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AM BEST'S MONTHLY INSURANCE MAGAZINE

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# BEST'S REVIEW®

October 2020 • Volume 121 • Issue 10

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AM BEST'S MONTHLY INSURANCE MAGAZINE

## Independent Streak

Independent agents take the spotlight following moves  
by Allstate, Nationwide and others.

**Auto Insurance Coverage**  
Pages 30-45



*Best's Review's*  
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# Autos and Agents

*Best's Review* publishes AM Best's top auto insurer rankings and looks at auto insurance distribution strategies as Allstate makes a deal to boost its presence with independent agents.

In the latest AM Best rankings, State Farm held on to its place at the top for both U.S. private passenger auto and U.S. total auto. After that, the plot thickens as Berkshire Hathaway's Geico and Progressive duel with each other for the No. 2 and No. 3 positions. Allstate and USAA round out the top 5.

In the private passenger auto rankings, Geico remained in second place and Progressive in third. But in the total auto rankings Progressive overtook Geico. In both rankings, Progressive's results were fueled by sharp gains in direct premiums written.

In private passenger auto, for instance, Progressive's direct premiums written in 2019 rose 14.7%. That compares with a decline of 2.6% for State Farm, a gain of 5.5% for Berkshire Hathaway, a gain of 4.3% for Allstate and a gain of 5.3% for USAA.

Not long ago Allstate had held the No. 2 position behind State Farm. Both have long used exclusive agents as their main channel to reach insurance buyers.

Allstate, however, is seeking to reach more insurance buyers through independent agents. Earlier this year, Allstate agreed to buy National General for \$4 billion in a deal Allstate CEO Tom Wilson says will make it a top 5 insurer in the independent agent channel.

"We're going to sell as much as we can, through everybody we can," Wilson said in a second-quarter earnings conference call. "So we want to have more Allstate agents. We want to have independent agents. We want to sell more."

October is Auto Insurance Awareness Month. In "Independent Streak," *Best's Review* looks at auto insurance distribution and the renewed focus on independent agents.

Best's Rankings of the top auto writers begin on page 36.

*Best's Review* also takes a look at developments in the global insurance market. In life insurance, some multinationals are growing operations in the Asia-Pacific region. "Lands of Opportunity" examines recent developments and why the region is both "complex" and potentially "close to an inflection point."

The global reinsurance industry has been influenced by both negative and positive factors. AM Best continues to maintain a stable outlook on the global reinsurance industry. In "A Complex Situation," Scott Mangan, AM Best associate director, and Carlos Wong-Fupuy, AM Best senior director, discuss the rationale behind the outlook and other issues detailed in a recent Best's Market Segment Report on the global reinsurance industry.

Brian O'Hara, the founding president, former CEO and chairman of XL Capital, now AXA XL, was one of the forces that helped establish Bermuda as an international reinsurance hub. O'Hara shares stories about his career in his new book *It's Not the Score, It's the Trip: One Man's Journey to Building a Global Franchise*. To read more, go to "Insurance Exec Memoir."

Coming up in December, *Best's Review* and <sup>AM</sup>Best TV will team up for a cross-media project. In this three-part series, we will examine how innovative agents and brokers are reinventing insurance commerce, product development and specialized distribution.

**Patricia Vowinkel**  
Executive Editor  
[patricia.vowinkel@ambest.com](mailto:patricia.vowinkel@ambest.com)

## The Question:

**What are the biggest issues and trends facing the insurance industry in 2021?**

Email your answer to [bestreviewcomment@ambest.com](mailto:bestreviewcomment@ambest.com).

Reader responses will be published in a future issue.





## AUTO INSURANCE

In this special section, *Best's Review* examines the state of the auto insurance market.

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### Independent Streak

Independent agents take the spotlight following moves by Allstate, Nationwide and others.

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### Best's Rankings: Top Auto Writers

U.S./Canada commercial and private passenger insurer rankings.

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## ISSUES & ANSWERS

### Insurtech & Agribusiness

Experts discuss how technology is complementing their businesses and the new risks facing agribusiness.

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## LIFE INSURANCE

### Lands of Opportunity

Rising ranks of the middle class, wealth creation and an existing protection gap make Asia's lucrative insurance market ripe for multinational players to stake their claims. But the region's diverse cultures and regulatory frameworks also make it a complex environment.

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**\$135,000,000**

Senior Secured Credit Facility  
Left Lead Arranger, Joint Bookrunner  
and Administrative Agent

August 2020



**\$230,000,000**

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Joint Lead Arranger and  
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## REINSURANCE

### A Complex Situation

AM Best: A combination of positives and negatives has led to a stable outlook for the reinsurance sector.

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## LIFE REINSURANCE

### Chart a Course

The landscape for U.S. life/annuity reinsurance is becoming more complex and intermediaries are stepping in to help navigate the challenges.

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### Finding Their Footing

First-half P/C insurtech net losses narrow or move to profit as businesses mature.

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## BEST'S RANKINGS

### U.S. Life/Health – 2019 Assets Distribution

Ranked by 2019 total admitted assets.

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# ACLI, APCIA and LIMRA Hosting Virtual Meetings

**Oct. 7-9:** VIRTUAL. In2Risk 2020 Annual Meeting, The Institutes CPCU Society.

**Oct. 12-13:** VIRTUAL. "Future Ready" ACLI Annual Conference, American Council of Life Insurers.

**Oct. 13-14:** VIRTUAL. "Insuring the Future" Global Insurance Forum, International Insurance Society.

**Oct. 12-13:** VIRTUAL. APCIA Annual Meeting, American Property Casualty Insurance Association.

**Oct. 19-22:** VIRTUAL. Big "I" Fall Leadership Conference, Independent Insurance Agents & Brokers of America (IIBA).

**Oct. 19-22:** VIRTUAL. 21st Annual TMPAA Summit, Target Markets Program Administrators Association.

**Oct. 20-22:** VIRTUAL. 2020 SIR Annual Conference and Exhibit, Society of Insurance Research.

**Oct. 25-28:** VIRTUAL. SOA Annual Meeting and Exhibits, Society of Actuaries.

**Oct. 26-28:** VIRTUAL. LIMRA Annual Conference.

**Oct. 29:** VIRTUAL. ACORD Connect 2020, Association for Cooperative Operations Research and Development.

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](http://www.bestreview.com/calendar)

## October Is Auto Insurance Awareness Month

*Best's Review* takes a look at auto insurers' distribution channels and features Best's Rankings of the auto insurance industry. Coverage begins on page 30.



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## American Family Insurance Names CEO-Elect

Also, AIG names CEO of general insurance; Chubb chooses leaders for North America and global underwriting, claims; USAA creates chief brand officer role and Woodrow Cross, founder of Cross Insurance, dies at 103.

American Family Insurance Group has named Bill Westrate to succeed Jack Salzwedel as chief executive officer.

Westrate, currently American Family Enterprise president, will transition to CEO-elect in January 2021, and will replace Salzwedel as CEO on Jan. 1, 2022. Salzwedel, who has been with the company for 37 years, has decided to step back to spend more time with his wife and family, but will continue in the role of board chair.

The succession plan was initiated by Salzwedel two years ago and developed with the board of directors, according to a company statement.

Salzwedel's time with American Family spans back to his childhood when he helped out at the office of his father, American Family agency owner Tom Salzwedel. He joined American Family in 1983 as a claims adjuster. Two years later, he became an American Family agency

owner and over time advanced into sales management.

Westrate has served as president of the American Family enterprise since 2017. Most of his 26-year

career in the insurance industry has been at American Family. He joined the company in 1996. He was elected chief operating officer in 2014, a role he filled until becoming enterprise president.

After serving in a variety of executive positions, Salzwedel became CEO and

chair in 2011, succeeding David Anderson. During Salzwedel's CEO tenure, American Family increased its investment in its exclusive agency owners through extensive product and technology development, while simultaneously expanding into new geographic markets and distribution channels through acquisitions of three other insurance companies, the company said.

—Staff Report



**Bill Westrate**

**Jack Salzwedel**

## AIG Names CEO of General Insurance

American International Group Inc. promoted David McElroy to chief executive officer, general insurance and executive vice president, AIG.

McElroy, previously president and CEO of the North American operations of general insurance, transitions to his new role immediately. He will lead the general insurance executive leadership team and join the AIG executive leadership team, reporting to Peter S. Zaffino, AIG's president and global chief operating officer. Zaffino had been CEO of general insurance, a role he maintained after

being promoted to president last December.

McElroy joined AIG as president and CEO of Lexington Insurance Company in October 2018 and was promoted to president and CEO of North America, general insurance in June 2019. Before joining AIG, he held numerous leadership roles within the insurance industry, including executive chairman of Arch Insurance Group Inc. and vice chairman of Arch Worldwide Insurance Group.



**David McElroy**

## Insurtech eMaxx Names CEO for Insurance Operating Companies

EMaxx, a commercial property/casualty insurtech, has named Eileen Currie as president and chief executive officer of eMaxx's insurance operating companies.

In her new role, Currie will lead the insurance operations in underwriting, client services and distribution for its alternative risk captive insurance programs.



Currie's background includes leading a national field and marketing organization; product design and management; building agent/broker relationships; geographical expansion and creating specialized offerings and services. She served in various capacities within Arbella Insurance Group, Crum & Forster, the Hartford Steam Boiler Inspection and Insurance Co., Columbia Insurance Agency Inc., and Cigna.



**Eileen Currie**

### **Chubb Taps Leaders for North America And Global Underwriting, Claims**

Chubb Ltd. named John Lupica, currently vice chairman of Chubb Group and president, North America major accounts and specialty insurance, as president, North America Insurance. It is the company's largest division.

Lupica was to transition to his new role Sept. 1 and has executive responsibility for all Chubb general insurance business in the United States, Canada and Bermuda including commercial P/C, personal lines, agriculture, and accident-and-health insurance, according to a company statement.

His responsibility will include all products, underwriting, marketing and sales, claims, actuarial and support functions related to these business lines.

Also, Chubb Ltd. named Paul Krump, currently executive vice president of Chubb Group and president, North America commercial and personal insurance, to the newly created role of vice chairman, global underwriting and claims.

Krump also was to transition to his new role on Sept. 1 and will oversee high-level underwriting policy and standards-setting, and provide operational direction



**John Lupica**



**Paul Krump**

and oversight in underwriting across Chubb's property/casualty insurance product lines.

In partnership with the presidents of the company's North American and international P/C operations, Krump will share accountability for underwriting standards and the profitability of the P/C books of business.

Krump will also retain his current senior executive responsibility for global claims and risk engineering for the company.

### **USAA Names Leader in Newly Created Chief Brand Officer Role, Two Other Promotions**

USAA has named Tony Wells to the newly created role of chief brand officer and promoted Mayra Rivera to chief marketing officer. Also, Lindsey O'Neill has been promoted to chief communications officer.

In his new role, Wells will have oversight of several functions, to include marketing, military affairs, corporate communications, brand shared services, diversity and inclusion and corporate responsibility, including the USAA Foundation and the USAA Educational Foundation. Wells has led marketing teams at USAA since 2017.

Rivera has been with USAA for 20 years. She has led creative/campaign development, client management, media, sponsorships, and agency management and has helped to establish USAA's national advertising and sponsorship programs.

O'Neill joined USAA in 2014 and has held various roles within corporate communications and served as chief of staff for USAA's chief executive officer and property/casualty insurance company president. Prior to USAA, she led communications teams at National Instruments.



**Tony Wells**



**Mayra Rivera**



**Lindsey O'Neill**

## Assurant Names Chief Investment Officer

**A**ssurant Inc. has named Vadim Lipovetsky as chief investment officer.

In his new role, Lipovetsky will have oversight for asset management functions, including Assurant's outsourced investment managers. He will also lead an internal team, whose responsibilities will include portfolio strategy, investment risk analytics and compliance.

Most recently, Lipovetsky served as senior vice president, head of investment actuarial. Lipovetsky joined Assurant in 2003 as vice president, investment strategy and risk management. Prior to Assurant, Lipovetsky served in several quantitative modeling and analytics roles at Fortis, including assistant vice president, investment actuary. He began his career at MetLife as an actuary.



**Vadim Lipovetsky**

## Cigna Names Chief Information Officer

**C**igna has named Noelle Eder global chief information officer.

Eder was to transition to her role on Sept. 14 and will also serve as a member of the enterprise leadership team. She will lead Cigna's global technology strategy, and oversee the development and delivery of leading-edge capabilities and solutions that enables Cigna to transform the health care experience for those the company serves.

Eder joins Cigna from Hilton Worldwide Holdings, where she served as the company's chief information and digital officer.



**Noelle Eder**

## Principal Financial Group's Chief Risk Officer to Retire; Successor Announced

**P**incipal Financial Group has named Ken McCullum to succeed Julia Lawler as chief risk officer.

McCullum has assumed the new responsibilities and will fully transition following Lawler's departure in

early November. Lawler is retiring after 36 years with the company.

Principal also announced Dwight Soethout, vice president of finance for the Principal General Account, will succeed McCullum as chief actuary for the organization.

McCullum has served as the company's chief actuary the past five years after joining Principal from Delaware Life Insurance Co.

## Founder of Cross Insurance Dies at 103

**W**oodrow Cross, founder of Cross Insurance, died at the age of 103 in Bangor, Maine.

Cross developed his business savvy at an early age.

After his father's sudden death during the Great Depression, Cross, then 21 years old, took over the family's country store to help support his mother and younger siblings. In 1945, he was married; several years later, he and his wife decided to sell the family store and move to Bangor.

In 1954, the World War II veteran started a new business selling insurance at his kitchen table and sold his first insurance policy for just \$7. He worked from home for the next nine years, until he hired his first employee and moved from his home to an office in downtown Bangor.

He built Cross Insurance into the largest independent insurance agency in New England and one of the largest in the nation. He was also quick to adapt to new technologies and industry automation and relished going to work every day with his sons Royce and the late Brent Cross and grandsons Jonathan and Woodrow II. The family business has now grown to 1,000 employees in over 40 locations across eight states, according to his obituary.

Cross was also predeceased by his wife of 48 years, Janette Bean Cross, who passed in 1992.



**Woodrow Cross**

## Zurich Names CEO for WellCare Business

**Z**urich Insurance Group has created a WellCare business and has named Helene Westerlind to the newly created position of chief executive officer, Zurich WellCare.

The WellCare business aims to provide retail, small and medium enterprise, and commercial insurance customers with health and wellness solutions tailored specifically to their needs, according to a company



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statement. In this newly created role, Westerlind will develop and execute the global WellCare strategy and deploy the offering across markets in close alignment with Zurich's country offices.

Westerlind joined Zurich in Stockholm in 2003 and most recently was global head of international programs within Zurich's commercial insurance business.



**Helene Westerlind**

## Swiss Re Appoints Global Head Of P&C Solutions

Swiss Re has named Pranav Pasricha to succeed Eric Schuh as global head of P&C solutions for the company's global reinsurance business unit.

Pasricha was to transition to his new role on Aug. 3 and replaces Schuh, who is leaving Swiss Re near the end of 2020 to pursue a new challenge outside the group. Pasricha will become a member of the casualty leadership team, based in Armonk, New York.

For the past six years, Pasricha was the chief executive officer of Intellect SEEC, an insurance technology company.



**Pranav Pasricha**

## FedNat Holding Co. Names COO

FedNat Holding Co. has named Patrick S. McCahill in the newly created position of chief operating officer.

McCahill will have primary oversight of operations including underwriting, claims and information technology. He most recently served as president of American Platinum Property and Casualty Insurance Co., a wholly owned subsidiary of Universal Insurance Holdings Inc. McCahill began his career at Universal with Blue Atlantic Reinsurance Corp. and later served as vice president of product development for Universal Property and Casualty Insurance Co. Previously, he was a reinsurance broker at TigerRisk Partners.

McCahill served as an officer in the U.S. Marine Corps, rising to the rank of major. He deployed multiple times to Iraq and Afghanistan as a platoon commander, company executive officer, and company commander.

BR

# Partner Up

AIG extends its sponsorship of the LPGA Tour's oldest major championship and an insurer continues its sponsorship of a Canadian football team after it changes its name.

## On Par

**AIG** has extended its title sponsorship of the oldest of the LPGA Tour's five major championships, formerly known as the AIG Women's British Open.

Under the agreement, AIG extended its sponsorship for two more years, which will run until 2025, and the championship has been renamed the AIG Women's Open, as part of a rebrand by AIG and event organizer, The R&A.

This year's AIG Women's Open was played in August at the Royal Troon Golf Club in Scotland. It was the first women's major championship in 2020 after the COVID-19 pandemic shut down the LPGA Tour. While the pandemic forced the event to be played without spectators, it was still viewed by 11 million fans through a global broadcast.

AIG is committed to supporting women in business and society, and "proudly stands as allies with the world-class field of diverse women golfers" who had the opportunity to compete before a global audience, Peter Zaffino, AIG president and global chief operating officer, said.



He acknowledged the necessary health and safety protocols The R&A and the United Kingdom and Scottish governments took to allow the 2020 AIG Women's Open to be played "under safe and responsible conditions."

The championship has been played annually since 1976. But it didn't become part of the LPGA Tour schedule until the mid-1990s, and was given status as a major in 2001.

Photo courtesy of The R&A

## Name of the Game

Auto and home insurer **BELAIRDIRECT** has positioned itself as a premier sponsor of the Canadian Football League's Edmonton Eskimos community-owned football team for the past five years. Earlier this year, the insurer told the team that it would be hesitant to continue its involvement unless consideration was given to changing the team name. Belairdirect, a subsidiary of Intact Financial Corp., was aware that the team had undertaken a multitiered process of engagement with Inuit leaders, politicians and others to gain knowledge of their feelings regarding the use of the word "Eskimo." In July, the Edmonton football organization's board of directors announced that the team would discontinue the use of the word "Eskimo" and launch a "comprehensive engagement process" to



re-brand with a new name. In the meantime, the club will use the names EE Football Team and Edmonton Football Team until the re-brand is launched.

Belairdirect confirmed that once play resumes in the CFL, it is looking forward to continuing with the partnership.

**Lori Chordas** is a senior associate editor. She can be reached at [lori.chordas@ambest.com](mailto:lori.chordas@ambest.com).

## Regulatory Update

The NAIC seeks comment on annuity model; two states seek to block limited health plans and Nevada law shields casinos from COVID liability.

**Annuities:** Insurance trade groups are hopeful the release of a preliminary list of answers to frequently asked questions will spur attention and action toward adoption of the National Association of Insurance Commissioners' revised Suitability in Annuity Transactions Model.

The NAIC now is fielding comments on the proposed FAQ, which is designed to address questions likely to come up as the states work to adopt the revised model regulation and assist in the uniform implementation of its provisions across member states and territories. Comments are open through Oct. 2.

The 13-question FAQ covers issues such as why the NAIC sought to rework the suitability model, training, the definition of a best interest standard of conduct and the obligations of care, disclosure and conflict of interest.

Insurance trade groups are eager to see the model taken up by the states.

"Personally, I think we will see significant activity once the FAQ comes out because I think that will just be another impetus for the NAIC to urge states to take action," said Jason Berkowitz, chief legal and regulatory affairs officer for the Insured Retirement Institute.

**Health Insurance:** Insurance regulators in Pennsylvania and Wisconsin

## Swiss Re: Prices to Rise To Cover Increasing Loss Trends

To achieve a reasonable return on equity through 2021, nonlife insurers in G7 markets need to improve underwriting margins.

by Timothy Darragh

**R**ates across all lines have been on the rise in the ongoing low interest rate environment—trends Swiss Re said it expects will continue through 2020.

Despite the challenges of interest rates, increasing natural catastrophes and other pressures, Thierry Leger, group chief underwriting officer, during a media conference said he has a "very positive" outlook for the industry. Data suggests the recovery from the COVID-19 shock to the world economy is under way, he said, and the pandemic has raised risk awareness for consumers and businesses and will lead to more demand for insurance.

Swiss Re expects prices to continue to rise, due in part to the need for prices to cover increasing loss trends, it said in a statement.

"Even before the COVID-19 crisis, most major markets were operating at below-average profitability," said Moses Ojeisekhoba, Swiss Re's chief executive officer, reinsurance. "To be able to address the growing need for insurance protection in a sustainable way, further price increases across all lines of business are clearly needed."

Hurricanes have been hitting areas where exposures have grown as a result of wealth accumulation, Swiss Re said, leading to increasingly severe losses, as demonstrated in the past few years.

The year 2020, it said, "is forming up to be no better," as the Atlantic hurricane season is the first on record to see nine tropical storms forming before August and 13 before September. The situation is aggravated further by the higher frequency and severity of floods and wildfires, leading to rising claims and highlighting the need for insurance protection, it said.

Those secondary perils are worsened by climate change, said Leger. In addition, social inflation and unpaid claims related to COVID-19 make price increases essential, he said. "We see a real need for strong price increases to get back to underwriting profits."

Swiss Re said the low rate environment will persist as governments struggle to prop up their economies from the ravages of the pandemic. "Low interest rates have been a feature of the last decade, and have prompted insurers to invest more in higher-risk, higher-yielding assets," Swiss Re said in a paper. "However, the implementation of strict solvency frameworks in most jurisdictions has made some asset classes more costly. Portfolio yields have declined and we expect this to continue with the recent further drop in market rates. Re-designed products, repricing and capital optimization are crucial to boost insurer profitability." **BR**

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"To be able to address the growing need for insurance protection in a sustainable way, further price increases across all lines of business are clearly needed."

**Moses Ojeisekhoba**  
Swiss Re



# Aon: COVID-19 Improves Reinsurance Demand

Rising risk exposures and increasing risk awareness are translating into a greater need for reinsurance.

by David Pilla

**T**he COVID-19 pandemic, while an ongoing risk with unknown consequences for reinsurers, appears to be a boon for reinsurance demand, said experts with broker Aon.

COVID-19 hasn't slowed down interest in reinsurance mergers and acquisitions, said Andy Marcell, chief executive officer of Aon Reinsurance Solutions, noting the market is keeping its M&A pace by acquiring existing companies.

Private equity firms continue to show interest in reinsurers, Paul Schultz, CEO of Aon Securities, said in the briefing.

"There is still a lot of capacity in the market and we see reinsurers that are talking about growth and have a lot of clients with additional need for reinsurance."

**Michael Van Slooten**  
Aon

"COVID-19 hasn't interrupted the M&A cycle and that's going to continue," he said.

Mergers and acquisitions remain an attractive growth strategy for insurers in the first six months of 2020 despite the economic disruption of the COVID-19 pandemic as M&A deals were relatively steady compared with 2019, said law firm Clyde & Co.

Marcell noted "there is no doubt in minds of our clients and reinsurers" that COVID-19 is "an ongoing event" that is likely to increase demand for reinsurance.

At the beginning of 2020, before COVID-19 took hold, Aon was projecting a "modest tightening" of reinsurance capacity after catastrophe losses in 2017 and 2018, along with adverse development in 2019, Michael Van Slooten, head of business intelligence, Aon, said in the briefing.

As COVID-19 struck, it hit both sides of the balance sheet for reinsurers, with a focus on claims, but the asset side has been affected as well, said Van Slooten. He said the aggregate combined ratio for the Aon Reinsurance Composite of 23 reinsurers was 104.1 for the first six months of 2020, including nearly 10 points related to losses and reserves established for COVID-19 on the property/casualty side.

Van Slooten said there was also nearly \$1 billion of reserves established in life reinsurance for COVID-19. About 80% of anticipated COVID-19 losses are likely incurred but not reported, said Van Slooten.

"We think there is probably more to come," he said. "There is still uncertainty around the ultimate extent and distribution of those losses across the industry" but "the ultimate burden is likely to be manageable" for the industry.

"Either there's a lot more to come or perhaps the ultimate market loss isn't going to be quite as big as people were expecting," Van Slooten said. **BR**

## Regulatory Update

are joining a lawsuit seeking to block the Trump administration's rule allowing short-term, limited duration health plans that don't meet Affordable Care Act standards.

The two states issued a joint brief to the U.S. Court of Appeals in the District of Columbia Circuit to hold a hearing before the full panel of justices.

Earlier this year, two of those justices upheld the sale of expanded short-term health plans in a 2-1 decision, saying the plans are legal and consumers should be alert because "you get what you pay for." The decision upheld a lower court ruling that supported the authority of U.S. Department of Health and Human Services to allow the sale of short-term policies.

**Liability:** Casinos and other hospitality businesses in Nevada will be protected from liability for COVID-19 infections under a bill signed by Gov. Steve Sisolak.

The measure, SB 4, was introduced Aug. 3 and approved by both houses of the legislature Aug. 5, according to state legislative records. The American Property Casualty Insurance Association supported the bill.

The new law provides certain businesses with protection from COVID-19-related lawsuits if those businesses substantially comply with the controlling health recommendations at the time, it said.

It will remain in effect until the pandemic emergency is called off or no later than July 1, 2023, it said.

Not included in the law are public schools and nonprofits that operate hospitals, nursing homes, emergency care centers and hospices, it said.

The new law requires hotels and casinos in Las Vegas and Reno to follow regular cleaning and social distancing standards and require access to hand-washing facilities and hand sanitizer.

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# Transforming Auto Claims

Claims maturity follows a three-stage model.

By **Bill Pieroni**

Over the last 10 years, personal auto insurance rates have decreased in real terms, while the industry has experienced deteriorating combined ratios, primarily driven by loss expenses. On average, auto insurers have spent roughly 77 cents of every premium dollar on claims—yet less than 2.5% of premium annually on claims technology.

Some insurers, however, have recognized the value potential of claims transformation, and have invested to achieve superior levels of “claims maturity.” By developing key claims capabilities and aligning business and claims strategies, these initiatives have overwhelmingly driven positive financial outcomes. In fact, insurers with high levels of claims maturity achieved combined ratios nearly 5% better than the industry average.

ACORD recently studied the 200 largest U.S. P/C insurers, focusing on those with personal auto as the largest part of their book. We classified them by financial performance as Superior, Market Average, or Inferior carriers. We found that virtually all of the Superior performers—and none of the Inferior—had achieved claims maturity through thoughtful, disciplined transformation. Superior insurers demonstrated pure loss expense ratios over 20% lower than the industry as a whole, accompanied by 3% lower loss adjustment expense.

