lee McDonald is a group vice president, AM Best. He can be reached at *lee.mcdonald@ambest.com*.

"There's no question that these risks are becoming more and more challenging for the insurance industry to a large extent because the damages are greater," said Kunreuther, who has written extensively on risk decision-making and how organizations approach catastrophic risk. Wildfire risk, he said, is a potential risk that would require last-resort coverage.

"On the pandemic, this has raised some very challenging issues for the country and certainly for the insurance industry because of business interruption," Kunreuther said.

"A lot of people say the insurance industry should cover this," Kunreuther said. "If there's one principle I think that we follow in our Risk Center it's that not only should premiums reflect the risk as best they can but also coverage that is excluded from a policy. The reinsurance industry should not be responsible."

Building risk solutions that extend beyond the insurance industry means convincing, and often re-convincing, political leaders that the task is feasible and necessary.

"We have to understand how to communicate appropriately with public officials or public staff members exactly what the risk is," said Tim Richison, who helped launch the California Earthquake Authority and served as its chief financial officer before retiring.

"That is all very, very foreign to them," Richison said. "They don't understand the insurance aspect of it. They don't understand leveraging of capital, which is what we do when we package reinsurance or cat bonds or anything in the capital markets. If you're not familiar with something, you're very skeptical of that situation," Richison said. "Then you have to spend a lot of time having discussions, showing them, taking baby steps."

"This is why it took us a long time in the CEA to get to the point where we get to the capital markets. I was unable to get across the benefit of going into the capital markets and what it would be financially for the CEA. It took a long time. Unfortunately you have a situation here, at least in California, where term limits are in place. Every four to eight years, depending upon which, you've got a whole new body of individuals that you must now start all over again."

The dividing line between insurers and political leaders is how each views risk. Insurers embrace it, political leaders shun it.

"It gets down to Insurance 101," Richison said. "Is there a risk involved? Yes, there is a risk involved with anything that you do. They would love it to be 100% guaranteed no risks are involved, especially on how they deal with things. As we all know, that's just not the case. But for political staffers and politicians, that's what they strive for: Is it 100% risk free?"

More than

1 Million

policies in force - California Earthquake Authority

Source: California Earthquake Authority website as of August 6, 2020

One vulnerability of long-term larger-scale risk solutions is that they are, in fact, long-term. Many insureds will pay a lifetime of premiums without ever collecting on their policies.

"It's very, very hard to tell people that the best return on an insurance policy is no return at all," Kunreuther said. "It's a really hard concept for people to understand. They think about it as an investment rather than a protective measure and they feel they've been cheated if they haven't had a loss and they're paying all these premiums."

Insurers can roughly predict when insureds' resolve to continue will weaken, Richison said.

"People have admitted they may take it four or five years," Richison said. "Then we found people not taking it any more because there's not an earthquake occurring, or there's been no news or anything coming from the scientific community saying that, 'Oh, there's a possible earthquake coming in the next 10 years, 20 years, 30 years,'" he said.

"People would cancel the policies. You had a high fluctuation of cancellation rates coming in after about five, six, seven years, the sixth-year itch you get. Then they decide the investment's not paying off and they cancel. It's very, very difficult to get people to see that it's a long-term situation for

"The question on the table with pandemics is it may very well be that there are an awful lot of people who would like to have pandemic insurance. It's not at all clear exactly how insurers are going to feel about offering the kind of coverage that they may want."

Howard Kunreuther
University of Pennsylvania Risk Management and Decision Processes Center

these things that don't happen very often, such as earthquake."

Social Inflation

The lack of visible returns is a factor in the growing problem of "social inflation," evidenced as some counties in Florida experienced a sharp spike in insurance claims and litigation in recent years, said Barry Gilway, president, chief executive and executive director of Citizens Property Insurance Corp., a tax-exempt, nonprofit entity formed in 2002.

"Social inflation, lots of people would define it lots of different ways, but the reality is, people want their returns earlier. They want to put in their claim," Gilway said.

"Tri-county is infamous in Florida," Gilway said, referring to the southern Florida region around Palm Beach, Broward, and Miami-Dade counties. "The litigation rate in the tri-county [region] is 700% of the litigation rate outside of tri-county. It's staggering and I've been in the business for 50 years. Instead of expecting maybe 3% or 4% of your policyholders to put in claims, 20% of your policyholders put in claims because they want the returns earlier. They want an immediate return."

Public-private insurance systems face the dual pressures of keeping rates low while providing sufficient coverage, Gilway said.

"Within the Florida statutes, seven times affordability is mentioned in statute. We're required to provide comparable coverage by the statute but they keep referring to affordability. As you know and I know, affordability is very relative," Gilway said.

"Once you establish an overall mechanism that substantially reduces the overall cost inappropriately and doesn't cover the risk, then you really have insurers and reinsurers just simply not applying their capital," Gilway said. "It's a very, very difficult situation. Overwhelming losses and insurer reluctance can leave political leaders with little choice but to consider larger-scale solutions."

Coverage Affordability

While business owners might be interested in pandemic coverage, affordability could be a problem.

"The question on the table with pandemics is it may very well be that there are an awful lot of people who would like to have pandemic insurance. It's not at all clear exactly how insurers are going to feel about offering the kind of coverage that they may want," Kunreuther said.

"Small businesses in particular have a problem," Kunreuther said. "That comes back to the affordability issue. What are they going to have to pay for business interruption if a private company is going to offer them business interruption with the challenges that they would face?"

A potential risk of organizations such as Citizens Property Insurance or the National Flood Insurance Program, which operate alongside the private market, is that insurers will select only the most profitable customers and leave the most severe

"Right now, a lot of these public-private partnerships are just at the state level. I see what we just described as a pandemic situation as being just as much as this is a risk anywhere in the United States."

Tim Richison
Formerly with California Earthquake Authority

risks to the insurers of last resort.

"At the end of the day, what do you end up with? You end up with an issue of how do you price the residual risks? We want to get rid of the exposure," Gilway said.

"The bottom line is, yes, cherry-picking absolutely occurs," Gilway said. "That is what's happening right now with the National Flood Insurance Program. We all know that. The private insurers are coming in. They are cherry-picking the risk and the question is how do you finance the residual risk? That, to me, is the big issue," he said.

"The numbers I'm seeing relative to what it would actually cost to reinsure and spread the risk associated with a full pandemic cover, [are] astronomical, given what has taken place," Gilway said. "We may disagree on this, but we may well have come up with uninsurable risk. I used to say, 'anything could be insured at the right price, even a burning building.'"

Given the type and scope of emerging risks, tomorrow's large-scale public-private risk arrangements could scale beyond states or regions. "Right now, a lot of these public-private partnerships are just at the state level. I see what we just described as a pandemic situation as being just as much, as this is a risk anywhere in the United States," Richison said.

"That is much more, I think, where there might be a federal-private partnership come into play for some of these very large and maybe uninsurable risks involved," Richison said.

"The bottom line is, there's got to be a way to deal with it," Gilway said. "The issue that I see, particularly when you get into discussions of global warming and sea level rise, and the long-term impacts, and what you're trying to insure against, is you're going to need every ounce of capital and capacity behind this that you can possibly get," Gilway said.

"If that is state-level capital, federal capital, reinsurance transfer through whatever mechanisms designed, we're going to need it," he said. "I can't even imagine the implications of a massive cyberattack on the United States and the business interruption associated with cyber. It's staggering when you start thinking about it.

"But that's the risk that is coming." BR

More than
475,000
policies in force - Citizens Property Insurance Corp.

Source: Citizens Property Insurance Corp. website as of August 6, 2020

Top 50 World's Largest Reinsurance Groups

Ranked by unaffiliated gross premiums written in 2019.
(USD Millions)[1]

