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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

A Top Priority

Diversity and inclusion executives Lata Reddy of Prudential Financial and Lauren Young of Zurich North America say they see new momentum behind diversity initiatives. **Page 40**

Professional Development Coverage
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Best's Review's
Online Archives

The New Workplace Is Built on Professional Development, D&I and Apprenticeships

The issue also includes AM Best's ranking of the world's largest insurers, a look at life insurance startups and a listing of P&I clubs.

Insurers have been stepping up efforts to build a more diverse and inclusive workplace and to attract new talent from outside the traditional college and university feeding grounds.

State Farm hired its first chief diversity officer in July, and Markel in January announced it had created a new role of managing director, talent, diversity and inclusion. Others have added to existing diversity and inclusion efforts. Lloyd's last year set a diversity policy for the Lloyd's Council as part of its effort to "drive cultural transformation" across the market.

Lauren Young, director of diversity and inclusion at Zurich North America, said she and others in similar roles "have begun to see a new focus on the work we were already doing."

"I've seen organizations begin to put additional resources into advancing diversity, equity and inclusion initiatives, and business leaders become involved in the work," Young said.

February is Professional Development Awareness Month. In the cover story, diversity executives Young and Lata Reddy of Prudential Financial speak about their organizations' initiatives to break down racial divides and build inclusive workplaces.

Some insurers have launched apprenticeship programs to help them diversify and broaden their employee base beyond the traditional talent pools. In "Insurers Turn to Apprenticeships to Find Diverse, Next-Gen Workforce," *Best's Review* looks at how insurers have been focusing on these programs to develop new talent. Apprentices include high school graduates, veterans, those reentering the workforce after a hiatus, people wanting to move from a job to a career, and others attracted by the prospect of a guaranteed job and promotion.

When it comes to choosing where to work, many young people do not consider a career in insurance. Annie Buelow and Joseph Rosario, recent hires at Berkley Construction Professional, want to change that. They share some of the industry's many opportunities in "Looking for a Career? The Insurance Business Offers a Wealth of Options for Young Professionals."

In the life insurance sector, *Best's Review* looks at two startups that are becoming risk-taking carriers, moving beyond a model where as insurtechs they simply sell other carriers' policies. *Best's Review* speaks with Alan Shapiro, founder of Dayforward, in "Upstarts Dayforward and Bestow Seek to Shake Up the Traditional Life Insurance Sector."

This month also includes AM Best's annual ranking of the world's largest insurers, as measured by assets and by premium. To find out more, go to "World's Largest Insurers—2021 Edition: M&A, Divestitures Drive Changes in AM Best's Rankings."

Renewals for marine protection and indemnity clubs are approaching, and expectations are that the sector is headed into a hard market after years of soft pricing. "Multiyear Hikes on Horizon for Marine Protection and Indemnity Market" includes a listing of the members of the International Group of P&I Clubs ranked by 2019 gross premiums written.

Patricia Vowinkel
Executive Editor
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The Question:

When do you expect to be able to travel for industry events again?

Email your answer to *bestreviewcomment@ambest.com* or scan the QR code to submit your response.
Reader responses will be published in a future issue.

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Advantage

- Delaware takes captive insurance company licensing to a new level that Speeds to Market the licensing process.
- Delaware is the first in the nation to electronically offer a conditional certificate of authority as part of the general application.
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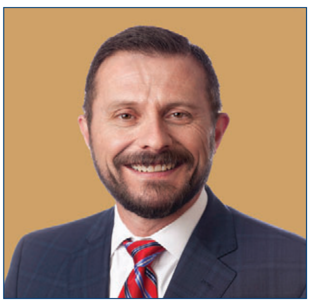

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Cover design by Andrew Crespo. Lata Reddy photo courtesy of Prudential Financial. Lauren Young photo courtesy of Zurich North America.

New Dates for APCIA Virtual Executive Roundtable Conference

Feb. 1-4: VIRTUAL. WSIA Surplus Lines Management Program, Wholesale & Specialty Insurance Association.

Feb. 5: VIRTUAL. Artemis ILS NYC, Artemis, New York.

Feb. 5-6: International CPCU Symposium, The Institutes CPCU Society, Singapore.

Feb. 8-9: VIRTUAL. APCIA Executive Roundtable Conference, American Property Casualty Insurance Association.

Feb. 9: VIRTUAL. 2021 Crop Insurance Industry Annual Convention, National Crop Insurance Services.

Feb. 9-10: VIRTUAL. RRG Leaders Summit, National Risk Retention Association.

Feb. 17-18: VIRTUAL. Marketing Workshop, Medical Professional Liability Association.

Feb. 17-22: VIRTUAL. ABA Virtual Midyear Meeting, American Bar Association.

Feb. 22-23: VIRTUAL. APCIA Emerging Leaders Conference, American Property Casualty Insurance Association.

Feb. 23-24: Insurance Innovators Nordics, Marketforce Business Media Ltd., Copenhagen, Denmark.

Feb. 24-25: VIRTUAL. World Captive Forum.

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.*

Attending Speaking Sponsoring

February Is Professional Development Awareness Month

Chief diversity officers discuss new challenges they are facing, apprenticeships make a comeback in the insurance industry and two young underwriters explain the benefits of a career in the insurance business. Coverage begins on page 39.

Philadelphia Insurance Cos. Names New Chief Executive

John W. Glomb takes over for Bob O'Leary, who has stepped aside after eight years in the top spot. Also, NAIC elects 2021 officers, III chief economist to retire and Scor SE names CEO successor.

Philadelphia Insurance Cos. named John W. Glomb to succeed Bob O'Leary as chief executive officer.

Glomb previously was president of PHLY. O'Leary, who was with the company 38 years, the past eight as CEO, will continue to serve as chairman of the board, according to a company statement.

John W. Glomb

Bob O'Leary

"It's been a joy working alongside some of the finest people in our industry," said O'Leary, who became CEO in 2013 and chairman in January 2020. "PHLY is truly a special company. I've had a lot of fun serving as CEO the past eight years, but now it's time for a new era to begin."

Glomb joined Philadelphia Insurance in 2007 as senior vice president of the management and professional liability division. He became chief underwriting officer in 2011, after which Philadelphia launched new surety, corporate underwriting, environmental, excess and surplus, and accident and health divisions. The company also expanded operations to enhance underwriting for small businesses.

In 1982 O'Leary joined Maguire Insurance Agency, which in 1987 became Philadelphia Insurance Cos. He helped establish the Northeast region in his hometown of Boston and was part of the team that helped the company expand nationwide and become publicly traded in 1993. Tokio Marine Group acquired Philadelphia Insurance in December 2008.

"I am tremendously excited about the opportunity to lead PHLY's next chapter with the support of our exceptional team. We've shown how resilient we are as a company this year, which fills me with optimism for the future," Glomb said.

—Staff Report

MassMutual Fills Newly Created Role of Head of Supplier Diversity

Massachusetts Mutual Life Insurance Co. has named Regina Heyward the company's first head of supplier diversity.

Regina Heyward

The position was created to strengthen MassMutual's supplier diversity program. Heyward will build upon the company's ongoing practices, establish a supplier diversity strategy and work with the company's suppliers to ensure their continued investment in diversity, equality and inclusion within their businesses.

Heyward most recently served as senior vice president and head of supplier diversity at Wells Fargo & Co. She has worked globally in Asia, Latin America and Europe.

NAIC Elects 2021 Officers, Including Florida Commissioner Altmaier as President

Florida Insurance Commissioner David Altmaier will serve as 2021 president of the National Association of Insurance Commissioners, following the organization's election of officers at the close of its 2020 Fall National Meeting. Also elected: Idaho Insurance Director Dean L.

David Altmaier

Cameron as president-elect; Missouri Insurance Director Chlora Lindley-Myers, vice president; and Connecticut Insurance Commissioner Andrew Mais, secretary-treasurer.

Altmaier was appointed commissioner of the Florida Office of Insurance Regulation in 2016. He began his public service at the OIR in 2008 and was chief analyst of the property/casualty financial oversight unit and deputy commissioner of property/casualty insurance.

Cameron, commissioner of Idaho since 2015, had been the most senior member of the Idaho Senate—in his 13th term—when he was appointed. Lindley-Myers was appointed director of the Missouri Department of Commerce and Insurance in 2017. She served in several senior positions in the legislative, judicial and executive branches of government. Mais, who was nominated as Connecticut insurance commissioner in 2019, had been a member of Deloitte's Center for Financial Services, primarily focused on the insurance sector from a global perspective.

Apollo Insurance Solutions Names Chief Financial Officer

Apollo Insurance Solutions Ltd. named Tracey Swain to the Apollo leadership team as chief financial officer.

Tracey Swain

Swain has more than 20 years of experience in progressive accounting, audit and finance roles for global companies. Most recently, she served as CFO for O2E Brands. Prior to that, she was vice president of internal audit for Lululemon and was vice president of corporate finance for Adidas.

Allstate Corp. Names First Chief Sustainability Officer

Allstate Corp. has named Susan L. Lees to the newly created role of chief sustainability officer. Executive Vice President and General Counsel Rhonda Ferguson will take over Lees' previous roles as chief legal officer and secretary of the corporation.

Susan L. Lees

Lees will focus on environmental, social and governance initiatives. She joined Allstate in 1988 and has held a variety of leadership positions, most notably in her previous role as executive vice president, chief legal officer, general counsel and secretary.

Ferguson joined Allstate in September from Union Pacific Railroad, where she had served as executive vice president, chief legal officer and corporate secretary.

Insurance Information Institute Chief Economist to Retire

Insurance Information Institute Chief Economist Steven Weisbart is retiring from the position but will continue with the organization as a nonresident scholar.

Steven Weisbart

Weisbart has authored books and papers and spoken widely about economic trends in the insurance industry. In 2006, he researched the potential impact of a pandemic on the life insurance industry.

Prior to joining III 15 years ago, Weisbart was for seven years an associate professor in the Department of Risk Management and Insurance at Georgia State University, and a vice president at the Teachers Insurance and Annuity Association from 1978 to 2005. He has been a board member and decades-long member of the American Risk and Insurance Association.

Scor Names CEO Successor, Separates Chairman and CEO Roles

Scor SE has named Benoît Ribadeau-Dumas its next chief executive officer, as the group's board of directors decided to separate the chairman and CEO roles.

Benoît Ribadeau-Dumas

Ribadeau-Dumas will succeed Denis Kessler following the company's general meeting in 2022. Until then, Ribadeau-Dumas will be deputy CEO and a member of the group's executive committee, in addition to being nominated to join the board at the 2021 general meeting.

The board separated the roles of chairman and CEO and also voted unanimously for Kessler to continue as chairman; a resolution to this effect will be submitted to the 2021 general meeting.

Ribadeau-Dumas, 48, joined CGG, a company specializing in underground exploration, as executive vice president in charge of the marine division, in 2010. He was promoted to manager of the acquisitions division in 2014. The following year, he joined the executive committee of Zodiac Aerospace. In 2017, he became chief of staff to the prime minister.

He began his career at the French Council of State, and became adviser to the prime minister from 2002 to 2004. In 2004, he joined Thales, an electrical systems group specializing in aerospace, defense and security.

AIG Life and Retirement Expands Role of CEO

AIG Life and Retirement has named Todd Solash, chief executive officer of its individual retirement business, to a newly expanded role of CEO, individual retirement and life insurance.

Todd Solash

Solash has taken on the leadership of the company's life insurance business. He is responsible for driving the division's strategic agenda. AIG Life and Retirement is a division of American International Group Inc.

He joined AIG in 2017 from Axa U.S., where he was head of the firm's individual annuities business. Before that, he was a partner within the insurance practice at Oliver Wyman.

Aviva Names Leader to Newly Created Role of CEO International

Aviva has named Adam Winslow to the newly created role of chief executive officer, international. The company also said that Chris Wei, Aviva's executive chairman for Asia for the past six years, has decided to leave the company at the end of June 2021.

Adam Winslow

Winslow will join the group executive committee. He will be responsible for Aviva's international businesses in continental Europe and Asia.

Winslow has 20 years of experience in the international insurance industry, most recently as CEO, global life insurance, at American International Group Inc. Winslow previously held several CEO roles at AIG and was also a director of partnerships and director of retail at Aviva U.K.

Universal Property and Casualty Insurance Names Successor to Retiring President

Universal Insurance Holdings Inc. named Matthew J. Palmieri to succeed Jon W. Springer as president of Universal Property and Casualty Insurance Co., a wholly owned subsidiary.

Matthew J. Palmieri

Springer will remain on the board of directors.

Palmieri previously served as president of Blue Atlantic Reinsurance Corp., a wholly owned reinsurance intermediary subsidiary of Universal Insurance Holdings. Palmieri began his career with Universal Insurance Holdings in 2006, working with Springer. Prior to that he worked at Chubb, Tempest Re and Willis Re.

Chubb Makes Title Change for COO, Names Digital Head for Overseas General Insurance

Chubb has named Executive Vice Chairman and COO John Keogh as president and COO. His companywide responsibilities will remain unchanged, and he will continue to report to Chairman and CEO Evan G. Greenberg.

John Keogh

In addition, Chubb named Gabriel Lazaro to the newly created role of senior vice president, digital head for overseas general insurance.