Achieving and sustaining claims maturity follows a three-stage model. First, the baseline is ensuring compliance with contractual and



regulatory requirements. Next, transformation efforts focus on the optimization of all three capability components—process, organization and technology. Finally, successful insurers achieve full alignment of strategic intent and capabilities. At this level of maturity, they have implemented an overall business strategy and a complementary, aligned claims strategy, enabled by digital transformation.

Insurers often choose to focus on one or more of the fundamental overall strategic options: **Operational Excellence**, **Customer Intimacy**, **Product Leadership**, and **Innovation**. Their strategies for handling claims in particular can be segmented into three categories:

- **Service-oriented** Accepting higher loss expenses to support higher levels of customer satisfaction, retention, and cross-sell.



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- **Balanced** Adopting a fair approach and hewing to a middle ground, balancing customer satisfaction goals with loss cost targets.

- **Conservative** Prioritizing lower loss expenses through stricter claims handling.

The most common combination among Superior performers was **Customer Intimacy** with a **Service-oriented** strategy. These insurers viewed claims not as a necessary evil, but as an opportunity to enhance customer loyalty and retention.

The best loss ratios, however, were associated with **Product Leadership** and a **Balanced** claims strategy. By offering highly targeted and differentiated auto policies, these insurers were able to adopt a somewhat stricter approach to claims, without negatively impacting net results.

The lowest-performing combination was an **Operational Excellence** business strategy—put bluntly, price competition—coupled with a **Conservative** claims strategy. With significant pricing pressures in the marketplace, and thin auto margins, these insurers were unable to exploit operational efficiencies enough to overcome customers' dissatisfaction with their parsimonious claims philosophy.

Success in claims transformation is neither easily achieved nor sustained. Ten years ago, 26% of insurers qualified as Superior performers in personal lines—in the last three years, this has fallen to 16%. Transformation requires vigilance, discipline and ongoing investment to maintain competitive advantage. For auto writers who achieve and maintain claims maturity the benefits are material. **BR**



# Outer Limits

Looking out peripherally to identify emerging risks and then taking action is sound risk management.

By **Lance Ewing**

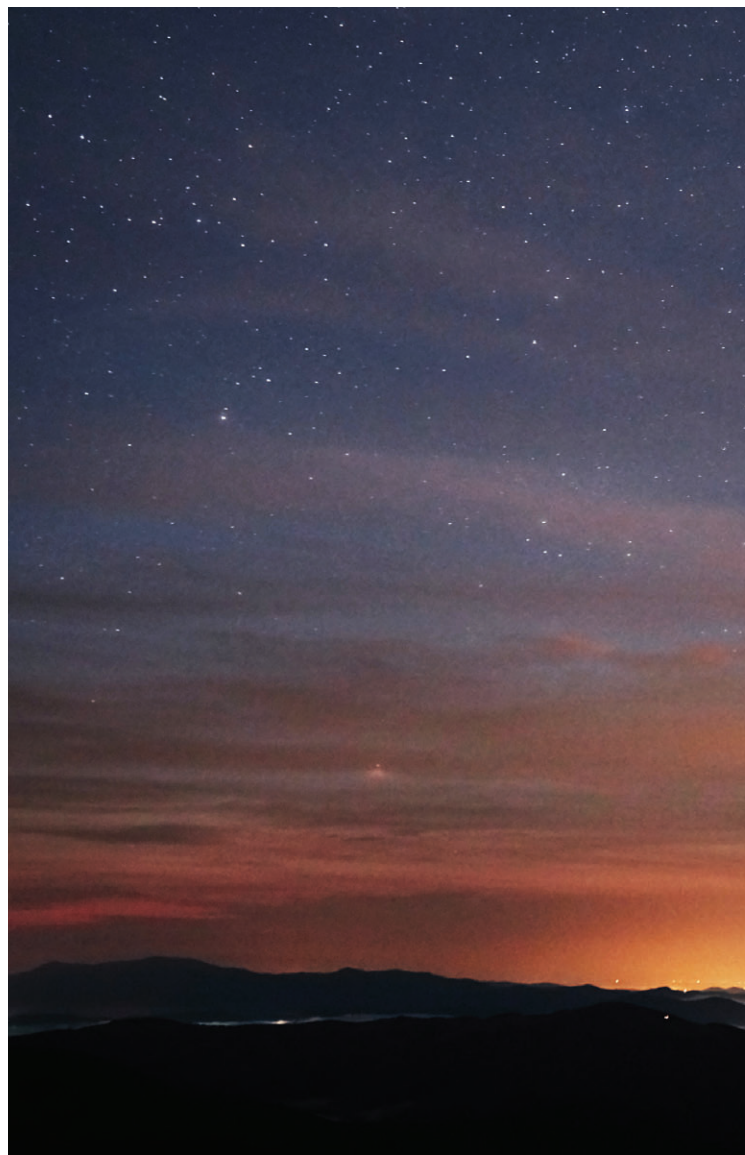
**S**teven Wright, the comedic philosopher, once said, “I was a peripheral visionary. I could see the future, but only way off to the side.” Or so the story goes. Most companies would like to be able to see into the future, even if it is just a glimpse. Imagine a corporation or a government who was able to determine when an emerging risk or exposure would arrive, along with its effect both humanitarian and financial. Lloyd’s of London describes an emerging risk as one that has high uncertainty, limited knowledge of the risk, emerging or existing and changing, a limited ability to quantify and a high impact. The definition certainly had 2020 in mind when it was developed years ago by Lloyd’s. Specifically, COVID-19 meets all of the elements in the emerging risk definition.

The reality is that there were a number of peripheral signs and direct warnings that this type of pandemic was approaching and was indeed an emerging risk. As the two-faced Roman god Janus had the advantage to look backward and then also be able to see the future, there were signals in the property/casualty insurance world that the current COVID situation may be forthcoming.

One of those outlying signs: After the 2002-2003 SARS outbreak insurance carriers recognized the impending financial and claims coverage issues. Claims were paid under those years’ policies and in many cases were not actuarially contemplated,



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including a \$16 million payout to Mandarin Oriental International.

A majority of carriers then began to explicitly exclude virus coverage in policies going forward. But many carriers did not tighten up their language, which left the door open for COVID litigation and interpretation. Another future indicator was *Fortune* magazine’s May 2016 headline of “The World Just Got Its First-Ever Global Insurance Market for Pandemics.” This was in reference to the World Bank’s now controversial Pandemic Emergency Financing Facility. The World Bank saw a looming risk in pandemic and created a product.

Lloyd’s predicted in 2017 that a human pandemic would have an estimated financial impact of \$591.81 billion GDP. These indications



along with the continued insurance coverage for a pandemic may have been the underground rumblings of the current COVID-19 quake that has shaken the world.

This is not to say that the property/casualty carriers were asleep at the switch, as the majority had recognized the likelihood of a future pandemic. Early on insurance providers responded with pandemic or virus exclusions, nonrenewed pandemic coverage, limited the coverage in the policy and looked at state statutes for workers' compensation acceptance or deniability.

Carriers also began to develop pandemic products to answer the vacuum created when a risk of this magnitude appeared. It is what the industry has done for centuries, taken risks

for the good of the insured and the public. The potential for pandemic was not top of mind for most property/casualty brokers or agents, especially given the already hardening market for their clients.

Others who only saw glimpses of this looming emerging risk and were slower to respond were governments (federal and state), public health experts and, moreover, businesses and corporations. Few risk managers or CFOs had pandemic at the top of their enterprise risk management risk register, their corporate risk heat maps or the list of emerging risks.

The future is always ahead of us, but once in a while looking out peripherally to see what risks and exposures are gaining on us, and then taking action, is just sound risk management. **BR**



# In the Cloud

Migrating systems to the cloud in the age of COVID and climate change has several advantages.

By **Julien Victor**

**C** OVID-19 hasn't slowed down insurance companies. They've been able to have their employees access their systems from home and continue to work as before. That's not surprising since most insurers were already supporting remote access. So when insurers' home offices are hit by future natural disasters intensified by climate change, such as more intense hurricanes, tornadoes or floods, it's very likely they will be able to keep functioning smoothly.

Even though insurers have kept their internal systems accessible during the pandemic, there's still a strong case for migrating key systems to the cloud when they're being updated. While that's particularly true for ceded reinsurance management systems, it also applies to all insurance software.

Insurance executives have traditionally resisted letting a third party store their data. But as hosted systems have gained in popularity, that concern has lessened.

There are several key reasons why moving to the cloud is an ideal way to go in today's business and technical environment:

**Simpler access, better security.** In noncloud systems, the task of securing and maintaining users' access to multiple on-premise applications is very complex and can be daunting for some IT teams. Furthermore, adding an extra layer of security for remote access



to those applications, such as a VPN, can slow down connection and make the user experience stressful. Such measures aren't needed to assure a high level of security with a cloud system. Cloud-based systems are natively designed to simplify secure users' access to hosted solutions.

By having different providers host different solutions, the insurer divides risk and responsibility into smaller pieces. A smaller IT workforce can make sure that the remaining internal systems are always up and running. Also, hosted solutions should incorporate the combined security demands of all the provider's clients. Combining those safeguards results in greater security.

The vendor of a cloud system should run penetration tests every two or three months to ensure there are no gaps that a hacker can



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penetrate. An insurer with billions of dollars in premiums may have hundreds or even thousands of pieces of software, and it's not always feasible to regularly test all of their systems.

Vendor cloud insurtech systems all claim they're secure, but when you're looking for a cloud solution, insist on answers to detailed questions. Make the vendor prove that it provides top-notch security.

**Lower ongoing costs.** Initial installation costs are similar to the cost of a hosted or an internal system. But the ongoing cost of maintenance and updates should be significantly lower for a cloud solution. Insurers don't need to invest in more hardware. It takes advantage of economies of scale because the vendor is taking care of updates and maintenance for many insurers.

### **The cloud is the wave of the future.**

Five years ago, few insurers were interested in hosted/cloud solutions. But, today, that's changed completely. More business (and personal) applications are now on the cloud. If you insist on an internal system, you're fighting the trend. With a hosted system, not only do insurers know the cost ahead of time but they also get better security, support and maintenance.

COVID and climate changes are unprecedented global disasters, and it's hard to predict the consequences over the next decade. Both, however, have reinforced the need for insurers to be able to keep running no matter what, and getting on the cloud is a key strategy for greater ongoing resiliency. **BR**

# ESG Comes To the Fore

Many insurance companies look at environmental, social and governance criteria as part of making future plans.

By **Howard Mills**

**T**he insurance industry has been a leader in ESG—the recognition that sophisticated approaches to environmental, social and governance issues have an impact on a company's success and profitability.

In the world of corporate governance, 2020 will be remembered for bringing ESG to the fore across all industries. The coronavirus pandemic. Economic devastation. Civil unrest amid calls for social justice. Natural disasters. 2020 has had it all and insurers are drawing upon ESG principles to respond.

Regulators as well as investors and other stakeholders are increasingly focused on the holistic ESG approach focused on anything that could have an effect on a company's financial performance. Let's take a look at ESG's three pillars in the context of an insurance company operating in 2020.

**Environmental:** Insurance companies—particularly reinsurers—were early to the cause of climate change, documenting its reality and warning of its impacts. 2020 has seen major losses from wildfire, tornado and hurricane—the frequency and severity of all driven by climate change. Water scarcity in the near future will afflict vast areas of the United States and around the globe. This will impact many aspects of business operations, with supply chain but one example. Insurers will be there for industries that suffer business interruption and other losses due to these environmental factors and they are working now to mitigate future losses.



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**Social:** Among many social risks employees and cybersecurity are prime examples. All insurers have had employee safety and well-being as top priorities from the onset of the pandemic. Companies that continue to do their best for their employees, emphasizing well-being, work flexibility, and mental health will come out on top from a talent and reputation perspective. COVID-19 forced all insurers to adopt virtual work but those that were already equipped and had robust cybersecurity and data privacy practices in place were well-prepared.

COVID-19 has highlighted the importance of safeguarding employees' health and safety, as well as ensuring cybersecurity and data privacy are continued areas of focus. Concentrating on these types of changes now can help benefit companies





in a future where telework and digitalization will be even more prevalent. 2020 has seen a clarion call for social justice and insurers are working to bring diversity to the industry from the boardroom down through the enterprise.

**Governance:** One of COVID-19's long-term impacts will be regulatory compliance challenges. The pandemic has fundamentally changed the way that insurers interact with consumers, particularly with regard to sales of insurance products. Life insurance, for example, has always been sold in a face-to-face way. Complex products that may not always be suitable or in the best interest of the consumer require significant explanation to enable consumers to make the best choice for their needs. When the pandemic struck, insurers were forced to immediately pivot to a virtual sales

model. Regulators will rightly want to be assured that product suitability is the driving factor in sales and market-conduct exams of sales practices will be with us for a long time to come.

The insurance industry exists to help industries and individuals mitigate their risks and to rebuild and recover when disaster strikes. The ability of insurers to survive periods of tremendous losses, economic crisis, social upheaval and even a historic pandemic lies not just in their size and strength of their balance sheet. It is also the ability and willingness of a business to adapt and take into account the environmental, social and governance realities of the dynamic world in which it is doing business. That has never been more critical than in 2020 and insurers will increasingly look to ESG principles to navigate the future. **BR**



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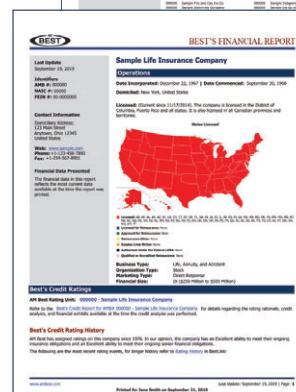
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Experts discuss how technology is complementing their businesses and the new risks facing agribusiness.



## Interviewed Inside:



**John Simone**  
Voya



**David Nelson**  
Nationwide E&S



**Nathan Bleich**  
Philadelphia Insurance Companies

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# Technology Revolution

John Simone, Managing Director, Head of Insurance Solutions for Voya, said that when it comes to asset management, technology is a complement, not a replacement for human expertise. "It's a way to allow our investment professionals and service professionals to better meet the changing needs of our clients," he said. The following are excerpts of an interview.



## How is technology changing asset management?

Technology's been part of asset management since the computer was invented. It's imperative in terms of being able to process information, so that you can make good prudent investment decisions. But where I see it having tremendous impact for Voya and our clients is on the service side. The key metric for Voya is 100% client satisfaction, and that's measured by clients being references around what you do. Technology and the ability to report and provide information in a timely way to clients is really the backbone of that, delivering that type of service to a client.

## Are artificial intelligence and machine learning also being employed in asset management these days?

Absolutely. From Voya's perspective, we're actively seeking AI and machine learning solutions to deliver better outcomes for our clients. With all the technology available to us today, we need to make sure that we're deploying it in the right way to serve the needs of our clients. An example is, we use robotic process automation. (RPA) We've deployed 15 robots within our asset management business, and they've saved us roughly 1,500 man hours. This allows us to use technology to redeploy our human capital to better service the needs of clients, so that they're not doing more mundane tasks that we can have a robot do.

## Is technology a complete replacement when it comes to asset management?

No, it's a complement, definitely not replacement. It's a tool to arm our investors and service people with the ability to do more in an environment where, quite frankly, there's margin compression in terms of the products they're offering their end consumers. We deploy technology to deliver better service, but do it in the most cost effective way instead of just literally throwing bodies at a problem. You don't have that ability to do that anymore in any industry, quite frankly. That's really, really important in terms of the way that we're looking at how we grow our business and maintain margins so that we can reinvest in our businesses and deliver the best in class solutions to our clients.

## John Simone

Managing Director, Head of Insurance Solutions  
Voya



"It's important for the investors, the distribution personnel, the business leaders, and the operations professionals to work together to make sure that we're getting the right technology to meet the needs of our clients, not just deploying technology for technology's sake."

Go to the Issues & Answers section at [bestreview.com](http://bestreview.com) to watch an interview with John Simone.

## How is Voya capitalizing on the insurtech revolution?

We use it in many different ways, but one example I think is a bit analogous—our data warehouse and the governance that we have over it, whereby we're able to take data from many different things that we do. Whether it's private credit or public credit, as an example, and be able to create customized reports to meet the needs of our clients, their specific needs, because everybody wants something customized for them, and for their boards, and for their analysts, etc. An example is prior to the credit crisis, our commercial mortgage lending group collected maybe two dozen data points. Going through the financial crisis and meeting the needs of various stakeholders rating agencies, etc., today we collect over 200 data points. We're able to house a lot of that data in a data warehouse, on the cloud, in order to deliver customized reports to clients. It's just one example of many. It's really important to keep up with that revolution, but again, I always come back to clients.



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# Meeting Partners' Needs

David Nelson, senior vice president, Contract Underwriting, Nationwide E&S, said that technology investment has been a high priority for many excess and surplus carriers for the last several years. "As the environment begins to change and evolve as a result of the pandemic, now more than ever there's a need for data and information to find out what additional hazards are present and discover new avenues for revenue production," he said. The following are excerpts of an interview.



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## How are data and new data sources impacting E&S?

New uses for data and data sources are making our industry more sophisticated in our pricing and risk selection methods. Additionally, they're creating opportunities for us in speed, ease and efficiency. The ability to incorporate new data sources with our large, proprietary dataset enables us to enhance our pricing and risk selection through predictive analytics. Another thing it's allowing us to do is to take much more of a precise approach to how we write business, rather than making broad changes or exiting entire classes of business.

## How is Nationwide investing in technology and using data and analytics to meet your partners' needs?

We're investing heavily in best-in-class underwriting platforms to provide ease of use for our agents, meeting them where they are on their technology journey. We are integrating third party data into these platforms that will enable a more holistic ability to dynamically select and price risks. We are also building our predictive modeling capabilities, including the ability for a greater number of our associates to access and analyze data. Furthering our risk and pricing disciplines allows us to manage our business and sustain financial growth, as well as prioritize capital deployment.

## Are relationships more important now than ever?

The relationships we have with our partners have always played an integral part in our success, and that's really what built our company and continues to be critical to our mutual success. With the unprecedented events and the acceleration of technology, getting connected is more important than ever. The voice of our customer has really been instrumental in driving our priorities. In addition to learning from each other, we continue to work together to leverage data and analytics, ensure that our technology solutions are improving our integrations with each other, and providing solutions that meet consumer needs.

## David Nelson

Senior Vice President, Contract Underwriting  
Nationwide E&S



"We seek to be a vital resource not only to support profitable growth for our wholesale partners, but also to leverage our unique scale, expertise and longevity in the marketplace."

## What is Nationwide doing to bring more value to these relationships?

It all starts by listening to their needs and understanding what creates value for them. We strive to be a vital resource for our wholesale partners by leveraging our unique scale, expertise and longevity in the marketplace to provide insights and knowledge; enabling them to develop strategies for profitable growth and promotion to an elite status within the wholesale distribution space. As we invest in technology, data and analytics, our partnership-centric philosophy is our No. 1 guiding principle.



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# A Growing Business

Nathan Bleich, vice president of agribusiness for Philadelphia Insurance Companies, discussed the unique risks facing the agribusiness industry today and how PHLY is stepping up to meet those needs. The following are excerpts of an interview.

## What types of operations are covered by agribusiness insurance?

At Philadelphia Insurance Companies, we focus on providing insurance solutions for two types of customers, farmowners and commercial agribusiness. Our Farmowners product provides coverage solutions for family farmers and ranchers. This product offering is ISO-based, and we have many endorsements available to provide robust coverage solutions for their property and liability needs. Our Commercial Agribusiness product provides coverage for ag-focused businesses that revolve around the inputs and outputs of those farmers and ranchers.

## What risk do these businesses face?

Both product segments face a multitude of potential risks and exposures. They can be weather-related property claims, such as wind and hail, tornadoes, hurricanes and wildfires. They also can be liability-related, such as legal suits brought against the insured, damage to property of others, or bodily injury due to auto accidents. These are just a few of the exposures that insureds can face.

## What's changed recently in the market that agents should be aware of?

There are various changes in the agribusiness insurance marketplace right now. We are seeing companies pulling back on their concentration of values and/or changing their risk appetite. We are seeing a few exiting the marketplace.

Finally, we are also seeing companies take rate increases, which can lead to customers asking their insurance agent to give them some additional quotes.

## Why should agents and customers choose PHLY for agribusiness insurance?

Philadelphia Insurance Companies is a financially strong company, as shown by the A++ Superior rating by AM Best and A+ rating by Standard & Poor's. This is important to customers. Customers need a company that will be there when they need them most, and that's during the time of a claim.



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## Nathan Bleich

Vice President of Agribusiness  
Philadelphia Insurance Companies



**"We have many endorsements available to provide robust coverage solutions for farmowners and commercial agribusinesses' property and liability needs."**

Another key benefit to our products is that we can address customers that have exposures in both product segments.

An example is a farmer that has commercial agribusiness-related exposures or an agribusiness customer that has farm and ranch exposure. We can tailor our coverage to cover their specific risks and exposures.



# Independent Streak

Independent agents take the spotlight following moves by Allstate, Nationwide and others.

by Lori Chordas

**I**n a 2019 fourth-quarter conference call to analysts, Allstate Chair, President and CEO Tom Wilson outlined the company's transformative growth plan that included an overhaul of how the fourth-largest personal auto insurer conducts business.

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Part of the revitalization plan, Wilson said at that time, recognizes customers' changing needs, largely driven by increased connectivity and advanced analytics.

But while customers are becoming more comfortable with digital approaches and self-service, he said they still prefer agents when purchasing a policy.

Allstate is heeding that call and growing its





## Key Points

**Accelerating a Need:** Some of the largest U.S. personal auto insurers are expanding their use of independent agents or fully immersing themselves in the distribution channel.

**A Roadway of Options:** While the sales channel is expected to grow, other modes of distribution in the market, including direct and exclusive agents, may be poised for growth.

**Making the Spend:** Many auto insurers have recently reallocated resources to refine their distribution strategies to improve customer experience.

company's personal lines business was written by independent agents.

For decades insurers have used agents and brokers as their primary channel of distribution. However, the rise of auto writers like Geico and Progressive, whose books of business include large direct-sales operations, has created a sizable alternative to the agent channel.

A quick glance at today's personal auto market, however, shows independent agents still play a key role in distribution, said Brian Sullivan, editor and publisher of the *Auto Insurance Report* and *Property Insurance Report*.

A large portion of the top 10 U.S. private passenger auto writers now rely solely or partially on independent agents to market and sell products. Over the years, some insurers in the line have bolstered their stake in the channel through consolidation. In 2008, Liberty Mutual grew its independent agency base to nearly 15,000 agencies with its \$6.2 billion acquisition of Safeco.

Last year Nationwide, the eighth-largest personal auto writer based on 2019 direct premiums written, according to BestLink, announced its decision to fully immerse itself in the channel in an attempt to meet members' changing needs and to provide agents with longer-range growth potential.

In July, Nationwide, which held roughly 7% of the overall independent agency market in 2019, completed its two-year journey to end its exclusive agent distribution channel and transition entirely to an independent agency force across all books of business, including personal auto.

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existing independent agency force by adding relationships with 42,300 domestic agents through its impending acquisition of National General Holdings Corp., which is expected to close in early 2021.

Like many of its personal auto insurance peers, Allstate uses independent agents as part of its distribution mix, which includes a large captive agency force. Last year, 6% of the



Like so many things in the property and casualty market, “distribution changes very gradually.”

**Brian Sullivan**

*Auto Insurance Report and Property Insurance Report*

Recent events such as the COVID-19 pandemic highlight opportunities in the line, said Jeff Rommel, senior vice president of property/casualty sales and distribution at Nationwide.

“Distribution has to match customer expectations, and COVID is accelerating that in many ways by highlighting consumers’ desire for fast, easy digital solutions and different options from multiple carriers, coupled with the advice and counsel of a trusted professional like independent agents,” he said.

### **Making the Move**

Recent insurance shopping numbers, however, tell a slightly different tale.

During the U.S. government-mandated COVID shutdown earlier this year, auto insurers that rely on exclusive agents saw higher shopping growth rates than independent agents and direct channels, ending the 2020 second quarter at 15% growth year-over-year for June, according to the latest LexisNexis Risk Solutions *Insurance Demand Meter*, which reports quarterly U.S. auto insurance shopping activity.

But those numbers aren’t deterring companies like Nationwide from committing to independent agency distribution and projecting continued sales growth from the channel.

This year, nearly 2,000 existing agents under the Nationwide brand completed their transition to the independent agency model, joining the more than 10,000 U.S. independent agents that already have relationships with the company.

Bob Rusbuldt, CEO of the Independent Insurance Agents & Brokers of America, has long predicted shifts favorable to the independent

agent channel.

“For the last 25 years, I’ve been saying that one day there would be just two distribution channels in the U.S.—the direct channel and the independent agency system. Now there is example after example proving that out, including Nationwide’s move to become fully independent and Allstate’s purchase of National General,” he said.

AM Best senior analyst Michael Venezia pins many of those moves on evolving consumer behavior.

“In today’s mobile-centric, internet-driven world customers want choice, and being offered a quote from just one insurer doesn’t provide them many options,” he said.

“Maybe it’s not the cheapest price, but consumers now are more interested in having available options. And that’s where independent agents can really shine as service advisers,” Venezia said.

Allstate’s Wilson hopes the company’s expanding independent agency force and its planned \$4 billion investment to acquire National General will not only scale up Allstate’s auto business but also make it a top 5 carrier in the independent agency distribution channel.

### **Full Speed Ahead**

As auto insurers’ push into the independent sales channel deepens, Sullivan points to growth potential in other distribution channels.

Last year, Progressive Insurance Group, which held onto its No. 3 slot in the Top 10 U.S. private passenger auto writers ranking by 2019 direct premiums, saw premiums rise 14.7% to \$31 billion, while competitor Berkshire Hathaway,



In order for independent agents to grow their share of the market, they'll need to "provide digital solutions or robust websites or be active in social media to go toe-to-toe with their direct writer counterparts."



**Jeff Rommel**  
Nationwide

Geico's parent company, reported a 5.5% climb to \$35 billion in premiums, according to BestLink.

"If you strip out both companies, almost no other direct response enterprise has over the years exploded in a significant way," Sullivan notes. He pins the success of Geico and Progressive on "being two extraordinary businesses rather than on a shift toward a different distribution model."

As consumer demand for quick service and near-real-time quotes continues to reinforce the need for online and mobile tools offered by direct writers, Sullivan said that will drive future growth in the channel.