		Reinsurance Premiums Written							
		Life & Non-Life		Non-Life only		Total Shareholders'	Ratios[3]		
Ranking	Company Name	Gross	Net	Gross	Net	Funds[2]	Loss	Expense	Combined
1	Swiss Re Ltd.	42,228	39,649	26,095	25,135	31,037	79.7	31.7	111.4
2	Munich Reinsurance Company	37,864	35,282	24,742	23,455	34,245	66.7	34.4	101.0
3	Hannover Ruck SE[4]	25,309	22,096	16,555	14,333	12,718	69.0	29.5	98.5
4	SCOR S.E.	18,302	16,176	8,005	6,826	7,139	68.1	30.9	99.0
5	Berkshire Hathaway Inc.	16,089	16,089	11,112	11,112	428,563	86.6	25.1	111.7
6	Lloyd's[5,6]	14,978	10,433	14,978	10,433	39,150	71.0	34.5	105.5
7	China Reinsurance (Group) Corporation	13,161	12,196	5,218	4,820	13,881	65.0	36.4	101.4
8	Reinsurance Group of America Inc.	12,150	11,297	N/A	N/A	11,601	N/A	N/A	N/A
9	Great West Lifeco	10,149	10,055	N/A	N/A	19,549	N/A	N/A	N/A
10	PartnerRe Ltd.	7,285	6,909	5,792	5,439	7,270	72.4	28.0	100.4
11	Korean Reinsurance Company	6,963	4,785	6,157	4,079	2,124	85.9	14.9	100.8
12	General Insurance Corporation of India[7]	6,862	6,229	6,735	6,109	5,027	97.2	18.2	115.5
13	Everest Re Group Ltd.	6,356	5,732	6,356	5,732	9,133	66.9	28.4	95.4
14	XL Bermuda Ltd.	5,010	4,252	5,010	4,252	13,240	65.4	34.5	99.9
15	Transatlantic Holdings, Inc.	4,946	4,495	4,946	4,495	5,243	68.4	32.5	100.9
16	RenaissanceRe Holdings Ltd.	4,808	3,381	4,808	3,381	5,971	62.8	29.5	92.3
17	MS&AD Insurance Group Holdings, Inc.[7,8]	4,188	N/A	4,188	N/A	15,120	N/A	N/A	N/A
18	MAPFRE RE, Compañía de Reaseguros S.A.[9]	3,313	2,690	2,716	2,100	1,956	77.8	24.2	102.1
19	AXIS Capital Holdings Limited	3,223	2,280	3,223	2,280	5,544	73.7	27.5	101.2
20	R+V Versicherung AG[10]	3,160	3,160	3,160	3,160	2,408	78.6	24.3	102.9
21	Arch Capital Group Ltd.[11]	3,078	2,136	3,078	2,136	12,260	72.4	26.6	99.0
22	The Toa Reinsurance Company, Limited[7,8]	2,878	2,472	2,878	2,472	2,671	82.7	27.0	109.7
23	Assicurazioni Generali SpA	2,646	2,646	1,093	1,093	33,433	66.7	28.2	94.9
24	Sompo International Holdings, Ltd.	2,441	1,972	2,441	1,972	6,662	60.0	31.6	91.6
25	IRB - Brasil Resseguros S.A.	2,114	1,561	2,114	1,561	1,152	56.4	25.3	81.7
26	Pacific LifeCorp	2,072	1,625	N/A	N/A	16,055	N/A	N/A	N/A
27	Taiping Reinsurance Co. Ltd[8]	2,040	1,787	1,255	1,064	1,161	64.5	34.8	99.3
28	Validus Reinsurance, Ltd.	1,991	1,296	1,991	1,296	3,447	73.8	21.1	94.8
29	Odyssey Re Holdings Corp.	1,849	1,783	1,849	1,783	4,590	66.7	27.1	93.7
30	Caisse Centrale de Reassurance	1,688	1,541	1,446	1,304	2,856	86.6	10.1	96.7
31	Peak Reinsurance Company Ltd.	1,665	1,258	1,531	1,125	1,095	73.1	27.1	100.2
32	Aspen Insurance Holdings Limited	1,486	1,251	1,486	1,251	2,726	73.1	30.0	103.1
33	Sirius International Insurance Group, Limited	1,351	1,112	1,351	1,112	1,866	81.7	26.4	108.1
34	Deutsche Rueckversicherung AG	1,241	825	1,139	775	337	72.5	35.6	108.1
35	QBE Insurance Group Limited	1,179	984	1,179	984	8,153	76.2	27.5	103.7
36	Tokio Marine & Nichido Fire Insurance Co., Ltd.[7]	1,174	921	1,174	921	17,883	N/A	N/A	N/A
37	Markel Corporation	1,114	965	1,114	965	11,078	69.8	34.6	104.4
38	American Agricultural Insurance Company[12]	1,079	385	1,079	385	620	74.8	20.8	95.6
39	Qianhai Reinsurance Co., Ltd.	930	563	333	294	414	69.8	32.7	102.5
40	Hiscox Ltd.	867	217	867	217	2,190	136.2	37.6	173.7
41	African Reinsurance Corporation	844	682	787	632	975	60.4	38.0	98.4
42	Allied World Assurance Company Holdings, AG	821	736	821	736	4,136	65.6	26.7	92.3
43	Qatar Reinsurance Company, Limited	749	654	749	654	696	80.7	38.1	118.8
44	Chubb Limited	719	649	719	649	55,331	53.8	31.2	85.0
45	W.R. Berkley Corporation	678	N/A	678	N/A	6,118	N/A	N/A	N/A
46	Nacional de Reaseguros, S.A.	662	529	553	421	438	63.1	29.7	92.8
47	Asia Capital Reinsurance Group Pte. Ltd.[13]	656	565	656	565	794	75.3	33.9	109.2
48	Third Point Reinsurance Ltd.	632	623	632	623	1,414	57.6	45.6	103.1
49	Central Reinsurance Corporation	558	518	458	423	524	73.0	28.6	101.6
50	Wilton Re U.S. Holdings, Inc.	543	420	543	N/A	4,105	N/A	N/A	N/A

[1] All non-USD currencies converted to USD using the foreign exchange rate as of company's fiscal year-end.
[2] As reported on balance sheet, unless otherwise noted.
[3] Non-life only.
[4] Net premium written data not reported; net premium earned substituted.
[5] Lloyd's premiums are reinsurance only. Premiums for certain groups in the rankings may include Lloyd's Syndicate premiums when applicable.
[6] Total shareholders' funds includes Lloyd's members' assets and Lloyd's central reserves.
[7] Fiscal year-end March 31, 2020.
[8] Net asset value used for total shareholders' funds
[9] Premium data excludes intergroup reinsurance.
[10] Ratios are as reported and calculated on a gross basis.
[11] Based on Arch Capital Group Ltd. consolidated financial statements and includes Watford Re segment.
[12] Data and ratios based on US Statutory Filing.
[13] Effective December 5, 2019, Asia Capital Re ceased writing new business.
N/A: Information not applicable or not available at time of publication.
Source: AM Best data and research

Top U.S. Life/Health Insurers

U.S. Life/Health – 2019 Ordinary Life Average Policy Size and Lapse Ratios

Ranked by 2019 ordinary life business issued.

2019 Rank	2018 Rank	Company/Group	AMB#	Ordinary Life Issued ($000)	Average Policy Issued 2019	2018	2017	2016	2015
1	1	Northwestern Mutual Group	069515	$159,399,457	$508,867	$487,848	$480,903	$459,461	$434,986
2	8	Lincoln Finl Group	070351	119,146,118	981,709	691,053	606,706	385,948	548,969
3	3	New York Life Group	069714	98,157,993	314,009	301,480	299,506	288,464	290,812
4	2	Prudential of America Group	070189	97,793,886	691,323	692,409	519,244	538,882	565,128
5	7	State Farm Life Group	070126	91,329,641	162,815	139,471	138,400	132,203	134,306
6	5	AIG Life & Retirement Group	070342	89,793,581	512,298	512,810	469,168	471,856	446,310
7	6	Massachusetts Mutual Life Group	069702	87,941,286	648,023	617,903	539,359	427,397	553,090
8	4	Primerica Group	070183	83,350,029	315,563	304,378	295,939	292,686	293,977
9	11	Principal Finl Group Inc.	020516	59,625,591	994,954	1,033,078	974,796	946,342	992,055
10	10	Legal & Gen America Group	069539	57,338,580	597,227	581,041	592,218	586,406	514,784
11	9	Protective Life Group	069728	46,596,191	478,503	488,749	533,454	528,239	508,917
12	13	Pacific Life Group	069720	45,851,826	729,822	741,646	806,492	876,618	950,906
13	18	Natl Life Group	069953	42,477,801	324,221	320,263	298,299	290,355	281,215
14	14	Aegon USA Group	069707	38,004,956	168,050	160,178	174,857	181,074	184,851
15	12	John Hancock Life Insurance Group	069542	37,262,523	913,924	1,028,934	1,121,371	1,108,302	1,026,137
16	15	Globe Life Group	070443	35,088,783	20,577	21,269	20,919	21,538	21,938
17	16	Guardian Life Group	069685	33,411,263	851,307	832,647	823,756	791,720	742,571
18	17	Allstate Life Group	070106	30,733,488	213,143	198,637	197,444	203,145	177,882
19	20	USAA Life Group	070364	29,681,739	451,378	403,098	400,425	383,912	378,470
20	21	Nationwide Mutual Life Group	070822	25,434,671	480,852	465,616	430,602	387,113	351,237
21	22	Equitable Life Group	070194	25,125,645	804,458	744,593	714,472	718,050	720,591
22	24	Penn Mutual Group	069722	24,257,527	934,996	804,305	771,295	701,577	617,674
23	23	Sammons Enterprises Group	070533	23,221,820	410,926	373,517	361,305	339,064	334,374
24	19	Mutual of Omaha Group	070203	20,505,971	48,298	61,868	69,000	90,219	87,472
25	25	Securian Finl Ins Group	069565	19,406,524	659,323	668,040	701,401	712,240	706,696
		Total U.S. L/H Stock Cos		**$1,045,578,230**	**$155,153**	**$146,949**	**$142,940**	**$136,891**	**$147,602**
		Total U.S. L/H Mutual Cos		**$720,159,375**	**$235,158**	**$220,579**	**$216,229**	**$197,224**	**$195,797**
		Total U.S. L/H Fraternal Cos		**$36,715,204**	**$117,414**	**$112,547**	**$106,741**	**$95,337**	**$92,051**
		Total U.S. Life/Health Industry		**$1,802,452,809**	**$178,211**	**$167,987**	**$163,441**	**$153,171**	**$159,942**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