Gabriel Lazaro

Keogh has served as chief operating officer since 2011. He joined the company, then Ace, in 2006 as chairman, insurance-overseas general. He was appointed vice chairman in 2010 and executive vice chairman in 2015. Before joining Ace, Keogh had a 20-year career with American International Group Inc.

Lazaro, most recently vice president, digital head, Latin America, will have responsibility for digital insurance product distribution and sales in countries and territories outside North America. He joined Chubb five years ago from American International Group Inc.

Sun Life Financial Names Current CFO to Succeed Retiring CEO

Kevin Strain

Sun Life Financial Inc. named Kevin Strain, currently executive vice president and CFO, to succeed Dean Connor as president and CEO. Strain also will retain the title and responsibilities of CFO until a successor is named in the first half of 2021.

Strain will become president and a member of the Sun Life board of directors on Feb. 15. He will replace Connor as CEO on Aug. 6, when Connor retires from the company and the board of directors after 14 years with the company—the last 10 as CEO.

Strain joined Clarica in 1997, which was acquired by Sun Life in 2002. He has held senior business and financial roles in Canada and launched Sun Life Global Investments before assuming leadership of Sun Life Asia in 2012. Strain returned to Canada in 2017, where he assumed the role of executive vice president and CFO.

Aspen Re America Names Head of Professional Lines

Ana Cifuentes

Aspen Re, the reinsurance segment of Aspen Insurance Holdings Ltd., named Ana Cifuentes to the newly created role of head of professional lines for Aspen Re America. She will be based in New York.

Cifuentes was most recently deputy head of business development and innovation, senior vice president, at Axis Re Global, from 2016 to 2018. Prior to this, she was senior vice president, U.S. professional liability underwriting, at Axis Re U.S., in New York, from 2009 to 2016. She also served as vice president, European casualty underwriting, Axis Re Europe, in Zurich, from 2005 to 2008. She began her career as a European casualty underwriter at Gerling Global Re in Madrid.

Hiscox Makes Interim CFO Permanent

Tom Shewry

Hiscox, a specialist global insurer, has named interim CFO Tom Shewry to the position permanently, for its U.K. business and Hiscox Insurance Co. Ltd.

Shewry has more than 20 years' experience in general insurance, working in a variety of commercial roles. He joined Hiscox in 2018 as director of group finance where he led the development of the group finance function, establishing new processes and capabilities before becoming CFO for Hiscox UK on an interim basis in September 2020.

Principal Financial Group Promotes Two, International Division CEO Retires

Roberto Walker

Thomas Cheong

Principal Financial Group has promoted regional presidents Roberto Walker (Latin America) and Thomas Cheong (Asia) of Principal International to executive vice president. In addition, Principal International President and CEO Luis Valdés will retire after 26 years at the company.

Walker and Cheong are based in Santiago, Chile, and the Hong Kong Special Administration Region, respectively.

Valdés will retire March 31 after leading Principal International the past nine years, driving significant growth in Latin America and Asia, including several major acquisitions for Principal to grow its footprint in key emerging markets. Valdés will serve as chairman of the Principal International board for two years following his retirement.

Walker joined Principal in 1996 and has led Latin America for Principal International since 2011. Cheong joined Principal in 2015 as vice president of North Asia for Principal International and took over leadership responsibilities for the entire Asia region in 2019. BR

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BPA WORLDWIDE

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‘Property Brothers’ Build On Homeowners Insurance Message

Reality TV stars Drew and Jonathan Scott are named American Family Insurance’s newest brand ambassadors, and Mutual of Omaha retires Native American logo.

No Place Like Home

These days home renovation experts and TV personalities Drew and Jonathan Scott are sharing more than home design tips. They also are touting the importance of homeowners insurance as **AMERICAN FAMILY INSURANCE**’s newest brand ambassadors.

The Scott brothers, stars of HGTV’s “Property Brothers: Forever Home” and “Brother vs. Brother,” join a long list of the insurer’s brand ambassadors, who include model Kathy Ireland and former New York Yankees shortstop Derek Jeter.

American Family’s latest partnership is “an authentic way to exemplify both the company’s and the Scott brothers’ commitment to any place someone calls home,” said Sherina Smith, marketing vice president for the Madison, Wisconsin-based insurer. She said while Drew and Jonathan help people build their dream homes, American Family Insurance helps protect their homes.

The Scotts also align with American Family Insurance’s cultural values of caring and giving. The brothers support philanthropic organizations such as No Kid Hungry and Habitat for Humanity, which named them Habitat Humanitarians in 2017.

The insurer has expanded the marketing partnership to include social digital, where the duo has a large presence. The Scotts have more than 3 million followers on Facebook, 2 million on Twitter and 4.6 million on Instagram.

Out With the Old, in With the New

For decades an American Indian chief head was the focal point of **MUTUAL OF OMAHA**’s highly recognizable corporate logo. But after mounting pressure for companies and sports teams to change brand marks and nicknames that reference Native Americans, the insurer has retired its 70-year-old logo, replacing it with one that features an African lion.

The new image, inspired by the company’s unique history and customer-centric mission and values, projects protection and strength and delivers a strong connection to the company’s longtime sponsorship of TV’s “Mutual of Omaha’s Wild Kingdom,” said company spokesman Jim Nolan.

In July 2020, Mutual of Omaha announced it would remove Native American imagery from its corporate logo as part of a larger response to calls for racial equity and social justice. In November, it began phasing in the new image, beginning with the corporate website. Company officials said it will take several months to replace the old logo on printed materials and signs, and on the face of its headquarters building in Omaha, Nebraska.

Mutual of Omaha also has earmarked $1 million in additional funding for community-based initiatives and nonprofit organizations committed to racial equity, inclusivity, economic equality and social justice.

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

Next Wave

Why Recruitment And Retention Are Still Difficult, And How We Can Overcome These Challenges

Insurance organizations can address the talent gap by changing their approach to doing business and improving opportunities for employees.

By Carly Burnham

Talent—finding it and keeping it—has long been a challenge within the insurance industry, and that's not expected to change this year. Granted, since 2017 when Tony Canas and I published *Insuring Tomorrow,* we've seen some changes designed to address the issue.

Best's Review contributor **Carly Burnham**, CPCU, MBA, has been in the insurance industry since 2004. She blogs at InsNerds.com and can be reached at *bestreviewcomment@ambest.com.*

Some organizations are experimenting with apprenticeships, and some have added benefits that are particularly appealing to millennials and incoming generations. For example, student loan repayment, remote work and flexible schedules are increasingly becoming available throughout the industry. So why is it still so difficult to find talent? And what can we do about it? Here are three of the more common barriers for insurance industry recruiters and some ways to overcome them.

1. Opportunities in adjacent industries.

Risk management in general continues to be an important function in the industries that insurers support. This provides insurance-related opportunities in areas such as finance and real estate. Insurtech in particular is creating numerous interesting opportunities for those of us with insurance experience. These organizations often are run by tech entrepreneurs, but they need insurance expertise to find ways to serve our markets. Competing with these different industries is a challenge, but if we can identify the reason people want to make a move, we could perhaps stem the exodus. When an employee leaves for

one of these new opportunities, it is likely because they didn't see a future within the insurance company. Many of our organizations could improve by painting a long-term vision of how employees can advance or further specialize in order to continue growing as they would like within their professional lives.

2. Continued specialization in insurance roles.

Insurers continue making their roles more and more specific. While this is efficient and financially prudent, it does mean that high-potential employees can get bored quickly. That said, it is a trend playing out in many industries. So leaving insurance will not necessarily improve the situation for many people. To stop talent from even contemplating a move, insurance companies could offer more rotation programs and stretch projects that influence the greater organization. This would help retain employees who want to make a bigger impact.

3. Low awareness of insurance as a long-term career.

Many organizations are looking to automate functions within their processes. While this is an efficient plan and one that will lead to employees being able to work at their highest level of expertise, it does mean that entry-level roles are different than they once were. Current leaders within carriers are still sharing stories about having started in a processing role or a mailroom and working their way up. Their stories are meant to be inspirational but often sound out of touch to employees who cannot see that path in today's world. We must tell stories that are relevant to how our workforce is managed today. And we must build talent management systems that allow our employees to see their future and the future of those they may refer to our companies.

The new year will continue to pose challenges in recruitment of new talent, and retention will remain the fight that it has been. But as our needs continue to heat up, our employees remain our biggest resource. We must adapt to the world that potential talent inhabits, recognize employees as a key constituency within our businesses and take meaningful and novel steps to make sure they know they are valued. BR

Regulatory Update

Bill to ban credit scores in underwriting is introduced in the state of Washington.

Credit Scoring: A pair of Washington state senators have filed a bill proposing a long-held goal of Insurance Commissioner Mike Kreidler—banning the use of credit scoring in underwriting personal lines of insurance.

Washington state Sen. Mona Das and Sen. Emily Randall filed S.B. 5010 at Kreidler's request.

The bill is in the Business, Financial Services and Trade Committee, and a hearing was scheduled for Jan. 14.

Gov. Jay Inslee is backing Kreidler, who said insurers use credit scoring to predict whether consumers will file claims, not whether they will pay their premiums.

A proposed new section in the bill states that using credit scores to underwrite auto and other personal lines is "unfair" and has a "disproportionate" impact on the poor and people of color.

Individuals who lost their jobs in the COVID-19 pandemic would be an example of those who are hurt by the use of credit scores, Kreidler has said.

Their credit scores fall through no fault of their own, and the harm does not inform an insurer about the likelihood of filing a claim, he said.

Insurance trade groups in the past have said studies by state insurance departments, universities and the Federal Trade Commission show a definitive link between credit-based insurance scores and risk of insurance loss.

Insurance Europe Warns Of Regulatory Overreach

Industry group says the decision to perform forward-looking analyses on climate change risks should remain at the discretion of insurers.

by David Pilla

Regulation of insurers should only include the use of climate change scenario analysis if the insurer actually faces material climate risks, according to a European insurance industry trade group.

"While insurers agree that it is important to foster a forward-looking management of climate change risk, as well as other risks, climate change scenario analysis should only be included in an insurer's [Own Risk and Solvency Assessment] if it actually faces material climate risks," Insurance Europe said in a statement.

The statement comes as Insurance Europe published its response to a consultation conducted by the European Insurance and Occupational Pensions Authority on its draft opinion on the use of climate change scenarios in an insurer's ORSA.

"The decision to perform forward-looking analyses on climate change risks in the ORSA should remain at the discretion of the insurer," Insurance Europe said. "Among other things, this will enable insurers to take into account their individual risk situations and any geographical specificities related to climate change risks."

> ORSA "is not necessarily the most appropriate tool to achieve forward-looking management of climate change risk via standardized scenarios, and ... other tools may be more appropriate for an insurer to manage its risks."
>
> Insurance Europe

Insurance Europe warned against what it said is "additional prescriptiveness" in ORSA processes because of uncertainties and limitations connected to climate risk scenarios, as well as differences in the materiality of climate risks across insurers and time horizons.

The trade group said ORSA "is not necessarily the most appropriate tool to achieve forward-looking management of climate change risk via standardized scenarios, and ... other tools may be more appropriate for an insurer to manage its risks."

Insurance Europe's response is to EIOPA's "Consultation on the draft Opinion on the supervision of the use of climate change risk scenarios in ORSA."

Insurance Europe said prescriptiveness in ORSA processes should be avoided due to uncertainties and limitations that exist in the climate risks analyses.

"A standardized set of quantitative scenarios should not be included in the ORSA, as it creates a number of issues including the lack of consensus among experts regarding the choice of scenarios and their evolution in the future," the response said. BR

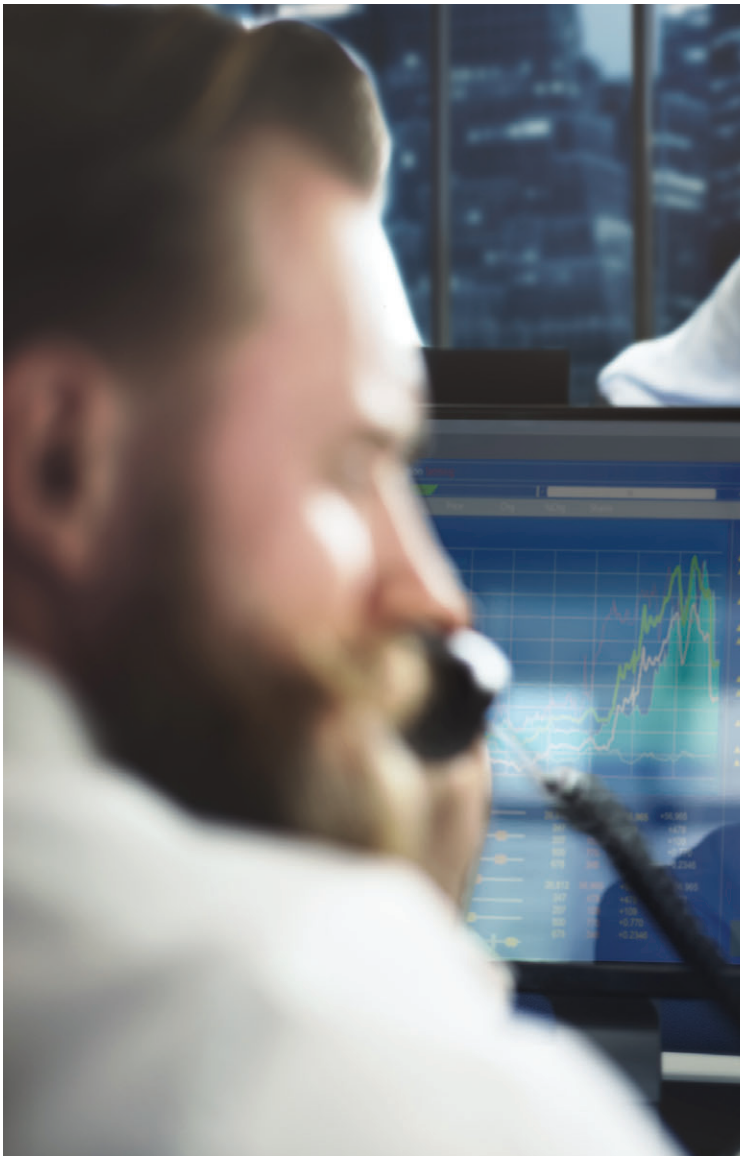
David Pilla is news editor, *BestWeek*. He can be reached at *david.pilla@ambest.com.*

Risk Adviser

Ransomware Attacks, Biometric Regulations Challenge Insurers

Cyber cover and best practices help to mitigate new tech risks.