But the amount of new sales coming from the channel will largely depend on "direct response writers becoming better equipped at providing information to customers and speeding up the insurance-buying process," he said.

And, added AM Best's Venezia, future growth flowing into the line from the channel will one day reach a plateau due to the limited availability of premium in the market.

The exclusive agency sales channel remains another "relevant" distribution model in the personal auto insurance market, Sullivan said. But he hasn't seen any insurers move into the channel in recent years.

For decades, carriers like Farmers and American Family Insurance, have made exclusive agents a big part of their distribution mix. Market leader State Farm's nearly 100-year history of selling almost entirely through exclusive agents is a testament to the channel's success, Sullivan said.

State Farm agency vice president Ken Heidrich said its captive agency force is a key

differentiator for the company. "We believe in the power of relationships and that many people want an agent who can help them prepare for and recover from the unexpected," he said.

Last year, market behemoth State Farm captured more than 16% overall market share in the personal auto line despite a 2.6% drop in direct premiums to nearly \$41 billion, according to BestLink.

But in order to maintain its top position in the market and regain some of its lost market share and premiums, Sullivan said the company may one day have to break from the norm and transition into additional distribution modes.

Many of its competitors, such as Farmers, Allstate and Liberty Mutual, are continuing to find success in selling through multiple channels, including online, and exclusive and independent agency forces.

Sullivan said the availability of options, digital approaches and partners offered by multichannel distribution is a recipe for success for many auto insurers.

"But today you can still be a very successful small-to-midsized carrier with a single distribution channel. Look at Amica, for example. It doesn't need a big agency force. Hanover can stay with agents," Sullivan said. Even large companies like Geico can likely survive with just one channel, he added.

### **Around the Bend**

Earlier this year, the U.S. personal auto insurance market suffered an "out of the ordinary" drop in auto insurance sales shopping and new business growth influenced by



government-mandated COVID-19 shutdowns and the impact from civil unrest and other widespread national events, according to the LexisNexis Risk Solutions *Insurance Demand Meter* report.

By midyear the trend slowly began to reverse, and in May and June shopping growth and new business volumes rebounded to slightly above 2019 levels, reaching 8% growth by the end of this year's second quarter, LexisNexis Risk Solutions reported.

Despite the rise of unexpected events and financial downturns, premiums in the line have over the years continued on an upward trajectory.

Last year, the U.S. private passenger auto segment had nearly \$254 billion in combined direct written premiums, a 2.9% rise from the prior year, according to BestLink.

This year insurers in the line are finding themselves in the midst of some “formidable challenges,” including market competitiveness, adverse loss severity trends and a downturn in sales caused by COVID-19, according to AM Best's Market Segment Report, *Personal Auto Stuck in Neutral as Fewer Claims Offset Premium Losses*, released in July.

However, AM Best's Venezia, who contributed to the report, believes auto insurers armed with the “right distribution channels” and investments to build upon those channels are well-positioned to overcome those hurdles and continue growing their business in the line.

Insurers lacking in scale, technological capability, distribution platform advantages or specialized expertise, on the other hand, could find themselves struggling to compete and having to defend their market position or fend

## Technology at Every Turn

While discussing his company's impending purchase of National General Holdings Corp., Allstate Chair, President and CEO Tom Wilson told investors and other stakeholders that he hopes the acquisition will place Allstate “squarely in front” of independent agents with a broad product portfolio and good technology.

Technology has been a pain point for some U.S. personal auto insurers in the race for market share. And as direct writers continue to develop and bolster their use of powerful digital and online platforms, agents are often left scrambling to meet those needs.

Insurers that use independent agency distribution are now trying to change that by investing in technology and spending big dollars to arm agents with digital and analytics tools needed to build their businesses and compete with their direct writer counterparts.

“It used to be that agents were really good at telling people how they're going to conduct business but that's not winning anymore. All of a sudden distribution became who can more quickly produce a quote and put it into the hands of a customer. Now customers prefer to go online, answer six questions and get a quote. Process has taken precedent over

product and generations like millennials prefer speed over accuracy,” Robb Lanham, chief sales officer for Hub International, said.

Nationwide, in its transition this year into a fully independent agency force, has recognized those changes and is providing tools to agents to meet those needs. Among some of those tools are the new Nationwide Express mobile app, which pulls data from a member's driver's license to help agents quote an auto policy in less than one minute, and a suite of telematics solutions including SmartRide and SmartMiles that allow members to earn discounts based on their driving experience, said Jeff Rommel, Nationwide's senior vice president of property and casualty sales and distribution.

“Today fewer customers are walking through the front door of an agency, so agents have to become more digital and go to consumers in the venue and form they're now in,” said Rommel of Nationwide, which has used independent agents since 1922. He credits the global coronavirus pandemic for accelerating that shift. “It's a trend that was coming about anyway, but the pandemic has really prompted carriers to move more into digital and align agents with solutions that can help meet the needs of today's consumers.”



## Top 10 U.S. Private Passenger Auto Writers' Primary Distribution Channels

Insurer	Independent	Captive	Direct/Online	Other
State Farm		X		
Berkshire Hathaway			X (Geico)	
Progressive	X		X	
Allstate	X	X	X	Licensed sales professionals, exclusive financial specialists
USAA			X	
Liberty Mutual	X (Safeco)	X	X	Exclusive partnerships, licensed sales reps (direct/third-party call centers)
Farmers	X (through affiliate brands)	X	X	
Nationwide	X			
American Family		X	X	
Travelers	X			

Source: Best's Review research

off unprofitable results, the report noted.

In recent years many auto insurers, including several of the line's top writers, have reallocated resources to refine their distribution strategies to improve the customer experience for purchasing policies and processing claims, according to the report.

Sullivan expects investments like that to continue, along with some future additional shifts in distribution. But like many areas of the property/casualty market, he said, "distribution changes very gradually" and some of those changes could take some time.

"Overall, there's much stability in what's going on in the market right now," Sullivan said. "Companies like Geico and USAA, for instance, aren't jumping into agents. We aren't seeing State Farm leaping into direct."

But some industry experts speculate that could one day change.

One certainty in the market, Hub International chief sales officer Robb Lanham said, is "the value independent agents bring with their knowledge, insights and understanding to help navigate the purchase of policies. For agents, the transition to take on an adviser role than just providers" will continue to grab the attention of auto insurers and further solidify and grow agents' place in the sector.

"I can Google how to hang a light, but at the end of the day I want a trusted electrician, a trusted adviser, who can guide me through that

process and the pitfalls of doing it wrong or about the product," he said. "Process is important, but so are knowledge and experience."

In order for independent agents to continue growing their share of the distribution stake, Nationwide's Rommel suggests they "provide digital solutions or robust websites or be active in social media to go toe-to-toe with their direct writer counterparts.

"One of the advantages of independent agency distribution is that agents can match direct carriers with those tools and bring advice and a whole suite of solutions to the table," he said.

As events such as COVID-19 and the imminent introduction of autonomous vehicles continue to unfold, will they bring new changes to the personal auto insurance market's distribution landscape? Perhaps, Sullivan said.

"But different customers want to buy things different ways at different points in their lives," he said.

"Given the complexity of insurance, which is not going away, different distribution channels will likely exist forever," Sullivan said. **BR**

### Learn More

**The Allstate Corp.** (AM Best #058312)

**State Farm Mutual Automobile Ins. Co.** (AM Best #002479)

For ratings and other financial strength information visit [www.ambest.com](http://www.ambest.com)

## Top 25 U.S. Commercial Auto Writers

Ranked by 2019 direct premiums written.  
(\$ Thousands)

2019 Rank	2018 Rank	Company / Group	AMB#	2019 direct premiums written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2019	2018	2017	2019	2018	2017	
1	1	Progressive Ins Group	000780	\$5,578,099	26.6	12.3	10.8	8.8	62.3	59.5	63.8	14.2
2	2	Travelers Group	018674	2,798,420	9.1	6.2	6.3	6.3	70.9	73.9	65.4	10.0
3	3	Liberty Mutual Ins Cos	000060	1,888,126	5.0	4.2	4.4	4.8	89.1	79.4	93.0	5.3
4	4	Nationwide Group	005987	1,673,431	2.4	3.7	4.0	4.6	74.1	72.8	78.3	9.1
5	6	Old Republic Ins Group	000734	1,613,672	12.1	3.6	3.5	3.5	73.9	66.8	69.7	35.6
6	5	Berkshire Hathaway Ins	000811	1,568,586	3.6	3.5	3.7	3.3	69.0	61.4	57.7	3.4
7	7	Zurich Ins US PC Group	018549	1,426,525	3.9	3.1	3.4	4.7	69.3	79.7	79.6	11.1
8	8	Auto-Owners Ins Group	004354	1,129,050	11.6	2.5	2.5	2.4	64.4	65.9	64.4	12.6
9	10	Chubb INA Group	018498	967,252	30.5	2.1	1.8	2.3	58.2	80.0	61.4	4.1
10	18	Allstate Ins Group	000008	917,778	53.3	2.0	1.5	1.0	69.0	77.3	61.9	2.6
11	14	State Farm Group	000088	859,963	27.9	1.9	1.7	1.6	76.7	75.7	75.7	1.3
12	13	Hartford Ins Group	000048	775,900	13.9	1.7	1.7	1.7	69.0	57.3	71.0	6.1
13	9	Tokio Marine US PC Group	018733	771,450	1.1	1.7	1.9	2.0	67.0	67.0	62.6	8.8
14	15	Great Amer P & C Ins Group	004835	749,686	11.8	1.7	1.7	1.7	60.8	62.9	63.3	11.7
15	12	Cincinnati Ins Cos	004294	736,698	7.7	1.6	1.7	1.8	59.2	64.4	69.2	13.9
16	17	W. R. Berkley Ins Group	018252	715,052	15.9	1.6	1.5	1.5	59.5	60.6	60.8	11.3
17	16	Amer Intl Group	018540	679,094	5.3	1.5	1.6	1.9	105.1	94.5	100.7	4.8
18	20	Fairfax Financial (USA) Group	003116	651,061	16.5	1.4	1.4	1.2	65.0	67.7	62.8	9.3
19	19	Erie Ins Group	004283	635,743	11.7	1.4	1.4	1.4	76.9	71.2	62.3	8.5
20	22	Farmers Ins Group	000032	629,699	21.8	1.4	1.3	1.0	65.6	66.4	68.1	3.1
21	21	Selective Ins Group	003926	609,752	12.8	1.3	1.3	1.4	66.3	74.7	70.0	19.8
22	23	Sentry Ins Group	000086	557,248	13.9	1.2	1.2	1.2	66.8	79.4	74.0	21.6
23	28	CNA Ins Cos	018313	512,642	22.5	1.1	1.0	1.0	58.8	66.4	51.2	4.6
24	25	EMC Ins Cos	000346	504,732	12.3	1.1	1.1	1.2	58.2	68.2	73.9	27.9
25	27	Acuity, A Mutual Ins Co	000468	503,343	20.3	1.1	1.0	1.0	59.9	59.7	65.6	30.4
<b>Top 25 Writers</b>				<b>\$29,453,002</b>	<b>12.7</b>	<b>64.9</b>	<b>64.2</b>	<b>64.6</b>	<b>69.1</b>	<b>70.2</b>	<b>70.9</b>	<b>6.9</b>
<b>Total U.S. P/C Industry</b>				<b>\$45,400,720</b>	<b>11.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>69.6</b>	<b>69.1</b>	<b>70.2</b>	<b>6.4</b>

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

Source:  — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

## Top 25 U.S. Auto Liability Writers

Ranked by 2019 direct premiums written.  
(\$ Thousands)

2019 Rank	2018 Rank	Company / Group	AMB#	2019 direct premiums written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2019	2018	2017	2019	2018	2017	
1	1	State Farm Group	000088	\$24,862,636	-2.9	13.4	14.3	15.4	57.4	62.4	68.5	37.9
2	3	Progressive Ins Group	000780	24,423,916	16.6	13.1	11.7	10.3	61.5	60.6	62.3	62.3
3	2	Berkshire Hathaway Ins	000811	22,458,293	4.4	12.1	12.0	11.4	77.0	73.2	78.6	48.7
4	4	Allstate Ins Group	000008	14,361,143	4.8	7.7	7.7	7.8	61.7	59.8	62.2	41.0
5	6	USAA Group	004080	8,541,318	3.9	4.6	4.6	4.5	87.9	85.1	86.0	36.4
6	5	Liberty Mutual Ins Cos	000060	8,295,991	0.4	4.5	4.6	4.9	72.8	70.9	76.1	23.3
7	7	Farmers Ins Group	000032	7,012,207	2.8	3.8	3.8	4.0	62.4	63.5	65.1	34.0
8	9	Travelers Group	018674	5,169,295	5.4	2.8	2.7	2.7	65.6	66.1	67.1	18.5
9	8	Nationwide Group	005987	4,888,155	-5.5	2.6	2.9	3.4	62.3	62.4	71.9	26.5
10	10	Amer Family Ins Group	000124	3,678,138	-0.1	2.0	2.1	2.0	67.3	70.6	72.0	31.9
11	11	Auto-Owners Ins Group	004354	2,703,460	9.9	1.5	1.4	1.3	67.0	65.9	77.9	30.2
12	12	Kemper PC Companies	018908	2,454,467	10.2	1.3	1.2	1.1	61.8	64.6	67.1	61.2
13	14	Erie Ins Group	004283	2,232,509	4.6	1.2	1.2	1.2	75.0	73.7	68.3	29.8
14	13	Natl Gen Companies	018863	2,192,331	0.0	1.2	1.2	1.2	73.2	65.4	75.4	43.8
15	16	Auto Club Enterprises Ins Group	018515	2,043,320	6.6	1.1	1.1	1.0	74.6	74.5	74.2	45.2
16	15	Hartford Ins Group	000048	1,953,408	1.4	1.1	1.1	1.2	66.4	65.5	72.4	15.4
17	17	Mercury Gen Group	004524	1,822,865	6.2	1.0	1.0	1.0	62.7	68.6	62.2	48.8
18	18	CSAA Ins Group	018460	1,659,589	-0.7	0.9	0.9	0.9	63.2	66.3	70.5	40.5
19	19	MetLife Auto & Home Group	003933	1,455,660	0.5	0.8	0.8	0.8	69.2	62.2	63.9	37.8
20	20	Auto Club Group	000312	1,285,612	3.3	0.7	0.7	0.7	62.0	99.2	122.6	45.0
21	21	Sentry Ins Group	000086	1,277,681	8.3	0.7	0.7	0.6	64.2	67.2	64.8	49.4
22	25	Chubb INA Group	018498	1,237,234	25.6	0.7	0.6	0.6	60.3	76.3	60.9	5.3
23	24	Old Republic Ins Group	000734	1,157,440	15.1	0.6	0.6	0.5	78.5	70.0	72.2	25.5
24	23	Zurich Ins US PC Group	018549	1,066,154	1.7	0.6	0.6	0.8	68.4	79.9	65.7	8.3
25	26	Hanover Ins Group Prop & Cas Cos	004861	991,650	4.4	0.5	0.5	0.5	73.8	73.7	66.9	19.5
<b>Top 25 Writers</b>				<b>\$149,224,472</b>	<b>4.3</b>	<b>80.1</b>	<b>79.9</b>	<b>79.9</b>	<b>66.7</b>	<b>67.0</b>	<b>70.6</b>	<b>34.7</b>
<b>Total U.S. P/C Industry</b>				<b>\$186,211,146</b>	<b>4.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>67.5</b>	<b>67.5</b>	<b>70.8</b>	<b>26.1</b>

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

Source:  — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020





## Top 25 U.S. Auto Physical Damage Writers

Ranked by 2019 direct premiums written.  
(\$ Thousands)

2019 Rank	2018 Rank	Company / Group	AMB#	2019 direct premiums written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2019	2018	2017	2019	2018	2017	
1	1	State Farm Group	000088	\$16,876,109	-0.9	14.9	15.7	16.5	68.8	63.4	69.5	25.7
2	2	Berkshire Hathaway Ins	000811	14,002,296	7.0	12.4	12.1	11.7	66.1	65.5	73.0	30.4
3	3	Progressive Ins Group	000780	12,179,955	15.8	10.8	9.7	8.7	63.2	62.6	65.5	31.1
4	4	Allstate Ins Group	000008	10,183,378	6.5	9.0	8.8	8.8	53.9	52.8	55.7	29.1
5	5	USAA Group	004080	6,689,881	7.1	5.9	5.8	5.7	74.5	76.2	79.5	28.5
6	6	Liberty Mutual Ins Cos	000060	5,293,945	-0.3	4.7	4.9	5.2	56.0	53.7	62.0	14.9
7	7	Farmers Ins Group	000032	4,150,834	-0.9	3.7	3.9	4.0	60.9	57.7	66.4	20.1
8	8	Nationwide Group	005987	3,030,864	-4.9	2.7	2.9	3.4	59.0	58.8	62.8	16.4
9	9	Travelers Group	018674	2,532,159	7.3	2.2	2.2	2.2	60.5	61.6	64.2	9.0
10	10	Amer Family Ins Group	000124	2,352,869	-0.1	2.1	2.2	2.2	63.5	68.5	68.6	20.4
11	11	Erie Ins Group	004283	1,787,512	8.1	1.6	1.5	1.5	72.2	71.1	68.8	23.9
12	12	Auto-Owners Ins Group	004354	1,741,315	10.3	1.5	1.5	1.3	65.4	66.0	66.3	19.4
13	13	Auto Club Enterprises Ins Group	018515	1,577,857	6.8	1.4	1.4	1.3	60.7	62.4	71.3	34.9
14	14	CSAA Ins Group	018460	1,331,669	-0.1	1.2	1.2	1.2	57.8	59.6	60.9	32.5
15	15	Natl Gen Companies	018863	1,314,003	2.0	1.2	1.2	1.2	53.6	54.8	56.9	26.2
16	16	Kemper PC Companies	018908	1,196,151	9.3	1.1	1.0	1.0	60.1	57.5	64.9	29.8
17	17	Mercury Gen Group	004524	1,184,390	2.2	1.1	1.1	1.0	59.9	60.6	65.4	31.7
18	18	MetLife Auto & Home Group	003933	1,093,012	2.0	1.0	1.0	1.0	55.5	53.3	58.5	28.4
19	19	Hartford Ins Group	000048	850,789	-1.8	0.8	0.8	0.9	56.1	59.7	62.3	6.7
20	21	Auto Club Group	000312	783,945	0.0	0.7	0.7	0.7	65.2	62.8	62.2	27.5
21	20	MAPFRE North America Group	018801	737,917	-7.4	0.7	0.7	0.8	56.5	61.0	61.6	29.4
22	22	Hanover Ins Group Prop & Cas Cos	004861	642,820	4.0	0.6	0.6	0.6	58.6	58.4	56.2	12.6
23	25	COUNTRY Financial PC Group	000302	539,847	6.1	0.5	0.5	0.5	64.6	63.7	62.5	20.5
24	24	Chubb INA Group	018498	537,743	-0.9	0.5	0.5	0.5	55.9	56.7	68.3	2.3
25	23	Amica Mutual Group	018522	505,830	-8.0	0.5	0.5	0.5	61.9	66.2	76.7	21.7
Total U.S. P/C Industry				\$113,048,674	4.4	100.0	100.0	100.0	62.6	61.7	66.5	15.9

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

Source: — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

## Top 25 U.S. Private Passenger Auto Writers

Ranked by 2019 direct premiums written.  
(\$ Thousands)

2019 Rank	2018 Rank	Company / Group	AMB#	2019 direct premiums written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2019	2018	2017	2019	2018	2017	
1	1	State Farm Group	000088	\$40,878,781	-2.6	16.1	17.0	18.1	61.8	62.6	68.8	62.3
2	2	Berkshire Hathaway Ins	000811	34,892,004	5.5	13.7	13.4	12.8	73.0	70.7	77.1	75.7
3	3	Progressive Ins Group	000780	31,025,772	14.7	12.2	11.0	9.8	62.1	61.5	63.3	79.1
4	4	Allstate Ins Group	000008	23,626,743	4.3	9.3	9.2	9.3	58.1	56.4	59.5	67.5
5	5	USAA Group	004080	15,231,169	5.3	6.0	5.9	5.7	82.0	81.3	83.2	64.9
6	6	Liberty Mutual Ins Cos	000060	11,701,811	-0.6	4.6	4.8	5.0	62.6	61.8	67.2	32.9
7	7	Farmers Ins Group	000032	10,533,343	0.4	4.2	4.3	4.5	61.6	61.1	65.5	51.0
8	8	Nationwide Group	005987	6,245,588	-7.2	2.5	2.7	3.2	57.7	58.2	66.2	33.9
9	9	Amer Family Ins Group	000124	5,776,711	-0.4	2.3	2.4	2.3	64.9	69.6	70.7	50.2
10	10	Travelers Group	018674	4,903,033	4.4	1.9	1.9	1.9	60.0	59.7	66.6	17.5
11	11	Auto Club Enterprises Ins Group	018515	3,621,178	6.7	1.4	1.4	1.3	68.6	69.2	72.9	80.2
12	12	Erie Ins Group	004283	3,384,278	5.1	1.3	1.3	1.3	73.2	72.8	69.5	45.2
13	14	Kemper PC Companies	018908	3,379,883	9.6	1.3	1.3	1.1	61.6	62.1	65.8	84.3
14	15	Auto-Owners Ins Group	004354	3,315,724	9.6	1.3	1.2	1.1	67.1	66.0	76.4	37.0
15	13	Natl Gen Companies	018863	3,151,375	1.3	1.2	1.3	1.2	64.3	61.2	69.7	62.9
16	16	CSAA Ins Group	018460	2,991,258	-0.4	1.2	1.2	1.2	60.8	63.3	66.2	72.9
17	17	Mercury Gen Group	004524	2,790,376	4.2	1.1	1.1	1.1	61.1	64.8	62.5	74.7
18	18	MetLife Auto & Home Group	003933	2,467,219	-0.4	1.0	1.0	1.0	62.5	57.8	61.5	64.0
19	20	Auto Club Group	000312	2,051,891	1.9	0.8	0.8	0.8	62.7	85.2	99.3	71.9
20	19	Hartford Ins Group	000048	2,028,297	-3.9	0.8	0.9	1.0	61.2	65.5	68.7	16.0
21	21	MAPFRE North America Group	018801	1,514,528	-8.7	0.6	0.7	0.7	65.0	67.0	69.8	60.4
22	22	Hanover Ins Group Prop & Cas Cos	004861	1,277,114	6.1	0.5	0.5	0.5	68.7	67.7	64.6	25.1
23	22	Amica Mutual Group	018522	1,255,493	-8.0	0.5	0.6	0.6	66.6	69.9	75.4	53.8
24	24	COUNTRY Financial PC Group	000302	1,213,236	4.6	0.5	0.5	0.5	70.5	68.1	66.7	46.1
25	27	Sentry Ins Group	000086	1,119,010	6.1	0.4	0.4	0.4	58.7	58.9	60.1	43.3
Total U.S. P/C Industry				\$220,375,815	3.3	86.8	86.5	86.4	65.0	64.8	69.2	55.6
Total U.S. P/C Industry				\$253,859,101	2.9	100.0	100.0	100.0	65.0	64.7	69.0	35.6

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

Source: — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

## Top 25 U.S. Total Auto Writers

Ranked by 2019 direct premiums written.  
(\$ Thousands)

2019 Rank	2018 Rank	Company / Group	AMB#	2019 direct premiums written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
						2019	2018	2017	2019	2018	2017	
1	1	State Farm Group	000088	\$41,738,744	-2.1	14.0	14.8	15.9	62.0	62.8	68.9	63.6
2	3	Progressive Ins Group	000780	36,603,871	16.3	12.2	11.0	9.7	62.1	61.3	63.4	93.3
3	2	Berkshire Hathaway Ins	000811	36,460,590	5.4	12.2	12.0	11.5	72.8	70.3	76.4	79.1
4	4	Allstate Ins Group	000008	24,544,521	5.5	8.2	8.1	8.2	58.5	56.9	59.6	70.1
5	5	USAA Group	004080	15,231,199	5.3	5.1	5.0	4.9	82.0	81.3	83.2	64.9
6	6	Liberty Mutual Ins Cos	000060	13,589,936	0.1	4.5	4.7	5.0	66.2	64.1	70.5	38.2
7	7	Farmers Ins Group	000032	11,163,042	1.4	3.7	3.8	4.0	61.8	61.3	65.6	54.1
8	8	Nationwide Group	005987	7,919,019	-5.3	2.7	2.9	3.4	61.1	61.1	68.4	42.9
9	9	Travelers Group	018674	7,701,453	6.0	2.6	2.5	2.5	63.9	64.6	66.2	27.5
10	10	Amer Family Ins Group	000124	6,031,006	-0.1	2.0	2.1	2.1	65.8	69.8	70.7	52.4
11	11	Auto-Owners Ins Group	004354	4,444,775	10.1	1.5	1.4	1.3	66.4	65.9	73.3	49.6
12	12	Erie Ins Group	004283	4,020,021	6.1	1.3	1.3	1.3	73.8	72.6	68.5	53.7
13	15	Kemper PC Companies	018908	3,650,618	9.9	1.2	1.2	1.1	61.2	62.3	66.4	91.1
14	14	Auto Club Enterprises Ins Group	018515	3,621,178	6.7	1.2	1.2	1.1	68.6	69.2	72.9	80.2
15	13	Natl Gen Companies	018863	3,506,334	0.7	1.2	1.2	1.2	65.9	61.5	68.6	70.0
16	17	Mercury Gen Group	004524	3,007,254	4.6	1.0	1.0	1.0	61.6	65.4	63.5	80.6
17	16	CSAA Ins Group	018460	2,991,258	-0.4	1.0	1.1	1.1	60.8	63.3	66.2	72.9
18	18	Hartford Ins Group	000048	2,804,197	0.4	0.9	1.0	1.1	63.3	63.7	69.2	22.1
19	19	MetLife Auto & Home Group	003933	2,548,672	1.2	0.9	0.9	0.9	63.3	58.4	61.6	66.2
20	20	Auto Club Group	000312	2,069,557	2.0	0.7	0.7	0.7	63.2	85.1	99.1	72.5
21	24	Chubb INA Group	018498	1,774,977	16.2	0.6	0.5	0.6	58.9	69.4	63.2	7.5
22	21	MAPFRE North America Group	018801	1,704,449	-8.8	0.6	0.7	0.7	64.8	66.6	69.7	68.0
23	23	Sentry Ins Group	000086	1,676,258	8.6	0.6	0.5	0.5	61.3	65.3	64.5	64.8
24	22	Hanover Ins Group Prop & Cas Cos	004861	1,634,469	4.2	0.6	0.6	0.5	67.8	67.7	62.7	32.1
25	25	Old Republic Ins Group	000734	1,613,672	12.1	0.5	0.5	0.5	73.9	66.8	69.7	35.6
<b>Top 25 Writers</b>				<b>\$242,051,070</b>	<b>4.4</b>	<b>80.9</b>	<b>80.7</b>	<b>80.7</b>	<b>65.4</b>	<b>65.0</b>	<b>69.2</b>	<b>57.8</b>
<b>Total U.S. P/C Industry</b>				<b>\$299,259,821</b>	<b>4.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>65.7</b>	<b>65.3</b>	<b>69.2</b>	<b>42.0</b>

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

Source:  — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

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**U.S. Total All Auto Lines – Top Writers by State, Canada and U.S. Territories – 2019**

Ranked by 2019 direct premiums written.