Average Policy In Force					Lapse Ratio Published					Renewal Premium Persistency				
2019	2018	2017	2016	2015	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
$319,317	$309,535	$300,869	$291,696	$283,121	3.7	3.9	3.9	3.8	3.5	94.2	93.8	94.5	94.5	94.8
230,448	211,165	199,242	188,130	176,285	5.7	4.8	4.3	4.1	4.0	71.3	73.0	74.4	73.3	73.2
189,051	182,724	174,144	167,578	161,578	4.8	4.4	5.0	5.1	5.3	93.3	93.6	94.1	94.0	91.8
310,444	297,602	286,389	272,643	256,631	3.1	4.3	4.1	3.5	3.9	78.4	76.5	79.6	79.4	88.7
121,177	117,468	114,846	112,112	109,871	5.5	5.0	5.4	5.6	5.8	93.9	92.9	93.2	93.0	92.4
226,272	203,837	183,108	166,582	218,299	3.1	2.9	3.6	5.3	5.1	89.6	92.0	92.2	90.9	90.4
384,542	353,552	332,863	312,019	298,627	-1.6	4.6	4.7	4.2	4.2	94.1	95.2	94.9	93.6	93.0
287,465	282,587	277,802	273,394	268,833	7.6	7.8	7.6	6.9	6.7	91.2	91.2	91.4	91.8	91.9
723,089	688,869	650,138	602,226	555,822	1.8	2.1	2.1	2.2	2.3	92.1	91.9	91.8	91.5	93.2
568,719	563,642	560,529	556,860	552,963	3.9	3.5	3.7	3.8	3.6	96.8	94.8	95.3	95.8	95.3
259,116	253,415	266,405	256,429	242,677	4.9	5.2	4.1	5.0	4.1	92.0	86.8	86.4	88.6	87.1
85,520	75,476	71,769	67,397	61,114	6.0	5.9	5.0	4.7	4.0	75.3	72.2	74.5	72.3	69.2
262,049	247,580	234,006	223,391	214,158	6.2	6.1	6.2	6.5	6.4	86.1	89.0	88.6	87.0	84.7
133,719	128,509	127,200	132,724	129,442	7.0	5.9	6.4	4.1	5.1	96.5	93.7	92.6	91.5	83.5
325,852	328,802	296,642	275,497	262,642	9.7	-0.3	4.8	5.3	5.0	81.0	83.5	79.2	78.7	80.3
15,239	15,479	15,546	15,848	16,258	14.0	16.7	18.1	20.7	17.2	91.2	90.9	91.0	90.8	90.5
318,169	300,450	276,668	335,034	317,007	4.0	3.8	3.6	3.6	4.0	94.6	95.7	95.4	95.5	94.9
192,214	182,755	180,557	168,888	165,155	6.6	6.4	1.1	6.8	5.9	97.6	91.4	91.3	92.8	92.6
360,122	353,804	349,126	344,535	340,227	3.1	3.0	2.8	2.5	2.6	95.5	95.3	95.1	96.2	95.3
255,086	240,148	227,506	214,581	202,052	3.9	4.5	4.0	4.2	4.7	85.2	78.5	78.5	71.5	69.1
95,127	92,060	91,072	89,435	89,496	4.3	4.8	4.5	4.7	5.2	87.4	85.8	87.9	86.4	87.0
480,057	459,411	427,721	394,471	363,003	3.6	4.3	3.7	4.0	3.8	79.0	76.9	78.2	75.4	77.3
263,011	255,073	248,793	241,235	233,296	5.0	5.1	4.5	4.4	4.4	63.1	52.0	50.8	54.2	53.2
67,202	68,069	66,997	64,488	57,495	5.7	5.6	4.8	4.4	5.6	90.0	89.2	88.9	89.8	89.1
546,184	533,270	518,831	499,270	478,885	4.3	4.5	4.5	4.6	4.7	74.4	76.8	85.7	75.6	75.9
$111,524	**$107,071**	**$106,949**	**$112,232**	**$109,436**	**5.2**	**5.8**	**5.3**	**4.7**	**5.5**	**85.2**	**82.1**	**85.0**	**85.9**	**85.3**
$162,461	**$153,735**	**$129,609**	**$122,658**	**$115,689**	**4.3**	**4.7**	**4.7**	**4.6**	**4.6**	**90.1**	**89.9**	**90.7**	**89.7**	**88.8**
$62,806	**$60,464**	**$60,062**	**$57,440**	**$55,492**	**4.1**	**4.0**	**3.5**	**3.4**	**3.5**	**92.7**	**92.9**	**93.3**	**92.8**	**91.2**
$118,458	**$113,248**	**$109,795**	**$112,741**	**$109,206**	**5.0**	**5.6**	**5.2**	**4.7**	**5.3**	**87.3**	**85.2**	**87.2**	**87.4**	**86.6**

U.S. Life/Health – 2019 Total Life Issued

Ranked by 2019 total life business issued.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Total Life Issued	% Change
1	2	Lincoln Finl Group	070351	$278,259,336	55.3
2	19	Hartford Life & Accident Ins Co	007285	192,117,590	262.3
3	1	Prudential of America Group	070189	168,812,496	-29.2
4	3	Northwestern Mutual Group	069515	160,533,931	0.9
5	21	Metropolitan Life & Affiliated Cos	070192	132,177,622	191.9
6	6	Unum Ins Group	069743	110,135,113	-2.7
7	4	New York Life Group	069714	108,413,317	-18.0
8	7	Principal Finl Group Inc.	020516	104,649,752	8.8
9	5	Securian Finl Ins Group	069565	94,842,760	-22.6
10	11	State Farm Life Group	070126	91,511,017	14.7
11	8	Massachusetts Mutual Life Group	069702	89,922,323	5.0
12	10	AIG Life & Retirement Group	070342	89,795,161	9.1
13	9	Primerica Group	070183	83,350,029	-1.6
14	14	Voya Finl Group	070153	76,078,826	19.6
15	17	Cigna Life Group	070173	74,583,359	23.2
16	12	Guardian Life Group	069685	73,210,774	4.6
17	13	Mutual of Omaha Group	070203	66,031,208	-3.5
18	20	Meiji Yasuda US Life Group	070499	60,276,873	18.3
19	18	Legal & Gen America Group	069539	57,360,927	-2.0
20	16	Protective Life Group	069728	46,896,267	-24.1
21	24	Pacific Life Group	069720	45,851,826	10.9
22	15	Sun Life Finl Group	069740	43,819,583	-29.4
23	27	Natl Life Group	069953	42,477,801	33.7
24	22	Aegon USA Group	069707	41,115,691	-7.6
25	25	Globe Life Group	070443	37,499,717	-5.1
		Top 25 Insurers		**$2,369,723,299**	**11.0**
		Total U.S. Life/Health Industry		**$3,141,587,375**	**8.5**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Total Life In Force

Ranked by 2019 total life business in force.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Total Life In Force	% Change
1	2	Metropolitan Life & Affiliated Cos	070192	$4,521,008,780	3.1
2	1	Prudential of America Group	070189	4,366,003,669	-0.6
3	3	Great-West Life Group	070366	3,288,617,663	1.4
4	4	Lincoln Finl Group	070351	2,160,596,472	4.4
5	5	RGA Group	069611	1,956,567,958	1.1
6	7	Northwestern Mutual Group	069515	1,910,792,967	4.3
7	6	SCOR Life US Group	070253	1,832,748,091	-0.4
8	8	Securian Finl Ins Group	069565	1,620,828,808	6.5
9	9	New York Life Group	069714	1,544,111,576	5.4
10	12	Munich Amer Group	069170	1,449,006,935	7.0
11	10	Swiss Re Life Group	070469	1,435,940,563	2.0
12	11	Aegon USA Group	069707	1,297,869,189	-5.2
13	13	Hannover Life Reassur America	068031	1,278,829,340	-2.2
14	15	AIG Life & Retirement Group	070342	1,207,103,282	11.6
15	14	Hartford Life & Accident Ins Co	007285	1,135,920,104	-2.6
16	17	Protective Life Group	069728	1,027,336,859	7.8
17	16	Voya Finl Group	070153	973,154,255	-6.4
18	18	State Farm Life Group	070126	958,647,340	3.4
19	21	Principal Finl Group Inc.	020516	862,208,953	11.3
20	19	Unum Ins Group	069743	836,710,663	4.3
21	20	Cigna Life Group	070173	823,845,870	3.1
22	24	Massachusetts Mutual Life Group	069702	772,709,617	7.5
23	23	Legal & Gen America Group	069539	759,279,200	3.4
24	22	Genworth Finl Companies	070527	716,422,685	-5.9
25	25	Primerica Group	070183	713,448,536	2.5
		Top 25 Insurers		**$39,449,709,375**	**2.3**
		Total U.S. Life/Health Industry		**$53,009,984,200**	**1.5**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Group Life Issued

Ranked by 2019 group life business issued.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Group Life Issued	% Change
1	8	Hartford Life & Accident Ins Co	007285	$192,090,202	262.4
2	2	Lincoln Finl Group	070351	159,113,219	50.2
3	12	Metropolitan Life & Affiliated Cos	070192	126,653,798	217.5
4	3	Unum Ins Group	069743	97,906,686	-2.2
5	6	Cigna Life Group	070173	74,531,434	23.4
6	7	Voya Finl Group	070153	72,622,479	25.0
7	1	Prudential of America Group	070189	71,018,610	-48.7
8	4	Securian Finl Ins Group	069565	70,718,722	-26.9
9	9	Meiji Yasuda US Life Group	070499	60,158,896	18.3
10	11	Mutual of Omaha Group	070203	45,525,237	12.2
11	10	Principal Finl Group Inc.	020516	45,024,161	1.8
12	5	Sun Life Finl Group	069740	43,794,783	-29.4
13	13	Guardian Life Group	069685	39,799,511	11.1
14	15	Tokio Marine US Life Group	069195	30,223,027	9.7
15	17	Symetra Life Group	070123	14,604,666	29.4
16	18	Oneamerica Group	070399	13,589,889	22.1
17	20	UnitedHealth Life Companies	069973	11,536,925	16.2
18	21	AAA Life Group	070388	10,976,248	14.5
19	14	New York Life Group	069714	10,255,324	-69.8
20	23	Dearborn Life Ins Group	069637	9,932,334	8.5
21	24	Anthem Life Cos	070064	9,841,383	15.1
22	19	5 Star Life Ins Co	008069	9,114,444	-16.2
23	32	USAble Life	009350	6,797,093	164.1
24	25	Nationwide Mutual Life Group	070822	5,628,147	-15.1
25	22	Zurich Amer Life Group	070470	4,933,441	-47.2
		Top 25 Insurers		**$1,236,390,659**	**16.5**
		Total U.S. Life/Health Industry		**$1,291,602,734**	**15.5**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Group Life In Force

Ranked by 2019 group life business in force.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Group Life In Force	% Change
1	1	Metropolitan Life & Affiliated Cos	070192	$4,010,971,809	4.2
2	2	Great-West Life Group	070366	2,948,685,220	1.9
3	3	Prudential of America Group	070189	1,944,255,743	-5.7
4	4	Securian Finl Ins Group	069565	1,410,138,420	6.8
5	5	Hartford Life & Accident Ins Co	007285	1,133,932,240	-2.6
6	6	Lincoln Finl Group	070351	1,077,842,101	4.0
7	7	Cigna Life Group	070173	806,488,013	3.5
8	8	Unum Ins Group	069743	766,351,902	4.8
9	10	New York Life Group	069714	478,805,909	10.9
10	11	Meiji Yasuda US Life Group	070499	432,474,264	6.7
11	12	Munich Amer Group	069170	383,198,768	1.3
12	14	Sun Life Finl Group	069740	306,735,203	15.8
13	13	Guardian Life Group	069685	288,543,634	6.3
14	16	Mutual of Omaha Group	070203	245,518,702	11.0
15	9	Aetna Life Group	070202	237,263,831	-49.7
16	15	Tokio Marine US Life Group	069195	235,939,171	-1.4
17	17	Voya Finl Group	070153	205,400,080	-5.7
18	18	Principal Finl Group Inc.	020516	157,060,258	3.3
19	19	Anthem Life Cos	070064	115,436,419	-7.2
20	22	RGA Group	069611	109,004,012	13.1
21	21	Dearborn Life Ins Group	069637	103,872,803	-10.8
22	20	Swiss Re Life Group	070469	98,305,845	-16.1
23	23	UnitedHealth Life Companies	069973	80,872,526	10.6
24	26	AAA Life Group	070388	75,786,982	7.9
25	24	Zurich Amer Life Group	070470	74,634,040	2.3
		Top 25 Insurers		**$17,727,517,895**	**0.9**
		Total U.S. Life/Health Industry		**$18,712,627,632**	**0.8**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Ordinary Life Issued