By **Elissa Doroff**



Disruption in the cyber liability insurance market continues. The frequency and severity of ransomware attacks and the scrutiny and litigation around biometric data are all on the rise, forcing a reevaluation of how to underwrite these risks. Insurers are revisiting application processes, asking supplemental questions about monitoring and preparing for routine threats, and learning how companies capture and secure biometric data.

Ransomware is a type of malware designed to deny access to a computing system or data—usually via encryption—until a ransom is paid. Attack vectors include remote desktop protocol compromise, email phishing and software vulnerabilities.

In 2012, when ransomware first emerged, demands ranged from $500 to $50,000. Today, they can exceed $20 million. Ransomware has become an increasingly prevalent threat worldwide.

No industry is exempt. Governments, educational institutions and professional services firms are frequent targets due to a lack of cybersecurity preparedness, typically the result of lower budgets relative to larger, more regulated industries.

As ransomware attacks continue to increase in size and scope, companies can employ risk mitigation techniques, including:

- Consistent employee testing and education such as reminders to not click unfamiliar links.
- Regular backup of files.
- Network segmentation.
- Multifactor authentication.
- Frequent patching to reduce vulnerabilities.
- Crisis planning with established contacts, such as legal counsel and cybersecurity vendors.
- Testing in a remote work environment.

Organizations can explore transferring some risk and resulting costs to cyber liability insurance, typically provided under the Cyber Extortion and Ransomware Insuring agreement. The agreement provides resources such as expert privacy counsel,

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forensic vendors to determine incident cause and scope, and advice on completing ransom payments.

Companies applying for coverage must answer questions on file backups, recovery time objectives, network accessibility, multifactor authentication, network segmentation, and web and email filtering protocols. Expect gradually increasing premiums and coinsurance and sublimited coverage.

Data protection rules and regulations—and noncompliance penalties—are expanding. Before the Global Data Protection Regulation, California Consumer Privacy Act and Illinois Biometric Information Privacy Act, personally identifiable information was a person's name, Social Security number, and mailing or email address. Now PII includes biological or behavioral characteristics (retina or iris scans, fingerprints) and information such as race, sexual orientation and economic data.

Compliance is hard and penalties severe. Failing to meet GDPR obligations can mean suspended or banned data processing activities and/or fines of up to €10 million (US$12 million) or 2% of global revenue, whichever is greater.

Cyber liability insurance can provide a risk transfer solution. The Privacy Regulatory Insuring Agreement covers costs associated with regulatory fines, penalties and BIPA litigation expenses. Application questions focus on biometric information storage, internal and external privacy policies, privacy awareness training, data transfer mechanisms and data sharing agreements.

Ransomware attacks and increased regulatory scrutiny create new challenges. To navigate these risks, companies must establish strong and responsive insurance programs informed by specialized expertise. BR

2021 Liability Forecast: COVID, Cyber, Opioids, Sex Abuse

Claims and lawsuits regarding insurance coverage show no signs of abating.

By Alan Rutkin

As 2020 came to an end, my thoughts turned to expectations for 2021. We can predict insurance coverage issues that will emerge by looking at the new liability issues that have emerged. Four liability issues stand out: COVID, opioids, sexual abuse and cyber.

COVID has disrupted many businesses. But are these disruptions covered by business interruption insurance? Policies generally cover losses due to the necessary suspension of operations. The suspension must be caused by direct physical loss of or physical damage to property. COVID, though awful, did not physically damage properties. And many of these policies also contain virus exclusions. Insurers have mostly been winning in these disputes, and I expect this trend—and the battle—to continue.

Opioids have led to coverage issues, particularly on the duty to defend. Local governments are suing manufacturers and distributors. Plaintiffs claim that manufacturers should have rejected suspicious orders. Localities are seeking to recover various costs arising from the epidemic. We are generally seeing disputes under two types of coverage—commercial general liability policies and directors and officers policies.

With respect to CGL coverage, insurers contend that these are not suits seeking "damages because of bodily injury," as required in these insurance contracts. Governments are generally seeking to recover their own financial losses from providing additional law enforcement and medical services to opioid victims. Is there a duty to defend? Courts have split.

Turning to D&O policies, some companies and their executives—in agreements with federal authorities to resolve criminal charges on their opioid distribution—have admitted to illegal acts. As a result, D&O insurers have asserted exclusions for claims arising from willful illegal conduct. The issue often centers around whether there has been a "final adjudication." Earlier this year a federal judge in the U.S. District Court for the Western District of New York held that a deferred

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prosecution agreement with the Department of Justice in a criminal matter was not a final adjudication for purposes of the exclusion. It similarly found that the drug distributor's civil settlement did not establish any deliberate criminal or fraudulent act, making it unnecessary for the court to decide if the stipulation was a final adjudication. The judge also rejected known loss defenses raised by the insurer. Consequently, the insurer in that case was required to continue funding the company's defense through trial.

Sexual abuse cases have been filed under statutes that allow victims to sue for abuse that happened many years ago. Statutes such as New York's Child Victims Act have led to many suits. Coverage questions similar to those arising in other latent injury cases are prevalent here. When did the acts and injuries take place and are they within the scope of the statute? Which policies are triggered, if triggered at all? Is there an "occurrence"? Do restrictions against expected or intended injury apply? Did the policyholder give timely notice? How are defense and indemnity costs allocated? We expect to see courts addressing these and other issues in 2021.

Cyber continues to create many coverage questions. I've written about many of these before (what is hacking, when is injury directly caused by a computer, etc.). As 2020 ended, we were just learning about hacking that was being attributed to the Russian government. We are not at war with Russia. But rogue nations hostile to the United States might attempt similar hacking efforts. Would these acts implicate the war risk exclusion? At least one such claim is now being litigated. We may see more in the future.

I expect 2021 to be an interesting year from an insurance coverage perspective. And I hope that 2021 will be a better year from most other perspectives. BR

BEST'S REVIEW®
ISSUES & ANSWERS:

Industry experts discuss the outlook for specialty lines and how insurers adapted to doing business during a pandemic.

ENTREPRENEURIAL AGENT AND SPECIALTY LINES

Interviewed Inside:

Bryan Sanders
WSIA

Chris Gallagher
Sompo International Commercial P&C

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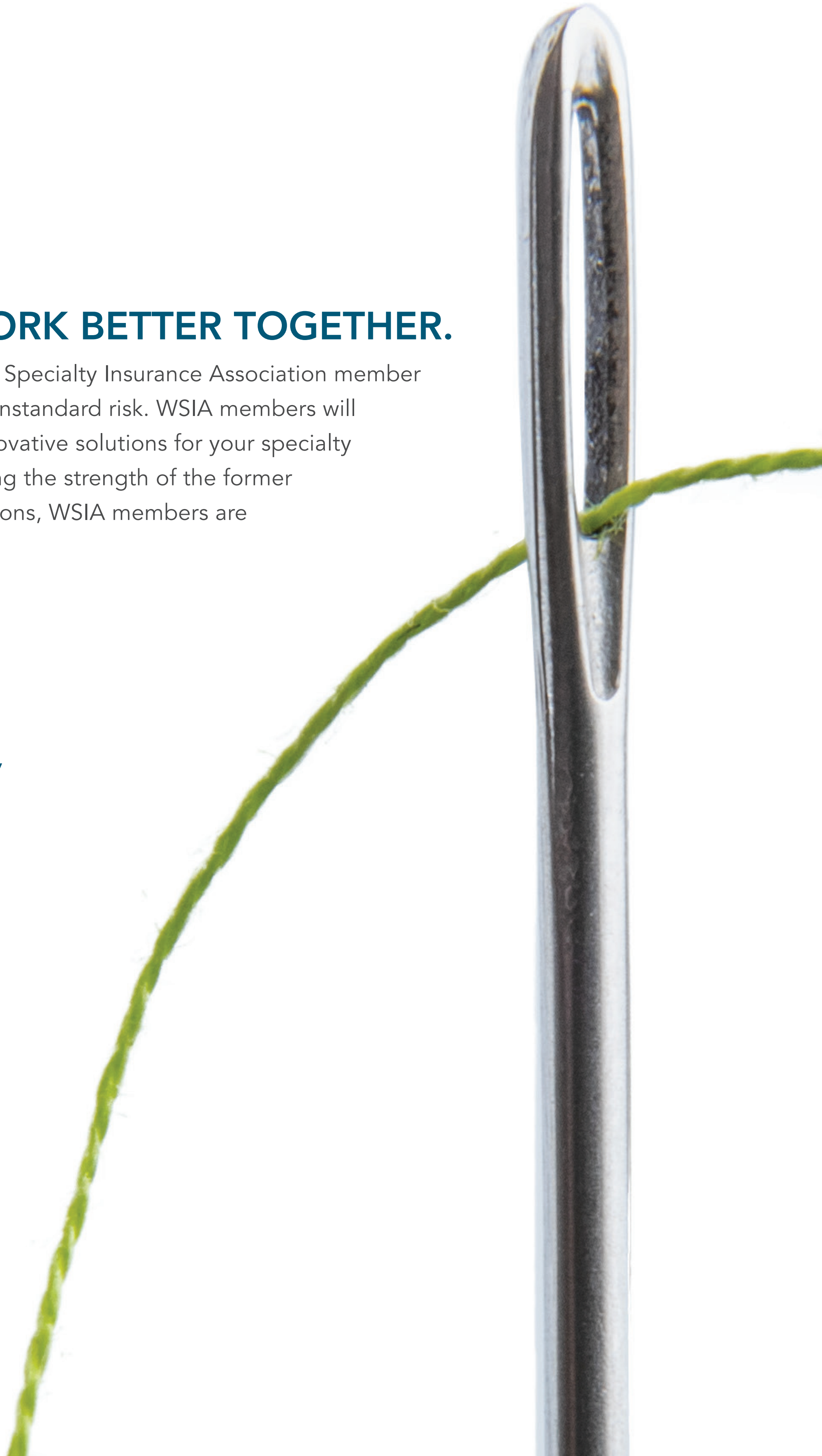

WSIA Members Deliver Value

WSIA President Bryan Sanders said member firms meet specific criteria to be eligible for membership and are proven experts in their field. "Members are also able to participate in industry networking and education opportunities that help them stay on the cutting edge of their field and develop strong relationships with trading partners that benefit the insured," he said.

- A nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 730 member firms representing approximately 1,700 offices and tens of thousands of industry professionals.
- Provides world-class member services including networking, education, talent development, legislative advocacy and promotion of the value of wholesale distribution.

Bryan Sanders
WSIA President
Markel Specialty President

"We continue to see the strong economy, increasing demand for solutions to emerging risks, and product innovation as key drivers of growth."

What is the Wholesale & Specialty Insurance Association, and who are its members?

WSIA is the only trade association that serves the entirety of the wholesale, specialty and surplus lines insurance industry, with domestic and international wholesalers, wholesale-dedicated insurance markets and service provider members comprising the U.S. wholesale insurance distribution system. The wholesale distribution system delivers tremendous value to retail agents, insurance buyers and consumers. WSIA members are technical experts and specialists in creating innovative solutions for complex risks.

How do WSIA members help agents meet their clients' needs?

Retail agents and insureds can look to WSIA-member wholesale brokers for access to markets, coverages and options they might not be able to find in the standard market. The wholesale broker's expertise can help agents and their clients identify the right coverage in the right market. It's also important for agents and insureds to know that there is no cost associated with seeking a wholesale quote, so it's risk-free. A 2016 Conning Inc. analysis concluded that wholesale distribution does not increase the cost of the transaction to the insured, which makes consulting a wholesale expert a common sense approach for insurance buyers.

What is the outlook for the wholesale market and WSIA members?

The wholesale, specialty and surplus lines market is at a record level of surplus lines premium, and surplus lines carriers continue to maintain a higher proportion of secure financial ratings than the overall property/casualty market. The *2020 Best's Market Segment Report, U.S. Surplus Lines,* found growth of 12.8% in surplus lines direct written premium in 2019, with surplus lines premium totaling a record $56.3 billion and no financial impairments in the surplus lines segment during 2019, in contrast to 13 admitted property/casualty company impairments during the year.