(\$ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR <sup>1</sup>	DDCCE <sup>2</sup>	Market Share Agency Writer <sup>3</sup>	Market Share Direct Writer <sup>4</sup>	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	582	\$4,316,949	1.4	4.5	64.0	2.7	33.7	66.4	State Farm Group	19.9	Alfa Ins Group	11.9
AK	49	49	360	585,804	0.2	5.2	61.2	2.4	21.7	78.3	State Farm Group	25.7	Berkshire Hathaway Ins	17.1
AZ	15	15	637	6,273,480	2.1	6.0	65.4	1.9	36.3	63.7	Berkshire Hathaway Ins	14.7	State Farm Group	13.5
AR	32	31	551	2,539,568	0.8	2.6	61.1	1.7	33.4	66.6	State Farm Group	19.7	Southern Farm Bureau Casualty Group	11.5
CA	1	1	600	36,451,881	12.2	6.3	66.5	3.5	37.3	62.7	State Farm Group	11.2	Berkshire Hathaway Ins	9.5
CO	16	17	581	6,090,768	2.0	6.5	69.4	2.3	32.7	67.3	State Farm Group	15.3	Progressive Ins Group	12.1
CT	27	27	502	3,634,288	1.2	3.0	64.9	3.3	46.4	53.6	Berkshire Hathaway Ins	16.4	Progressive Ins Group	11.0
DE	41	41	479	1,088,360	0.4	3.7	70.8	3.5	39.6	60.4	State Farm Group	19.7	Berkshire Hathaway Ins	16.7
DC	52	52	406	450,968	0.2	6.4	63.4	1.9	29.5	70.5	Berkshire Hathaway Ins	31.8	State Farm Group	15.3
FL	3	3	617	24,230,908	8.1	2.2	72.3	4.9	43.7	56.4	Berkshire Hathaway Ins	22.8	Progressive Ins Group	20.6
GA	5	5	695	11,553,403	3.9	6.9	68.7	3.1	37.9	62.1	State Farm Group	18.7	Progressive Ins Group	13.6
HI	45	45	294	931,548	0.3	2.9	60.7	1.9	30.9	69.1	Berkshire Hathaway Ins	24.1	State Farm Group	16.0
ID	39	39	507	1,326,688	0.4	6.6	59.2	1.8	34.9	65.1	State Farm Group	11.6	Progressive Ins Group	10.8
IL	9	9	689	9,769,224	3.3	3.9	64.1	3.1	38.7	61.3	State Farm Group	23.9	Allstate Ins Group	10.6
IN	22	22	674	4,862,113	1.6	3.3	61.8	2.6	47.1	52.9	State Farm Group	17.3	Progressive Ins Group	12.3
IA	35	35	580	2,341,156	0.8	3.5	62.4	2.0	59.2	40.8	Progressive Ins Group	17.1	State Farm Group	15.8
KS	34	34	553	2,394,271	0.8	3.8	62.0	1.6	39.2	60.8	State Farm Group	15.3	Progressive Ins Group	12.4
KY	26	26	591	3,748,080	1.3	2.5	63.3	2.4	35.9	64.1	State Farm Group	18.9	KY Farm Bureau Group	16.3
LA	18	18	515	5,714,969	1.9	2.6	65.8	4.6	35.8	64.2	State Farm Group	25.7	Progressive Ins Group	16.0
ME	44	44	420	952,050	0.3	3.2	60.6	1.5	52.7	47.3	Progressive Ins Group	14.7	State Farm Group	10.8
MD	17	16	576	6,080,974	2.0	4.0	66.0	1.9	37.3	62.7	Berkshire Hathaway Ins	22.6	State Farm Group	15.6
MA	14	13	406	6,605,423	2.2	4.1	62.0	1.7	69.7	30.3	MAPFRE North America Group	20.6	Berkshire Hathaway Ins	11.9
MI	6	7	539	11,045,479	3.7	4.5	60.3	5.4	49.3	50.7	Progressive Ins Group	16.6	State Farm Group	14.8
MN	23	23	550	4,601,457	1.5	4.3	64.7	2.2	45.8	54.2	State Farm Group	19.4	Progressive Ins Group	17.1
MS	33	33	542	2,439,857	0.8	2.4	64.4	2.8	37.7	62.3	State Farm Group	19.5	Progressive Ins Group	12.6
MO	21	21	627	5,043,177	1.7	4.6	64.8	2.0	33.5	66.5	State Farm Group	17.8	Progressive Ins Group	11.8
MT	43	43	478	994,219	0.3	3.8	72.1	1.9	41.1	58.9	State Farm Group	17.1	Progressive Ins Group	14.0
NE	37	37	537	1,670,031	0.6	3.7	68.2	1.5	48.9	51.1	State Farm Group	16.3	Progressive Ins Group	14.3
NV	30	30	563	3,351,544	1.1	9.4	67.6	4.7	34.4	65.6	State Farm Group	14.3	Berkshire Hathaway Ins	14.2
NH	42	42	442	1,068,700	0.4	3.9	59.0	1.3	45.6	54.4	Progressive Ins Group	12.7	Berkshire Hathaway Ins	12.6
NJ	8	8	550	9,868,188	3.3	3.0	66.0	5.5	31.6	68.5	Berkshire Hathaway Ins	19.2	Progressive Ins Group	12.0
NM	36	36	520	1,809,951	0.6	5.6	60.7	2.4	36.6	63.4	State Farm Group	16.0	Progressive Ins Group	14.8
NY	4	4	589	17,072,463	5.7	2.4	69.9	5.9	38.8	61.2	Berkshire Hathaway Ins	27.6	Allstate Ins Group	12.1
NC	11	11	574	7,710,144	2.6	4.8	68.3	1.3	48.9	51.1	State Farm Group	12.3	Berkshire Hathaway Ins	11.4
ND	48	48	469	696,222	0.2	4.9	64.4	1.7	58.3	41.7	Progressive Ins Group	15.9	State Farm Group	9.5
OH	10	10	690	8,264,058	2.8	2.6	59.1	2.0	55.2	44.8	Progressive Ins Group	15.6	State Farm Group	15.2
OK	29	29	558	3,402,068	1.1	3.2	58.5	2.5	35.1	64.9	State Farm Group	18.9	Progressive Ins Group	12.4
OR	28	28	563	3,618,119	1.2	2.9	61.8	2.7	34.7	65.3	State Farm Group	16.5	Progressive Ins Group	15.5
PA	7	6	675	11,031,154	3.7	2.2	64.9	2.8	51.8	48.2	State Farm Group	15.7	Erie Ins Group	12.9
RI	40	40	438	1,112,018	0.4	2.5	66.6	2.3	49.1	50.9	Progressive Ins Group	22.9	Berkshire Hathaway Ins	11.9
SC	20	20	602	5,093,641	1.7	4.6	65.4	2.0	38.3	61.7	State Farm Group	19.0	Berkshire Hathaway Ins	12.9
SD	46	46	477	745,056	0.2	5.5	61.8	1.2	55.1	44.9	State Farm Group	14.4	Progressive Ins Group	14.3
TN	19	19	662	5,292,196	1.8	4.6	62.8	2.4	37.7	62.3	State Farm Group	17.3	TN Farmers Ins Cos	14.0
TX	2	2	705	27,879,631	9.3	4.0	66.9	3.2	41.4	58.7	Progressive Ins Group	13.9	State Farm Group	12.2
UT	31	32	559	2,611,683	0.9	6.2	66.5	2.2	41.8	58.2	State Farm Group	12.2	Allstate Ins Group	10.5
VT	51	51	418	473,911	0.2	2.3	55.5	1.3	57.3	42.7	Progressive Ins Group	17.6	Berkshire Hathaway Ins	13.0
VA	12	12	624	6,764,637	2.3	3.7	65.6	2.0	40.5	59.5	Berkshire Hathaway Ins	17.6	State Farm Group	13.1
WA	13	14	582	6,611,394	2.2	5.8	63.5	2.9	35.6	64.4	State Farm Group	13.6	Progressive Ins Group	11.4
WV	38	38	476	1,495,900	0.5	1.5	60.8	1.7	49.7	50.3	State Farm Group	21.4	Erie Ins Group	14.9
WI	25	25	600	4,018,355	1.3	3.3	61.7	2.1	55.5	44.5	Progressive Ins Group	17.4	Amer Family Ins Group	15.6
WY	50	50	434	541,453	0.2	6.5	74.6	1.3	37.7	62.3	State Farm Group	17.2	Progressive Ins Group	15.2
Guam	55	54	26	54,180	0.0	-21.8	49.9	5.2	77.1	22.9	Chung Kuo Ins Co Ltd GUB	23.0	USAA Group	22.9
Puerto Rico	47	47	68	697,539	0.2	-0.3	57.7	0.8	67.4	32.7	Universal Ins Group of Puerto Rico	37.5	Coop de Seguros Multiples PR	31.8
U.S. Virgin Is.	56	56	38	48,951	0.0	20.3	53.5	4.0	87.7	12.3	Underwriters at Lloyd's, London (M)	42.5	Guardian Ins Group	37.3
Canada	53	53	38	100,123	0.0	19.3	-99.9	-1.6	78.0	22.0	CNA Ins Cos	29.3	Liberty Mutual Ins Cos	21.4
Other	54	55	101	85,001	0.0	22.9	45.5	0.0	89.4	10.6	Natl Unity Ins Co	28.1	New Horizon Ins Co	20.2
N. Mariana Is.	57	57	9	4,446	0.0	8.6	38.2	13.6	100.0	0.0	DB Ins US Group	29.7	Tokio Marine US PC Group	29.5
<b>Grand Total</b>			<b>1,471</b>	<b>\$299,259,821</b>	<b>100.0</b>	<b>4.1</b>	<b>65.7</b>	<b>3.2</b>	<b>41.6</b>	<b>58.4</b>	<b>State Farm Group</b>	<b>13.9</b>	<b>Progressive Ins Group</b>	<b>12.2</b>

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.

2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.

3. Insurers that distribute primarily through independent agents.

4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

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

Source: — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020



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# U.S. Auto Liability – Top Writers by State, Canada and U.S. Territories – 2019

Ranked by 2019 direct premiums written.

(\$ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR <sup>1</sup>	DDCCE <sup>2</sup>	Market Share Agency Writer <sup>3</sup>	Market Share Direct Writer <sup>3</sup>	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	26	560	\$2,510,084	1.3	4.5	66.9	4.4	38.1	61.9	State Farm Group	18.8	Progressive Ins Group	11.0
AK	46	46	348	350,781	0.2	3.7	64.1	3.7	24.6	75.4	State Farm Group	25.5	Berkshire Hathaway Ins	17.2
AZ	14	16	623	3,960,656	2.1	6.7	65.4	2.8	39.0	61.0	Berkshire Hathaway Ins	14.6	Progressive Ins Group	14.0
AR	32	32	530	1,423,050	0.8	1.9	63.2	2.7	38.1	61.9	State Farm Group	18.1	Progressive Ins Group	10.8
CA	1	1	578	22,239,284	11.9	7.4	68.6	5.5	40.4	59.6	State Farm Group	10.8	Farmers Ins Group	9.5
CO	18	18	557	3,702,714	2.0	5.2	69.0	3.7	35.0	65.0	State Farm Group	14.5	Progressive Ins Group	12.7
CT	28	27	486	2,393,749	1.3	3.2	68.1	4.9	48.1	52.0	Berkshire Hathaway Ins	16.3	Progressive Ins Group	12.3
DE	39	39	463	767,437	0.4	3.4	72.4	4.8	41.9	58.1	State Farm Group	19.5	Berkshire Hathaway Ins	16.7
DC	49	50	396	276,622	0.1	8.6	62.9	3.0	34.5	65.5	Berkshire Hathaway Ins	28.7	State Farm Group	14.4
FL	2	2	589	17,618,498	9.5	1.6	76.9	6.5	45.7	54.3	Progressive Ins Group	21.1	Berkshire Hathaway Ins	21.1
GA	5	5	672	7,737,748	4.2	7.1	74.4	4.5	39.8	60.2	State Farm Group	18.2	Progressive Ins Group	14.3
HI	43	43	279	553,807	0.3	1.5	59.8	2.9	35.0	65.0	Berkshire Hathaway Ins	22.8	State Farm Group	15.8
ID	40	41	483	765,050	0.4	5.6	60.5	2.8	37.7	62.3	Progressive Ins Group	12.1	State Farm Group	11.0
IL	9	9	669	5,821,373	3.1	3.2	64.2	5.0	42.7	57.3	State Farm Group	21.7	Allstate Ins Group	9.6
IN	22	21	650	2,874,461	1.5	3.1	61.0	4.2	49.6	50.4	State Farm Group	16.0	Progressive Ins Group	13.1
IA	35	35	553	1,181,867	0.6	3.1	61.3	3.6	61.3	38.7	Progressive Ins Group	19.0	State Farm Group	14.5
KS	34	34	531	1,265,210	0.7	3.3	62.0	2.7	42.6	57.5	State Farm Group	13.8	Progressive Ins Group	13.6
KY	26	25	576	2,469,242	1.3	2.3	65.5	3.5	37.8	62.2	State Farm Group	17.8	KY Farm Bureau Group	15.3
LA	15	14	503	3,865,290	2.1	2.8	69.3	6.7	39.4	60.6	State Farm Group	24.0	Progressive Ins Group	16.7
ME	44	44	407	520,648	0.3	1.9	62.6	2.5	55.2	44.8	Progressive Ins Group	16.2	State Farm Group	10.5
MD	17	17	555	3,762,437	2.0	4.0	67.3	2.9	40.4	59.6	Berkshire Hathaway Ins	21.7	State Farm Group	15.5
MA	16	15	387	3,860,976	2.1	3.9	64.1	2.6	70.6	29.4	MAPFRE North America Group	19.9	Berkshire Hathaway Ins	12.7
MI	6	7	517	7,173,131	3.9	6.2	55.8	8.1	49.2	50.8	Progressive Ins Group	17.6	State Farm Group	15.7
MN	23	23	531	2,610,688	1.4	3.2	60.1	3.7	47.7	52.3	Progressive Ins Group	18.7	State Farm Group	18.2
MS	33	33	525	1,419,433	0.8	2.7	67.0	4.5	41.6	58.4	State Farm Group	17.5	Progressive Ins Group	13.9
MO	21	22	597	2,892,753	1.6	4.0	65.3	3.2	37.1	62.9	State Farm Group	16.3	Progressive Ins Group	12.9
MT	45	45	454	516,247	0.3	3.4	59.5	3.0	43.7	56.3	State Farm Group	15.7	Progressive Ins Group	15.3
NE	37	37	517	895,015	0.5	3.3	62.3	2.6	50.8	49.2	Progressive Ins Group	16.6	State Farm Group	15.2
NV	27	29	549	2,452,481	1.3	10.7	70.8	6.4	36.6	63.4	Berkshire Hathaway Ins	13.9	Progressive Ins Group	13.7
NH	42	42	430	570,329	0.3	2.9	60.3	2.3	48.0	52.0	Progressive Ins Group	13.2	Berkshire Hathaway Ins	13.1
NJ	7	6	532	7,012,503	3.8	2.6	67.9	7.5	34.0	66.0	Berkshire Hathaway Ins	18.2	Progressive Ins Group	12.7
NM	36	36	500	1,148,571	0.6	5.2	60.3	3.6	38.8	61.3	State Farm Group	15.6	Progressive Ins Group	15.2
NY	4	4	573	11,494,240	6.2	1.9	73.4	8.5	41.3	58.7	Berkshire Hathaway Ins	26.0	Allstate Ins Group	11.9
NC	12	12	551	4,216,326	2.3	4.1	75.6	2.2	50.8	49.2	State Farm Group	12.2	Berkshire Hathaway Ins	10.7
ND	48	49	447	325,225	0.2	4.7	57.6	2.2	61.8	38.2	Progressive Ins Group	17.9	State Farm Group	8.6
OH	10	10	673	4,780,872	2.6	2.3	57.7	3.2	57.8	42.2	Progressive Ins Group	17.0	State Farm Group	13.9
OK	30	30	543	1,915,895	1.0	2.5	60.6	4.1	39.0	61.0	State Farm Group	17.0	Progressive Ins Group	13.2
OR	25	24	542	2,477,857	1.3	2.2	62.5	3.8	36.2	63.8	Progressive Ins Group	16.5	State Farm Group	15.7
PA	8	8	655	6,338,077	3.4	1.2	63.5	4.6	53.5	46.5	State Farm Group	14.5	Progressive Ins Group	12.5
RI	41	40	428	739,584	0.4	1.1	67.6	3.2	51.8	48.2	Progressive Ins Group	25.6	Berkshire Hathaway Ins	11.3
SC	19	19	579	3,303,083	1.8	4.7	69.2	2.9	40.8	59.2	State Farm Group	18.5	Progressive Ins Group	13.1
SD	47	47	460	341,286	0.2	3.2	59.2	2.5	57.8	42.2	Progressive Ins Group	15.5	State Farm Group	13.6
TN	20	20	642	2,994,801	1.6	4.3	62.9	3.8	40.9	59.1	State Farm Group	16.2	TN Farmers Ins Cos	12.5
TX	3	3	685	16,532,342	8.9	4.0	69.9	5.3	46.1	54.0	Progressive Ins Group	14.1	State Farm Group	11.9
UT	31	31	536	1,681,083	0.9	6.6	69.1	3.3	43.6	56.4	State Farm Group	11.6	Progressive Ins Group	10.2
VT	52	52	409	236,411	0.1	1.1	56.4	2.2	60.7	39.3	Progressive Ins Group	19.5	Berkshire Hathaway Ins	11.8
VA	13	13	600	3,998,374	2.1	3.3	67.3	3.3	44.4	55.6	Berkshire Hathaway Ins	16.7	Progressive Ins Group	12.6
WA	11	11	558	4,397,650	2.4	5.3	65.3	4.1	37.0	63.0	State Farm Group	13.0	Progressive Ins Group	11.9
WV	38	38	461	848,409	0.5	0.3	60.6	2.8	52.7	47.3	State Farm Group	19.9	Erie Ins Group	13.8
WI	29	28	581	2,270,943	1.2	1.9	59.8	3.4	56.6	43.4	Progressive Ins Group	18.1	Amer Family Ins Group	15.3
WY	51	51	417	252,420	0.1	3.6	64.4	2.4	42.3	57.7	Progressive Ins Group	16.7	State Farm Group	15.6
Guam	56	56	26	14,488	0.0	-16.5	90.4	9.2	81.6	18.4	DB Ins US Group	27.1	USAA Group	18.4
Puerto Rico	50	48	66	256,363	0.1	-17.9	62.2	2.0	71.8	28.2	Universal Ins Group of Puerto Rico	33.8	Coop de Seguros Multiples PR	26.7
U.S. Virgin Is.	55	55	36	33,661	0.0	20.3	55.6	4.9	95.5	4.5	Underwriters at Lloyd's, London (VI)	51.4	Guardian Ins Group	36.4
Canada	53	53	35	75,679	0.0	19.5	-99.9	-1.4	78.4	21.6	CNA Ins Cos	25.7	Travelers Group	21.1
Other	54	54	95	72,151	0.0	22.7	39.5	7.8	96.8	3.2	Natl Unity Ins Co	33.1	New Horizon Ins Co	23.4
N. Mariana Is.	57	57	9	1,794	0.0	8.0	52.1	29.5	100.0	0.0	DB Ins US Group	36.2	Tokio Marine US PC Group	29.7
<b>Grand Total</b>			<b>1,444</b>	<b>\$186,211,146</b>	<b>100.0</b>	<b>4.0</b>	<b>67.5</b>	<b>5.0</b>	<b>44.0</b>	<b>56.0</b>	<b>State Farm Group</b>	<b>13.4</b>	<b>Progressive Ins Group</b>	<b>13.1</b>

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.

2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.

3. Insurers that distribute primarily through independent agents.

4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

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

Source: **BESTLINK** — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

**U.S. Auto Physical Damage – Top Writers by State, Canada and U.S. Territories – 2019**

Ranked by 2019 direct premiums written.

(\$ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR <sup>1</sup>	DDCCE <sup>2</sup>	Market Share Agency Writer <sup>3</sup>	Market Share Direct Writer <sup>4</sup>	Leading Writer	% Market Share	Second Leader	% Market Share
AL	23	23	487	\$1,806,865	1.6	4.5	59.9	0.3	27.5	72.5	State Farm Group	21.4	Alfa Ins Group	13.9
AK	51	51	271	235,022	0.2	7.6	56.8	0.4	17.4	82.6	State Farm Group	26.0	USAA Group	17.5
AZ	16	15	536	2,312,824	2.0	5.0	65.4	0.3	31.7	68.3	Berkshire Hathaway Ins	15.0	State Farm Group	14.8
AR	32	32	457	1,116,518	1.0	3.4	58.4	0.3	27.4	72.6	State Farm Group	21.6	Southern Farm Bureau Casualty Group	13.6
CA	1	1	506	14,212,597	12.6	4.5	63.4	0.4	32.5	67.5	State Farm Group	12.0	Berkshire Hathaway Ins	10.8
CO	14	16	480	2,388,054	2.1	8.5	70.1	0.2	29.2	70.8	State Farm Group	16.6	USAA Group	11.6
CT	28	28	427	1,240,540	1.1	2.5	58.7	0.3	43.2	56.8	Berkshire Hathaway Ins	16.5	Allstate Ins Group	10.4
DE	48	48	373	320,924	0.3	4.6	66.9	0.3	34.2	65.8	State Farm Group	20.4	Berkshire Hathaway Ins	16.9
DC	52	52	307	174,346	0.2	3.2	64.2	0.3	21.6	78.4	Berkshire Hathaway Ins	36.8	State Farm Group	16.6
FL	3	3	512	6,612,410	5.8	3.7	60.1	0.8	38.2	61.8	Berkshire Hathaway Ins	27.3	Progressive Ins Group	19.4
GA	8	8	596	3,815,655	3.4	6.5	57.4	0.3	33.9	66.1	State Farm Group	19.7	Berkshire Hathaway Ins	13.3
HI	45	45	213	377,741	0.3	4.9	62.0	0.4	24.9	75.1	Berkshire Hathaway Ins	26.1	State Farm Group	16.3
ID	39	39	416	561,638	0.5	7.9	57.5	0.4	31.1	68.9	State Farm Group	12.4	Farm Bureau of ID Group	11.0
IL	6	7	594	3,947,851	3.5	5.0	63.9	0.4	32.8	67.2	State Farm Group	27.1	Allstate Ins Group	12.0
IN	21	20	571	1,987,652	1.8	3.6	62.8	0.3	43.6	56.4	State Farm Group	19.1	Progressive Ins Group	11.1
IA	29	29	471	1,159,290	1.0	4.0	63.4	0.3	57.1	42.9	State Farm Group	17.2	Progressive Ins Group	15.3
KS	31	31	457	1,129,061	1.0	4.4	61.9	0.3	35.5	64.5	State Farm Group	16.9	Progressive Ins Group	11.0
KY	27	27	467	1,278,839	1.1	2.8	58.9	0.3	32.2	67.8	State Farm Group	20.8	KY Farm Bureau Group	18.0
LA	22	22	406	1,849,679	1.6	2.1	58.6	0.4	28.4	71.7	State Farm Group	29.2	Progressive Ins Group	14.4
ME	43	42	352	431,402	0.4	4.8	58.2	0.3	49.8	50.2	Progressive Ins Group	12.9	State Farm Group	11.1
MD	15	14	474	2,318,537	2.1	4.0	64.0	0.2	32.3	67.7	Berkshire Hathaway Ins	24.1	State Farm Group	15.6
MA	13	13	321	2,744,447	2.4	4.3	58.9	0.6	68.5	31.5	MAPFRE North America Group	21.7	Liberty Mutual Ins Cos	11.1
MI	7	6	439	3,872,349	3.4	1.5	68.4	0.4	49.4	50.6	Auto Club Group	14.9	Progressive Ins Group	14.7
MN	20	21	473	1,990,770	1.8	5.7	70.7	0.3	43.3	56.8	State Farm Group	20.9	Progressive Ins Group	14.9
MS	33	33	438	1,020,424	0.9	2.1	60.6	0.4	32.2	67.8	State Farm Group	22.1	Progressive Ins Group	10.8
MO	19	19	529	2,150,425	1.9	5.4	64.1	0.3	28.7	71.3	State Farm Group	19.8	Amer Family Ins Group	10.7
MT	41	41	382	477,972	0.4	4.3	85.7	0.8	38.2	61.8	State Farm Group	18.7	Liberty Mutual Ins Cos	12.8
NE	36	36	427	775,016	0.7	4.1	75.2	0.2	46.7	53.3	State Farm Group	17.6	Progressive Ins Group	11.7
NV	35	35	449	899,062	0.8	6.1	59.0	0.3	28.3	71.7	State Farm Group	16.7	Berkshire Hathaway Ins	15.2
NH	40	40	376	498,371	0.4	5.0	57.6	0.3	42.9	57.2	Progressive Ins Group	12.2	Berkshire Hathaway Ins	12.1
NJ	11	11	453	2,855,685	2.5	4.0	61.3	0.5	25.6	74.5	Berkshire Hathaway Ins	21.6	NJM Ins Group	12.7
NM	37	38	424	661,380	0.6	6.3	61.4	0.4	32.8	67.2	State Farm Group	16.7	Progressive Ins Group	14.2
NY	4	4	483	5,578,223	4.9	3.3	62.6	0.3	33.8	66.2	Berkshire Hathaway Ins	30.8	Allstate Ins Group	12.5
NC	9	10	462	3,493,817	3.1	5.8	59.6	0.2	46.6	53.4	State Farm Group	12.4	Berkshire Hathaway Ins	12.3
ND	47	47	390	370,996	0.3	5.0	70.4	1.3	55.2	44.8	Progressive Ins Group	14.2	State Farm Group	10.3
OH	10	9	566	3,483,185	3.1	3.1	61.2	0.3	51.7	48.3	State Farm Group	16.9	Progressive Ins Group	13.5
OK	26	26	454	1,486,173	1.3	4.1	55.8	0.4	30.2	69.8	State Farm Group	21.4	Progressive Ins Group	11.5
OR	30	30	449	1,140,262	1.0	4.4	60.2	0.3	31.6	68.4	State Farm Group	18.3	Progressive Ins Group	13.5
PA	5	5	573	4,693,077	4.2	3.6	66.7	0.3	49.5	50.5	State Farm Group	17.3	Erie Ins Group	14.8
RI	46	46	359	372,434	0.3	5.3	64.5	0.5	43.6	56.4	Progressive Ins Group	17.5	Berkshire Hathaway Ins	12.9
SC	24	24	499	1,790,558	1.6	4.4	58.3	0.2	33.7	66.3	State Farm Group	20.0	Berkshire Hathaway Ins	13.5
SD	44	44	387	403,771	0.4	7.6	64.0	0.2	52.8	47.2	State Farm Group	15.2	Progressive Ins Group	13.3
TN	17	17	552	2,297,395	2.0	4.9	62.6	0.6	33.6	66.4	State Farm Group	18.8	TN Farmers Ins Cos	16.0
TX	2	2	579	11,347,288	10.0	3.9	62.7	0.3	34.5	65.5	Progressive Ins Group	13.7	Allstate Ins Group	12.9
UT	34	34	465	930,600	0.8	5.5	61.6	0.3	38.5	61.5	State Farm Group	13.3	Allstate Ins Group	11.6
VT	50	50	325	237,501	0.2	3.7	54.6	0.3	53.9	46.1	Progressive Ins Group	15.7	Berkshire Hathaway Ins	14.2
VA	12	12	538	2,766,264	2.4	4.1	63.3	0.2	35.0	65.0	Berkshire Hathaway Ins	18.9	State Farm Group	13.9
WA	18	18	487	2,213,744	2.0	6.9	59.9	0.5	32.8	67.2	State Farm Group	14.8	Liberty Mutual Ins Cos	11.8
WV	38	37	368	647,492	0.6	3.1	61.1	0.3	45.8	54.2	State Farm Group	23.4	Erie Ins Group	16.4
WI	25	25	505	1,747,412	1.5	5.2	64.1	0.3	54.0	46.0	Progressive Ins Group	16.5	Amer Family Ins Group	16.0
WY	49	49	349	289,033	0.3	9.2	83.6	0.3	33.7	66.3	State Farm Group	18.5	Progressive Ins Group	13.9
Guam	53	53	19	39,692	0.0	-23.6	35.1	3.7	75.5	24.5	Amer Intl Group	28.8	USAA Group	24.5
Puerto Rico	42	43	54	441,176	0.4	13.8	55.1	0.2	64.8	35.2	Universal Ins Group of Puerto Rico	39.6	Coop de Seguros Multiples PR	34.8
U.S. Virgin Is.	55	55	27	15,289	0.0	20.4	48.8	1.9	70.5	29.5	Guardian Ins Group	39.2	USAA Group	29.4
Canada	54	54	22	24,444	0.0	18.8	4.1	-2.3	76.8	23.2	CNA Ins Cos	40.7	Liberty Mutual Ins Cos	23.1
Other	56	56	51	12,850	0.0	23.8	85.2	-49.0	47.6	52.4	USAA Group	52.3	Amer Intl Group	39.3
N. Mariana Is.	57	57	7	2,652	0.0	9.0	28.3	2.3	100.0	0.0	Tokio Marine US PC Group	29.3	DB Ins US Group	25.3
<b>Grand Total</b>			<b>1,339</b>	<b>\$113,048,674</b>	<b>100.0</b>	<b>4.4</b>	<b>62.6</b>	<b>0.4</b>	<b>37.6</b>	<b>62.4</b>	<b>State Farm Group</b>	<b>14.9</b>	<b>Berkshire Hathaway Ins</b>	<b>12.4</b>