Ranked by 2019 ordinary life business issued.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Ordinary Life Issued	% Change
1	1	Northwestern Mutual Group	069515	$159,399,457	1.5
2	8	Lincoln Finl Group	070351	119,146,118	62.6
3	3	New York Life Group	069714	98,157,993	0.0
4	2	Prudential of America Group	070189	97,793,886	-2.2
5	7	State Farm Life Group	070126	91,329,641	14.8
6	5	AIG Life & Retirement Group	070342	89,793,581	9.1
7	6	Massachusetts Mutual Life Group	069702	87,941,286	8.1
8	4	Primerica Group	070183	83,350,029	-1.6
9	11	Principal Finl Group Inc.	020516	59,625,591	14.8
10	10	Legal & Gen America Group	069539	57,338,580	-2.0
11	9	Protective Life Group	069728	46,596,191	-24.1
12	13	Pacific Life Group	069720	45,851,826	10.9
13	18	Natl Life Group	069953	42,477,801	33.7
14	14	Aegon USA Group	069707	38,004,956	-7.0
15	12	John Hancock Life Insurance Group	069542	37,262,523	-12.5
16	15	Globe Life Group	070443	35,088,783	-5.9
17	16	Guardian Life Group	069685	33,411,263	-2.2
18	17	Allstate Life Group	070106	30,733,488	-8.1
19	20	USAA Life Group	070364	29,681,739	12.3
20	21	Nationwide Mutual Life Group	070822	25,434,671	5.6
21	22	Equitable Life Group	070194	25,125,645	11.8
22	24	Penn Mutual Group	069722	24,257,527	12.9
23	23	Sammons Enterprises Group	070533	23,221,820	4.7
24	19	Mutual of Omaha Group	070203	20,505,971	-26.3
25	25	Securian Finl Ins Group	069565	19,406,524	-6.6
		Top 25 Insurers		**$1,420,936,890**	**4.9**
		Total U.S. Life/Health Industry		**$1,802,452,809**	**4.3**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Ordinary Life In Force

Ranked by 2019 ordinary life business in force.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Ordinary Life In Force	% Change
1	1	Prudential of America Group	070189	$2,417,610,621	4.0
2	2	Northwestern Mutual Group	069515	1,906,348,611	4.2
3	3	RGA Group	069611	1,820,571,167	0.2
4	4	SCOR Life US Group	070253	1,812,035,001	0.3
5	7	Swiss Re Life Group	070469	1,337,634,700	3.6
6	6	Hannover Life Reassur America	068031	1,276,368,459	-2.3
7	5	Aegon USA Group	069707	1,271,483,990	-5.2
8	8	AIG Life & Retirement Group	070342	1,198,537,841	11.7
9	10	Lincoln Finl Group	070351	1,082,735,989	4.8
10	11	Munich Amer Group	069170	1,065,384,011	9.2
11	9	New York Life Group	069714	1,065,305,667	3.1
12	12	Protective Life Group	069728	980,971,495	3.8
13	13	State Farm Life Group	070126	945,430,528	3.5
14	14	Voya Finl Group	070153	767,651,884	-6.6
15	16	Legal & Gen America Group	069539	759,133,093	3.4
16	18	Massachusetts Mutual Life Group	069702	743,719,941	15.1
17	15	Genworth Finl Companies	070527	713,951,505	-6.0
18	17	Primerica Group	070183	713,436,836	2.5
19	20	Principal Finl Group Inc.	020516	705,148,694	13.3
20	19	Brighthouse Ins Group	070516	603,074,468	-4.9
21	21	John Hancock Life Insurance Group	069542	588,609,114	-5.1
22	23	Pacific Life Group	069720	514,310,733	2.5
23	22	Metropolitan Life & Affiliated Cos	070192	506,317,937	-4.4
24	24	Allstate Life Group	070106	490,187,079	-1.0
25	25	Equitable Life Group	070194	484,611,968	0.4
		Top 25 Insurers		**$25,770,571,332**	**2.1**
		Total U.S. Life/Health Industry		**$34,182,857,750**	**1.9**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Term Life Issued

Ranked by 2019 term life business issued.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Term Life Issued	% Change
1	1	Northwestern Mutual Group	069515	$120,912,403	0.8
2	8	Lincoln Finl Group	070351	93,228,477	73.2
3	2	Primerica Group	070183	83,350,029	-1.6
4	4	AIG Life & Retirement Group	070342	81,202,670	12.8
5	5	State Farm Life Group	070126	80,125,464	20.0
6	3	Prudential of America Group	070189	72,489,968	-9.2
7	6	New York Life Group	069714	61,331,386	-0.8
8	7	Legal & Gen America Group	069539	57,221,859	-2.1
9	10	Principal Finl Group Inc.	020516	53,759,321	14.2
10	9	Massachusetts Mutual Life Group	069702	50,380,626	2.8
11	12	Pacific Life Group	069720	35,316,987	18.6
12	11	Protective Life Group	069728	34,988,564	-10.2
13	15	USAA Life Group	070364	28,784,405	13.7
14	14	Allstate Life Group	070106	24,906,388	-4.5
15	16	Guardian Life Group	069685	21,605,637	-4.0
16	13	John Hancock Life Insurance Group	069542	18,398,798	-34.8
17	18	Aegon USA Group	069707	18,223,860	-9.8
18	19	Globe Life Group	070443	16,177,622	-7.2
19	31	Natl Life Group	069953	16,149,093	89.8
20	22	Equitable Life Group	070194	16,082,409	17.5
21	20	Southern Farm Bureau Life Ins Co	007053	15,882,939	-6.4
22	21	Farmers New World Life Ins Co	006373	15,659,345	-5.3
23	24	Sammons Enterprises Group	070533	15,384,366	17.2
24	30	Penn Mutual Group	069722	14,927,170	60.1
25	17	Mutual of Omaha Group	070203	13,196,859	-36.0
		Top 25 Insurers		**$1,059,686,645**	**5.1**
		Total U.S. Life/Health Industry		**$1,300,605,953**	**7.4**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Term Life In Force

Ranked by 2019 term life business in force.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Term Life In Force	% Change
1	2	SCOR Life US Group	070253	$1,811,960,819	10.5
2	1	RGA Group	069611	1,788,216,488	0.3
3	3	Prudential of America Group	070189	1,544,489,831	-2.6
4	4	Swiss Re Life Group	070469	1,333,659,907	3.7
5	5	Hannover Life Reassur America	068031	1,242,651,949	-2.2
6	6	Northwestern Mutual Group	069515	1,192,391,826	5.0
7	8	Munich Amer Group	069170	1,065,129,611	9.2
8	9	AIG Life & Retirement Group	070342	1,024,766,454	13.2
9	7	Aegon USA Group	069707	947,291,570	-7.1
10	10	Legal & Gen America Group	069539	751,182,627	3.5
11	12	Primerica Group	070183	711,181,173	2.6
12	13	State Farm Life Group	070126	706,538,408	4.7
13	14	Lincoln Finl Group	070351	687,662,321	6.1
14	11	Voya Finl Group	070153	645,388,884	-7.2
15	15	Protective Life Group	069728	607,269,096	-0.2
16	18	Principal Finl Group Inc.	020516	564,771,757	15.9
17	16	Genworth Finl Companies	070527	549,011,440	-6.4
18	17	New York Life Group	069714	539,010,430	2.2
19	19	Brighthouse Ins Group	070516	441,651,168	-5.4
20	20	USAA Life Group	070364	422,557,372	2.8
21	22	Pacific Life Group	069720	360,693,124	2.7
22	21	Berkshire Hathaway Group	070158	345,371,278	-3.9
23	23	Allstate Life Group	070106	344,917,439	-1.5
24	24	Massachusetts Mutual Life Group	069702	285,491,306	-10.5
25	25	Equitable Life Group	070194	249,194,763	0.9
		Top 25 Insurers		**$20,162,451,041**	**2.1**
		Total U.S. Life/Health Industry		**$25,055,153,518**	**2.8**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Credit Life Issued

Ranked by 2019 credit life business issued.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Credit Life Issued	% Change
1	1	Life of the South Group	069913	$10,528,643	7.4
2	3	Amer Health & Life Ins Co	006062	10,138,699	16.8
3	2	CMFG Life Group	070262	8,385,294	-9.0
4	4	Securian Finl Ins Group	069565	4,717,514	-6.0
5	5	Amer Natl Group	070166	2,778,071	-10.2
6	7	Plateau Group	070039	2,240,338	-10.5
7	8	Central States H & L Group	070363	2,116,680	-3.1
8	6	Assurant US Life Companies	070135	1,731,930	-35.3
9	9	Frandisco Life Ins Co	008800	694,546	7.4
10	11	Amer Federated Life Ins Co	068071	519,136	8.7
11	36	Metropolitan Life & Affiliated Cos	070192	489,906	999.9
12	10	SWBC Life Ins Co	009027	478,526	-14.7
13	12	Pekin Life Ins Group	070155	449,491	-1.8
14	13	Protective Life Group	069728	299,686	-26.6
15	14	Old Spartan Life Ins Co, Inc.	007878	244,007	-34.7
16	17	Berkshire Hathaway Group	070158	197,724	2.2
17	15	Investors Heritage Life Ins Co	006580	197,295	-1.4
18	16	Popular Life Re	060399	193,354	-0.1
19	23	Trans-City Life Ins Co	008051	158,280	29.1
20	19	Kentucky Natl Life Ins Group	070538	155,901	-1.0
21	20	Wichita Natl Life Group	069833	144,144	-5.9
22	22	Gulf Guar Life Ins Co	008081	125,846	-4.7
23	25	MAPFRE Life Ins Co of Puerto Rico	007981	103,661	1.6
24	21	Assurity Life Ins Group	070511	93,523	-30.8
25	27	Universal Life Ins Co	060097	76,202	4.5
		Top 25 Insurers		**$47,258,397**	**-1.1**
		Total U.S. Life/Health Industry		**$47,513,419**	**-1.5**

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

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

U.S. Life/Health – 2019 Credit Life In Force

Ranked by 2019 credit life business in force.