A recent report from the 15 states with surplus lines stamping offices also indicates that premium is continuing to grow. Total surplus lines premium reported to those states in the first half of 2020 was $19.7 billion, which is a 10.3% increase over the prior year.

The surplus lines market has more than doubled in size during the past 20 years, growing from 3.6% of the total property/casualty direct written premium in 2000 to 7.8% at the end of 2019, and surplus lines grew as a percentage of commercial lines direct written premium from 7.1% to 16.2% in that time. I think this demonstrates that the market serves a critical role in the insurance industry and overall economy, and these figures demonstrate the financial strength and operating performance of market.

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Rising to the Challenge

Chris Gallagher, CEO of Sompo International Commercial P&C said the company has experienced some fundamental changes. "Moving forward, our new structure will allow us to go and organize ourselves in such a way so as to present a better product to clients and distribution partners," he said. Following are excerpts of an interview.

SOMPO INTERNATIONAL

Promise. Trust. Protect.
At the center of everything we do.

Chris Gallagher
CEO
Sompo International Commercial P&C

"We learned a lot about ourselves and our industry in 2020, and in my view, as a CEO, I think we've done pretty well. We've adapted."

What impact has COVID had on balance sheets?

While the industry had adequate capital pre-COVID-19, this really is the perfect storm, hitting both assets and liabilities. In Q1, you saw the initial shock to asset values, and then the emergence of the liabilities associated with claims emanating from COVID-19. With that, we've seen depression of solvency ratios across many of our peers throughout the industry. At Sompo International, we were fortunate our solvency positions remained relatively stable. With that, I think you've seen the response really from Q1 and Q2. We've seen a number of debt raises, equity raises, and while many of those were cited against seeing opportunities from 2021 and beyond, there is an element of securing the balance sheet. We've seen that response coming from many of our peers in the industry, because there was a severe hit to the balance sheet.

What other challenges is the industry facing?

The legacy that COVID-19 will bring on the liabilities side, and government actions as a response to the pandemic, providing that relief on the assets side. Ultimately, it leads us to a very, very low interest rate environment across most of the world's major economies. For many of us, executives and boards looking at strategic plans that we established one or two years ago, the one big impact we see is on the investment income that we'll be able to achieve, particularly in the short term. Secondly, we're coming off the back of a 10-to-15 year decline in the pricing environment for our commercial P/C business. That's set against the backdrop of increasing severity of natural catastrophe events and the backdrop of climate change. We have no choice but to correct the pricing across many of our products.

Are you seeing opportunity amid all this turbulence?

We are, at Sompo International, in a number of areas. Our solvency position has remained stable. That means our risk appetite is unchanged, while many others are facing a depressed risk appetite. We were able to step in with stability, demonstrating the strength of our balance sheet to our key global clients and distribution partners. That allowed us to transact business that maybe we wouldn't have done so before by putting amendments through products, but with a consistent risk appetite that allowed us to secure business opportunities. Also, it's important to note, that throughout COVID-19, we have been able to reinvest in our platform, including retaining and securing talent, some of which has become available just due to the uncertainties at other carriers.

What will change when we all return to the office as a result of what we've learned over the past year?

We learned a lot about ourselves and our industry in 2020, and in my view, as a CEO, I think we've done pretty well. We've adapted. Our operational processes have been put under a huge amount of stress, but they've been tested, and we've come through it pretty well. We've tested remote working in a way I don't think any of us ever thought we would, and we've shown it can work for elements of business. That said, we're missing that face-to-face, those touch points, that creative thought that comes when we're together. I think we'll find a balance going forward.

Best's Rankings

World's Largest Insurers–2021 Edition: M&A, Divestitures Drive Changes in AM Best's Rankings

Rankings are based on 2019 non-banking assets and net premiums written.

by David Pilla

Acquisitions and divestitures were key factors in changes to AM Best's annual rankings of the world's top 25 insurers, as divestitures led to the biggest ranking change by non-banking assets and acquisitions played a role in the ranking by net premiums written.

One notable NPW change came from CVS Health Corp., which rose three places following completion of its acquisition of Aetna Inc. On the non-banking assets side, Prudential plc fell to No. 20 from No. 8 after it divested its M&G Investments unit in 2019.

"There are a variety of things that drive these rankings, including acquisitions from one year to the next, or dispositions," said Thomas Rosendale, senior director, AM Best.

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

"A fair number of movements on this list are probably driven by acquisition," he said. "Suddenly you've got an acquisition that brings in more assets or brings in more premium, so the growth or decline year over year can be driven by these acquisitions and dispositions. On the premium side, when you look at U.S. GAAP accounting to the extent that a lot of these may be consolidated, U.S. companies may consolidate on a GAAP basis," said Rosendale. "Prudential Financial is No. 2 in assets, but they don't even show up on the premium list."

Rosendale said that with U.S. GAAP, annuity premium is treated as an investment product.

"Pru does a lot of group annuity business through their pension risk transfer business and a lot of retail annuity business through their variable annuity, indexed and fixed annuity sales," he said. "All those premiums don't count as premium in GAAP accounting.

"Their premium total may look artificially low as a result of just the accounting methodology they use in the U.S.," he said. "In statutory accounting those are premiums, but in GAAP accounting they're not."

Most of the top 10 insurers in the ranking by net premiums written kept their positions from the previous year.

UnitedHealth Group Inc. remained on top, while No. 2 Ping An Insurance (Group) Co. of China Ltd. and No. 3 Axa S.A. exchanged places.

Further down the list, People's Insurance Co. (Group) of China rose to eighth place from No. 10, and Centene Corp. rose to 10th place from No. 12.

Three of the top 10 insurers by NPW are Chinese groups. Four are health insurance groups.

CVS, which rose to No. 16 from No. 19, posted a change in NPW of 13.57%, the third-largest gain among the top 25.

CVS acquired Aetna Inc. in 2018, which helped drive positive third-quarter 2019 results for the group, according to CVS President and Chief Executive Officer Larry J. Merlo. Total third-quarter 2019 revenues increased by 36.47% to $64.81 billion.

"It's really hard to believe that at the end of the month, we're going to celebrate our first anniversary as one company," Merlo said in a third-quarter 2019 earnings call.

"We are increasingly confident in the strength of our broad and differentiated assets as a combined company and our ability to deliver compelling value to our customers and the communities we serve," he said. "Looking ahead, we remain focused

Best's Rankings

World's Largest Insurers – Total Non-Banking Assets, 2019

Based on 2019 Non-Banking Assets

2019 Asset Rank	2018 Asset Rank	AMB#	Company Name	Country	2019 Net Non-Banking Assets USD (000)	% Change*
1	2	085014	Allianz SE	Germany	1,096,870,880	12.75
2	3	058182	Prudential Financial, Inc.	United States	896,552,000	10.00
3	1	085085	AXA S.A.	France	843,323,040	-14.78
4	5	058334	Berkshire Hathaway Inc.	United States	817,729,000	15.53
5	4	090826	Nippon Life Insurance Company	Japan	742,784,884	1.61
6	6	058175	MetLife, Inc.	United States	740,463,000	7.70
7	9	086120	Legal & General Group Plc	United Kingdom	735,409,869	13.82
8	10	086446	Ping An Ins (Group) Co of China Ltd	China	708,648,924	16.08
9	7	090527	Japan Post Insurance Co., Ltd.	Japan	664,719,463	-3.03
10	12	052446	China Life Insurance (Group) Company	China	646,493,671	13.36
11	13	066866	Manulife Financial Corporation	Canada	619,267,646	7.85
12	14	085909	Aviva plc	United Kingdom	603,489,008	7.11
13	11	085124	Assicurazioni Generali S.p.A.	Italy	576,322,880	-0.24
14	16	046417	Dai-ichi Life Holdings, Inc.	Japan	556,635,296	7.28
15	15	090906	National Mut Ins Fed Agricultural Coop	Japan	535,522,083	-1.60
16	17	058702	American International Group, Inc.	United States	525,064,000	6.72
17	19	085244	Aegon N.V.	Netherlands	494,057,760	12.24
18	18	086056	CNP Assurances	France	493,210,256	5.98
19	21	093310	Credit Agricole Assurances	France	476,487,200	11.22
20	8	085925	Prudential plc	United Kingdom	454,214,000	-29.88
21	20	085485	Life Insurance Corporation of India	India	426,706,202	3.07
22	22	086976	Zurich Insurance Group Ltd	Switzerland	404,688,000	2.36
23	23	090828	Meiji Yasuda Life Insurance Company	Japan	395,260,931	1.17
24	25	061691	New York Life Insurance Company	United States	371,648,000	9.58
25	24	091242	Sumitomo Life Insurance Company	Japan	358,420,471	2.20

*% change is based upon local currency.
Source: BESTLINK Best's Financial Suite - Global; Data as of December 29, 2020

on successful execution of our strategic priorities and integration plans to unleash the full potential of our consumer-centric health care model."

In September 2019, a federal judge approved CVS Health's $69 billion acquisition of Aetna, ruling the megadeal did not violate U.S. antitrust laws. The two companies finalized the merger last year, but had kept some operations separate during the court review.

Another health insurer, Centene Corp., continued its NPW rise in 2019, reaching No. 10 in the ranking from 2018's No. 12. Centene rose six places in 2018.

In August 2019, Centene said it would expand its participation in the Affordable Care Act exchanges for 2020 in 10 markets. The health insurer expanded its ACA participation with four new markets the previous year. In January 2020, Centene obtained all the regulatory approvals needed to finalize its $17.3 billion acquisition of WellCare Health Plans Inc.

NPW rose 25.13% in 2019 for Centene, outpacing the second-largest percentage increase—14.57%—of another health insurer Humana Inc.

In 2019, Humana President and CEO Bruce D. Broussard quashed speculation Humana may be interested in acquiring rival Centene, while also noting the group is seeing increased opportunity for growth in traditional Medicare states as well as states with dual Medicare and Medicaid programs.

Falling farthest in ranking by NPW was Japan's National Mutual Insurance Federation of Agricultural Cooperatives, which slid to No. 21 from No. 16.

Best's Rankings

World's Largest Insurers – Net Premiums Written, 2019

Based on 2019 Net Premiums Written

2019 Premium Rank	2018 Premium Rank	AMB#	Company Name	Country	2019 Net Premiums Written USD (000)	% Change*
1	1	058106	UnitedHealth Group Incorporated**	United States	189,699,000	6.52
2	3	086446	Ping An Ins (Group) Co of China Ltd	China	110,746,845	10.51
3	2	085085	AXA S.A.	France	101,144,960	0.34
4	4	052446	China Life Insurance (Group) Company	China	97,744,867	7.52
5	5	070936	Kaiser Foundation Group of Health Plans	United States	97,247,349	5.64
6	6	058180	Anthem, Inc.	United States	94,730,000	11.38
7	7	085014	Allianz SE	Germany	86,656,640	6.45
8	10	085320	People's Ins Co (Group) of China Ltd	China	74,419,774	10.86
9	8	085124	Assicurazioni Generali S.p.A.	Italy	74,238,080	4.49
10	12	051149	Centene Corporation**	United States	71,714,000	25.13
11	9	020013	State Farm Group***	United States	70,640,883	-0.56
12	13	058052	Humana Inc.**	United States	62,948,000	14.57
13	11	058334	Berkshire Hathaway Inc.	United States	62,811,000	6.07
14	15	086577	Munich Reinsurance Company	Germany	54,663,840	4.49
15	14	090826	Nippon Life Insurance Company	Japan	52,112,815	-6.75
16	19	070080	CVS Health Corp Group***	United States	52,026,207	13.57
17	17	085485	Life Insurance Corporation of India	India	50,491,133	12.42
18	21	090598	China Pacific Insurance (Group) Co Ltd	China	46,543,259	6.84
19	18	046417	Dai-ichi Life Holdings, Inc.	Japan	45,314,104	-8.58
20	20	085925	Prudential plc	United Kingdom	43,481,000	-2.14
21	16	090906	National Mut Ins Fed Agricultural Coop	Japan	42,580,588	-17.62
22	22	058175	MetLife, Inc.	United States	42,235,000	-3.66
23	23	086976	Zurich Insurance Group Ltd	Switzerland	41,251,000	0.05
24	26	093310	Credit Agricole Assurances	France	40,580,960	10.23
25	25	069154	Health Care Service Corporation Group***	United States	40,052,991	5.27

*% change is based upon local currency. ** Premiums shown are earned premiums. ***AM Best consolidation - US companies only.
Source: BESTLINK Best's Financial Suite - Global; Data as of December 29, 2020

> "There are a variety of things that drive these rankings, including acquisitions from one year to the next, or dispositions."
>
> **Thomas Rosendale**
> AM Best

National Mutual's NPW fell 17.62% in 2019, the biggest NPW percentage drop among the top 25.

The only newcomer to the top 25 NPW list was Credit Agricole Assurances. Liberty Mutual Holding Co. Inc., which was ranked at No. 24 in 2018, did not make the 2019 list.

Ranked by non-banking assets, the top 25 insurers mostly saw minor shifts in position. U.K. life insurer Prudential plc was an outlier, falling to No. 20 from No. 8.