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.

2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.

3. Insurers that distribute primarily through independent agents.

4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

Source: **BESTLINK** — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020

# U.S. Private Passenger Auto – Top Writers by State, Canada and U.S. Territories – 2019

Ranked by 2019 direct premiums written.

(\$ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	% Change in Premiums	ALR <sup>1</sup>	DDCCE <sup>2</sup>	Market Share Agency Writer <sup>3</sup>	Market Share Direct Writer <sup>4</sup>	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	258	\$3,692,135	1.5	3.7	62.2	2.0	25.2	74.9	State Farm Group	23.0	Alfa Ins Group	13.6
AK	49	49	141	508,470	0.2	4.6	61.9	2.1	14.6	85.5	State Farm Group	29.0	Berkshire Hathaway Ins	18.4
AZ	15	15	330	5,553,856	2.2	5.1	65.2	1.5	30.4	69.6	Berkshire Hathaway Ins	16.2	State Farm Group	14.8
AR	32	32	246	2,106,860	0.8	1.7	61.2	1.0	23.6	76.4	State Farm Group	23.4	Southern Farm Bureau Casualty Group	13.2
CA	1	1	313	31,122,151	12.3	4.1	65.2	2.9	29.6	70.4	State Farm Group	12.8	Farmers Ins Group	10.5
CO	17	17	279	5,321,908	2.1	5.7	69.6	2.0	26.0	74.0	State Farm Group	17.3	Progressive Ins Group	11.5
CT	27	27	258	3,146,959	1.2	2.1	65.1	3.0	41.5	58.5	Berkshire Hathaway Ins	18.4	Progressive Ins Group	11.3
DE	41	41	207	936,782	0.4	2.6	71.0	2.9	32.2	67.9	State Farm Group	22.8	Berkshire Hathaway Ins	18.8
DC	52	52	178	379,686	0.1	2.4	66.1	1.6	20.9	79.1	Berkshire Hathaway Ins	37.1	State Farm Group	18.0
FL	3	3	320	20,668,273	8.1	1.1	71.3	4.5	36.6	63.4	Berkshire Hathaway Ins	25.7	Progressive Ins Group	20.4
GA	6	6	348	9,922,006	3.9	5.6	67.2	2.6	31.9	68.1	State Farm Group	20.8	Progressive Ins Group	14.1
HI	43	43	125	800,147	0.3	2.4	62.4	1.5	20.9	79.1	Berkshire Hathaway Ins	27.8	State Farm Group	18.3
ID	39	39	231	1,107,981	0.4	6.0	58.8	1.3	26.7	73.3	State Farm Group	13.7	Berkshire Hathaway Ins	11.1
IL	9	9	374	7,798,696	3.1	1.9	64.2	2.6	28.0	72.0	State Farm Group	29.7	Allstate Ins Group	11.5
IN	22	22	350	4,018,753	1.6	2.1	61.0	2.1	39.0	61.0	State Farm Group	20.8	Progressive Ins Group	13.1
IA	35	35	285	1,876,273	0.7	2.2	61.0	1.5	51.7	48.3	Progressive Ins Group	19.6	State Farm Group	19.6
KS	34	34	273	2,003,896	0.8	2.7	62.7	1.2	30.8	69.3	State Farm Group	17.9	Progressive Ins Group	12.8
KY	26	26	281	3,238,944	1.3	1.6	63.5	1.9	28.6	71.4	State Farm Group	21.6	KY Farm Bureau Group	18.2
LA	18	18	233	4,887,096	1.9	1.3	62.0	3.5	28.3	71.7	State Farm Group	29.5	Progressive Ins Group	16.4
ME	45	45	198	785,584	0.3	2.7	61.4	1.1	46.7	53.3	Progressive Ins Group	15.8	State Farm Group	12.9
MD	16	16	253	5,355,026	2.1	3.1	66.6	1.7	30.7	69.3	Berkshire Hathaway Ins	25.3	State Farm Group	17.5
MA	14	14	173	5,570,167	2.2	3.1	62.3	1.5	66.1	33.9	MAPFRE North America Group	22.0	Berkshire Hathaway Ins	14.0
MI	5	5	267	9,929,999	3.9	4.4	60.5	5.3	45.7	54.3	Progressive Ins Group	17.9	State Farm Group	16.3
MN	23	23	286	3,911,856	1.5	3.1	65.2	2.0	38.6	61.4	State Farm Group	22.5	Progressive Ins Group	19.1
MS	33	33	232	2,007,069	0.8	1.7	64.1	1.9	27.9	72.1	State Farm Group	23.3	Progressive Ins Group	12.1
MO	21	21	301	4,265,648	1.7	3.3	63.9	1.4	25.3	74.7	State Farm Group	20.7	Amer Family Ins Group	12.5
MT	44	44	202	798,249	0.3	3.0	74.9	1.7	31.9	68.2	State Farm Group	20.9	Progressive Ins Group	14.7
NE	37	37	256	1,347,991	0.5	2.7	68.3	1.2	40.0	60.0	State Farm Group	19.8	Progressive Ins Group	15.9
NV	29	30	265	2,859,346	1.1	5.1	63.9	3.7	28.5	71.5	State Farm Group	16.6	Berkshire Hathaway Ins	15.8
NH	42	42	201	912,452	0.4	3.6	59.4	1.1	39.5	60.5	Berkshire Hathaway Ins	14.5	Progressive Ins Group	13.6
NJ	8	8	267	8,138,058	3.2	1.9	64.2	5.0	22.4	77.6	Berkshire Hathaway Ins	22.8	NJM Ins Group	13.2
NM	36	36	234	1,550,184	0.6	4.2	61.1	1.8	29.5	70.5	State Farm Group	18.5	Progressive Ins Group	15.0
NY	4	4	334	14,230,127	5.6	1.8	69.0	5.1	30.3	69.7	Berkshire Hathaway Ins	32.3	Allstate Ins Group	13.8
NC	11	11	287	6,589,045	2.6	3.5	68.3	0.9	42.7	57.3	State Farm Group	14.1	Berkshire Hathaway Ins	12.9
ND	48	47	207	510,770	0.2	3.6	67.7	1.5	48.7	51.3	Progressive Ins Group	18.4	State Farm Group	12.6
OH	10	10	380	7,036,396	2.8	1.4	59.2	1.7	49.0	51.0	State Farm Group	17.7	Progressive Ins Group	16.1
OK	30	29	277	2,814,272	1.1	1.7	58.2	1.8	26.2	73.8	State Farm Group	22.5	Progressive Ins Group	12.6
OR	28	28	262	3,132,953	1.2	1.9	61.0	2.4	29.9	70.1	State Farm Group	18.8	Progressive Ins Group	16.1
PA	7	7	367	9,223,112	3.6	1.0	65.5	2.4	45.9	54.1	State Farm Group	18.6	Erie Ins Group	13.5
RI	40	40	218	980,717	0.4	1.6	66.7	2.1	45.0	55.1	Progressive Ins Group	24.4	Berkshire Hathaway Ins	13.0
SC	19	19	272	4,526,099	1.8	3.8	65.1	1.7	32.7	67.3	State Farm Group	21.2	Berkshire Hathaway Ins	14.0
SD	46	46	217	595,734	0.2	4.6	62.6	0.9	47.4	52.6	State Farm Group	17.6	Progressive Ins Group	16.2
TN	20	20	333	4,463,039	1.8	3.1	62.5	1.9	28.4	71.6	State Farm Group	20.3	TN Farmers Ins Cos	16.3
TX	2	2	364	23,243,234	9.2	2.5	64.8	2.4	33.3	66.7	State Farm Group	14.0	Progressive Ins Group	13.3
UT	31	31	254	2,239,029	0.9	5.7	66.2	1.9	35.3	64.7	State Farm Group	14.1	Allstate Ins Group	11.8
VT	51	51	182	395,461	0.2	2.0	56.4	1.0	52.7	47.3	Progressive Ins Group	18.7	Berkshire Hathaway Ins	15.0
VA	12	12	329	5,894,641	2.3	2.5	66.1	1.7	34.0	66.0	Berkshire Hathaway Ins	19.6	State Farm Group	14.9
WA	13	13	302	5,756,389	2.3	4.5	63.4	2.6	30.9	69.1	State Farm Group	15.5	Berkshire Hathaway Ins	11.6
WV	38	38	214	1,285,818	0.5	0.9	60.6	1.4	43.3	56.7	State Farm Group	24.7	Erie Ins Group	15.4
WI	25	25	304	3,338,357	1.3	2.7	61.9	1.7	48.6	51.5	Progressive Ins Group	19.8	Amer Family Ins Group	18.6
WY	50	50	187	428,167	0.2	3.6	76.8	0.9	25.8	74.2	State Farm Group	21.4	Progressive Ins Group	15.7
Guam	53	53	16	44,904	0.0	-23.0	53.1	5.1	72.4	27.6	Amer Intl Group	27.8	USAA Group	27.6
Puerto Rico	47	48	22	522,168	0.2	6.7	61.5	0.5	60.8	39.2	Universal Ins Group of Puerto Rico	41.0	Coop de Seguros Multiples PR	38.8
U.S. Virgin Is.	54	55	16	42,456	0.0	20.2	55.9	3.9	86.0	14.1	Underwriters at Lloyd's, London (M)	49.0	Guardian Ins Group	33.6
Canada	57	57	12	167	0.0	36.9	-99.9	-99.9	100.1	-0.1	Hartford Ins Group	100.1	Assurant P&C Group	0.0
Other	55	54	40	40,317	0.0	-7.0	52.2	3.4	78.4	21.6	Natl Unity Ins Co	25.2	Amer Intl Group	23.7
N. Mariana Is.	56	56	8	3,228	0.0	9.3	47.2	4.4	100.0	0.0	Tokio Marine US PC Group	27.2	DB Ins US Group	20.9
<b>Grand Total</b>			<b>1,086</b>	<b>\$253,859,101</b>	<b>100.0</b>	<b>2.9</b>	<b>65.0</b>	<b>2.7</b>	<b>34.4</b>	<b>65.6</b>	<b>State Farm Group</b>	<b>16.1</b>	<b>Berkshire Hathaway Ins</b>	<b>13.7</b>

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2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.

3. Insurers that distribute primarily through independent agents.

4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

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

Source: [BESTLINK](#) — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020



**U.S. Commercial Auto – Top Writers by State, Canada and U.S. Territories – 2019**

Ranked by 2019 direct premiums written.

(\$ Thousands)

State	2019 Rank	2018 Rank	No of Cos	Direct Premiums Written	% of Grand Total	Premium % Change	ALR <sup>1</sup>	DDCCE <sup>2</sup>	Market Share Agency Writer <sup>3</sup>	Market Share Direct Writer <sup>4</sup>	Leading Writer	% Market Share	Second Leader	% Market Share
AL	24	24	449	\$624,814	1.4	9.7	74.6	6.6	83.9	16.1	Progressive Ins Group	13.3	Auto-Owners Ins Group	9.2
AK	52	52	271	77,334	0.2	9.4	56.7	4.5	68.9	31.1	Liberty Mutual Ins Cos	14.7	CopperPoint Ins Group	12.3
AZ	21	22	460	719,624	1.6	14.0	67.4	5.5	81.8	18.3	Progressive Ins Group	13.6	Travelers Group	6.9
AR	33	32	423	432,708	1.0	7.1	60.5	4.7	81.3	18.7	Progressive Ins Group	12.9	Travelers Group	6.0
CA	1	1	468	5,329,730	11.7	20.6	74.9	7.6	82.3	17.8	Progressive Ins Group	15.3	Travelers Group	6.0
CO	19	19	440	768,860	1.7	12.3	68.1	4.8	79.3	20.7	Progressive Ins Group	16.1	Travelers Group	7.4
CT	29	28	384	487,329	1.1	9.1	63.5	5.5	78.1	21.9	Progressive Ins Group	9.4	Liberty Mutual Ins Cos	8.8
DE	45	46	379	151,579	0.3	11.7	69.1	7.1	85.5	14.5	Great Amer P & C Ins Group	14.9	Progressive Ins Group	8.9
DC	53	53	318	71,281	0.2	34.6	46.2	4.3	75.5	24.5	Farmers Ins Group	14.9	James River Group	13.3
FL	3	3	475	3,562,635	7.8	9.2	78.3	7.3	84.6	15.4	Progressive Ins Group	22.0	Auto-Owners Ins Group	7.4
GA	8	8	528	1,631,397	3.6	15.7	78.4	6.1	74.3	25.7	Progressive Ins Group	10.1	State Farm Group	6.1
HI	47	47	231	131,401	0.3	5.8	50.2	4.2	91.9	8.1	Tokio Marine US PC Group	21.4	Island Ins Group	11.6
ID	38	40	377	218,707	0.5	9.7	61.5	4.1	76.8	23.3	Progressive Ins Group	11.3	Old Republic Ins Group	9.8
IL	5	5	514	1,970,529	4.3	12.4	63.7	5.3	81.1	18.9	Progressive Ins Group	10.3	Travelers Group	7.4
IN	15	14	498	843,360	1.9	9.2	65.5	5.3	85.8	14.2	Progressive Ins Group	8.2	Travelers Group	6.0
IA	31	30	444	464,884	1.0	9.4	68.2	4.1	89.2	10.8	Old Republic Ins Group	9.2	Nationwide Group	7.6
KS	34	33	417	390,375	0.9	9.8	57.9	3.6	82.8	17.2	Progressive Ins Group	10.1	Nationwide Group	9.0
KY	27	27	454	509,136	1.1	8.4	62.1	5.3	82.1	17.9	Progressive Ins Group	8.5	Travelers Group	7.3
LA	17	15	406	827,873	1.8	10.6	89.2	11.3	80.3	19.7	Progressive Ins Group	13.1	Travelers Group	8.3
ME	43	43	329	166,467	0.4	5.4	56.8	3.1	81.1	18.9	W. R. Berkley Ins Group	15.8	Liberty Mutual Ins Cos	11.8
MD	20	20	447	725,948	1.6	11.4	61.2	3.6	86.0	14.0	Erie Ins Group	11.5	Progressive Ins Group	9.1
MA	12	12	341	1,035,256	2.3	9.4	59.9	3.2	89.2	10.8	Safety Group	13.7	MAPFRE North America Group	13.4
MI	11	10	441	1,115,480	2.5	5.3	58.1	6.5	81.0	19.0	Auto-Owners Ins Group	8.8	Progressive Ins Group	5.4
MN	22	23	435	689,601	1.5	11.7	61.7	3.5	86.3	13.7	Old Republic Ins Group	10.5	Auto-Owners Ins Group	7.9
MS	32	31	417	432,788	1.0	6.0	65.4	6.9	82.9	17.1	Progressive Ins Group	14.9	Travelers Group	9.2
MO	18	18	464	777,529	1.7	12.2	70.1	5.0	78.8	21.2	Progressive Ins Group	8.9	Travelers Group	8.4
MT	40	41	371	195,969	0.4	7.3	60.2	3.0	78.6	21.4	Progressive Ins Group	10.9	Old Republic Ins Group	10.9
NE	36	36	405	322,040	0.7	8.2	68.0	2.7	86.1	13.9	Old Republic Ins Group	16.1	Nationwide Group	8.5
NV	28	34	419	492,197	1.1	43.7	90.9	11.0	68.7	31.3	Progressive Ins Group	15.3	Allstate Ins Group	15.2
NH	44	44	360	156,248	0.3	5.6	56.8	2.9	81.1	18.9	W. R. Berkley Ins Group	16.7	Liberty Mutual Ins Cos	10.0
NJ	7	7	443	1,730,131	3.8	8.9	74.6	7.9	74.8	25.2	Progressive Ins Group	10.5	Allstate Ins Group	8.3
NM	37	37	400	259,767	0.6	14.8	58.2	6.0	78.7	21.3	Progressive Ins Group	14.0	Travelers Group	9.5
NY	4	4	438	2,842,337	6.3	5.5	74.5	9.6	81.6	18.4	Amer Transit Ins Co	12.3	Progressive Ins Group	8.9
NC	10	11	468	1,121,099	2.5	13.2	68.2	3.3	85.5	14.5	Progressive Ins Group	11.4	Natl Gen Companies	6.5
ND	41	42	363	185,451	0.4	8.5	55.1	2.2	84.7	15.3	Old Republic Ins Group	12.1	Progressive Ins Group	9.2
OH	9	9	503	1,227,862	2.7	10.0	58.8	3.7	90.6	9.4	Progressive Ins Group	12.2	Cincinnati Ins Cos	8.3
OK	25	25	410	587,796	1.3	11.4	60.0	5.9	77.8	22.3	Progressive Ins Group	11.7	Travelers Group	9.7
OR	30	29	413	485,166	1.1	10.1	67.3	5.0	65.8	34.3	Liberty Mutual Ins Cos	17.4	Progressive Ins Group	11.6
PA	6	6	518	1,808,042	4.0	8.5	61.7	4.9	82.1	17.9	Progressive Ins Group	10.6	Erie Ins Group	10.0
RI	48	48	334	131,301	0.3	10.2	66.0	3.8	79.8	20.2	Progressive Ins Group	11.9	Travelers Group	8.4
SC	26	26	473	567,542	1.3	11.1	67.3	4.3	82.9	17.1	Progressive Ins Group	12.5	Auto-Owners Ins Group	6.4
SD	46	45	368	149,322	0.3	9.3	58.5	2.6	85.9	14.1	Old Republic Ins Group	13.7	Acuity, A Mutual Ins Co	8.4
TN	16	17	503	829,157	1.8	13.2	64.2	5.2	88.0	12.0	Progressive Ins Group	10.8	Travelers Group	6.7
TX	2	2	538	4,636,396	10.2	12.0	78.2	7.6	81.9	18.2	Progressive Ins Group	16.8	Travelers Group	5.3
UT	35	35	413	372,655	0.8	9.4	67.8	4.5	80.8	19.2	Progressive Ins Group	9.6	Auto-Owners Ins Group	8.0
VT	51	51	339	78,450	0.2	4.3	50.9	2.5	80.3	19.7	W. R. Berkley Ins Group	12.4	Progressive Ins Group	12.0
VA	13	13	482	869,997	1.9	12.5	62.2	4.4	85.0	15.0	Progressive Ins Group	12.5	Erie Ins Group	8.4
WA	14	16	439	855,005	1.9	15.8	64.0	4.7	67.2	32.8	Liberty Mutual Ins Cos	16.2	Progressive Ins Group	10.7
WV	39	39	373	210,083	0.5	4.9	62.2	3.6	88.8	11.3	Erie Ins Group	11.9	Travelers Group	11.6
WI	23	21	464	679,998	1.5	6.3	60.3	4.2	89.6	10.4	Acuity, A Mutual Ins Co	8.8	West Bend Mutual Ins Co	7.3
WY	49	49	344	113,285	0.2	19.1	66.4	2.7	82.8	17.2	Progressive Ins Group	13.4	Travelers Group	10.5
Guam	55	55	22	9,277	0.0	-15.4	33.8	5.7	100.0	0.0	DB Ins US Group	35.1	Pacific Indemnity Ins Co	19.9
Puerto Rico	42	38	63	175,371	0.4	-16.6	45.8	1.9	86.8	13.2	Universal Ins Group of Puerto Rico	26.8	MAPFRE North America Group	21.5
U.S. Virgin Is.	56	56	30	6,495	0.0	20.9	38.3	4.4	99.1	0.9	Guardian Ins Group	61.4	Topa Ins Group	28.4
Canada	50	50	32	99,956	0.2	19.3	45.3	8.2	78.0	22.0	CNA Ins Cos	29.4	Liberty Mutual Ins Cos	21.4
Other	54	54	87	44,684	0.1	73.0	35.6	-5.1	99.3	0.8	Natl Unity Ins Co	30.7	New Horizon Ins Co	27.1
N. Mariana Is.	57	57	6	1,218	0.0	6.7	17.0	35.4	100.0	0.0	DB Ins US Group	52.9	Tokio Marine US PC Group	35.3
<b>Grand Total</b>			<b>1,100</b>	<b>\$45,400,720</b>	<b>100.0</b>	<b>11.5</b>	<b>69.6</b>	<b>6.2</b>	<b>81.9</b>	<b>18.1</b>	<b>Progressive Ins Group</b>	<b>12.3</b>	<b>Travelers Group</b>	<b>6.2</b>

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Source: [BESTLINK](#) — State/Line (P/C Lines) - P/C, US; Data as of: July 17, 2020



# Lands of Opportunity

Rising ranks of the middle class, wealth creation and an existing protection gap make Asia's lucrative insurance market ripe for multinational players to stake their claims. But the region's diverse cultures and regulatory frameworks also make it a complex environment.

by Terrence Dopp



It's going to take some time for the economists and historians to declare if and precisely when we've entered into the much bandied Asian Century.

But, for the insurance world, the current climate is surely the Asian Moment.

Creation of new wealth, a growing middle class and a historic protection gap have led multinational insurers to look increasingly toward Asia as the well of growth beyond more locked-up markets such as the United States and Europe. The geographically and economically fragmented region is home to a third of the global population and some of its economies rank near the top of the fastest-growing list.

Just look at China, the world's second-largest economy and growing. Point taken.

"Anywhere where you have a rising middle class, you have wealth creation, you have natural hazard and legal exposure is a good environment for insurance to prosper," said Chubb's Paul McNamee, senior vice president, regional president for Asia Pacific. "From our perspective that's an environment where we can add value. We look long term and the projections only indicate that the region will continue to develop that way."

Chubb is among the companies growing operations in the region and its Asia-focused international life business in the second quarter of the year saw a 30% rise in net premiums written, the company's Chairman and Chief Executive Evan G. Greenberg said earlier this year.

In all of 2019, Chubb's gross premiums written in Asia totaled \$2.9 billion, up 9% in constant dollars from prior year. Operations across lines there represented 7% of the company total, according to the company financial report for 2019.