($ Thousands)

2019 Rank	2018 Rank	Company/Group	AMB#	Credit Life In Force	% Change
1	1	RGA Group	069611	$26,992,779	16.6
2	2	CMFG Life Group	070262	20,090,104	-4.9
3	4	Amer Health & Life Ins Co	006062	11,945,506	27.7
4	5	Securian Finl Ins Group	069565	8,592,296	-2.1
5	3	Assurant US Life Companies	070135	7,211,611	-46.2
6	6	Central States H & L Group	070363	5,179,391	-12.3
7	7	Life of the South Group	069913	5,122,424	7.1
8	9	Metropolitan Life & Affiliated Cos	070192	2,368,234	7.5
9	8	Amer Natl Group	070166	1,991,077	-13.4
10	10	Plateau Group	070039	1,910,147	-8.2
11	11	Cooperativa de Seguros de Vida de PR	007607	1,541,137	0.9
12	19	Berkshire Hathaway Group	070158	1,148,858	94.3
13	12	Protective Life Group	069728	976,827	-19.4
14	13	Pavonia Life Ins Co of Michigan	009129	895,410	-16.9
15	15	Pekin Life Ins Group	070155	857,894	-3.9
16	17	SWBC Life Ins Co	009027	852,136	6.4
17	16	LDS Group	069572	680,247	-16.1
18	24	Frandisco Life Ins Co	008800	576,729	17.9
19	20	Popular Life Re	060399	563,801	-2.4
20	21	Trans-City Life Ins Co	008051	542,230	0.5
21	23	Amer Federated Life Ins Co	068071	539,293	7.2
22	18	Munich Amer Group	069170	424,156	-36.2
23	25	Great-West Life Group	070366	359,711	-3.0
24	14	Merit Life Ins Co.	006703	305,189	-69.4
25	22	Aegon USA Group	069707	294,283	-44.7
		Top 25 Insurers		**$101,961,470**	**-2.6**
		Total U.S. Life/Health Industry		**$103,882,744**	**-3.0**

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

Source: BESTLINK — Statement File - L/H, US; Data as of: July 13, 2020

PANEL PARTICIPANTS: Upper row from left: Fred Eslami, AM Best; Sridhar Manyem, AM Best; Kara Owens, Markel. Lower row from left: John Weber, AM Best, and Catherine Mulligan, Aon.

Threats Continue

Ransomware incidents help to fuel growth of cyber coverage.

by *Best's Review* Staff

Cyberrisk takes a variety of forms, but ransomware is taking center stage as the current leading exposure, panelists said in a recent AM Best presentation, *The Current State of the Cyber Insurance Market*. Losses from all cyberrisks, particularly ransomware, are rising in both frequency and severity, panelists said. Ransomware is evolving, with some cyber criminals expanding to auction off purloined data acquired through cyberattacks tied to ransomware.

Direct premiums written for U.S. cyber coverage reached $2.3 billion for 2019, up 11.9% from 2018. Stand-alone policies account for 55% and packaged policies account for 45% of that total, according to AM Best data. Chubb INA Group is the largest writer, followed by XL Reinsurance American Group (Axa XL), American International Group, Travelers Group and Beazley USA Insurance group. Hartford Insurance Group accounts for the most policies in force.

Fred Eslami, associate director, AM Best, said many cyber incidents have targeted municipalities, hospitals and health care facilities.

Insurers believe COVID-19-related closures, including working from home, could change the risk profile for cyberattacks but data is not available yet. "The sudden shift to working from home environments has shown exposure that's potentially out there, the vulnerabilities to systems and people," said Catherine Mulligan, global head of cyber reinsurance solutions, Aon.

Reinsurers have shown an appetite for cyber coverage and are working to address issues of "silent cyber," a situation in which insurers

Best's Review's staff can be reached at *bestreviewcomment@ambest.com*.

may be required to pay claims for cyber losses under policies that were not written for that purpose, Mulligan said. Reinsurance becomes an important tool as insurers transition their coverages to more cyber-specific language, a process that could take up to 24 months.

Kara Owens, managing director, global cyber underwriting, Markel Corp., said several nation/states have been implicated in hacking and cyberattacks, with research into possible cures or vaccines for COVID-19 becoming a recent target.

Sridhar Manyem, director, AM Best, compared cyber viruses to the coronavirus, noting cyber viruses could move even faster and affect a greater geographic area in a shorter time.

Cyber incidents could also trigger a range of coverages, such as business interruption, trade credit, directors & officers liability and allied lines, he said.

Technologists and modelers continue to focus on cyber, building tools and models for applicants and underwriters. Technology has allowed insurers to simplify application processes and gather underwriting data less intrusively, Owens said. "Before, there were very lengthy cyber applications with an overwhelming number of questions."

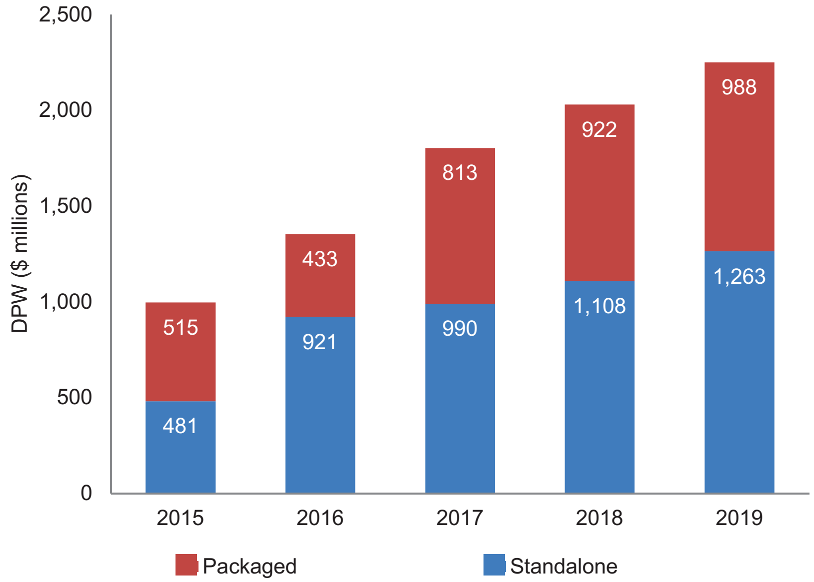
Continuing Concerns

Aggregation risk—the possibility that insurers could be overwhelmed by a far-reaching incident or series of incidents—remains a concern for insurers and reinsurers. Manyem said AM Best has conducted its own exercises to measure possible aggregation risk, as has Lloyd's and risk modelers.

Regulators worldwide have increased penalties for cyber-related failings. Changes include the European Union's General Data Protection Regulation, along with increased regulatory standards in Canada, Brazil, New Zealand, Singapore, China, India and elsewhere, Owens said. In the United States, New York and California have been active in setting standards for electronic privacy and data protection.

As cyber coverage continues to grow, one likely scenario is investors will show interest in collateralized reinsurance coverages, Mulligan said. "There's a feeling that ILS (insurance-linked securities) is a natural home for something like cyber." BR

US P/C Industry – Cyber Direct Premiums Written, 2015-2019



Source: A.M. Best data and research

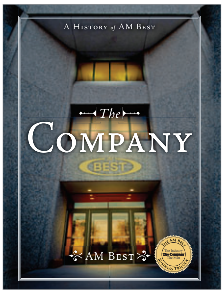
AMBestTV

Go to *bestreview.com* to watch a video of the presentation *The Current State of the Cyber Insurance Market*.

AM Best Trilogy: The Company, The Industry, The Man

AM Best publishes three books, which detail the history of AM Best, credit rating agencies and the life of Alfred M. Best.

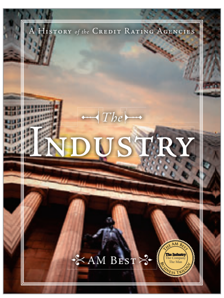
The Company—A History Of AM Best



AM Best started as a one-room shop jammed next to the elevator shaft on the top floor of a commercial building in Manhattan. Founder Alfred M. Best was only 23 when he leased the cramped space for $10 a month, but he had an idea: to provide reliable information about the financial health of insurance companies to anyone who needed it, most importantly policyholders.

Within a few years, Alfred developed the first credit ratings, which ultimately sparked an entire industry. AM Best began to grow, adding personnel, investing in technology, moving to larger buildings, eventually expanding around the world. Along the way, major leaders have contributed to the company's advancement, passing the baton from one generation to the next. More than 100 years after Alfred put his vision into motion, the dedicated employees of AM Best continue to move it forward.

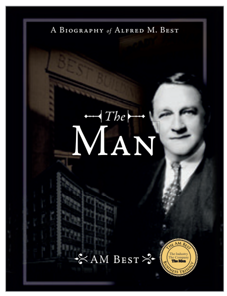
The Industry—A History Of Credit Rating Agencies



Benjamin Franklin once advised, "If you would know the value of money, go and try to borrow some." Business owners have understood this adage since the beginning of commerce. As trade expanded across the United States during the 19th century, widening the geographic gap between businesses and their lenders, a need arose: a method for lenders and investors to measure the creditworthiness of their borrowers.

Starting with mercantile agencies that reported on the bill-paying performance of businesses, then statistical organizations that began to evaluate the overall capacity of companies to pay their debt obligations, the credit rating industry was born. The first credit ratings were developed on insurance companies by Alfred M. Best, founder of AM Best. More than a century later, today's rating agencies have become important factors in global and national business, capital and risk markets.

The Man—A Biography Of Alfred M. Best



At age 23, entrepreneur Alfred M. Best founded a company that developed the first credit ratings and eventually became a global presence in the insurance and rating industries.

Along the way, Alfred juggled the demands of running his own company with the tests of family life. His mission as a businessman was to protect the insurance policyholder from scam artists and shady deals. His mission as a family man was to support and shield his clan. Neither quest was simple.

Early in his career, Alfred adopted an old saying: "Don't take yourself too darned seriously." The idea was to live a balanced life, which in many ways he did. Still, he did take everything to heart: his company, his wife and children, his farm in Vermont … along with personal and professional entanglements and tragedies. Herein lies the real story.

Publisher: AM Best (August 2020)

Send us your book recommendations at *bestreviewcomment@ambest.com*.

COVID-19 Impacts Cyber, Auto

AM Best says insurers should reassess their stress scenarios for cyber and notes that declining losses have offset declining premiums for auto insurers.

A selection of recent industry research:

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Insurers that effectively manage country risk can achieve ratings higher than the sovereign of their domicile.

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L/A insurers have taken a number of actions to de-risk their product portfolios, including exiting, re-pricing, or de-emphasizing certain business lines.