Prudential plc's non-banking assets fell 29.88%, the largest drop among the top 25. Axa's non-banking assets fell 14.78%, the second-largest fall.

Only three other insurers in the top 25 saw their non-banking assets fall, and all three fell by single digit amounts.

In October 2019, Prudential plc completed the demerger of investment management business M&G plc. Shares of M&G were admitted to trading on the London Stock Exchange's main market for listed securities.

"Prudential is now an Asia-led portfolio of businesses, focused on structural growth markets," said CEO Michael Wells in a statement. "Our businesses in Asia and the U.S. have leadership positions in their chosen segments, and we now operate in eight markets in Africa."

"Prudential plc in 2019 split their company into two holding companies," said Rosendale. "Plc retained the Asian insurance companies as well as Jackson National and some other operations. Largely the investment management operations were split off into a separate holding company, so when you look year over year my guess is that Plc no longer includes some of those operations that were split into a separate company.

"That may have been the driver here for a drop in the rankings—not performance-driven, but a structural change," Rosendale said.

In late 2019, Axa completed the sale of its remaining stake in Axa Equitable Holdings Inc.

Rosendale said underlying that downward move for Axa may be the divestiture of Axa Equitable. "They're a publicly traded company in the U.S.," he said. "They no longer consolidate their results as of 2019."

The closing represents "a key milestone in Axa's transformation journey," Thomas Buberl, Axa's chief executive officer, said in a statement at the time.

"Our exit from the U.S. life and savings market, along with the integration of XL Group, has accelerated Axa's strategic shift toward its preferred segments and reduced significantly its exposure to financial markets," he said. "This transaction further strengthens Axa's balance sheet and provides additional financial flexibility for the group to reduce its debt gearing to the lower end of its target range of 25% to 28% by the end of 2020."

Among the top 10, Allianz S.E. gained the top spot from second place while Prudential Financial Inc. moved to No. 2 from No. 3. Axa fell to No. 3 from its previous top spot.

The United Kingdom's Legal & General Group plc advanced to No. 7 from No. 9, Ping An rose to No. 8 from No. 10 and China Life rose to No. 10 from No. 12.

Japan Post Insurance Co. Ltd. fell to ninth place from No. 7.

There were no newcomers or departures in the top 25 list by non-banking assets. BR

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Upstarts Dayforward and Bestow Seek to Shake Up the Traditional Life Insurance Sector

By becoming risk-taking carriers, these new players will plant their flags in an area not typically entered by insurtechs.

by Terrence Dopp

Aaron Shapiro doesn’t remember exactly when he purchased his first life insurance policy, or the company that wrote it.

He’s betting he’s not the only one in that boat. In fact, the very idea of that lack of memory being a shared experience is at the heart of his plans for success. Shapiro is founder of Dayforward, a life insurance startup set to begin operations in Texas during the first quarter, with plans to ultimately go nationwide. Along the way, he’s hoping the company becomes instantly recognizable as it offers its customers a seamless process for buying and managing coverage.

Dayforward, along with Texas-based Bestow, is looking to break into the ranks of national life insurers in the same vein as insurtechs—new companies that take a more technology-centered tack to transform the wider insurance industry. While their paths may diverge, both companies are relying on the idea that there is market space for a company that responds to changing economic patterns and offers a more relatable option to customers.

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

Key Points

The Plan: Two new companies seeking to break into the life market are betting on consumers' appetites for simpler and more-flexible products.

Dayforward: The company is now licensed to operate in Texas and hopes to become a national brand in 2021.

Bestow: The Texas-based company is awaiting regulatory approval of its purchase of Centurion Life Insurance Co., which would expand Bestow's geographic footprint and scale.

"Since the start, we've known that becoming a carrier would be a necessary part of our strategy to scale life insurance to millions of underserved families."

Melbourne O'Banion
Bestow

"Most of the incumbent companies are so dependent on existing broker or agent channels that they're very limited on innovation," he said. "That's forced all the products to be commoditized, and it's forced all the brands to be relegated to the background because they're not really building brands or marketing. They're just spending money on commissions for brokers and agents."

Shapiro's not new to the startup game.

In 2005, before jumping into the insurance world, he founded Huge, a consultancy that would swell to 1,500 people. Going back even further, he was founder and chief executive of Silverpop, a marketing software firm sold to IBM. In 2018 after leaving Huge, where he was first exposed to the insurance industry through its client roster, he identified shortcomings in the traditional life sector, he said.

Cloudy Year

When the pandemic shuttered businesses in the first half of 2020, exacerbating economic uncertainty, a technological arms race heated up as social distancing rendered tried-and-true business practices impossible.

And the big guns proved to be flexible.

Prudential Financial Inc., based in Newark, New Jersey, expanded its digital presence with fluidless underwriting, expanding products like its SimplyTerm life offering. MetLife Inc. also found growing its existing digital effort to be the quickest and safest option. It expanded a pilot program with accelerated underwriting and migrated the application process for one of its life products in China onto social media platforms in two weeks.

Across the industry were many examples of incumbents stepping up the pace of their digital expansions to grow business at a time when the old models were no longer feasible.

For the first nine months of 2020, an increase in direct-to-consumer sales drove a 2% growth in new annualized premium and a 7% increase in new policies, according to LIMRA's Third-Quarter 2020 U.S. Individual Life Insurance Sales Survey.

During that same time, Shapiro was quietly launching Dayforward, undergoing a successful nine-month process of securing regulatory approval in Texas and meeting with insurance commissioners in at least eight states, he said. (He won't say which ones are in the pipeline.) He's also quick to point out other company moves, such as cobbling together a workforce, negotiating a reinsurance deal with Munich Reinsurance Co. and developing a direct-to-consumer life insurance platform unique to Dayforward.

While Shapiro plays some product details close to the vest, he did say that Dayforward will offer consumers a path to policies that is much shorter and faster than any others to this point. The plan is for customers to complete an online questionnaire and consent to privately release third-party data such as medical records—then, underwriting algorithms would work their magic.

Within minutes, customers would use a credit card to secure a fully bound and issued policy. In the rare cases in which the company can't use third-party data, an applicant would get a proprietary at-home test kit in which they perform a cheek swab and finger prick to provide fluid samples—all done under the watchful eye of a nurse practitioner on the other end of a Zoom chat.

"This is an enormous industry. There's $150 billion a year in premiums; it's larger than homeowners insurance," Shapiro said. "So we can take the relatively small segments of the space and still build a massively successful multibillion-dollar stand-alone IPO company."

Life insurance marketing is often dominated by carriers such as Massachusetts Mutual Life Insurance Co., New York Life and the aforementioned Prudential and MetLife. But, Shapiro said, customers' desires for a wholly digital and seamless life insurance experience, coupled with the technological ability to realize it, makes the timing right for a new challenger.

As the COVID-19 pandemic spread in early 2020, AM Best in March revised to Negative its outlook on the U.S. life and annuity sector, citing the potential for economic damages as greater than the risk of excess mortality associated with the disease. That determination was upheld in a December report that cited the sharp drop in interest rates as a prime source of pressure for the industry.

Typically, technology-focused startups enter the insurance world via lines such as health and property/casualty. Unlike life and annuities, where policies can remain in force for decades, those lines feature constant churn, and policies typically reset every year.

Yet the emerging presence of insurtechs in all markets can be seen in the rise of managing general agency and property/casualty carrier Hippo Enterprises, which recently acquired Spinnaker Insurance Co. to become, like Dayforward plans, both a standard MGA and a risk-assuming carrier.

Think of Root Inc. or Lemonade Inc., two insurtechs with successful public offerings in other parts of the insurance world. In Root's case, the auto-focused carrier in December said it has more than $1.2 billion in new capital after completing an IPO and concurrent private placement in October. Lemonade also has expanded its operations to France.

In fact, in the third quarter of 2020 insurtechs around the world raised $2.5 billion across 104 deals, a 63% increase in funding over the previous quarter and a 41% increase in the number of deals taking place, according to global brokerage Willis Towers Watson in a third-quarter review of the industry. The same low interest rates bedeviling the industry, along with the availability of capital, have contributed to a lively environment for startups.

But in life insurance, the companies looking to muscle in have primarily focused on entering the market as managing general agencies or have focused on addressing one step in the value chain. Shapiro points to Root and Lemonade as guideposts of what's possible for a startup with a strong product and determination.

"Those companies went through the effort of becoming their own carrier and as a result were able to innovate across the entire stack," Shapiro said. "So that's the approach we're taking for life, and we're the first company to do this."

Weeks to Moments

Dayforward isn't alone in thinking there's room at the life insurance inn.

Bestow, which is currently licensed to sell policies in its home state, bills itself as the first all-digital life insurance platform that will make life insurance accessible to millions of people who are currently uncovered. At the core of its model is a more streamlined approach that will shift the traditional weeks-long process into minutes spent online.

In December, Bestow announced plans to acquire Iowa-based Centurion Life Insurance Co. from Wells Fargo. Centurion is approved to operate in 47 states plus Washington, D.C., meaning the acquisition would give Bestow instant access to geographic scale as it moves from being an agency that sells policies issued by North American Company for Life and Health Insurance. As of press time Centurion is not rated by AM Best.

Melbourne O'Banion, Bestow's co-founder and

There's a "really big opportunity" to expand financial security for U.S. families by providing them a more modern experience. The goal is offering products people understand, streamlining underwriting and employing a digital-first strategy.

Aaron Shapiro
Dayforward

chief executive officer, said in an email that his company is hoping to get approval from Iowa regulators to move ahead with the transaction in the first quarter.

"Since the start, we've known that becoming a carrier would be a necessary part of our strategy to scale life insurance to millions of underserved families," he said. "We've already taken the necessary steps to develop the first full-stack platform for selling life insurance."

O'Banion launched the company three years ago with the proposition that its entirely digital platform would be the first of its kind in life insurance. Applying for a policy through Bestow can take as little as five minutes, compared to as many as 12 weeks with traditional carriers, and it doesn't require a medical exam. Following the close of the deal, the company plans to continue selling North American policies to keep its sales base as broad as possible.

"While the adoption of technology has transformed many financial services, the life insurance industry lags far behind in its ability to appeal to a digital consumer," he said. "We're seeing this play out as more people put their money in challenger banks or invest using a robo-adviser like Stash or Betterment. Busy families want the same capabilities when they are shopping for life insurance."

He said the company is taking an "omnichannel approach" that will allow Bestow to easily integrate with any channel or partner, in addition to a direct-to-consumer focus. In 2020, he said, company sales grew by 450% year over year, fueled by scaling and new partnerships with fintech firms and partner agencies. For 2021, he said, the company has "exciting" pacts and new products it will be announcing.

Prior to the acquisition, Bestow served as an MGA that operated in 49 states with the exceptions of New York and the District of Columbia. In February 2020 it completed a $50 million financing round led by Valar Ventures, with participation from current investors including NEA, Morpheus Ventures, and Core Innovation Capital, and new investors such as Sammons Financial.

Dayforward's Shapiro said there's a "really big opportunity" to expand financial security for U.S. families by providing them a more modern experience. The goal, he said, is offering products people understand, streamlining underwriting and employing a digital-first strategy. In other words, following a pattern consumers have come to expect over years of buying everything else online.

"Our business model is a little unique in that we decided to become a full-stack carrier where we're the ones issuing the policy and taking on the risk," Shapiro said. "By doing that, we really can provide a full end-to-end experience for customers." BR

Ransomware Blooming, Sophistication Growing As Hackers Get More Brazen

Cybercriminals are now offering 'customer service' to victims, according to Resilience Insurance President Mario Vitale.

by Meg Green

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

Ransomware attacks are becoming more common and more sophisticated, with crime syndicates now offering "customer service" to victims, said Mario Vitale, president of the newly launched Resilience Insurance.

Vitale was with Arceo.ai before it morphed into program manager Resilience, which specializes in cyber insurance.

Ransomware is a type of malicious software, or malware, designed to deny access to a computer system or data until a ransom is paid. Criminals typically spread ransomware through phishing emails or by a victim unknowingly visiting an infected website, according to the U.S. Cybersecurity & Infrastructure Security Agency.

Ransomware has evolved to the point that syndicates now have "customer service departments," Vitale said. After one Florida municipality's system was locked down, the victims asked the attackers how they could be sure their information would be restored if they paid the ransom. The criminals offered "references"—other municipalities that had been hacked, paid the ransom, and had their systems restored, Vitale said.

The criminals told the municipality: "We have to have good service, because if we didn't open you back up, nobody would pay us any money," according to Vitale.

"You'll get a call the next day after they opened it up, 'How did the experience go? Is there anything we can do to help improve our service? Would you recommend us?' They literally have a customer service department that speaks English," Vitale said.

Vitale also said the criminals knew the Florida municipality had insurance that would cover the attack.

Global cybercrime costs are expected to grow by 15% a year over the next five years, reaching $10.5 trillion annually by 2025, up from $3 trillion in 2015, according to Cybersecurity Ventures.

Ransomware is leading the cybercrime way. With millions of people working from home due to the COVID-19 pandemic, the window for hackers was widened, Vitale said.