Sun Life Financial Inc. expanded its Asia presence to eight markets when it announced plans to open a Singapore branch offering life insurance products to the high net worth population.

The company, which already offers life, health and wealth management to 23 million clients in Asia, said Singapore attracts high-net-worth residents with a strong regulatory and solid business environment. It already operates in China, the Philippines, Hong Kong, India, Indonesia, Malaysia and Vietnam.

MetLife Inc., the largest U.S.-based life insurer, has been in Asia dating back to 1952 in Bangladesh. The

## Key Points

**Situation:** Wealth creation, an expanding middle class and historic under-protection make the Asia-Pacific region a growing insurance market.

**Extent:** The Asian market is so strong this year U.K.-based Prudential plc announced plans to fully spin off its Jackson National U.S. operation to free up cash for Asia and Africa operations.

**Pandemic:** While COVID-19 is creating a short-term hurdle, the region's growth isn't expected to suffer in the long run.

company relies on organic growth as well as alliances and acquisitions to grow in the region, and recent additions to its portfolio include Malaysia, Vietnam and Myanmar. In all, the company has a presence in 11 Asian markets.

In 2019, Asia accounted for about a quarter of MetLife's earnings and the company reported \$5.7 billion in net income.

American International Group and subsidiaries operate in 18 countries in Asia and in 2019 its international operations including Asia accounted for 30% of its general insurance revenue. Japan alone accounted for 15.3% of property/casualty direct premiums written.

## On Hold

It is important to point out before reciting numbers that the COVID-19 pandemic altered the calculus as it shuttered commerce and upended lives across the globe. Asia, where the coronavirus was first detected in Wuhan, China, and spread widely before governments took tough stances on testing and social distancing, has been acutely impacted by the disease.

The International Monetary Fund projects Asia's growth to stall at 0% in 2020, marking its worst performance in six decades. Still, the IMF projections for Asia as a region outpace other parts of the globe by far: Its key trading partners in the U.S. and Europe will contract by 6% and 6.6% respectively, according to the expectations.

The Organization for Economic Cooperation and Development, an international organization that studies economic development and policies worldwide, in June found the "global middle class" is projected to hit 3.2 billion this year and 4.9 billion by 2030. The prime driver of this growth will be found in Asia, which by 2030 will account for a projected two-thirds of the world's middle class and 59% of consumption within that group, according to OECD.

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“The countries are not only different in regulation, they represent different stages in economic development; they are very different in their consumer behavior and their behavior toward digital. Taking this into account is difficult.”

**Henrik Naujoks**  
Bain & Company

Growing fortunes create the need to protect them. They also mean more people buying houses and cars.

“You’ve got a natural growth in the industry because wealth is being created in Asia probably faster than any other region of the world,” McNamee said. “As wealth grows, as populations become more prosperous, they look to protect their assets and their livelihoods. That’s a great environment for insurance to prosper.”

### New Frontier

Unlike more mature markets in North America, the Asia-Pacific region encompasses numerous local jurisdictions, each with their own needs and regulatory structures. While at once complex, it also holds promise for those looking to make inroads.

At the risk of omission, you have the emerging giants of China and India. The city-states of Hong Kong and Singapore. Mature markets such as Australia, Japan and Korea. Add in the growing countries, such as Indonesia, Vietnam and the Philippines, to name a few.

Henrik Naujoks, global head of insurance with Bain & Company, said Asia is a “complex” environment with each nation posing its own intricacies and regulatory climate. The region has become so important that he relocated to Hong Kong from Zurich in May 2019.

“It’s tough and one of the reasons is that it’s fragmented,” he said. “The countries are not only different in regulation, they represent different stages in economic development; they are very different in their consumer behavior and their behavior toward digital. Taking this into account is difficult.”

### Focus East

The single clearest recent example of the interest multinational insurers are showing for Asia comes from Prudential plc, the London-based carrier that has

historically focused on life insurance in the region.

That company announced in August it plans to completely spin off its U.S.-based Jackson National unit with an eye toward growing its financial flexibility in Asia and Africa. The move would result in two separately listed companies with distinct investment propositions, which Prudential plc Group Chief Executive Michael Wells said in a statement is designed to improve “strategic outcomes” for both companies. The new group would have its primary listings in London and Hong Kong, with a secondary one in Singapore.

In the first half of this year, Prudential plc announced its Asia operating profits climbed 14% even as the larger company felt the drag of the pandemic.

Prudential plc touts its pan-Asian footprint, with its largest life and protection operations in Hong Kong, Singapore, Indonesia and Malaysia. It also does business in Thailand, Vietnam, Taiwan, the Philippines, Cambodia, Laos and Myanmar, as well as maintain successful partnership ventures in China and India. It boasts top-three positions in nine out of 13 Asia life markets. In asset management, its Eastspring unit manages \$220 billion across 11 markets in Asia and offers investment solutions to third-party retail and institutional clients as well as to its internally sourced life funds.

“The Asian insurance market is not only growing, it’s close to an inflection point of even faster growth,” said Wells in an August conference call. “When income per capita reaches around \$10,000 per capita, this is when insurance penetration takes off.”

Insurance penetration in Asia is only 2.7% of GDP, compared with 7.5% in the U.K., the company said, while mutual fund penetration is just 12% in Asia, compared with 96% in the United States. “Our Asia-focused strategy will support long-term delivery of





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“As wealth grows, as populations become more prosperous, they look to protect their assets and their livelihoods. That’s a great environment for insurance to prosper.”

**Paul McNamee**  
Chubb

future shareholder returns through value appreciation, with a focus on achieving sustained double-digit growth in embedded value per share,” the company said. “This will, in turn, be supported by growth rates of new business profit, which is expected to substantially exceed GDP growth in the markets in which the Group operates.”

Chubb’s McNamee said his company’s digital offerings in Asia even go as far as distributing travel insurance through a partnership with ride-sharing and mobile payments company, Grab, the leading “super app” in Southeast Asia, the Uber of Southeast Asia. Chubb’s business lines in Asia are split roughly equally between commercial and individual offerings, he said. On the commercial side, it is a significant player in directors and officers, professional indemnity and property offerings, among others.

On the consumer side, it offers health and travel, as well as life and supplemental life products, said McNamee, whose area of management doesn’t include the traditional life operations. In all, Chubb has a presence in 14 Asian countries including a growing ownership stake in Huatai Insurance Group, a China-focused holding company with P/C, life and asset management subsidiaries.

Greater China—which includes Hong Kong and Taiwan—is a “long-term game” for Chubb. The company also has businesses in Korea, Japan, as well as a stake in every major ASEAN country, McNamee said.

He said he expects the market to begin its return in the coming 12 to 18 months.

“We’ll see a good degree of growth again in the region,” he said. “The consumer demand is too powerful in Asia-Pacific.”

On the commercial side, McNamee said the current pricing environment is perhaps the most favorable one Chubb has seen in 10 to 15 years.

He said that trend is helping the company grow particularly in developed markets. On the medium- and long-term radar screens, McNamee said the plan is continued growth in digital infrastructure, distribution and investing in local partnerships to grow the footprint.

### Missteps

Bain’s Naujoks said entrance into the Asia-Pacific market, and the promise it holds, hasn’t gone off without a hitch in every case.

He cited Axa, which has reportedly been exploring the sale of its Singapore entity. In July, Aviva plc completed the sale of Friends Provident International Ltd. to RL360 Holdings Co. Ltd., a sale announced after a strategic review that underscored its commitment to its most promising core markets, U.K.-based multiline insurer Aviva said. Friends Provident International is Aviva’s Isle of Man-based, Asia-focused life and investment company.

The common thread, according to Naujoks, is that ‘OK, Asia is growing, Asia is attractive’ isn’t a business plan.

The common pitfalls he pointed out fall into several categories: those insurers who cobbled together a number of small local plays but never gained a leadership foothold and the failure to have a real business logic or repeatable formula for entering Asian markets.

“People thought if I bring in the best British manager or the best French manager or the best U.S. manager they will manage it. I think the contrary is right, that often you need top local talent to be successful in the market,” he said. “There are a lot of companies that wanted to be here because it’s growing but have never really created value.”

BR

# A Complex Situation

AM Best: A combination of positives and negatives has led to a stable outlook for the reinsurance sector.

by Meg Green

**D**espite the long, dark shadow cast by the pandemic, AM Best continues to maintain a stable outlook on the global reinsurance industry. Associate Director Scott Mangan and Senior Director Carlos Wong-Fupuy discussed the rationale behind the outlook and other issues as detailed in the Best's Market Segment Report on the global reinsurance industry, *Global Reinsurers Maintain Equilibrium Through COVID-19 Turbulence*.

Following is an edited version of the transcript.

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**Meg Green** is a senior associate editor, <sup>AM</sup>BestTV. She can be reached at [meg.green@ambest.com](mailto:meg.green@ambest.com).

**A number of insurance segments globally have seen their outlook revised to negative since the start of the pandemic, but not the global reinsurance segment. What are the leading factors behind AM Best maintaining its stable outlook?**

**Wong-Fupuy:** Yes, you're correct. There are some insurance segments that we have on a negative outlook. That's the case of commercial insurers in the U.S., for example, and the life and annuity insurers. The main concerns are not just associated to impact on claims due to COVID, but mainly because of the macroeconomic environment, a very depressed economic



“Reinsurance is seeing improvement. I don’t think we are quite ready to call it a hard market, but we’re seeing hardening conditions, and it’s across numerous geographies and lines of business.”

**Scott Mangan**  
AM Best

situation, and historically low investment rates.

In the case of the global reinsurance market, we are talking about a more complex situation, where we can see some negative and positive factors interacting. Probably the best way to explain this is trying to remember what the situation was when we were keeping the global reinsurance market on a negative outlook.

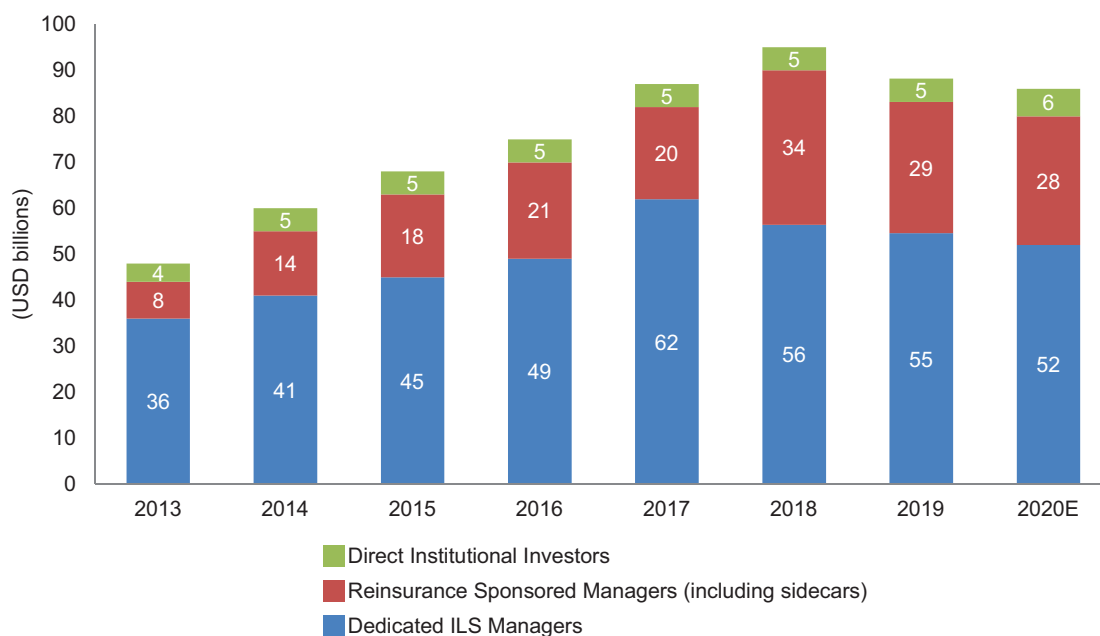
At the time, the main issue was a very overcapitalized market, which we still see that excess capacity, continued influx of third-party capital, companies really struggling to meet their cost of capital in soft market conditions.

Obviously, we’ve had increased loss activity

in 2017, ’18, and, ’19. By 2018, we changed the outlook from negative to stable. This wasn’t because we were overly optimistic about the main indicators in the market. It was simply that what we saw was stabilization on performance indicators which were below historical levels.

What we were seeing was an environment which we were calling a new normal, where we would all have to get used to this lower performance. In 2019, we’ve started to see some positive movement in pricing terms and conditions, initially driven by the primary sector and the retrocession markets, with the early signs on the reinsurance side.

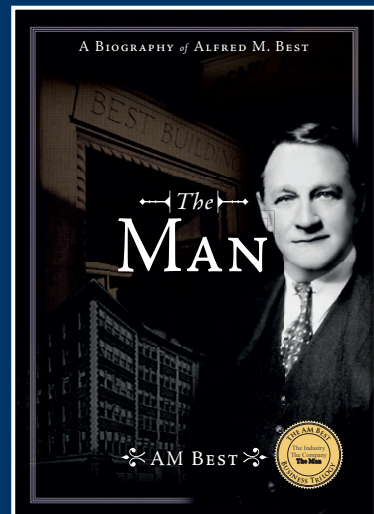
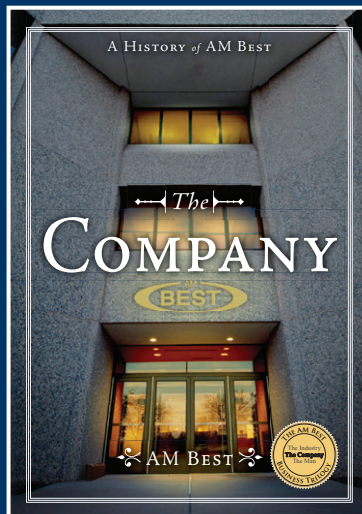
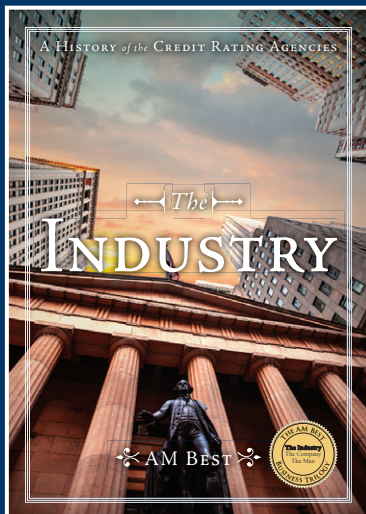
### Global Reinsurance – Estimated Total Third-Party Capital



Notes: Joint estimate by AM Best and Guy Carpenter. Rounded values may not add up to non-rounded total.  
Source: AM Best data and research



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“We believe that definitely, third-party capital investors are reassessing their positions. There is a bit of a change in attitude.”



**Carlos Wong-Fupuy**  
AM Best

We’ve seen that actually being reinforced during the first half of the year with the renewals and with this COVID situation. All in all, what we see is this interaction of positives and negatives leading us to a stable outlook for the global reinsurance sector.

#### What positive factors are out there?

**Mangan:** The biggest positive that we’re seeing is the pricing environment. Reinsurance is seeing improvement. I don’t think we are quite ready to call it a hard market, but we’re seeing hardening conditions, and it’s across numerous geographies and lines of business.

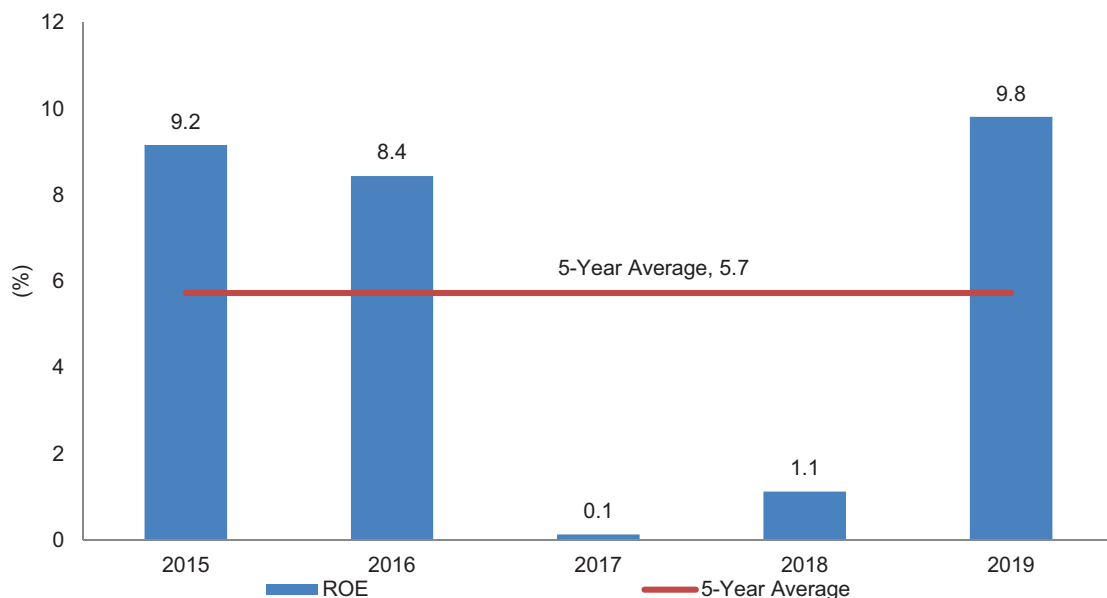
Again, not completely across the board yet, but certainly has momentum.

The [Jan. 1] renewals will be very telling in terms of how sustainable that pricing improvement is. Also, we’re seeing pricing improvement at the primary level, and this should benefit reinsurers that have quota shares. Frankly, a lot of the reinsurers that we follow do, to some extent, write some of those primary specialty-type classes of business.

Maybe not necessarily a significant amount, but enough to maybe gain some extra benefit as well as reinsuring that.

I also think some of the positives are that the

### Global Reinsurance – Return on Equity



Source: AM Best data and research

COVID losses haven't been as big, or at least are manageable. It's still an ongoing catastrophe, so we can still see the other shoe drop and more losses come in, but so far, it seems to be manageable. The way the claims will pay out will be different than what we see in a typical catastrophe, but again, I think it's been manageable up until this point.

For a number of years, we were talking about the excess capital in the industry, and how well reinsurers' balance sheet strengths are and how well capitalized they are. Now they're finally going to be able to deploy some of that capital to gain some opportunities and take advantage of these market conditions.

### **Given the recent years' catastrophic events and market volatility, what are you seeing in regard to third-party capital?**

**Wong-Fupuy:** We believe that definitely, third-party capital investors are reassessing their positions. There is a bit of a change in attitude. This doesn't mean that we are going to see a drastic decline in capacity from third-party capital. We're actually estimating a slight decline this year. In terms of transactions, we saw actually a relative recovery during the first half of the year, but mainly driven by renewal of maturities.

Obviously, we've had three years of increased claims activity both from the cat side and from man-made losses. I think that from the third-party capital investor side, there has been some concern about the robustness of pricing and reserving modeling. The fact that we've had a number of events for which reserves had to be reassessed several times, for example, Japanese typhoons.

The second assumption about the short-term, the ability of entering and exiting the market swiftly has been put into question as well, because of the claims settlement process taking much longer than expected, the issues related to collateral trapped.

Finally, the assumption about the lack or perceived lack of correlation with the rest of the

economy. Obviously, COVID is a vivid example that correlations tend to increase significantly in times of crisis. We think that added uncertainty is making third-party investors reassess their positions, to be more careful.

If not to shrink capacity dramatically, at least to be much more selective. Flight to quality is definitely a significant factor in how capital is being allocated.

### **What unknowns do you think may be keeping reinsurance CEOs up at night?**

**Mangan:** I think certainly one thing that might be keeping reinsurance CEOs up at night is reserve development. There have been about 10 years or so of really challenging, soft market conditions. Those years are starting to run off. We're seeing a diminished benefit of reserve releases that have all been favorable on a net basis if you look at it in aggregate across the industry.

It went from about 6% on a combined ratio to just about 1% as of the year in '19. If that starts to turn to adverse development, I think it dovetails with the other thing that I think might be keeping CEOs up at night, is the interest rate environment and what the future holds for that.

It looks like it's going to be a low interest rate environment for the foreseeable future, but it's very hard to predict about what central banks and governments will do in terms of how they're viewing interest rates and what actions they can take to push them upward, which isn't always a good thing in certain cases.

If you have reserve development and you're unable to get the investment income that you've gotten in the past, reserve development will take away from the current underwriting year. Then if you're not getting as much investment income as you have in the past, it's going to be hard to maintain strong earnings over time **BR**.

**AMBestTV**



Go to [bestreview.com](https://bestreview.com) to watch the interview with Scott Mangan and Carlos Wong-Fupuy.





*Best's Review* contributor **Mike Kaster** is the executive vice president and head of Life Solutions (U.S.), Willis Re. He can be reached at [bestreviewcomment@ambest.com](mailto:bestreviewcomment@ambest.com).



# Chart a Course

The landscape for U.S. life/annuity reinsurance is becoming more complex and intermediaries are stepping in to help navigate the challenges.

by Mike Kaster

**T**imes have changed in the U.S. life/annuity reinsurance world. Once the preserve of a handful of global risk carriers focused on direct relationships with their insurance company clients, many more reinsurers—including alternative capital providers—are now supporting primary life/annuity writers. They provide a variety of practical, innovative and typically customized tools for risk transfer and capital relief. Specialist reinsurance brokers are helping insurers navigate the increasingly complex alternatives. Together they offer a solution for the capital-constrained U.S. life insurance sector.

## Key Points

**The Situation:** Reinsurers can provide a variety of practical, innovative, and typically customized tools for risk transfer and capital relief for life/annuity insurers.

**The Rub:** Some reinsurers are not as well-equipped as others to manage the risks associated with many of the life/annuity industry's asset-intensive products.

**The Solution:** Intermediaries are helping life/annuity insurers to find reinsurance remedies to their return-on-capital challenges.

## Two Types of Transactions

Reinsurance partnerships can be advantageous to insurers in many ways, but two types of transactions have become increasingly popular, beyond the usual transfer of excess mortality risk.

The first is the reinsurance of legacy blocks of business which the original insurer may have decided are no longer core, or are troubled. As regulators have imposed more onerous capital ratios on risk carriers, the impetus to search for ways to ease the economic drag of such in-force blocks has increased. Many insurers have found that arrangements with members of the new generation of reinsurers can provide capital relief easily, quickly and cost effectively.

The second area that is becoming more popular is reducing the strain caused by new business development. Upfront expenses incurred to acquire a new policy include the sales costs and commissions, which may be significant, as well as the onerous reserving required for any permanent, long-duration risk. Without relief, acquisition costs and reserving demands may place an extreme constraint on a life company's growth. They create a capital strain which may take several years to unwind. Reinsurers offer an array of products which provide relief from this new-business capital squeeze.

The challenge presented by the front-end costs of acquiring and reserving life/annuity policies isn't new, but the reluctance of traditional reinsurers active in the life/annuity market to help with it is. Some are not as well-equipped as others to manage the business, and most have moved away from providing capital support. Others may have pulled back with a view to balance their own capital ratios, while still others are reluctant to assume the full set of risks associated with many of today's asset-intensive products.

## Changing of the Reinsurance Guard

In the 1990s, perhaps 10 major reinsurers would undertake life/annuity capital relief

contracts, but until recently the number had fallen to fewer than five. The old leaders of the field were extremely service-oriented, supplying customers with everything from rating manuals to product design. However, over time they became increasingly focused on very particular types of solutions. Several turned their energies almost entirely toward mortality risk and support services, providing a specific set of ancillary solutions.

In a market which had been barely penetrated by intermediaries, a degree of disruption was inevitable as insurers realized their reinsurers' advice was usually, quite naturally, biased toward their own, favored products. Similarly, larger insurers often do not need the reinsurers'

technical support paid for through more-expensive mortality risk transfer. Mortality risk has become commoditized, leaving no margin for the traditional reinsurers to provide additional services.

After more than a decade of product concentration by the major players in the field, these conditions have prompted a gold rush into the life/annuity reinsurance class. "Competition for block acquisitions is high," AM Best reported in late 2019, stating that many reinsurers, "including direct writers and new entrants, are looking to

build scale and deploy capital that has grown in recent years." AM Best noted: "the growing importance of second and third tier reinsurers is providing needed competition."

Most U.S. life insurance companies are capital-challenged, a position which has not been eased by 2020's significant capital market fluctuations driven by the global pandemic. Alongside current market conditions, insurance companies will face even greater challenges. Reinsurers are powerful partners to help alleviate the situation. Reinsurance can provide additional capital, or mitigate the amount of capital required when writing new business. They also provide structures which remove the requirement for capital by subtracting liabilities from the original insurer's balance

Greater interest from a broad range of capital providers only increases the options and the range of solutions available to insurers and improves the price of transfer.



sheet. Brokers can navigate the evolving life reinsurance environment by matching capital to need. Their first line of inquiry will be about the client-insurer's capital-to-surplus ratio, since improving this very important accounting relationship is almost always possible. Recent changes to the set of solutions and providers means navigating the alternatives requires in-depth knowledge of the array of possibilities. Many direct insurers will be unable to navigate the new market alone.

For example, one major international multiline insurer with a large U.S. presence was struggling because a successful portfolio of legacy annuity business was extremely expensive from a return-on-capital perspective. The company sought to dispose of a closed block of this capital-intensive business, in part because the insurer's capital could be more profitably deployed elsewhere. The solution to the problem was to reach out to 18 reinsurance markets on the insurer's behalf. Ultimately, a solution was structured at a competitive price which led to an immediate multimillion-dollar improvement to the client's capital position.

### **A New Generation of Reinsurers**

Participating in life/annuity reinsurance contracts has become something of a trend among firms looking to deploy capital. Interest in bringing new capital into the U.S. market for this purpose is high, and not all of it has emanated from conventional reinsurers. Capital markets firms, hedge and pension funds, family offices with large assets under management, and other investment groups are looking with increasing intent at the life/annuity space for long-term investments which will fuel their own risk diversification. Several have formed reinsurance vehicles in order to participate, often after learning how difficult it is to participate as direct life insurers. Their entry has made the market to deploy reinsurance capital to life/annuity insurers even more competitive, to the benefit of the original underwriters. The journey to understand these players is not routine, and requires deep understanding of their alternative structures.