August 4, 2020 - 14 Pages

Market Segment Report: Commercial Market Dislocation Could Provide New Opportunities for Captives to Fill the Void
The rated U.S. captives continue to outperform their commercial market peers, amid new opportunities.

July 29, 2020 - 16 Pages

Special Report: Net Capital Charge Tables for ACIS/CIRT Reinsurance Transactions (July 2020 Update)
AM Best releases 3rd semiannual ACIS/CIRT Net Capital Charge tables.

July 27, 2020 - 9 Pages

Market Segment Report: Cyber Insurance: Profitability Less Certain as New Risks Emerge
With COVID-19 potentially compounding cyberrisk, insurers should be reconsidering their stress scenarios.

July 21, 2020 - 12 Pages

Market Segment Report: Personal Auto Stuck in Neutral as Fewer Claims Offset Premium Losses
COVID-19 has curtailed travel, improving profitability and lowering loss frequency for personal auto insurers.

July 16, 2020 - 11 Pages

Market Segment Outlook: Chile Insurance
Our Negative outlook for Chile's insurance industry is based on negative market dynamics, which have been exacerbated by COVID-19; adverse regulatory changes; and potentially costlier debt financing.

July 14, 2020 - 4 Pages

Market Segment Outlook: Germany Non-Life
Growth in Germany's non-life insurance market is expected to be subdued in 2020 due to the COVID-19-driven economic decline.

July 9, 2020 - 7 Pages

Market Segment Report: Multiple Threats Flank the Florida Property Insurance Market
The market is facing a number of challenges: hurricanes, social inflation, reinsurance spikes ... and now a pandemic.

July 6, 2020 - 15 Pages

Market Segment Report: US Commercial Auto Writers: Profitability Remains Elusive
The segment continues to face numerous challenges, although the pandemic may give it some much-needed breathing room with regard to frequency and severity.

June 30, 2020 - 12 Pages

AM Best Commentary

Commentary: Insurance Capital Raising – Bolstering Existing Firms or Funding Start-Ups?
There are significant hurdles for new companies looking to establish themselves quickly to take advantage of beneficial conditions.

July 14, 2020 - 4 Pages

Best's Insurance News & Analysis subscribers can download PDF copies of all Best's Special Reports, Best's Commentaries and Best's Market Segment Reports along with supporting spreadsheet data at *www.ambest.com.*

The State of Global Reinsurance Markets, Surplus Lines and Wildfire Claims

AM BestWebinars

Due to Rendez-Vous de Septembre in Monaco being canceled this year, AM Best will present its annual Reinsurance Market Briefing in a virtual format. Also, experts review the upsurge in wildfire-related claims activity and take a look at the surplus lines sector of the U.S.

On Demand

State of Global Reinsurance Market

A look at the impact the pandemic, natural disasters and other developments are having on reinsurance capital.

Opportunities for Captives

AM Best analysts and industry leaders review market, regulatory and risk issues affecting captives.

State of the Cyber Insurance Market

AM Best analysts and market experts review a new Best's Market Segment Report examining cyber.

Webinar Highlights

Tipping Point for Virtual Claims?

Social distancing has forced many carriers to accelerate virtual claims handling. How do claims departments utilize data and analytics to improve the transition?

View These and Other AM Best Webinars

- The State of the Florida Market
- Using New Data to Out-Select the Competition

Streaming Live

Responding to the Unique Challenges of Wildfire Claims

A panel of insurance professionals review the upsurge in wildfire-related claims activity, including typical damage and response patterns, emerging areas of liability and the challenges of making policyholders whole following highly emotional widespread disasters.

Thursday, Sept. 3, 2 p.m. ET

State of the Surplus Lines Market

A panel of industry leaders in the surplus lines sector of the U.S. insurance market review the market and the highlights of a new report on that sector.

Thursday, Sept. 10, 11 a.m. ET

AM Best's Virtual Reinsurance Market Briefing – RVS 2020

With the cancellation of the annual Rendez-Vous de Septembre in Monaco, AM Best will still deliver its global reinsurance analysis and reports and will proceed to hold its annual Reinsurance Market Briefing.

Sunday, Sept. 13, 4:15-5:45 a.m ET (10:15 a.m. CEST)

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

Best's Review delivers a comprehensive package of property/casualty and life/health insurance industry news, trends and analysis monthly. Find us on the internet at *www.bestreview.com.*

The latest edition of *Best's Guide to Understanding The Insurance Industry* is available on Amazon.

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AM Best TV & Audio

A Growing Range Of Global Risks

Ships stuck in ports due to the pandemic cause concern, home insurance carriers face challenges in marketing and selling products, and confirming online identities takes various steps. AMBestTV and AMBestAudio report on stories from a number of sectors within the insurance industry.

On Demand

Panel: Lifetime Value Approach Of Homeowners Insureds Looks Beyond Short-Term Profit

Insurance and technology experts, Peter Drogan, senior vice president and chief actuary, Amica Mutual Insurance Co.; Stuart Rose, head of product marketing, Shift Technology; and Kelly Rush, director, Home Solutions, LexisNexis Risk Solutions, discuss how home insurance carriers are changing the way they market and sell their products.

Peter Drogan

Stuart Rose

Allianz: Docked Cruise Ships Are 'Hot Spots' to Watch

Cruise ships, and cargo ships, grounded due to the pandemic are among risks requiring "constant vigilance," said Andrew Kinsey, senior marine risk consultant, Allianz Global Corporate & Specialty.

Andrew Kinsey

LexisNexis' Kennedy: Life Insurers' Digital Growth Requires Identity Certainty

Jena Kennedy, senior director, LexisNexis Risk Solutions, said confirming online identities requires a range of personal, digital and behavioral indicators.

Jena Kennedy

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

FM Global's Gibson: When Pandemic Affects All, Resilience Is About Recovery

Ronnie Gibson, vice president, FM Global, said the company's study of 130 nations shows that resilience doesn't mean nations can escape the impact of developments such as COVID-19, but that resilient areas recover more quickly.

Ronnie Gibson

Swiss Re: Global Insurance Premiums Could Bounce Back in 2021

The current economic crisis is contracting the market, but premiums could return to pre-COVID-19 levels in 2021, said Thomas Holzheu, chief economist, Americas, Swiss Re.

Thomas Holzheu

Co-Founder: Totus Re Would Act As an Umbrella for UK 'Red Zone' Risk

The proposed Totus Re, a collective, would proactively backstop pandemic, flood, terrorism and cyberrisk in the U.K., said Liz Foster, non-executive director, Society of Insurance Broking at Chartered Insurance Institute.

Liz Foster

AM BestAudio

Risks Can Range From Cyber Events to Wineries

Industry professionals talk with AMBestAudio about the growing need for cyber coverage and also how drones help manage risks.

Pandemic Increases Need for Cyber Coverage

Meghan Hannes, cyber product head at Hiscox US, discusses a new awareness report and how companies should prepare for hacks.

Wineries Use Drones to Manage Risk

Larry Chasin, CEO, PAK Programs and Justin Guerra, creative director, PAK Programs discuss the various uses of drones to manage and mitigate risk when it comes to wineries and how policyholders are reacting to the technology.

Find AMBestAudio at *www.ambest.com/ambaudio*.

This edition lists all Credit Rating actions that occurred between July 1 and July 31, 2020. 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
		AMERICAS LIFE/HEALTH						
⇅	H	4 Ever Life Insurance Company *BCS Financial Corporation*	007363	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
⇅	L	4 Ever Life International Limited *BCS Financial Corporation*	095152	A- a-	Positive Positive	A- a-	Stable Stable	Bermuda
—	L	American Income Life Insurance Company *Globe Life Inc.*	006069	A a+	Stable Stable	A+ aa-	Negative Negative	Indiana
⇥	H	AultCare Health Insuring Corporation *Aultman Health Foundation*	061778	NR nr		B++ bbb+	Stable Stable	Ohio
⇥	H	AultCare Insurance Company *Aultman Health Foundation*	068111	NR nr		B++ bbb+	Stable Stable	Ohio
⊕	H	AvMed, Inc. *SantaFe HealthCare, Inc.*	064074	C++ b+	Positive Positive	C++ b	Stable Stable	Florida
⇅	H	BCS Insurance Company *BCS Financial Corporation*	003251	A- a-	Positive Positive	A- a-	Stable Stable	Ohio
⇅	H	Blue Cross and Blue Shield of VT *Blue Cross and Blue Shield of VT*	064541	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Vermont
☑	H	ConnectiCare, Inc. *EmblemHealth, Inc.*	068517	C+ b-	Negative Negative	C+ u b- u	Negative Negative	Connecticut
⚑	L	Direct General Life Insurance Company *National General Holdings Corp.*	009373	A- u a- u	Positive Positive	A- a-	Stable Stable	South Carolina
—	H	Family Heritage Life Ins Co of America *Globe Life Inc.*	068197	A a+	Stable Stable	A+ aa-	Negative Negative	Ohio
⇥	L	Foresters Life Insurance and Annuity Co	006413	NR nr		B+ bbb-	Negative Negative	New York
—	L	Globe Life And Accident Insurance Co *Globe Life Inc.*	006462	A a+	Stable Stable	A+ aa-	Negative Negative	Nebraska
—	L	Globe Life Insurance Company of New York *Globe Life Inc.*	009412	A a+	Stable Stable	A+ aa-	Negative Negative	New York
☑	H	Group Health Incorporated *EmblemHealth, Inc.*	064601	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
⊕	H	Health Alliance Medical Plans, Inc. *The Carle Foundation*	068039	A- a-	Stable Stable	B++ bbb+	Positive Positive	Illinois
⊕	H	Health Alliance-Midwest, Inc. *The Carle Foundation*	064392	A- a-	Stable Stable	B++ bbb+	Positive Positive	Illinois
☑	H	Health Ins Plan of Greater New York *EmblemHealth, Inc.*	068985	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
☑	H	HIP Insurance Company of New York *EmblemHealth, Inc.*	008034	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
—	L	Liberty National Life Insurance Company *Globe Life Inc.*	006629	A a+	Stable Stable	A+ aa-	Negative Negative	Nebraska
⚑	H	National Health Insurance Company *National General Holdings Corp.*	008392	A- u a- u	Positive Positive	A- a-	Stable Stable	Texas
—	L	National Income Life Insurance Company *Globe Life Inc.*	060343	A a+	Stable Stable	A+ aa-	Negative Negative	New York
⇅	L	Swiss Re Life & Health America Inc. *Swiss Re Ltd*	007283	A+ aa	Stable Negative	A+ aa	Stable Stable	Missouri
—	L	Union Security Insurance Company *Assurant, Inc.*	007232	B++ bbb	Stable Stable	B++ bbb+	Stable Stable	Kansas