Cybersecurity Ventures reports there's been more ransomware attacks in the past 12 months than in any comparable period. In 2020, according to Cybersecurity Ventures, a company was attacked every 11 seconds. The costs from these attacks will reach around $20 billion by 2021.

Hackers can move quickly, going from entering a system to ransoming the entire network in 45 minutes, according to the September *Microsoft Digital Defense Report*.

And demands for ransom have been rising, up nearly 200% from 2018 to 2019—averaging $115,123 in 2019, according to a report by the Crypsis Group.

The U.S. has seen a plague of ransomware in recent months, with major cities from Baltimore to Atlanta hit, and local governments and schools hit especially hard. The FBI and other agencies have warned that health care systems were particularly at risk.

In September, a ransomware attack impacted all 250 U.S. facilities of the hospital chain Universal Health Services, forcing doctors and nurses to use paper and pencil for record-keeping, and slowing lab work.

Also in September, the first known fatality related to ransomware occurred in Dusseldorf, Germany, when an IT system failure forced a critically ill patient to be routed to a hospital in another city, according to the Associated Press.

> Hackers can go from entering a system to ransoming the entire network in 45 minutes.

Hackers are getting more sophisticated—using robots and artificial intelligence—and businesses, insurers and governments need to work together to mitigate attacks, Vitale said.

"The FBI has told me that they know where they are, but you can't get them," Vitale said. "A lot of them go back to Russia and North Korea, as you might guess. Despite the fact that they traded and got these ransoms paid in cryptocurrency, and even though with some specification we can track them back, there's very little we can do about it because of where they are, and they're protected by their governments."

Resilience partners with underwriter Intact Insurance Specialty Solutions and hopes to establish an FM Global-style operation, with cyberexperts preventing and minimizing cyberattacks the way FM Global's engineers work to prevent property losses from occurring, Vitale said.

"Even though we believe that this is one of the most important risks that [businesses face], not only in terms of business interruption but reputation, loss of client information, etc., not all companies spend an equal amount on that protection," Vitale said. BR

Hippo President: Non-Insurers Like Amazon Pushing Into Insurance Space

These companies with large customer bases could even create more competition for carriers than insurtechs, Rick McCathron said.

by Renee Kiriluk-Hill

Trusted non-insurers with significant brand appeal and deep tech pockets are encroaching on the insurance space and will likely ratchet up their efforts in the coming years, according to Rick McCathron, president of insurtech Hippo.

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

Automobile manufacturers and companies like Amazon, for example, will "absolutely" offer insurance to their sprawling customer bases as a bolt-on product, posing a potentially bigger concern for incumbent insurers than insurtechs, McCathron added. "The die is cast. This is something that makes sense."

Last year Amazon joined Berkshire Hathaway and JPMorgan Chase to create a health

Car manufacturers could simplify auto leasing while deepening consumer ties by rolling physical damage and liability coverage into monthly payments.

Rick McCathron
Hippo

insurance company designed to make coverage easy to use and understand. But last month the companies announced they closed down the venture. However Amazon is partnering with Acko General Insurance Ltd. to offer auto and motorbike insurance in India.

Some auto manufacturers are partnering with insurers, and others have taken it a step further. For example, General Motors is launching a digital insurance agency through its longtime telematics subsidiary OnStar.

Manufacturers also could simplify auto leasing while deepening consumer ties by rolling physical damage and liability coverage into monthly payments, said McCathron, whose insurtech started as a managing general agency and more recently has added a property/casualty carrier.

McCathron said other connected businesses with large customer bases also could disrupt the insurance industry. "It is a massive market."

During a recent earnings call, Tesla CEO Elon Musk said his company could use its technology to become the country's largest insurer, valuing insurance at potentially 30% to 40% of the car business. Tesla insurance would cost less and be better, Musk claimed, noting an internal applications team would simply create a software application that connects to the vehicle, assesses the data and calculates risk.

McCathron said he sees other outside players moving into insurance, in part related to rising natural catastrophe losses. "More creative capital structures" will arise to support the exposure, he said. "Most legacy insurers take all of the first-dollar risk" and reinsure excess of loss. New capital providers, attracted by higher premiums and diversification, could take on that primary exposure, McCathron said.

Insurance is known as an industry that evolved slowly. No more, said McCathron, although he acknowledged that large incumbent carriers may struggle with maximizing current portfolios while onboarding customers with new technology.

Insurtechs are pushing change from policy binding times and risk mitigation—for instance, Hippo homeowners policies, where allowed, come with a smart home monitoring system—to claims processing. They will continue to evolve and impact the industry, said McCathron.

"The pendulum has swung to a more modern, digitized experience" during the COVID-19 pandemic, he explained. "You used to run into your agent at the grocery store or a ballgame. That's not happening now. Relationships are forming and developing in a digital way.

"The ability to quickly adapt from a tech perspective does make a difference. Incumbent insurance companies may take 12 to 18 months for something that could take an insurtech 12 to 18 days," he said. "Insurtechs by structure are nimble." Incumbent insurers are addressing the disconnect by acquiring or partnering with insurtech companies, McCathron said.

Mitsui Sumitomo Insurance Co. Ltd. is investing $350 million in Hippo Enterprises to fund expansion, according to a November statement by Hippo. The capital will help Hippo's MGA operation reach 95% of U.S. homeowners over the next year, in addition to increasing capital for subsidiary Spinnaker Insurance Co., Hippo said. BR

Professional Development

The insurance industry faces continuing challenges attracting new talent. At the same time it is taking steps to meet the issues of diversity and inclusion head-on. *Best's Review* reports on how the industry's new workforce is being built on professional development, diversity, inclusion and apprenticeships.

"Insurers Work to Build Diverse and Inclusive Workplaces" features interviews with two chief diversity officers. They discuss how the climate of civil unrest and the pandemic have led to an increased focus on workplace culture.

Apprenticeships have made a comeback in the insurance industry. "Insurers Turn to Apprenticeships to Find Diverse, Next-Gen Workforce" reports on the goals and successes of Aon, Zurich North America and Accenture's multi-employer Chicago Apprentice Network.

"Looking for a Career? The Insurance Business Offers a Wealth of Options for Young Professionals" features the unique viewpoints of two new underwriters on the values of an insurance career.

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Lata Reddy of Prudential Financial

Lata Reddy photo courtesy of Prudential Financial. Lauren Young photo courtesy of Zurich North America.

Insurers Work to Build Diverse And Inclusive Workplaces

Last year's nationwide protests and civil unrest, coupled with a pandemic that revealed racial disparities in mortality and health care access, have led to an increased focus on workplace culture.

by Lori Chordas

On a typical day inside Zurich North America headquarters, and more recently on company remote conference calls, staff can be heard discussing breaking down racial barriers and creating a more diverse, inclusive workplace culture.

But these aren't typical times.

Last year's nationwide protests and civil unrest

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Key Points

The Time Is Now: Diversity and inclusion in the workplace are more critical than ever.

Revealing a Need: A pandemic, racially-tied events and the eruption of civil unrest across the U.S. shined an even brighter spotlight on that need.

Leading the Charge: Diversity and inclusion leaders are rolling out specialized initiatives, instituting training programs and creating new dialogues with employees to bolster that culture and drive diversity at all levels of their organizations.

Lauren Young of Zurich North America

sparked by police killings of George Floyd, Breonna Taylor and other Black Americans, along with a pandemic that revealed racial disparities in mortality and access to health care, moved those conversations even higher on the company's list of priorities.

"I am proud of the conversations that are occurring in our company and across the industry today—many of which were not happening six months ago," said Lauren Young, director of diversity and inclusion at Zurich North America, based in Schaumburg, Illinois. "It's great to now hear from others the question, 'What can I do,' rather than, 'Why should I do?'"

Over the past two years, Young has focused on bridging racial divides and bolstering diversity, including implementing strategic diversity and inclusion plans and training programs to help employees appreciate racial and cultural differences.

This work has been an uphill battle for some companies, she said, due to the lack of knowledge about how race and cultures are connected to societal inequality. And conversations about racial issues have long been taboo in the workplace.

The good news, Young said, is that's changing, and many of the old barriers are now being torn down.

"The more we can educate our leaders, managers and individual contributors on how inequitable systems and processes have been—and continue to be—the better chance we have to overcome those challenges and progress in our efforts on creating a diverse and inclusive workplace culture," she said.

Coming Into Action

Young has long been focused on company culture, beginning her career in brand management and marketing analytics, followed by a 10-year stint as an organizational change consultant for a number of Fortune 500 corporations.

Last year she completed another professional milestone when she earned a doctorate in organizational change and leadership from the University of Southern California, focusing her dissertation on how companies are advancing diverse talent in their careers and creating a culture of belonging.

Young is taking what she's learned into her current position as a diversity and inclusion officer—a role she said has evolved in recent years, including transitioning from what was once a seat at the executive table in many companies to other areas such as human resources.

The chief diversity officer—tasked with spearheading companies' end-to-end equity and inclusion efforts and overseeing employee complaints related to discrimination—has in recent years become a highly indispensable position to companies.

In June 2020, State Farm appointed Victor Terry as its first chief diversity officer. In October, Ronald Reeves became AIG's chief diversity officer, and in December Lincoln Financial Group named Brandy Smith as its vice president, workplace diversity and counsel. This January Markel Corp. announced it has welcomed Chubb's former CDO Trevor Gandy as its new managing director, talent, diversity and inclusion.

"Also beginning last year summer, those of us in this position have begun to see a new focus on the work we were already doing," Young said. "I've seen organizations begin to put additional resources into advancing diversity, equity and inclusion initiatives, and business leaders become involved in the work. My hope for this year is that the momentum continues and remains at the top of the list of priorities for all leadership in our industry."

Prudential Financial's Lata Reddy is deeply focused on those priorities in her organization. The company's senior vice president of inclusion solutions and chair of the Prudential Foundation, Reddy has dedicated her career to promoting equity, exemplified through her legal work with the Southern Prisoners Defense Committee and the U.S. Department of Education before coming to Prudential in 1997 to manage The Prudential Foundation's education grants.

"My experiences as a civil rights attorney reinforced my sense of purpose to eliminate systemic barriers and help level the playing field, which is what eventually drew me to Prudential and its founding principle of equity," said Reddy, who holds a law degree from Emory University School of Law.

In 2008, she left Prudential to launch a consulting practice but returned four years later to lead the insurer's shared value work, combining the company's full business capabilities with its strategic grants and philanthropy, corporate contributions and impact investing to help close the financial divide, driving financial and social mobility.

Since then Reddy has seen a shift in how many insurers approach diversity and inclusion, and how roles have changed for those leading that charge. "Years ago our focus was primarily on diversifying the workplace. Today, our job has become a much more all-encompassing position," including ushering in racial equity across the organization, said Reddy, who said that as a non-Black person of color she has faced discrimination at various times in her life.

She said the deaths of Floyd and other Black Americans in 2020 moved those issues even closer to the fore.

"The heartbreaking intersection of social unrest, along with COVID-19, opened the eyes of millions of Americans to what Black colleagues have known for decades: To be Black in America is to confront racism every day, whether overt or subtle," Reddy said.

Last year's events were indeed a wake-up call for many, added Young.

"Many Americans were left hurting, forced to process the tragedies in real time," she said. The shootings and deaths occurred within a short period of time, "and that was a huge point for companies to really look at what they are doing for their employees, customers and others, and to reassess their goals."

"The heartbreaking intersection of social unrest and the current COVID-19 pandemic has opened the eyes of millions of Americans to what our Black colleagues have known for decades: To be Black in America is to confront racism every day, whether overt or subtle."

Lata Reddy
Prudential Financial

"Employees have now started to place new demands on their employers, and are expecting them to meet those demands head-on by articulating the actions they are taking to eradicate racial issues and embed their diversity and inclusion commitments in their strategic priorities," Young said.

For insurers like Zurich, those efforts remain full steam ahead.

Last year the company expanded its action plan on equity and belonging and introduced several initiatives and anti-racism programming designed to help its leadership and executive teams better understand diverse experiences and those affected by racial inequalities.

Prudential also is deepening its decades-long commitment to advance racial equality, Reddy said. Last year company officials unveiled nine commitments to accelerate efforts to drive inclusion and diversity within the organization. The commitments—born out of "courageous candor" of nearly 7,000 Prudential employees who shared their experiences and expectations in more than 125 employee racial equity forums created after Floyd's death—include mandating inclusion training for all U.S. employees and creating greater transparency of the company's diversity data.

> "Showing leadership on diversity and inclusion efforts requires companies to acknowledge, 'This is who we are right now,' and, 'This is who we want to be in the future.'"
>
> **Lauren Young**
> Zurich North America

"Our goal is to model what it means to be a fully inclusive company—for the customers we serve, our employees, and the communities in which we operate," Reddy said.

In the wake of last year's tragedies, she said, Prudential has increasingly improved communication among staff and other stakeholders. One example is expanding Prudential's 50-year partnership with Black Enterprise, which last year included sponsorship of a virtual roundtable hosted by Black Enterprise. The event brought together a panel of leading voices on financial empowerment and wealth creation for Black Americans to discuss strategies to close the nation's racial wealth gap and provide real-life solutions for Black communities disproportionately impacted by the economic fallout of COVID-19.

Last year Prudential, Zurich North America and many of their industry peers observed a milestone in the move to end racial inequality, by marking Juneteenth—the June 19 commemoration of the emancipation of slavery in America—as a day of education and reflection for employees.