Their entry has also benefited the reinsurance intermediaries that specialize in life/annuity business, since the increasingly

complex array of products for the sector is now being underwritten and capitalized by a much more crowded field of suppliers. In practice, access to reinsurance providers from the capital markets can be gained only through brokers. Meanwhile, greater interest from a broad range of capital providers only increases the options and the range of solutions available to insurers and improves the price of transfer. Most deals were completed with the involvement of an intermediary. Closed-block reinsurance requires the ability to maneuver through the many possible solutions and advise on the complex rules for life/annuity reinsurance transactions.

### **Mutual Benefits**

Interest in entering the reinsurance market is high because the advantages flow in both directions. Mortality risk is a good hedge for the interest-rate risk that many annuity insurers and capital-markets investors bear. Likewise, life companies or reinsurers may be heavy on mortality risk and will see investment risk as a natural hedge which reduces their overall capital requirements while diversifying income streams. The challenge is finding and matching the right partners, and leveraging the necessary data, broad analytics, and actuarial talent to price and structure deals which will yield mutual benefits. A wide and well-informed knowledge of regulations and program structures in various states and jurisdictions is also essential.

Almost every life/annuity company would like to improve its capital position, especially in today's ever-changing economic environment. Pressure on earnings will be strong due to the pandemic and its related economic impacts, to leave life insurers facing even greater return-on-capital challenges. This is especially true of midsize and regional life/annuity insurers that have been striving for growth. Managing capital can be a constant challenge for all such companies, but an increasingly deep field of specialist intermediaries is now standing by to help. Every solution is unique, tailored to the ceding company and its specific needs. The market to supply them, with its array of new products and entrants eager for reliable returns and risk and income diversification, has never been more attractive. **BR**

# Finding Their Footing

First-half P/C insurtech net losses narrow or move to profit as businesses mature.

by Renée Kiriluk-Hill

**T**he insurtech segment is maturing, with businesses evolving and net losses starting to narrow or inching to profits for property/casualty carriers.

Automobile writer Elephant Insurance Co. is finally seeing positive growth as it posted a net income in the first half compared to a multimillion-dollar net loss a year earlier. Chief Executive Officer Alberto Schiavon said it benefited from reduced frequency during virus-containment shutdowns.

“During the past five months, we have been able to continue the momentum we began the year with to leverage our insurance and technical competencies to deliver further value to our policyholders,” he said.

Looking ahead, he said his company’s investments in infrastructure and talent will emphasize digital efficiencies and data analysis.

Lemonade’s successful initial public offering in the second quarter could be a harbinger as the coronavirus pandemic accelerates the push for digital products and services. Homeowners managing general agent Hippo is tentatively preparing for an IPO in 2021, according to Chief Insurance Officer Rick McCathron. And it’s on track to complete its acquisition of Spinnaker Insurance.

Investments in the space are booming, according to American Family Ventures Managing Director Dan Reed. American Family and 12 industry partners recently launched a \$213 million venture capital fund focused on fledgling insurtechs. Though primarily a financial investment tool, it does come with strategic perks. “We all learn a lot about how you build a company that’s fast and attractive to the digital consumer,” from entrepreneurs who disrupt and are proactive, he said.

Despite this flurry of growth and industry interest, some property/casualty insurtechs are still finding their financial footing, according to data from the National Association of Insurance Commissioners regulatory filings received by AM Best:

## Elephant Insurance Co.

Net income of \$898,000 in the first half, compared with a \$9 million net loss a year earlier for the auto writer. Incurred losses declined to \$26.4 million from \$36.8 million and the combined ratio improved 11.4 points to 106.7. Premiums earned declined to \$43.4 million from \$46.4 million.

Elephant, which is a subsidiary of the United Kingdom’s Admiral Group, writes the bulk of its business in Texas and its home state of Virginia. It also offers coverage in Ohio, Illinois, Indiana, Maryland and Tennessee.

## HiRoad Assurance Co.

The net loss narrowed at HiRoad in the first half of 2020 to \$7.6 million from \$8.9 million. Premiums earned rose to \$8.1 million from \$6.2 million. Losses incurred rose to \$8.8 million from \$8.2 million. HiRoad’s combined ratio improved 25.7 points in the half to 204.8.

State Farm launched direct auto subsidiary HiRoad late in 2017 in Rhode Island. HiRoad customers pay monthly premiums based on miles driven and driving behavior, all of which is measured from a smartphone app.

## Lemonade Insurance Co.

Lemonade narrowed its first-half net loss to \$5.6 million from \$5.8 million a year earlier.

Premiums earned in the half more than doubled to \$54.5 million from \$23.8 million, with the most business written in Texas, California and New York. Losses incurred also more than doubled to \$32.8 million from \$15.7 million. The combined ratio improved 4.3 points to 99.4 in the half.

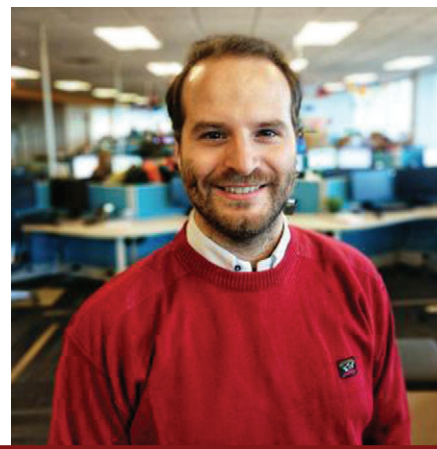
The company recently expanded beyond renters and homeowners to pet insurance in 33 states, which Chief Executive Officer and Co-founder Daniel Schreiber called a sign of things to come.

“The fact that we don’t yet have all of our products out there is a handicap,” he said during an earnings call, adding the insurtech was built to launch products in pretty rapid succession.

**Renée Kiriluk-Hill** is an associate editor, *BestWeek*. She can be reached at [renee.kiriluk-hill@ambest.com](mailto:renee.kiriluk-hill@ambest.com).

“During the past five months, we have been able to continue the momentum we began the year with to leverage our insurance and technical competencies.”

**Alberto Schiavon**  
Elephant Insurance Co.



### **Metromile Insurance Co.**

Metromile, a San Francisco-based pay-per-mile car insurance company, has suffered the impact of reduced driving during the pandemic. It accepted a federal COVID-19 relief Paycheck Protection Program loan valued at up to \$10 million. A company representative said the loan bolstered operations, helping Metromile bring back some employees furloughed when virus-containment shutdowns slowed business.

The company didn't report financial results for the first half of the year. In the first quarter, it posted a \$339,000 net income, compared with a \$2.9 million loss. In the first quarter, premiums earned fell to \$3.8 million from \$8.9 million.

### **Next Insurance Co.**

A \$435,000 net loss for the first six months was deeper than the \$120,000 net loss in the prior-year period. Premiums earned of \$342,000 compared with none a year earlier. The insurer incurred losses of \$221,000 over the half and a combined ratio of 123.6.

Next started as a small business carrier two years ago, yet remains intent on growing its MGA operations. It's also hiring during the pandemic. “The war for talent isn't going away in the long term. This may be a time to hire top-tier personnel,” Chief Operating Officer Sofya Pogreb said.

MGA Next raised \$250 million from Munich Re in a pre-outbreak, Series C funding round, said Pogreb. With almost \$400 million on hand, it is expanding products and geography because it anticipates a resurgence in demand. Pogreb noted continued strong interest despite the economic conditions. Insurance is a multibillion-dollar space and “lots of people with great ideas want to be a part of it.”

### **Root Insurance Co.**

The net loss at Root widened in the first half of the year to \$51.8 million from a \$48.8 million net loss in the prior-year period. Premiums earned climbed to \$140.2 million from \$98.6 million. However, losses incurred also rose to \$131.8 million from \$94.5 million and the combined ratio worsened 14.8 points to 154.8.

Root says it looks at more than 200 driving variables to assess a driver's risk behind the wheel. It plans to stop considering credit scores in auto insurance pricing by 2025. Credit scores and other demographic factors such as occupation and education in car insurance rates embed bias into drivers' pricing, it said.

### **TypTap Insurance Co.**

Florida homeowners and private flood writer TypTap, a subsidiary of HCI Group, posted a net income of \$1.1 million in the first six months of the year, compared with a \$31,000 net loss a year earlier. Premiums earned rose to \$25.9 million from \$6.3 million. Losses incurred increased to \$14 million from \$852,000. The combined ratio worsened to 414.9 from 107.2 in the prior-year first half.

TypTap filed expansion plans recently with Florida regulators and is awaiting approval before submitting filings in additional states.

President Kevin Mitchell said his company is focused on slow, methodical growth, testing its insurtech capabilities in its home state because Florida is “one of the most difficult place to do business from a loss standpoint.” Unlike some competitors, TypTap currently avoids social media marketing, instead investing in independent and franchise agents, which Mitchell considers vital for distribution.

BR





# Obstacles Remain

AM Best: Low interest rates, potential ‘fallen angels’ challenge life/annuity writers.

by John Weber

**E**conomic turmoil may cause more ‘fallen angels,’ investment-grade bonds that drop to junk, said Associate Director Jason Hopper and Financial Analyst Igor Bass, both of AM Best.

The insurance industry overall has tangled with the low interest rate environment for the past decade, but it’s been a thornier issue for the life/annuities sector, especially amid the economic impact of the COVID-19 pandemic. A Best’s Special Report, *Interest Rates: Different Impact Severity, Different Strategies*, outlines the steps that life/annuity insurers have taken to de-risk portfolios.

Following is an edited transcript of the interview.

**The analytical look here split this life/annuity sector into separate parts—interest-sensitive companies versus noninterest-sensitive companies. Can you detail some of the differences between these two groups?**

**Hopper:** So the ultimate goal here was to see how strategies diverged in terms of investment strategies and in combination with reacting to changes that they had made on the product side, whether it be lowering crediting rates or things of that nature.

As you said, we split the insurance industry into

two camps based on product profile. One was interest-sensitive companies, which primarily are individual or group annuity writers, deposit-type contracts or interest-sensitive life products as defined by the National Association of Insurance Commissioners.

So we split these companies based on a reserve in premium mix, and we found that there are twice as many noninterest-sensitive companies as interest-sensitive. But on the flip side, interest-sensitive companies command about three-quarters of the total industry’s assets.

**How much do the operating results and performances vary between the two?**

**Bass:** That’s an interesting question where results could significantly vary between the two. Interest-sensitive companies represent a quarter of the portion of the companies but typically generate a majority of the earnings. The pretext and their operating earnings have been consistent for the most part for the interest-sensitive companies—but more fluctuation among the interest-sensitive companies over the past 10 years—but still remaining fairly positive.

Also, I wanted to mention the yields have been fairly declining over the past couple of years, more so for interest-sensitive companies than for noninterest companies. The interest-sensitive companies have a tendency to reach for the higher yield and that’s where you have more risk involved in their portfolios.

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**John Weber** is a senior associate editor, <sup>AM</sup>BestTV. He can be reached at [john.weber@ambest.com](mailto:john.weber@ambest.com).



“There may be more fallen angels in the financial crisis as this pandemic continues to move on. With that, as bonds start or continue to get downgraded, insurers are going to start facing higher capital charges.”

**Jason Hopper**  
AM Best

### From a life/annuity product standpoint, what moves are insurers making to de-risk?

**Bass:** Some of the moves that insurers are making to de-risk are cutting back on certain products, for example, UL (universal life) with secondary guarantees. They're curbing certain sales in new VAs (variable annuities) with living benefits.

They are favoring fixed-index annuities and indexing universal life products that have lower guaranteed minimum interest rates. They're also trying to lower guaranteed minimum interest rates in their portfolios, as well as divesting enforced legacy annuity blocks and raising some of the writer fees, basically trying to get rid of some of the richness of the benefits.

They're also trying to promote new products like the registered index-linked variable annuity, which shares some of the downside with high risk for the policyholder. So they're trying to do different things, especially trying to divest their portfolio with the richness of the benefits, basically getting rid of the secondary guarantees in the portfolios.

### What are you seeing on the investment allocation side?

**Hopper:** Building on everything that Igor had just said, interest-sensitive companies have a larger need to maintain yields and limit spread compression based on their interest-sensitive business. So knowing that, allocations do differ between these two sets of companies based on product profiles and their matching asset liability management. One thing that we have seen across the industry is the move down the credit scale. We've seen NAIC 2 bonds becoming an increasing share of the overall bond portfolio.

However, interest-sensitive companies have nearly one and a half times the exposure to NAIC 2 bonds as noninterest-sensitive companies—roughly, about 36%

of invested assets. This is becoming more of a concern now in the face of COVID, as there may be more fallen angels in the financial crisis as this pandemic continues to move on. With that, as bonds start or continue to get downgraded, insurers are going to start facing higher capital charges. Another investment class that we've seen an increase in is private placements. Interest-sensitive companies have double the exposure as noninterest-sensitive companies, and we have seen widespread growth among this asset class as three-quarters of interest-sensitive companies invest in private placements versus less than 48% for noninterest-sensitive companies.

### The report notes that while commercial mortgages remain a key investment strategy, there's been a shift in the quality due in part to COVID-19. What did your analysis show?

**Hopper:** Historical performance has been great for commercial mortgages throughout the insurance industry. Yields had been declining, but they are still greater than bonds, so it is still a favorable asset class from that perspective. Quality is deteriorating, more so from CM1 down to CM2. But we've noticed that these efforts are more to increase yield as opposed to deteriorating conditions so far.

That may change due to COVID. The lack of economic activity could affect the operating income at the underlying properties, specifically hotels and retail-type properties. This could lead to declining valuations and higher loan-to-values.

BR

AM BestTV



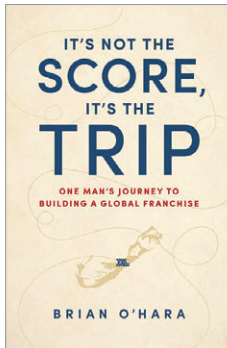
Go to [bestreview.com](https://bestreview.com) to watch the interview with Jason Hopper and Igor Bass.

# Insurance Exec Memoir

Brian O'Hara shares stories and wisdom from his career as the founding president of XL Capital.



## It's Not the Score, It's the Trip: One Man's Journey to Building A Global Franchise



One of the forces that helped establish Bermuda as an international insurance hub is Brian O'Hara, the founding president, former CEO and chairman of XL Capital, now AXA XL.

Brian retired in 2009. Following is an excerpt of an interview with <sup>AM</sup>BestTV.

### What was it that you really enjoyed about insurance?

**I know at first you were hesitant. You thought it would be boring, but right out of college, then you really got involved.**

The industry had a very bad PR back in the day. It didn't have a very exciting image, but it belied what it really was I found, that taking risk is a lot of fun. It's real exciting. When you win, it feels really terrific. You have to be able to deal with losing because it's the nature of the beast.

You're going to lose when you're taking risk, especially large risk and especially things like when you're in the catastrophe business, where it's really out of your control.

One thing that I learned along the way was that if you did lose, you always had an opportunity to make it back.

The industry cycles, which we're going through right now. Some companies or leadership, after they take big losses, retreat and withdraw. That's the worst thing you can do. Then you miss the whole opportunity to make all the losses back.

What I did and what you should do is double down when you go through a bad loss period and you know the rates are going to be going back up. You double down. That's worked tremendously.

### What was it like in the early days of the insurance market in Bermuda?

I first got here in 1979 with Trenwick. I was the chief underwriting officer. There was no infrastructure. They had a bunch of captives and stuff. AIG was in Bermuda. They had moved from Shanghai, Cornelius Vander Starr, to Panama and then to Bermuda. I think it was around 1969 that Hank Greenberg actually moved the headquarters to Delaware, United States and New York.

AIG had created some infrastructure of creating some underwriters, a few, but that was about it. There was no real indigenous experienced talent on the island except for that. You had to import it all, back in those days.

Now, all these years later, our industry has been very intelligent and generous in creating major scholarship programs that have educated Bermudians into actuarial and financial and all kinds of areas. Now, the predominant insurance/reinsurance workers in Bermuda are Bermudian.

—Meg Green

<sup>AM</sup>BestTV



Go to [bestreview.com](http://bestreview.com) to view the full interview with Brian O'Hara.

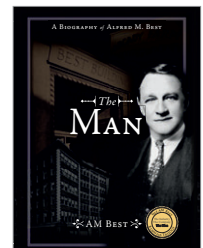
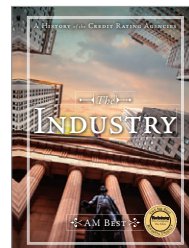
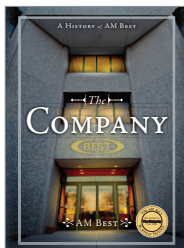
## AM Best Trilogy

AM Best details the history of AM Best, credit rating agencies and the life of Alfred M. Best.

**The Company—A History of AM Best**

**The Industry—A History of Credit Rating Agencies**

**The Man—A Biography of Alfred M. Best**



Send us your book recommendations at [bestreviewcomment@ambest.com](mailto:bestreviewcomment@ambest.com).



## U.S. Life/Health – 2019 Assets Distribution

Ranked by 2019 total admitted assets.

(\$ Millions)

2019 Rank	2018 Rank	Company/Group	AMB#	Bonds	% of Assets	Mortgages	% of Assets	Separate Accounts	% of Assets	Total Assets	Net Yield on Invested Assets Before Federal Income Tax, if Any				
											2019	2018	2017	2016	2015
1	1	Prudential of America Group	070189	\$127,482	20.1	\$29,446	4.6	\$430,159	67.8	\$634,595	3.70	3.70	3.90	4.50	3.40
2	2	Metropolitan Life & Affiliated Cos	070192	159,444	37.3	60,960	14.3	141,526	33.1	427,561	5.10	5.70	5.20	4.40	4.70
3	3	New York Life Group	069714	201,246	58.4	33,019	9.6	56,145	16.3	344,669	4.30	4.20	4.30	4.30	4.50
4	4	TIAA Group*	070362	197,684	60.2	32,441	9.9	47,850	14.6	328,219	4.50	4.70	4.70	4.90	4.70
5	5	AIG Life & Retirement Group	070342	154,277	50.1	31,944	10.4	100,351	32.6	308,075	4.70	5.00	4.80	5.00	5.30
6	6	Northwestern Mutual Group	069515	159,926	55.1	39,771	13.7	34,832	12.0	290,428	4.10	4.20	4.20	4.50	4.60
7	7	Lincoln Finl Group	070351	91,276	31.9	15,194	5.3	159,593	55.7	286,344	4.30	4.10	4.70	4.60	4.70
8	8	Massachusetts Mutual Life Group	069702	106,023	37.9	28,408	10.1	76,659	27.4	279,978	4.20	4.60	4.00	4.20	4.50
9	9	John Hancock Life Insurance Group	069542	55,494	20.2	12,663	4.6	159,305	58.0	274,504	4.70	5.00	4.80	4.70	4.60
10	10	Jackson Natl Group	069578	53,059	19.7	9,912	3.7	195,070	72.4	269,517	5.10	5.20	5.90	6.30	6.40
11	12	Equitable Life Group	070194	49,285	22.2	11,762	5.3	150,826	68.1	221,627	1.30	7.40	4.20	5.70	6.60
12	11	Aegon USA Group	069707	48,623	22.7	9,380	4.4	135,753	63.3	214,535	4.10	4.10	4.70	4.70	4.40
13	13	Principal Finl Group Inc.	020516	56,402	26.8	14,993	7.1	128,470	61.1	210,161	4.30	4.40	4.20	4.60	4.60
14	15	Nationwide Mutual Life Group	070822	58,131	29.8	13,345	6.8	114,786	58.8	195,158	4.10	4.20	4.50	4.60	4.30
15	14	Brighthouse Ins Group	070516	46,624	24.0	12,038	6.2	121,816	62.6	194,645	4.40	4.30	4.30	4.60	4.70
16	16	Allianz Life Ins Group	070187	97,824	60.3	14,217	8.8	37,870	23.4	162,159	4.00	4.00	4.20	4.50	5.20
17	18	Pacific Life Group	069720	57,289	37.5	14,093	9.2	60,192	39.4	152,902	4.70	3.90	4.50	4.10	4.50
18	17	Voya Finl Group	070153	48,021	32.0	8,196	5.5	83,827	55.8	150,101	4.60	4.70	4.60	4.90	5.10
19	19	Talcott Resolution Group	070116	11,084	9.1	2,093	1.7	104,398	85.5	122,041	4.50	4.10	4.20	4.20	4.30
20	20	Ameriprise Finl Group	069689	19,446	17.1	2,672	2.4	82,581	72.8	113,489	4.30	4.30	4.60	4.80	4.90
21	21	Sammons Enterprises Group	070533	76,164	73.3	7,391	7.1	7,512	7.2	103,946	4.60	4.50	6.00	4.50	4.40
22	22	Thrivent Finl for Lutherans	006008	46,538	45.5	9,506	9.3	34,482	33.7	102,221	4.60	4.40	4.60	4.80	5.10
23	23	Athene US Life Group	070478	56,917	58.1	13,631	13.9	10,194	10.4	97,882	4.80	6.10	5.90	4.50	5.80
24	26	Protective Life Group	069728	56,131	64.2	9,051	10.4	15,008	17.2	87,421	4.40	4.70	4.70	4.90	5.00
25	24	State Farm Life Group	070126	54,891	67.1	10,338	12.6	1,482	1.8	81,833	3.70	3.70	3.80	3.90	4.30
<b>Top 25 Insurers</b>				<b>\$2,089,282</b>	<b>37.0</b>	<b>\$446,465</b>	<b>7.9</b>	<b>\$2,490,686</b>	<b>44.1</b>	<b>\$5,654,011</b>	<b>4.45</b>	<b>4.73</b>	<b>4.71</b>	<b>4.72</b>	<b>4.83</b>
<b>Total U.S. Life/Health Industry</b>				<b>\$3,202,555</b>	<b>42.3</b>	<b>\$578,451</b>	<b>7.6</b>	<b>\$2,833,387</b>	<b>37.4</b>	<b>\$7,567,071</b>	<b>4.40</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>4.60</b>

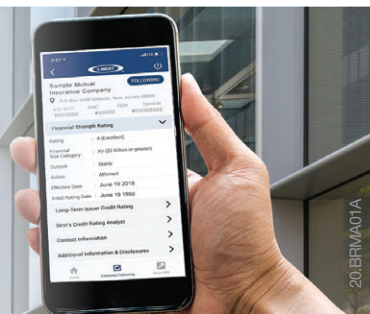
\*TIAA assets are significantly understated. Most of its separate account assets are in its affiliate, CREF.

Source: **BESTLINK** — Statement File - L/H, US; Data as of: August 17, 2020

## Best's Credit Ratings Mobile App

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# Pandemic News Reigns

Trending news and research include articles about the pandemic, *Best's Review's* top global brokers, research about captives in Bermuda, Cayman and Barbados and a cross-media project examining the impact of the pandemic on the industry.

## Trending Features from *Best's Review*

### 1. 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)

### 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. Standing the Test of Time

A 147-year-old property/casualty insurer joined the ranks of companies that have maintained a Best's Financial Strength Rating of A or higher for at least 75 years. (July 2020)

### 4. Pandemic Partnerships

As businesses emerge from months of shutdown due to the coronavirus, insurers and reinsurers around the world work with governments to mitigate the economic impact of future pandemics. (August 2020)

### 5. Making the Jump

The realities of doing business during the global COVID-19 pandemic are forcing the notoriously slow-moving life insurance industry in many cases to leap into the digital age and make planned adjustments ahead of schedule. (July 2020)

## Trending Articles on Best's Insurance News & Analysis

1. AM Best Affirms Credit Ratings of Active Capital Reinsurance, Ltd. (July 2, 2020)
2. APCIA: Regulators' Rejection of Communicable Disease Exclusion Filings Creating P/C Crisis (August 11, 2020)
3. AM Best: Commercial Auto Endures Worst Results in 10 Years (June 30, 2020)

## Trending AM Best Research

1. Market Segment Report: Rated Bermuda, Cayman Islands, and Barbados Captives Steadily Navigate Market Cycles (November 25, 2019)
2. Special Report: Private Equity Holdings Continue to Climb (June 29, 2020)
3. Special Report: Uncertain Times for Mexico, Latin America's Second-Largest Economy (May 2, 2019)

## Trending <sup>AM</sup>BestWebinars

1. How the COVID-19 Pandemic Is Changing the Insurance Industry (July 16, 2020)
2. AM Best and the Current State of the Cyber Insurance Market (July 27, 2020)
3. The State of the Florida Market (July 23, 2020)

## Trending <sup>AM</sup>BestTV Videos

1. An Industry Transformed: Reaching Beyond the Industry (August 20, 2020)
2. An Industry Transformed: Digitally Native, Not by Choice (August 17, 2020)
3. American Family CEO: COVID-19 Brought Us Closer Together as a Company (June 19, 2020)

The above content can be viewed online at [bestreview.com](https://bestreview.com), or by visiting AM Best's home page at [ambest.com](https://ambest.com).



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# Reinsurance Sector Outlook Is Stable Amidst Pandemic

AM Best also notes underwriting gains for Medicare Advantage and comments on group capital rules in Hong Kong.

## A selection of recent industry research:

### **Market Segment Outlook: Taiwan Non-Life Insurance**

Our outlook is stable, given the consistent underwriting and investment performances, as well as strong capitalization of Taiwan's non-life insurers.

September 3, 2020 - 6 Pages

### **Market Segment Report: Global Reinsurers Maintain Equilibrium through COVID-19 Turbulence**

When market uncertainty and economic volatility translate to a "stable" global reinsurance market outlook.

September 2, 2020 - 89 Pages

### **Special Report: US Health: Favorable Underwriting Gains for Medicare Advantage** Higher CMS star ratings correlate to better margins.

August 31, 2020 - 11 Pages

### **Special Report: Emergence of "Total Return Reinsurers"**

Total return reinsurers have the potential to generate significantly higher investment returns than traditional reinsurers, although results thus far have been muted and volatile.

August 28, 2020 - 9 Pages

### **Market Segment Report: The Maghreb: One Region, Three Unique Insurance Markets**

Improving insurance penetration is a regional priority, particularly through the introduction of new personal lines products in the underdeveloped retail sector.

August 25, 2020 - 12 Pages

### **Special Report: Corporate Bond Holdings Pose Risk to Insurers' Balance Sheets**

Economic factors are concerns for insurers' balance sheets, as corporate bonds constitute a majority of the industry's assets.