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH (CONTINUED)								
—	H	Union Security Life Ins Co of New York *Assurant, Inc.*	008533	B++ bbb	Stable Stable	B++ bbb+	Stable Stable	New York
—	H	United American Insurance Company *Globe Life Inc.*	007161	A a+	Stable Stable	A+ aa-	Negative Negative	Nebraska
⇅	H	Vermont Health Plan LLC *Blue Cross and Blue Shield of VT*	064124	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Vermont
AMERICAS PROPERTY/CASUALTY								
⚑	P	Agent Alliance Insurance Company *National General Holdings Corp.*	011866	A- u a- u	Positive Positive	A- a-	Stable Stable	Alabama
☑	P	American Summit Insurance Company *McCarthy Group, LLC*	000722	A a	Stable Stable	A u a u	Developing Developing	Texas
⇅	P	Capacity Insurance Company *Team Focus Insurance Group, LLC*	010738	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Florida
⚑	P	Century-National Insurance Company *National General Holdings Corp.*	003090	A- u a- u	Positive Positive	A- a-	Stable Stable	California
⊕	P	Country-Wide Insurance Company	000301	C++ b+	Stable Stable	C+ b-	Stable Stable	New York
New	P	CUMIS Mortgage Reinsurance Company *CUNA Mutual Holding Company*	018850	A a+	Stable Stable	NR nr		Wisconsin
⚑	P	Direct General Ins Co of Mississippi *National General Holdings Corp.*	012130	A- u a- u	Positive Positive	A- a-	Stable Stable	Mississippi
⚑	P	Direct General Insurance Company *National General Holdings Corp.*	012040	A- u a- u	Positive Positive	A- a-	Stable Stable	Indiana
⚑	P	Direct Insurance Company *National General Holdings Corp.*	011320	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Direct National Insurance Company *National General Holdings Corp.*	000681	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⇅	P	Discovery Insurance Company	011631	B bb+	Positive Positive	B bb+	Stable Stable	North Carolina
⇅	P	Erie Insurance Company *Erie Insurance Exchange*	004272	A+ aa	Stable Negative	A+ aa	Stable Stable	Pennsylvania
⇅	P	Erie Insurance Company of New York *Erie Insurance Exchange*	002890	A+ aa	Stable Negative	A+ aa	Stable Stable	New York
⇅	P	Erie Insurance Exchange *Erie Insurance Exchange*	000348	A+ aa	Stable Negative	A+ aa	Stable Stable	Pennsylvania
⇅	P	Erie Insurance Property & Casualty Co *Erie Insurance Exchange*	011406	A+ aa	Stable Negative	A+ aa	Stable Stable	Pennsylvania
⇅	P	First Specialty Insurance Corporation *Swiss Re Ltd*	010783	A+ aa	Stable Negative	A+ aa	Stable Stable	Missouri
⇅	P	Flagship City Insurance Company *Erie Insurance Exchange*	011314	A+ aa	Stable Negative	A+ aa	Stable Stable	Pennsylvania
⚑	P	Imperial Fire and Casualty Insurance Co *National General Holdings Corp.*	011376	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Integon Casualty Insurance Company *National General Holdings Corp.*	011301	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Integon General Insurance Corporation *National General Holdings Corp.*	002459	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Integon Indemnity Corporation *National General Holdings Corp.*	002458	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Integon National Insurance Company *National General Holdings Corp.*	002387	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	Integon Preferred Insurance Company *National General Holdings Corp.*	011650	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
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Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
—	P	Kingstone Insurance Company *Kingstone Companies, Inc.*	003230	B++ bbb	Negative Negative	A- a-	Negative Negative	New York
⚑	P	MIC General Insurance Corporation *National General Holdings Corp.*	002669	A- u a- u	Positive Positive	A- a-	Stable Stable	Michigan
⊕	P	Michigan Millers Mutual Insurance Co *Western National Mutual Insurance Co*	000600	A a	Stable Stable	A- a-	Positive Positive	Michigan
⚑	P	National Farmers Union Prop and Cas Co *National General Holdings Corp.*	000676	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⚑	P	National General Assurance Company *National General Holdings Corp.*	001822	A- u a- u	Positive Positive	A- a-	Stable Stable	Missouri
⚑	P	National General Insurance Company *National General Holdings Corp.*	003366	A- u a- u	Positive Positive	A- a-	Stable Stable	Missouri
⚑	P	National General Insurance Online, Inc. *National General Holdings Corp.*	012403	A- u a- u	Positive Positive	A- a-	Stable Stable	Missouri
⚑	P	National General Premier Insurance Co *National General Holdings Corp.*	013069	A- u a- u	Positive Positive	A- a-	Stable Stable	California
⚑	P	National General Re Ltd. *National General Holdings Corp.*	093811	A- u a- u	Positive Positive	A- a-	Stable Stable	Bermuda
☑	P	National Lloyds Insurance Company *McCarthy Group, LLC*	003238	A a	Stable Stable	A u a u	Developing Developing	Texas
⚑	P	New South Insurance Company *National General Holdings Corp.*	000698	A- u a- u	Positive Positive	A- a-	Stable Stable	North Carolina
⇅	P	North American Capacity Insurance Co *Swiss Re Ltd*	011135	A+ aa	Stable Negative	A+ aa	Stable Stable	New Hampshire
⇅	P	North American Elite Insurance Company *Swiss Re Ltd*	010617	A+ aa	Stable Negative	A+ aa	Stable Stable	New Hampshire
⇅	P	North American Specialty Insurance Co *Swiss Re Ltd*	001866	A+ aa	Stable Negative	A+ aa	Stable Stable	New Hampshire
⇥	P	Pacific Pioneer Insurance Company *1251 Capital Group, Inc.*	011133	NR nr		B+ u bbb- u	Developing Developing	California
New	P	Palomar Excess and Surplus Insurance Co *Palomar Holdings, Inc.*	020907	A- a-	Stable Stable			Arizona
⊕	P	Southern General Insurance Company *Insurance House Holdings, Inc.*	003836	B bb+	Stable Stable	B- bb-	Positive Positive	Georgia
⚑	P	Standard Property and Casualty Ins Co *National General Holdings Corp.*	004005	A- u a- u	Positive Positive	A- a-	Stable Stable	Illinois
⇅	P	Swiss Reinsurance America Corporation *Swiss Re Ltd*	003263	A+ aa	Stable Negative	A+ aa	Stable Stable	New York
⊕	P	Virginia Surety Company, Inc. *Assurant, Inc.*	002314	A a+	Stable Stable	A a	Stable Stable	Illinois
⇅	P	Washington International Insurance Co *Swiss Re Ltd*	002695	A+ aa	Stable Negative	A+ aa	Stable Stable	New Hampshire
⇥	P	Western General Insurance Company *Robert M Ehrlich and Laurel B Ehrlich*	003560*	NR nr		B- bb-	Negative Negative	California
☑	P	Weston Insurance Company *Weston Insurance Holdings Corporation*	014386	B u bb u	Negative Negative	B u bb u	Negative Negative	Florida
⇅	P	Westport Insurance Corporation *Swiss Re Ltd*	000347	A+ aa	Stable Negative	A+ aa	Stable Stable	Missouri
EUROPE, MIDDLE EAST & AFRICA								
⇅	C	Arabia Insurance Company - Jordan *Arabia Insurance Company s.a.l.*	091740	B bb+	Stable Stable	B bb+	Stable Negative	Jordan

* Ratings were downgraded to B-/bb- from B/bb on July 10, 2020. Ratings were withdrawn on July 10, 2020.

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
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Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST & AFRICA (CONTINUED)								
⇅	C	iptiQ Life S.A. *Swiss Re Ltd*	093825	A+ aa	Stable Negative	A+ aa	Stable Stable	Luxembourg
⇅	P	Swiss Re Corporate Solutions Ltd *Swiss Re Ltd*	091982	A+ aa	Stable Negative	A+ aa	Stable Stable	Switzerland
⇅	P	Swiss Re Europe S.A. *Swiss Re Ltd*	086847	A+ aa	Stable Negative	A+ aa	Stable Stable	Luxembourg
⇅	P	Swiss Re International SE *Swiss Re Ltd*	087600	A+ aa	Stable Negative	A+ aa	Stable Stable	Luxembourg
⇅	P	Swiss Re Portfolio Partners S.A. *Swiss Re Ltd*	093824	A+ aa	Stable Negative	A+ aa	Stable Stable	Luxembourg
⇅	C	Swiss Reinsurance Company Ltd *Swiss Re Ltd*	085009	A+ aa	Stable Negative	A+ aa	Stable Stable	Switzerland
New	C	WAICA Reinsurance Corporation PLC	094468	B+ bbb-	Stable Stable	NR nr		Sierra Leone
ASIA-PACIFIC								
⇥	L	BEA Life Limited *The Bank of East Asia, Limited*	090742	NR nr		A- a-	Stable Stable	Hong Kong
—	C	General Insurance Corporation of India *General Insurance Corporation of India*	086041	B++ bbb+	Stable Negative	A- a-	Negative Negative	India
☑	P	Hanwha General Insurance Company Ltd *Hanwha Life Insurance Co., Ltd.*	086796	A a	Negative Negative	A u a u	Negative Negative	South Korea
—	P	New India Assurance Company Limited *New India Assurance Company Limited*	086043	B++ bbb+	Stable Stable	A- a-	Negative Negative	India
⇅	C	Swiss Re Asia Pte. Ltd. *Swiss Re Ltd*	085830	A+ aa	Stable Negative	A+ aa	Stable Stable	Singapore
⇥	P	United India Insurance Company Limited**	085412	NR nr		C+ b-	Negative Negative	India
AMERICAS								
⊕	C	Colonial SA Compañía Seguros	084245	A- a-	Stable Stable	B++ bbb+	Positive Positive	Dominican Republic

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
—	Globe Life Inc.	058103	bbb+	Stable	a-	Negative	Delaware
—	Kingstone Companies, Inc.	052715	bb	Negative	bbb-	Negative	Delaware
New	LRG (US), Inc.	031107	a	Stable			Delaware
⚑	National General Holdings Corp.	052590	bbb- u	Positive	bbb-	Stable	Delaware
⇅	Swiss Re America Holding Corporation	050445	a	Negative	a	Stable	Delaware

** Ratings were downgraded to C+/b- from C++/b+ on July 30, 2020. Ratings were withdrawn on July 30, 2020.

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
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BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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

Financial Size Category

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

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

Class	Adj. PHS ($ Millions)	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 121719

GUIDE TO BEST'S ISSUER CREDIT RATINGS – (ICR)

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

Best's Long-Term Issuer Credit Rating (Long-Term ICR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
Superior	aa	aa+ / aa-	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
Excellent	a	a+ / a-	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
Good	bbb	bbb+ / bbb-	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Fair	bb	bb+ / bb-	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Marginal	b	b+ / b-	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Weak	ccc	ccc+ / ccc-	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Very Weak	cc	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations. Credit quality is very vulnerable to adverse changes in industry and economic conditions.
Poor	c	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.