Soon after the day, Zurich held a "raw and honest" panel discussion with seven of its Black leaders to share how they have been impacted by racial injustice and recent events, Young said. "It really took us to a new level of transparency and empathy about diversity and inclusion at our company, and it inspired many new actions we are taking to accelerate programs," she added.

Stirring the (Melting) Pot

Part of building an inclusive workplace culture begins with having a diverse workforce. But, as the data bears out, that's something many companies still lack.

In 2019, whites made up an average of 79.8% of insurance underwriting, sales, and claims and policy clerk jobs, followed by African Americans, 13%, Hispanics, 12%, and Asians, 4.4%, according to the U.S. Bureau of Labor Statistics.

Zurich North America and Prudential have long been focused on broadening their recruiting efforts and retaining and developing diverse in-house talent.

Young said Zurich works with voluntary, affinity-based employee resource groups, such as Zurich African Ancestry Alliance, PrideZ and the Zurich Asian American Alliance, to encourage employee referrals of diverse talent. The company also recently expanded the Zurich Apprenticeship Program—last year welcoming the largest and most diverse cohort of apprentices in the program's five-year history.

While insurers are increasingly focused on building diverse workforces, Young said, one of the biggest hurdles remains the lack of diverse talent at the leadership level.

"Research shows direct managers, even more than senior leaders in many cases, have an outsized impact on employees' workplace experiences," she said. In addition, companies lacking a diverse

C-suite could be missing out on opportunities for increased innovation, greater financial returns and stronger talent acquisition.

Last year Zurich rolled out its Inclusion Cohort program to prepare diverse leadership talent in its commercial insurance division. The program, Young said, allows ethnically diverse employees with strong leadership qualities to engage in mentoring relationships with more senior leaders, participate in leadership assessments and training, and build camaraderie that company executives hope will continue beyond the completion of the six-month experience.

"The first iteration of the program was a success, with one-third of our first cohort making advancements in their careers," she said. "Now our goal is to scale similar programs across the organizations."

Beginning in 2018, Prudential tied senior executive long-term compensation to diverse-representation goals, with financial consequences if goals aren't met, Reddy said. Last year the company unveiled its Enterprise Inclusion Council that brings together, on a quarterly basis, C-suite leaders and heads of Prudential's eight business resource groups to discuss ways to make the company more inclusive and share unique perspectives of Black, Latino, Asian/Pacific Islander, differently-abled, LGBTQ, veteran and other employees, she said.

"Last year we also saw 2,500 of our employees complete courses from our extended portfolio of inclusion trainings," she added. "Equipping employees, managers and leaders with tools, training and resources will help us reach our cultural aspiration of being more fully inclusive."

Reddy said the pathway to success is largely dependent on a top-down approach that trickles across the organization. To that end, in early 2019, months into his tenure as chairman and CEO, Prudential's Charles Lowery signaled his commitment to championing diversity by announcing four major initiatives, including becoming a fully inclusive company, Reddy said.

And last year, Zurich North America's CEO announced actions to accelerate progress on diversity, inclusion and equity, forming an Executive Diversity & Inclusion Council and joining more than 1,000 other CEOs from across America to sign the CEO Action Pledge for Diversity & Inclusion—an initiative aimed at rallying the business community to advance diversity and inclusion within the workplace.

The Road Ahead

Young and Reddy are quick to say how fortunate they are to work in roles that encourage people to be their authentic selves at work.

"But that can only happen when companies create a culture that is conducive for inclusion, as organizations are only as strong as their culture and brand," Young said.

While 2020 was an extraordinary year of uncertainty, loss and distance, many people say it opened their eyes to the importance of having a unified workplace culture while breaking down barriers that drive racial divides.

Young expects to see over the next several months even greater transparency around those efforts, "including in areas where there is an opportunity to improve."

"While systemic racial inequalities continue to persist in America, creating steeper barriers to economic success, insurers are well positioned to help change that within their own companies and communities by broadening their commitment to racial equity through efforts such as building a diverse talent pipeline, ensuring products meet the needs of diverse clients and investing in their hometown communities," she said.

"Showing leadership on diversity and inclusion efforts requires companies to acknowledge 'This is who we are right now,' and 'This is who we want to be in the future,'" Young said. "At Zurich, we are taking clear actions, which we shared in communications with our various constituencies last summer. So far response from that effort has been positive, and today other companies are considering taking a similar approach."

While some companies may continue to shy away from conversations about racial issues and remain fearful of doing "the wrong things," she said, "the support of employee resource groups, diversity and inclusion councils, and other advocates for change can assist in those efforts, which supports my optimism for the great strides the industry can make in this area. I hope in the coming years I, along with my team and peers across the industry, can further improve representation of all diverse groups at every level of our organizations and to continue the education that has started."

However, Young said, there is no quick solution to a centuries-old problem: "That's why everyone will need to be committed to change for the long haul." BR

ON THE JOB: Zurich apprentices (from left): Jordan West, Liz Rodriguez, Sreelekha Sathiyamma, Jose Gonzalez and Trinette Patterson head to the coffee bar at Zurich North America's headquarters in Schaumburg, Illinois, in February 2020. Sathiyamma graduated from the program in November 2020 and is now a Zurich cybersecurity analyst.

Photo courtesy of Zurich North America.

Insurers Turn to Apprenticeships To Find Diverse, Next-Gen Workforce

Aon, Zurich North America and Accenture's multi-employer Chicago Apprentice Network has been so successful, it is expanding to other industries.

by Terrence Dopp

Key Points

People: Apprenticeships are designed to increase diversity, lure those returning to the workforce and provide entry to others outside of the traditional corporate world.

Timing: As the cost of four-year colleges has grown in the U.S., access to a free education and full-time job becomes even more attractive to students of all stripes.

Solution: The Chicago Apprentice Network and others are gaining momentum as insurers look to foster diversity and attract new people to the industry.

Al Crook, head of HR business partners and apprenticeship at Zurich North America, years ago came across a troubling factoid: Some roles within the insurance industry ranked just behind those in real estate and the clergy in terms of age of employees.

He's quick to concede the apprenticeship program he helped found five years ago at Zurich isn't a panacea, but it was a good start that quickly grew into the multi-employer Chicago Apprentice Network. The enticements of Zurich's two-year program? Free education, a guaranteed job and a promotion following completion.

The goal is to look beyond college graduates, particularly those with insurance-related degrees, as the sole group of prospective employees.

"We knew that there was a model that worked in our European counterparts, and in other parts of the world apprenticeships are very popular," Crook said. "With the need to always have more talent and access to more talent, apprenticeships were an untapped and undeveloped source for that talent. We knew that we could build it so that it could be more popular both in the industry and across the region in which we work."

The federal Labor Department has made growing and expanding apprenticeship a priority, launching "Discover Apprenticeship" five years ago as part of a larger effort to increase job training and

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"Some of the most senior people in the firm, who are in this stage in their 50s and 60s, had come as apprentices. So the concept wasn't totally new to us. It just hadn't been deployed in the United States."

Bridget Gainer
Aon

add 1 million new apprentices by Sept. 30, 2021. Since Jan. 1, 2017, more than 800,000 people in the U.S. have found employment through apprenticeships, according to department figures. More than 9 in 10 workers who complete an apprenticeship earn an average of $70,000 a year, and 94% are still employed six months after program completion.

The Chicago Apprentice Network was launched in collaboration with Aon and Accenture and has grown from an inaugural class of 25 apprentices to 740 apprentices working with more than 40 employers across industries, according to Aon and the Chicago Apprentice Network. Crook said 116 people have been hired at Zurich through the program.

Zurich North America is part of Zurich Insurance Group, a multiline insurer founded in 1872, with about 54,000 employees today. The company provides a range of property/casualty and life insurance products and operates in more than 210 countries and territories.

Wider Net

Zurich North America's apprenticeship program is designed to broaden the company's employee base, but there are some hurdles to overcome.

"Over time, we fall in love with certain things. We've fallen in love with owning a car. We've fallen in love with owning a home. I believe as a country we also fell in love with the four-year degree," Crook said. "I think that's why other options like apprenticeships fell out of favor."

Zurich's earn-while-you-learn program—launched at its Schaumburg, Illinois, headquarters in 2016—provides a debt-free path to a professional career. Apprentices include high school graduates, veterans, those reentering the workforce after a hiatus, people wanting to move from a job to a career, and others attracted by the prospect of a guaranteed job and promotion.

As a rule, apprentices spend part of the week at work, and the rest at school. They receive pay, commensurate with an entry-level job, from sponsoring companies.

As Bridget Gainer, Aon's chief commercial officer, tells it, it's all about creating networks. Once a quarter, the Chicago Apprentice Network holds meetings—which she likens to speed dating—for apprentices, interns and prospective employers to connect. The events usually attract about 400 people and allow both newcomers and seasoned professionals to establish a base of mutual support, she said.

"Internships are great, but if we don't find some way to have this lead to career-track jobs, then this isn't really going to move the needle," Gainer said. "Some of the most senior people in the firm, who are in this stage in their 50s and 60s, had come as apprentices. So the concept wasn't totally new to us. It just hadn't been deployed in the United States."

Zurich's first program was held at its headquarters and concentrated on general insurance. It's now expanding geographically and educationally, with new areas of business including human resources.

Crook said retention among Zurich apprentices has increased over the past five years to about 90%. He notes particular program success in the field of cybersecurity, where threats evolve so rapidly that by the time they filter into a traditional college classroom, they're old news.

Zurich created an apprenticeship program of four cybersecurity candidates, with the first group already finished and another on deck, Crook said. "That solved a real business challenge," he said. "Quite frankly what we found is that some of

"With the need to always have more talent and access to more talent, apprenticeships were an untapped and undeveloped source for that talent."
Al Crook
Zurich North America

those who go to school for this don't have the application knowledge."

Growing

Apprenticeship is a decidedly low-tech way to attack a 21st century problem. The concept dates to the Middle Ages, when master craftsmen would use younger workers and in return, workers would get food, lodging and training in a given profession. In the U.S. it was supplanted by the four-year college degree as the preferred route to the middle class.

This past November Aon announced it would invest $30 million over five years to expand its own apprentice network to more U.S. cities—including Houston, Minneapolis, New York, Philadelphia, San Francisco and Washington, D.C.—to establish a nationwide network of employers who will create 10,000 apprenticeships in the U.S. by 2030.

The Chicago Apprentice Network founders, along with JP Morgan Chase and The Hartford, will expand that program as well. The move will include collaboration with educational partners and nonprofits to create the necessary infrastructure, similar to the approach with City Colleges of Chicago, College of Lake County and One Million Degrees for the Chicago Apprentice Network.

For John Kinney, chief claims officer at The Hartford, a victory for the program came in the form of a recent claim filed by a VIP customer he declined to identify for privacy reasons. The customer was so happy with their experience, they sent an email that reached top executives. Among the claims representatives the customer highlighted? A former apprentice.

The Hartford has its own apprenticeship program in Connecticut that has been expanded to other U.S. locations. The company works with local two-year schools to develop curriculum that pairs well with on-the-job training, so participants get a strong theoretical and practical knowledge base, Kinney said.

Apprenticeship boosters regularly point to this coordination of academia and hard-nosed job training as the biggest advantage of the arrangement.

At The Hartford, apprentices serve in customer-facing roles in claims while getting tuition assistance and other employee benefits. After successfully completing the program, employees can use the company's tuition reimbursement program to continue their education and are free to move throughout the organization.

Turnover

With about 7,000 claims employees, The Hartford faces the prospect that even in the most stable of years with low attrition, the company can find itself needing to hire 700 to 1,000 people. The apprenticeship program and partnerships with two-year colleges expand the company's hiring pool, Kinney said. "We kind of sat back and we said, 'What other avenues are out there to attract talent into the organization—frankly with an eye toward people of color and women—to try and broaden the diversity of our team?' It was another way for us to creatively look at what other pathways are out there," he said.

By focusing on community college students, who are often second-generation immigrants or first-generation college students, Kinney said, the Hartford gets access to the "grit quotient."

"You look for people that can adapt to adversity," he said. "When you think of the average path of somebody who's the first person in their family to have gotten into a college program, that tells me that person has gone above and beyond to get there." BR

Looking for a Career? The Insurance Business Offers a Wealth of Options for Young Professionals

This 'hidden' industry is often overlooked by college graduates, but it offers variety, financial security and the satisfaction of helping people when the unexpected happens.

by Annie Buelow and Joseph Rosario

When searching for a rewarding career, every professional should consider the insurance industry because of all of the benefits and opportunities it affords.

Unfortunately, however, this message can be difficult to advance. Consider you're an insurance underwriter explaining your career to family or friends, whose response is eyes glazed over. Most people won't understand, don't care or will run away, thinking you're about to sell them something.

Annie Buelow

Insurance often feels like a hidden industry, overlooked by college graduates and young professionals. Many people typically discover the field later in their careers. This is particularly unfortunate given the wealth of opportunities in an industry that, according to the Insurance Information Institute, is looking to fill about 400,000 positions "at all levels, and in all areas," with a fresh pool of talent.