August 18, 2020 - 10 Pages

### **Special Report: Understanding Country Risk Evaluation in Best's Credit Ratings**

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

August 10, 2020 - 9 Pages

## AM Best Commentary

### **Commentary: Insurance Liability at the Forefront as School Year Begins**

Insurers may face an onslaught of lawsuits, with the potential for significant expenses and losses.

September 8, 2020 - 4 Pages

### **Commentary: New Group Capital Rule to Boost Hong Kong Insurance Market**

New proposed rule to empower the regulator with greater supervisory authority over insurance holding companies.

September 3, 2020 - 2 Pages

### **Commentary: 2020 California Wildfires May Lead to Further Spikes in Reinsurance Rates**

The 2020 wildfires may be at least as costly as the 2017 wildfires and may affect excess and surplus lines insurers.

August 27, 2020 - 4 Pages

### **Commentary: The ILS Retro Market, COVID-19, and Pre-Emptive Trapping**

Potential litigation and pre-emptive trapping in the wake of COVID-19 will further constrain the supply of ILS capital.

August 26, 2020 - 5 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](http://www.ambest.com).

# Modeling for U.S. Perils, Hot Topics in Canada, Tapping Into Pet Insurance

Experts discuss the technical advances of U.S. peril models for earthquake, hurricane and flood, industry issues in Canada and how insurers can embrace new strategies to tap into the pet insurance market.

## On Demand

### Unique On-Demand Catastrophe Modeling Services for Three Major U.S. Perils

A panel of experts discuss the technical advances of three key U.S. peril models (earthquake, hurricane and flood) and describe pioneering, on-demand risk and loss analysis services, based on those models.

### Canada 2020 Hot Topics Panel Discussion

AM Best analysts and market experts examine significant industry issues, including the impact of COVID-19 and regulatory/accounting issues that will influence the Canadian insurance market.

### All in the Family: Tapping into the Pet Insurance Market Opportunity

Insurance consultants and experts explore how insurers can embrace new strategies and align their products, distribution and underwriting, claims and operations to tap into the pet insurance market.

### AM Best's Virtual Reinsurance Market Briefing – Zurich

AM Best senior rating analysts discuss the global reinsurance sector and its outlook, as well as offer opinions on the key rating issues impacting all reinsurers.

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

## 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.

## Webinar Highlights

### The Perils and Promise of Insurtechs

The insurtech movement is uncovering new processes and pathways for insurers. A panel of insurance technology experts examine how insurers are learning and profiting from the new wave of entrants into the insurance technosphere.

## View These and Other AM Best Webinars

- AM Best's Virtual Reinsurance Market Briefing – RVS 2020
- State of the Surplus Lines Market
- State of the Global Reinsurance Market
- Market Dislocation Creates Opportunities for Captives

**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](http://www.bestreview.com).

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

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# The Challenge Of Predicting Unexpected Perils



Satellites track insurers' moving assets in times of peril, hurricane response plans need review and coverage from VCIA's virtual conference. <sup>AM</sup>BestTV and <sup>AM</sup>BestAudio report on stories from a number of sectors within the insurance industry.

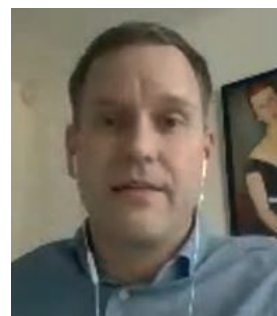
## On Demand

### Skytek: Insurers Using Satellites To Track Insureds' Moving Assets

Insurers are using satellites to track moving assets from perils, said Sarah Bourke, CEO, Skytek, and Christian Silies, head, Marine & Energy Composite, Reinsurance Solutions, Aon. As events that unfold over a short period of time, such as hurricanes, and that are subject to intensive modeling and then management scrutiny, the demand from management on marine insurers and underwriters has increased to come up with a view on the exposures in these events.



Sarah Bourke



Christian Silies

### Swiss Re: If Katrina Happened Today, Losses Would Top \$175 Billion

Fifteen years after Hurricane Katrina, the costliest natural catastrophe ever, only one-in-six homes has flood insurance, said Marla Schwartz Pourrabbani, AVP, Swiss Re Institute.



Marla Schwartz Pourrabbani

### Panel: Better Service, Less Fraud With Identity Access Management

Insurance and technical experts, including Kimberly Brown, director, product management for LexisNexis Risk Solutions, discuss how life insurers are moving communications into the digital realm, and how they also need certainty about who is on the other side of those communications.



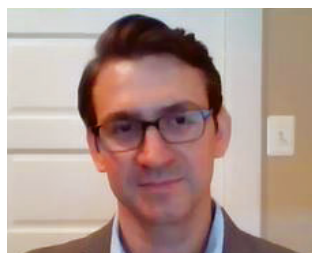
Kimberly Brown

Visit [www.ambest.com/video](http://www.ambest.com/video) to see new and archived video from <sup>AM</sup>BestTV.



## BDO Director: Companies Should Review Hurricane Response Plans

The COVID-19 pandemic adds a layer of complexity to hurricane response plans, said James MacDonnell, director, crisis management/business continuity, with advisory firm BDO



James MacDonnell

## Marsh's Charnley: PRIA May Offer Captives Path to Pandemic Coverage

Ellen Charnley, president, Marsh Captive Solutions, said the proposed federal Pandemic Risk Insurance Act would help provide a backstop to all licensed insurers, including captives.



Ellen Charnley

## Vermont's Provost: In Time of Stress, Sponsors Tap Captives for Relief

David Provost, deputy commissioner, Captive Insurance Division, Vermont, said some sponsors of captives domiciled in that state have turned to their captive to help alleviate financial crunches during the recent pandemic.



David Provost

## Coronavirus Affects Underwriting, Consumers

Industry professionals talk with <sup>AM</sup>Best Audio about what underwriters are learning from the pandemic and how consumer shopping habits have changed.

### COVID-19 Changing Life/Health Underwriting

Chris Behling, chief underwriter for life and health U.S., Swiss Re, discusses the lessons learned from the COVID-19 pandemic and how life/health underwriting will change for years to come.

### Auto Insurance Shoppers Search Online During Pandemic

David Drotos, vice president of insurance solutions at TransUnion, discusses how the COVID-19 pandemic has changed the way consumers shop for their car insurance, including the shift toward more online purchasing.

Find AMBestAudio at [www.ambest.com/ambaudio](http://www.ambest.com/ambaudio).

## BEST'S REVIEW®

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This edition lists all Credit Rating actions that occurred between Aug. 1 and Aug. 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](http://www.ambest.com/ratings/access.html) or download the ratings app at [www.ambest.com/sales/ambmobileapp](http://www.ambest.com/sales/ambmobileapp).

## Operating Companies

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH								
—	L	AGC Life Insurance Company American International Group, Inc.	009199	A a	Stable Stable	A a+	Stable Negative	Missouri
—	L	American General Life Insurance Company American International Group, Inc.	006058	A a	Stable Stable	A a+	Stable Negative	Texas
—	L	Brooke Life Insurance Company Prudential plc	068117	A a	Stable Stable	A a+	Stable Negative	Michigan
➡	L	Canassurance Hospital Service Assn Canassurance Hospital Service Assn	066881	NR nr		A a	Stable Stable	Quebec
➡	L	Canassurance Insurance Company Canassurance Hospital Service Assn	066878	NR nr		A a	Stable Stable	Quebec
↕	H	CompBenefits Company Humana Inc.	064760	A- a-	Positive Positive	A- a-	Stable Stable	Florida
↕	H	CompBenefits Dental, Inc. Humana Inc.	064759	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
↕	H	CompBenefits Insurance Company Humana Inc.	006118	A- a-	Positive Positive	A- a-	Stable Stable	Texas
↕	H	Dental Concern, Inc. Humana Inc.	068645	A- a-	Positive Positive	A- a-	Stable Stable	Kentucky
↕	H	DentiCare, Inc. Humana Inc.	064522	A- a-	Positive Positive	A- a-	Stable Stable	Texas
↕	H	HumanaDental Insurance Company Humana Inc.	007254	A- a-	Positive Positive	A- a-	Stable Stable	Wisconsin
—	L	Jackson National Life Ins Co of New York Prudential plc	060216	A a	Stable Stable	A a+	Stable Negative	New York
—	L	Jackson National Life Insurance Company Prudential plc	006596	A a	Stable Stable	A a+	Stable Negative	Michigan
⊕	L	Merit Life Insurance Co. Brickell Insurance Holdings LLC	006703	A- a-	Stable Stable	B+ u bbb- u	Developing Developing	Texas
⊕	H	Moda Health Plan, Inc. Oregon Dental Service	011437	B++ bbb	Stable Stable	B u bb u	Positive Positive	Oregon
⊕	H	Oregon Dental Service Oregon Dental Service	064364	B++ bbb+	Stable Stable	B u bb u	Positive Positive	Oregon
—	L	United States Life Ins in the City of NY American International Group, Inc.	007192	A a	Stable Stable	A a+	Stable Negative	New York
—	L	Variable Annuity Life Insurance Co American International Group, Inc.	007208	A a	Stable Stable	A a+	Stable Negative	Texas
AMERICAS PROPERTY/CASUALTY								
↕	P	1st Auto & Casualty Insurance Company Wisconsin Reinsurance Corporation	011233	B++ bbb	Stable Stable	B++ bbb	Stable Positive	Wisconsin
—	P	Armed Forces Insurance Exchange	003240	B+ bbb-	Stable Stable	B++ bbb	Negative Negative	Kansas
↕	P	Boston Indemnity Company, Inc. Westaim HIIG L.P.	004657	A- a-	Stable Stable	A- a-	Negative Negative	South Dakota
☑	P	Echelon Property & Casualty Insurance Co Lockhart Companies, Inc.	012679	B- bb-	Negative Negative	B- u bb- u	Negative Negative	Illinois
↕	P	Farm Mutual Reinsurance Plan Inc.	086245	A- a-	Negative Negative	A- a-	Stable Stable	Ontario
🚩	P	FHM Insurance Company	012015	B+ u bbb- u	Developing Developing	B+ bbb-	Stable Stable	Florida
↕	P	Georgia Farm Bureau Casualty Ins Co Georgia Farm Bureau Mutual Insurance Co	010746	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Georgia
↕	P	Georgia Farm Bureau Mutual Insurance Co Georgia Farm Bureau Mutual Insurance Co	000412	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Georgia
↕	P	Great Midwest Insurance Company Westaim HIIG L.P.	000737	A- a-	Stable Stable	A- a-	Negative Negative	Texas
☑	P	Guardian Insurance Company, Inc. Lockhart Companies, Inc.	011328	B++ bbb	Negative Negative	B++ u bbb u	Negative Negative	U.S. Virgin Islands
↕	P	Houston Specialty Insurance Company Westaim HIIG L.P.	013825	A- a-	Stable Stable	A- a-	Negative Negative	Texas
↕	P	Imperium Insurance Company Westaim HIIG L.P.	003758	A- a-	Stable Stable	A- a-	Negative Negative	Texas

**Rating Action:** (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (🚩) Under Review; (↕) Change in Outlook; (➡) Rating Withdrawal; (☑) Rating Affirmation.

**Outlook:** Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⊕	P	Minnesota Lawyers Mutual Insurance Co <i>Minnesota Lawyers Mutual Insurance Co</i>	000740	A a	Stable Stable	A- a-	Positive Positive	Minnesota
⊕	P	MLM Risk Retention Group, Inc. <i>Minnesota Lawyers Mutual Insurance Co</i>	023087	A a	Stable Stable	A- a-	Positive Positive	District Of Columbia
↕	P	Oklahoma Specialty Insurance Company <i>Westaim HIG L.P.</i>	014363	A- a-	Stable Stable	A- a-	Negative Negative	Oklahoma
↕	P	Sirius America Insurance Company <i>China Minsheng Investment Group Corp Ltd</i>	002642	A- u a- u	Developing Developing	A- u a- u	Negative Negative	New York
↕	P	Sirius Bermuda Ins Co Ltd <i>China Minsheng Investment Group Corp Ltd</i>	051994	A- u a- u	Developing Developing	A- u a- u	Negative Negative	Bermuda
⚠	P	Slavonic Insurance Company of Texas* <i>Slavonic Mutual Fire Insurance Assn</i>	010428	NR nr		B++ bbb+	Stable Stable	Texas
⚠	P	Slavonic Mutual Fire Insurance Assn* <i>Slavonic Mutual Fire Insurance Assn</i>	010429	NR nr		B++ bbb+	Stable Stable	Texas
⊕	P	Southern Pioneer P & C Ins Co <i>Biglari Holdings Inc.</i>	011052	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	Arkansas
⊕	P	State Farm Lloyds <i>State Farm Mutual Automobile Ins Co</i>	001767	A a	Stable Stable	A- a-	Positive Positive	Texas
⚠	P	SureTec Indemnity Company	018676	NR nr		A a+	Stable Stable	California
🇧🇲	P	Third Point Reinsurance (USA) Ltd. <i>Third Point Reinsurance Ltd.</i>	093849	A- u a- u	Developing Developing	A- a-	Negative Negative	Bermuda
🇧🇲	P	Third Point Reinsurance Company Ltd. <i>Third Point Reinsurance Ltd.</i>	091695	A- u a- u	Developing Developing	A- a-	Negative Negative	Bermuda
↕	P	Wisconsin Reinsurance Corporation <i>Wisconsin Reinsurance Corporation</i>	002791	B++ bbb	Stable Stable	B++ bbb	Stable Positive	Wisconsin
EUROPE, MIDDLE EAST AND AFRICA								
New	P	Al Dhafra Insurance Company P.S.C.	090007	B++ bbb+	Stable Stable	NR nr		United Arab Emirates
⚠	C	Bankers Assurance S.A.L.** <i>Nasco Ultimate Holding Limited</i>	092115	NR nr		C++ u b+ u	Negative Negative	Lebanon
—	C	Delvag Versicherungs-AG <i>Deutsche Lufthansa Aktiengesellschaft</i>	085437	A- a-	Negative Negative	A a	Stable Stable	Germany
New	P	Net Insurance S.p.A. <i>Net Insurance S.p.A.</i>	089932	B+ bbb-	Stable Stable	NR nr		Italy
↕	P	Sirius International Ins Corp (publ) <i>China Minsheng Investment Group Corp Ltd</i>	086396	A- u a- u	Developing Developing	A- u a- u	Negative Negative	Sweden
ASIA-PACIFIC								
⊕	P	DPL Insurance Limited <i>Turners Automotive Group Limited</i>	090856	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	New Zealand
↕	P	Korea P&I Club	092701	A- a-	Negative Negative	A- a-	Stable Stable	South Korea
↕	P	PVI Insurance Corporation <i>HDI V.a.G.</i>	091542	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Vietnam
AMERICAS								
New	C	Allianz México S.A. Compañía de Seguros <i>Allianz SE</i>	086517	A+ aa	Stable Stable	NR nr		Mexico

## Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			ICR	Outlook/ Implications	ICR	Outlook/ Implications	
↕	Sirius International Group, Ltd.	051995	bbb- u	Developing	bbb- u	Negative	Bermuda
↕	Sirius International Ins Group, Ltd.	055654	bbb- u	Developing	bbb- u	Negative	Bermuda
🇺🇸	Third Point Re (USA) Holdings Inc.	033900	bbb- u	Developing	bbb-	Negative	Delaware
🇧🇲	Third Point Reinsurance Ltd.	058563	bbb- u	Developing	bbb-	Negative	Bermuda
New	Trean Insurance Group, Inc.	044768	bbb	Stable			Delaware

\* Ratings were downgraded to B++/bbb+ from A-/a- on August 18, 2020. The ratings were withdrawn on August 18, 2020.

\*\* The ratings which were under review were downgraded to C++/b+ from B/bb on August 14, 2020. The ratings were withdrawn on August 14, 2020.

**Rating Action:** (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚠) Under Review; (↕) Change in Outlook; (⚠) Rating Withdrawal; (☑) Rating Affirmation.

**Outlook:** Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.



## BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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### Best's Financial Strength Rating (FSR) Scale

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

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

### Financial Strength Non-Rating Designations

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

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

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Version 121719

## State Actions, Domiciliary Changes, Mergers

Cypress Texas Insurance Co. and Centurion Casualty Co. are among the property/casualty insurers in the United States that have had a merger, a change of domicile or another corporate change.

### Property/Casualty

#### Mergers

**Cypress Texas Insurance Co. (AMB# 012592)**, Texas. This company merged with and into Cypress Property & Casualty Insurance Co. on June 30, 2020.

**SureTec Indemnity Co. (AMB# 018676)**, San Diego. This company merged with and into SureTec Insurance Co. on July 1, 2020.

#### Name Changes

**Bunker Hill Insurance Co. (AMB# 011959)**, Boston. This company changed its name to Plymouth Rock Home Assurance Corp. on Aug. 5, 2020.

**Bunker Hill Security Insurance Co. (AMB# 020559)**, Boston. This company changed its name to Bunker Hill Insurance Co. on Aug. 12, 2020.

#### State Actions

**Alliance National Insurance Co. (AMB# 000949)**, Long Island, N.Y. This company was placed into insolvent liquidation on Aug. 21, 2020.

**American Country Insurance Co. (AMB# 002735)**, Schaumburg, Ill. This company was placed into insolvent liquidation on Aug. 11, 2020.

**American Service Insurance Co., Inc. (AMB# 001777)**, Schaumburg, Ill. This company was placed into insolvent liquidation on Aug. 11, 2020.

**Houston General Insurance Exchange (AMB# 010157)**, Houston. This company was placed in rehabilitation on June 10, 2020.

**Houston General Insurance Exchange (AMB# 010157)**, Houston. This company was placed into insolvent liquidation on Aug. 11, 2020.

**Maidstone Insurance Co. (AMB# 010605)**, Mineola, N.Y. This company was placed into insolvent liquidation on Feb. 13, 2020.

#### Domiciliary Changes

**AlleghenyPoint Insurance Co. (AMB# 013871)**, Charleston, W.Va. This company redomesticated to West Virginia from Pennsylvania on June 24, 2020.

**Centurion Casualty Co. (AMB# 001951)**, Lincoln, Neb. This company redomesticated to Nebraska from Iowa on June 19, 2020.

**Esurance Insurance Co. (AMB# 002526)**, Northbrook, Ill. This company redomesticated to Illinois from Wisconsin on June 24, 2020.

**Esurance Insurance Company of New Jersey (AMB# 000466)**, Northbrook, Ill. This company redomesticated to Illinois from Wisconsin on June 24, 2020.

**Esurance Property and Casualty Insurance Co. (AMB# 000273)**, Northbrook, Ill. This company redomesticated to Illinois from Wisconsin on June 24, 2020.

**NorthStone Insurance Co. (AMB# 014002)**, Charleston, W.Va. This company redomesticated to West Virginia from Pennsylvania on June 24, 2020.



# Legal Issues

London market trade group warns on solicitors coverage shortfalls.

**T**he International Underwriting Association is warning that professional indemnity insurance for solicitors could become unsustainable if insurers are not allowed to cancel policies with unpaid premiums. The IUA has discussed minimum terms and conditions of such policies with the Solicitors Regulation Authority and has outlined its concerns in an open letter to the legal industry.

The IUA said it is calling for the right to cancel coverage if premiums are not met, particularly for runoff cover, and for payment of excesses on a policy to be mandatory. Without these measures insurers will likely become more selective in the risks they accept, the IUA said.

“Many solicitor firms are facing economic pressures, and we have already seen an increase in requests for payment of premiums by installments,” Christopher Jones, director of legal and market services, the IUA, said in a statement.

“Insurers have shown their willingness to work with other professions that are struggling to mitigate the short-term economic effects of COVID-19, but the complete lack of any protection around payment of premium and excesses makes it far more

difficult to do this for solicitors,” said Jones.

The IUA’s letter is directed at all firms subject to SRA regulation that buy professional indemnity insurance under the minimum terms and conditions regime, negotiated each year with insurers, Jones said in an email.

“This encompasses solicitors of England and Wales, law firms of England and Wales, non-lawyers, who can be either managers or employees of firms that the SRA regulates and other types of lawyers, such as registered foreign lawyers and registered European lawyers,” Jones said.

The IUA said “greater protections for insurers around excess payments will give them more confidence and create greater flexibility in their insurance terms, for example, possibly allowing for higher excesses in return for lower premiums,” according to the letter. The IUA seeks to allow a policy to be cancellable if the premium is not paid; allow the payment of run-off premium to be compulsory; and allow the payment of excesses to be made mandatory and “where not complied with, the ability to offset excesses against claims payments,” the letter said.

—David Pilla

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# Headwinds Remain

AM Best webinar: Canada's property/casualty sector fares better than the life/health business in the COVID era.

Canada's property/casualty insurance market remains stable in the face of the COVID-19 pandemic while the life and annuity market is seeing existing problems made worse by the virus, according to AM Best analysts.

With the onslaught of COVID-19, gross domestic product for Canada contracted markedly, said Ann Modica, associate director, economic and industry research, AM Best, in an AM Best webinar reviewing the impact the virus on the Canadian insurance market and economy.

She said gross domestic product for the first and second quarters had been "dismal," with the second-quarter contraction of 38.7% the worst in Canada's history.

Modica noted a "massive decline" in domestic demand and there has been softness in the labor market in Canada, mitigated somewhat by government help. However, she said the housing market is seeing signs of improvement in the third quarter, among other positive signs for the economy, as the country continues to open following lockdown measures that were undertaken in April.

She said COVID-19's impact on the Canadian economy makes short-term predictions all but impossible. AM Best revised its outlook to negative for Canada's life insurance market while maintaining a stable outlook for the country's P/C segment.

Canada's property/casualty insurance industry thus far has fared better than its life counterparts amid the volatile economic and market dynamics created by the COVID-19 pandemic, according to a Best's Market Segment Report, *COVID-19 Taking Its Toll on Canada's Economy and Insurance Industry*.

Following a relatively mild loss experience in 2019, in 2020 COVID-19 "reared its ugly head and impacted us all," said Raymond Thomson, director, composite ratings, AM Best, in the webinar. "Challenges will remain" if the market is to maintain premium growth. Another issue on the horizon involves the legal questions related to coverage disputes in the business interruption market, he said.

Thomson said all Canadian property/casualty insurers were targeted in August by a class-action lawsuit over business interruption losses. He said more headwinds can be expected in automobile and weather-related lines as well.

Frequency in auto losses is "way down" this year

from fewer miles being driven, said Thomson. Noting "there has been some consideration by insurers to return premiums," he said while auto accident frequency is down, it appears that severity has been rising even as there are fewer drivers, more reckless driving may be occurring on less-congested roads.

The COVID-19 pandemic exacerbated other headwinds particularly low interest rates, in the first half of this year, Michael Adams, associate director, life and annuity, AM Best, said in the webinar.

AM Best revised its Canadian life insurance outlook to negative primarily due to the significant contraction in the global economy, an increased likelihood of a lower for longer interest rate environment and potential for increased mortality and morbidity claims, he said.

The life market had significant sales declines in the first half due to COVID-19, with some insurers performing better than others, Adams said. The group life segment will see some negative impact due to higher unemployment.

Another headwind is cyber liability, where Canadian life insurers had been incurring costs to invest in system upgrades, he said.

"In April, AM Best revised its outlook on Canada's life insurance industry to negative, owing to the significant disruption to the financial markets caused by the COVID-19 outbreak and the persistently low interest rate environment," AM Best said in its report. "Although most of Canada's [life and annuity] insurers maintain strong balance sheets and will likely be able to absorb regulatory capital changes resulting from volatility in the global financial markets, operating performance could be negatively affected."

The change in outlook "anticipates headwinds to the operating performance of Canada's insurers, which, depending on the severity and length of the pandemic, could eventually lead to negative impacts on insurers' balance sheets," the report said.

The Canadian life insurance market has been stable with good AM Best ratings over the past few years, Adams said.

Life/health growth has been flat in 2019 in Canada's mature market, said Adams. Investment income had been virtually flat over the past year due to low interest rates, he said.

—David Pilla



Ann Modica

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# Silent Movies

Sales of TV and film production insurance are starting to rebound after COVID-19 upended the industries and brought productions to a halt for several months.

by Lori Chordas

**T**he once bustling sets filled with cast and crew stood silent while director chairs sat empty.

Earlier this year, the COVID-19 pandemic brought film and TV production to a halt, impacting producers, actors, stage hands and others including carriers who insure many parts of the \$100 billion industry.

Since the pandemic began spreading across the globe in March, insurers have seen a significant decline in business for film and TV policies, largely among independent producers who produce the bulk of movies and TV shows. Big-name studios typically self-insure.

But recently, sales in the market have slowly started to rebound as production lights once again are being turned on and cameras start rolling in some studios.

During the height of the pandemic, sales of DICE (documentary, industrial, commercial, educational) policies and other coverages for the TV and film industries “dropped down to almost nothing” in March and April, said Wrapbook.com co-founder Cameron Woodward.

DICE policies provide independent producers and production companies with a package of general liability, workers’ compensation, inland marine and equipment coverage.

By June, sales in the market had started to creep upward, Woodward said.

In July his company, which provides a digital platform that includes financial services and insurance coverage that allows filmmakers and project creators to pay their cast and crew as

employees for each project, had celebrated record policy sales.

Another sought-after coverage in the industry is film producer indemnity that covers the cost of delay or extra expense if production is shut down for a period of time caused by events such as equipment failure or if a cast member is sick or injured, said Fred Milstein, president and CEO of completion bond provider Media Guarantors Insurance Solutions.



During this year's pandemic, insurers and reinsurers had to pay out significant losses for the shutdown of productions and have “almost uniformly added strong” communicable disease exclusions to their policies “moving forward,” he said.

Those exclusions make completion bonds and the production insurance

essentially “unbankable because banks and financiers are unwilling to take a risk that COVID will interrupt or shut down production,” said Milstein, who is now lobbying for a legislative solution to help change the exclusions wording.

While COVID has forced premiums to climb and hardened the production insurance market, some industry experts are concerned that it could also drive an exodus of some carriers from the sector.

Despite the unprecedented time of chaos and change, Woodward said TV and film production companies are proving their resiliency.

Some producers are now resuming production, however this time it's with a host of new safety measures such as limited filming hours and the creation of special zones to separate crew who cannot socially distance or wear masks as part of their jobs.

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