** Best's Long-Term Issuer Credit Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).*

Best's Short-Term Issuer Credit Rating (Short-Term ICR) Scale

Rating Categories	Rating Symbols	Category Definitions
Strongest	AMB-1+	Assigned to entities that have, in our opinion, the strongest ability to repay their short-term financial obligations.
Outstanding	AMB-1	Assigned to entities that have, in our opinion, an outstanding ability to repay their short-term financial obligations.
Satisfactory	AMB-2	Assigned to entities that have, in our opinion, a satisfactory ability to repay their short-term financial obligations.
Adequate	AMB-3	Assigned to entities that have, in our opinion, an adequate ability to repay their short-term financial obligations; however, adverse industry or economic conditions likely will reduce their capacity to meet their financial commitments.
Questionable	AMB-4	Assigned to entities that have, in our opinion, questionable credit quality and are vulnerable to adverse economic or other external changes, which could have a marked impact on their ability to meet their financial commitments.

Long- and Short-Term Issuer Credit Non-Rating Designations

Designation Symbols	Designation Definitions
d	Status assigned to entities (excluding insurers) that are in default or when a bankruptcy petition or similar action has been filed and made public.
e	Status assigned to insurers that are publicly placed, via court order into conservation or rehabilitation, or the international equivalent, or in the absence of a court order, clear regulatory action has been taken to delay or otherwise limit policyholder payments.
f	Status assigned to insurers that are publicly placed via court order into liquidation after a finding of insolvency, or the international equivalent.
s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
nr	Status assigned to entities that are not rated; may include previously rated entities or entities that have never been rated by AM Best.

Rating Disclosure: Use and Limitations

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

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Name Changes, Mergers, State Actions

London Life Reinsurance and Anchor Specialty are among the life/health and property/casualty insurers in the United States and Canada that have changed names or have had other corporate changes.

LIFE/HEALTH

New Companies

USAble PPO Insurance Co., (AMB# 062449), incorporated Jan. 17, 2020 in Arkansas.

ManhattanLife of America Insurance Co., (AMB# 062446), incorporated Feb. 13, 2020 in Arkansas.

Mergers

Foresters Life Insurance and Annuity Co., (AMB# 006413), New York. This company merged with and into Nassau Life Insurance Co. on July 8, 2020.

K-TENN Insurance Co. (AMB# 062181), Nashville, Tenn. This company merged with and into First Trinity Life Insurance Co. on Jan. 1, 2020.

Name Changes

London Life Reinsurance Co. (AMB# 060237), Blue Bell, Pa. This company changed its name to Canada Life Reinsurance Co. on June 1, 2020.

Acquisitions & Ownership Changes

K-TENN Insurance Co. (AMB# 062181), Nashville, Tenn. This company was acquired by First Trinity Financial Corp. on Jan. 1, 2020.

PROPERTY/CASUALTY

Name Changes

Anchor Specialty Insurance Co., (AMB# 012687), Beaumont, Texas. This company changed its name to Weston Specialty Insurance Co. on July 1, 2020.

Acquisitions & Ownership Changes

Oklahoma Property and Casualty Insurance Co., (AMB# 010359), Oklahoma City. This company was acquired by North American Casualty Co. on July 1, 2020.

Pacific Pioneer Insurance Co. (AMB# 011133), Cypress, Calif. This company was acquired by 1251 Capital Group Inc. from Pacific Pioneer Insurance Group Inc. on July 7, 2020.

State Actions

Global Hawk Insurance Co., Risk Retention Group, (AMB# 076460), Fairfax, Vt. This company was placed into insolvent liquidation on June 8, 2020.

Relationship Troubles

APCIA: Regulators' rejection of communicable disease exclusion filings threatens reinsurer/insurer alliances.

State insurance regulators rejecting property/casualty insurers filings over strict wording regarding communicable diseases is fomenting a crisis in the industry, according to a new white paper from the American Property Casualty Insurance Association.

The paper says primary insurers are being exposed to solvency-threatening risk because regulators are ordering changes to their filings that leave them out of alignment with reinsurers' treaties.

"Reinsurance treaties are now including near-absolute communicable disease exclusions, particularly as they relate to liability protection," wrote the authors, Dr. Robert Hartwig of the University of South Carolina and Robert Gordon, senior vice president, Policy, Research and International at the APCIA. "That means primary insurers must file similar exclusions in order to maintain consistency between the coverage they offer and the reinsurance available to them. Today, many of those filings are not being approved.

The rejection of primary company exclusions combined with the widespread adoption of such exclusions in reinsurance contracts threatens to compromise the relationship between insurers and reinsurers that has been so critical in maintaining stability in insurance markets for decades."

The authors surveyed APCIA members anonymously in July, used anecdotal accounts from some of the 56 insurance groups that replied and spoke to insurance regulators and brokers in preparing the report, Gordon said. "The states are saying, 'We have to think this through,' but the market has moved on," he said.

According to the authors, Lloyd's has estimated global losses from COVID-19 to the nonlife insurance industry could total $203 billion, with a "substantial share" of the underwriting losses possibly being be borne by reinsurers. That, they said, could result in "one of the largest losses in reinsurance history."

It also could come at a time when losses from other natural catastrophes are growing. For the first six months of 2020, they said, insurers around the world sustained $27 billion in catastrophe losses, 35% higher than the average for the same period for the past 30 years.

Additionally, insurers and reinsurers face massive legal risk from thousands of lawsuits, they said.

"Confronted with the enormity of claims and litigation-driven uncertainty, reinsurers recognize they have little choice but to reaffirm the uninsurability of pandemic risk and scale back their communicable disease exposures," they said.

"The uninsurability of pandemic risk, compounded by the certainty of protracted and costly litigation, has caused investors in insurance and reinsurance markets to retrench. In economic terms, the market has effectively begun to seize."

—Timothy Darragh

Trending Articles on Best's Insurance News & Analysis

1. **Permanent COVID-19 Side Effect: Industry Professionals Say Work-From-Home, Virtual Meetings Increase Productivity** (June 12, 2020)

2. **AM Best: Commercial Auto Endures Worst Results in 10 Years** (June 30, 2020)

3. **Allstate CEO: $4 Billion National General Deal Bid to Gain Top-5 Spot in Independent Agency Channel** (July 8, 2020)

4. **Swiss Re Warns of $2.5 Billion COVID-19 Hit for First Half** (July 22, 2020)

5. **Lloyd's Exits Three US Admitted Markets to Focus on Non-Admitted, E&S Lines** (July 10, 2020)

*Top BINA Articles from May 23-July 23

Notice: While AM Best confirms the accuracy of Best's Ratings of insurers referenced in advertisements published in this magazine, these ratings are subject to change after publication. The current ratings of insurance companies are available free on the web at *www.ambest.com/ratings*. Further, we can't warrant the Best's Ratings claimed by brokers advertising coverages from unrated insurers. In addition, some of the insurance policies, products and services advertised may not be available, licensed or legal in all jurisdictions.

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A Turn of Events

COVID-19 is forcing the cancellation of concerts and sports matches and bringing change to the event cancellation insurance market.

by Lori Chordas

The announcements came in droves. Wimbledon, the Tokyo Olympic Games, the Tony Awards and hundreds of other highly anticipated sports events, concerts, trade shows and other gatherings were canceled or postponed this year in the wake of the COVID-19 pandemic. As concert halls, stadiums and convention centers sat empty, the global crisis drew attention to event cancellation insurance and drove some big changes in the market.

Over the past several months, there's been a "real tightening" of the market, with rates climbing by roughly 50% to 100% and capacity diminishing largely due to an exodus of some carriers in the sector, Rej Audet, president of managing general agency BUA, said.

COVID has also brought about the rise of absolute communicative disease exclusions in event cancellation insurance policies, he said. Standard policies cover the cancellation, postponement or curtailment of an event due to unavoidable circumstances such as infrastructure damage, weather perils, terrorism or performers failing to show up to an event. But pandemics are not among the list of covered exposures.

Prior to COVID-19, event organizers had to buy additional coverage for communicable disease. But with the growing number of claims flowing in from the outbreak, the availability of all-cause event cancellation policy options that cover cancellations due to an outbreak of infectious or communicable disease is no longer an option, Audet said.

The good news is that policies purchased prior to the pandemic with that added cover are expected to pay out for losses stemming from canceled or postponed events, Audet said.

For the past 17 years, All-England Lawn Tennis Club, the venue for the Wimbledon Championships, has purchased event cancellation coverage for the world's oldest and most prestigious tennis tournament. This year that added cover could generate a payout for the club worth nearly $141 million for the canceled Grand Slam tennis event that was scheduled to run from June 29 to July 12, according to a report by sports media company Action Network. However, club officials have said that's only about half the amount they expect to lose from the canceled event.

Early estimates peg insurers' projected payouts from this year's canceled events at $7 billion to more than $13 billion, Audet said. But with the continued surge of new COVID cases across parts of the world it's still too early to project how high those numbers could climb and how the event cancellation insurance market will fare from the unprecedented number of cancellations, he said.

The industry has "certainly not seen anything of this magnitude from a global perspective," Warren Harper, global sports and events industry practice leader for Marsh, said.

While Harper describes current conditions in the market as "challenging and fluid," he expects that will soon change and new carriers may eventually enter the sector after "a COVID vaccine is developed and the dust settles a bit." BR

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