Admittedly, the industry can be overwhelming with its vast variety of roles that fall under the insurance umbrella. From marketing and claims management to risk analysis and sales, countless positions offer not only the ability to earn a good living, but the opportunity to challenge oneself and expand skill sets on a daily basis.

For example, as an underwriter of professional liability insurance in the construction market, you could one day be in the office doing investigative work to analyze a contractor's risk profile, and the next day be on-site watching a project move forward with the help of a policy that enabled the contractor and owner to overcome potentially debilitating losses.

Joseph Rosario

The insurance industry offers the potential for great professional growth—and the privilege to positively impact individuals, businesses and communities when unpredicted events happen.

Where to Start

Culture is everything. Walking into a large insurance company or even a niche brokerage firm for the first time can be confounding.

There's the language—in which policy terms, conditions and exclusions can differ greatly among the many carriers, even if they serve the same market.

Best's Review Contributors: **Annie Buelow**, Construction Risk and Insurance Specialist, is an underwriter at Berkley Construction Professional, a Berkley company. She joined Berkley CP in 2016 and is responsible for growth of the small-to-midsized firm portfolio as well as large-firm opportunities across all product lines. She can be reached at *abuelow@berkleycp.com*.

Joseph Rosario, Construction Risk and Insurance Specialist, is an underwriter at Berkley Construction Professional, a Berkley company. He joined Berkley CP in 2017 and is responsible for growth of the midsized-firm portfolio as well as large-firm opportunities across all product lines. He can be reached at *jrosario@berkleycp.com*.

There's the dynamic relationship between insurance carriers, brokers, prospects and policyholders. And there's the individual business style for each carrier and broker, all of whom are governed by a strict set of guidelines and regulations.

That's why culture is especially important for those who are either new to the field or starting their first job after school. Finding an educational, rewarding and supportive atmosphere is essential to learn, grow and succeed.

The entire situation can be a bit daunting without the proper training and mentoring. The need to ask questions, to be heard and to receive answers from both colleagues and managers is fundamental to feeling valued and psychologically safe. It also is important for finding your place within an industry that employs 2.8 million people doing everything from handling claims to creating innovative products for clients.

And while there really isn't a clear-cut pathway to success, a business degree supported by courses in data analytics and risk management is an ideal starting point. Middle Tennessee State University, Saint Joseph's University, Temple University and University of Georgia were the leading colleges for insurance and risk management programs according to *Best's Review*'s 2020 survey of industry professionals, including hiring managers and human resources professionals. There also are other institutions of higher learning to consider.

From marketing and claims management to risk analysis and sales, countless positions offer not only the ability to earn a good living, but the opportunity to challenge oneself and expand skill sets on a daily basis.

However, a solid education is only a stepping stone for ongoing growth in a field that is constantly evolving. Be prepared to start fresh in an environment that often feels like you're learning a foreign language. The learning curve can be steep and the shortcuts few, but there are steps to help you create a skill set that will be in demand for years to come.

Follow Your Interests

Many college programs, including those offering business degrees with a major in insurance or risk management, include internships at companies big and small. This is the time to get a real sense for the industry. Are you interested in sales and working as a broker? Or analyzing risk as an underwriter? Would you be more comfortable in marketing, finance, human resources or customer service? This is the time to get a taste of the many opportunities that exist in this industry. Insurance companies are constantly searching for trained, experienced and dedicated professionals to fill a multitude of roles.

We are underwriters in construction-related insurance. That's just one of the many specialty markets within the industry. Some form of insurance protects nearly every business imaginable, and this doesn't even take into account traditional personal lines—such as homeowners, health, auto—that help individuals overcome challenges every day. Insurance is present in almost every industry, so follow your interests to find the niche market you'd like to pursue.

To become a specialist in an area of interest, familiarize yourself with the diverse roles within a particular organization. Be hands on. Learn as much as possible about the product and the policy forms from both the insurer's and insured's perspectives.

For those already employed in the industry, the advice and insights of insurance professionals outside your company can be invaluable, as these people can help you expand your knowledge of the marketplace and the needs of the businesses and clients they serve. Also, participate in associations that represent the many facets of insurance as well as the markets where you work.

This industry favors autonomy, so being self-sufficient is essential. Much of the work can be done over the phone, by video call or through email. Understand that relationships can be just as important as in-depth knowledge of a policy's terms, conditions and exclusions.

Maybe it's the word "insurance" or just the connotation, but few realize that this industry—never static, filled with opportunities for growth and education—can be the ideal destination for those looking for a rewarding position that makes a difference. BR

Multiyear Hikes on the Horizon For Marine Protection And Indemnity Insurance Market

Broker Arthur J. Gallagher & Co. predicts hardening markets as P&I clubs seek dry land following years of givebacks and low rates that led to worsening combined ratios.

by Terrence Dopp

Marine protection and indemnity clubs are about to enter a hard cycle that could last four years, with rate increases from 7.5% to 10% per year after a prolonged soft market and poor investment returns, said Alex Vullo, divisional director of marine at broker Arthur J. Gallagher & Co.

Over the past several years, he said, clubs have pushed for flat premiums to smaller increases, yet cash givebacks and other enticements like owners' discounts more than ate into that pool of money.

"The last seven or eight years have been the softest market in our history," Vullo said.

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

Key Points

Snapshot: Gallagher's prediction, which comes in a report ahead of 2021 renewals, warns the hard market could last four years.

Money Shot: While investments faced uncertainty in 2020 and the trend can't be ignored, higher premium rates could prove a headwind to economic recovery from the COVID-19 pandemic.

Upshot: Gallagher says clubs should consider using $5.5 billion in free reserves to blunt any proposed rate increases.

In addition to the financial incentives, rates typically fell between 30% and 40%, he added. "So members have benefited over that period, and as a broker we've been warning our clients that, 'Look, the hard market is coming.' And we've started warning our clients that we've seen this coming."

Gallagher's warning was first issued in a report ahead of this month's annual renewal period for marine P&I clubs. It serves two purposes, as Vullo tells it: Exerting some pressure on clubs to "be fair" with members, and preparing clients for what is almost certainly ahead.

In a report issued in February 2020 ahead of renewals that year, AM Best found the beginnings of a hardening market, with general increases of 2.5% to 7.5% attributed to years of erosion of premiums to a level that was "unsustainable," an increase in the cost of pool claims, and volatility in financial markets.

As a sector, marine P&I is dominated by the 13 clubs of the International Group of P&I Clubs, which collectively insure about 90% of the world's oceangoing tonnage, according to AM Best. The organizations are mutuals, meaning they must balance their own needs to be economically stable with the financial constraints of their members.

U.K.-based Gallagher is prodding clubs to limit the size of increases given the uncertainty of COVID-19 and the unknown extent of its economic impact.

Malcolm Godfrey, executive director of Gallagher's Marine P&I Division, in the pre-renewal report urged clubs to tap $5.5 billion in free reserves to soften the blow after several years of soft conditions.

Gallagher cited the rise of protectionism, a shift toward "onshoring"—increased domestic production—and changes to supply chain risk management as trends that will hamper recovery. Vullo also said his firm sees the inclusion of infectious disease exemptions in future policies.

"The post-virus world economy remains an unknown, and the outlook for shipping is far from clear," Godfrey wrote in the report. "If ever there was a chance to subsidize the members' predicament by the use of these reserves to abate or defer the needed premium increases, this would be it."

"The last seven or eight years have been the softest market in our history."

Alex Vullo
Arthur J. Gallagher & Co.

In total, the market's combined ratio went from 82 in 2015 to 120 in 2019, Vullo said. Rate increases are in part an effort to bend that figure back into favorable territory. At the same time, he said, clubs are "clawing back" some of the financial incentives given to customers.

"This is again why we think this is a three-to-four year hard market. The clubs need to get the rates up in order for them to tackle the combined ratios," he said. "It's pretty straightforward, and 2020 is kind of new to this. The fact is that you can't rely on the investment markets to bail you out."

The investment crash early in 2020 demonstrated what could go wrong when investment losses "collide" with underpriced underwriting, the Gallagher report said: "Fortunately this COVID-19 inspired investment crash has proved transitory so far, but the COVID-19 story has possibly not yet run its full course."

AM Best noted in its report that P&I clubs tend to have a greater risk appetite than other nonlife commercial insurers, and many are willing to take a longer term investment approach. They also seem to have a tolerance for year-over-year risk.

Further adding to the squeeze, AM Best found the cost of claims had risen due to an increase in vessel size, which added to claims complexity when there are serious incidents; an upward trend in shipowners' liability limits; and technological advances allowing deep-water wreck removal.

On the other hand, a move toward newer ships, loss prevention investments and increased club deductibles helped push down those costs, the AM Best report said. BR

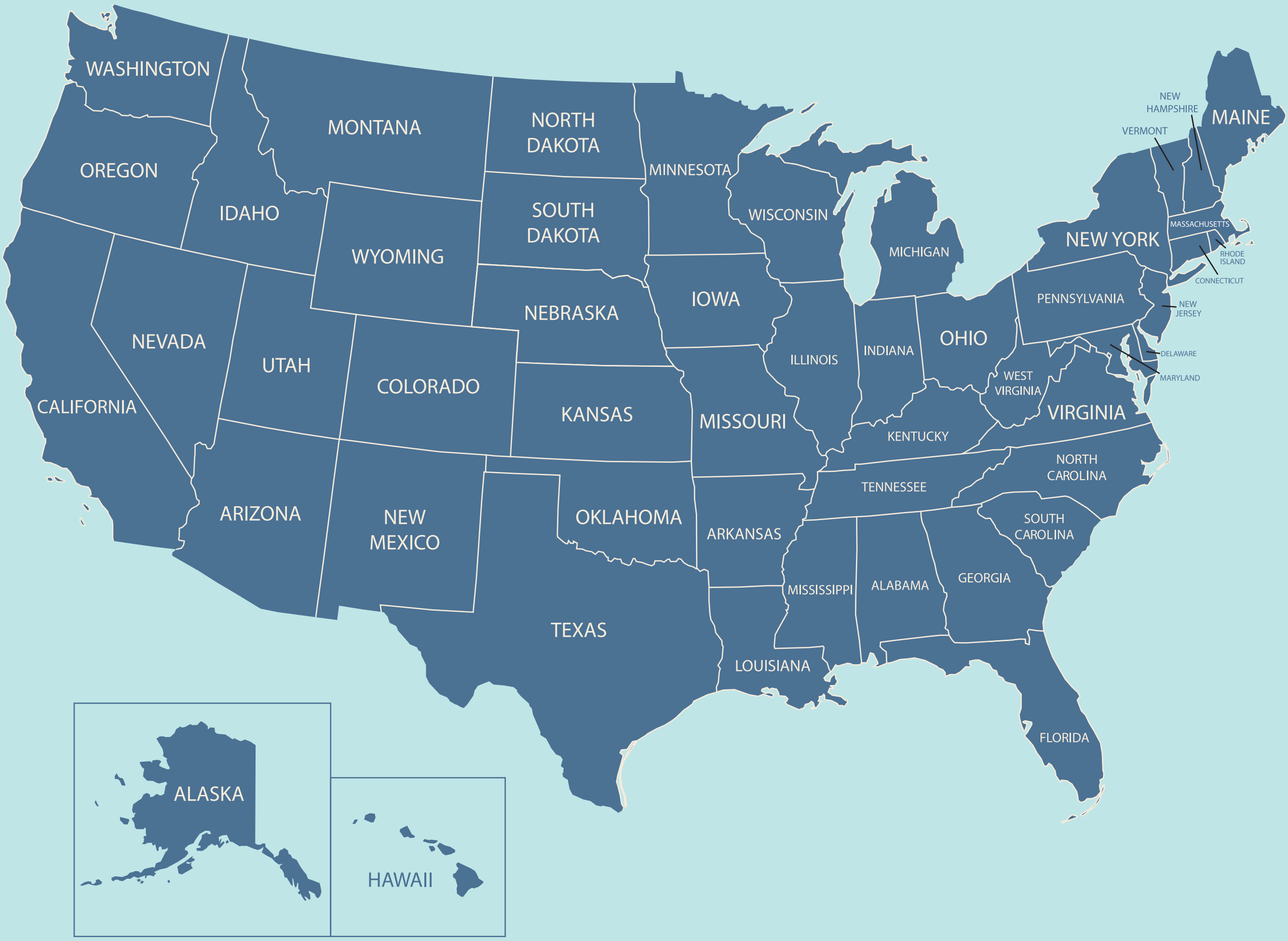
Best's Rankings

Members of the International Group of P&I Clubs

(US$ Thousands) Ranked by 2019 gross premiums written.

AMB #	Company	Gross Premiums Written	Net Premiums Written
093867	Gard P & I (Bermuda) Ltd.	799,831	627,163
087197	Assuranceforeningen SKULD	364,907	324,733
094744	North of England Protecting & Indemnity Association	357,417	278,340
090016	Steamship Mutual Group	309,431	261,042
057924	UK Mutual Steam Ship Assurance Association BM Ltd.	306,465	244,266
057726	The Standard Club Ltd.	296,100	210,500
089453	Shipowners' Mutual P&I Association (Luxembourg)	230,472	205,561
084144	West of England Ship Owners Mutual Ins. Association	228,186	187,388
030286	Britannia Steam Ship Insurance Association Ltd.	201,185	35,489
089451	Japan Ship Owners' Mutual P&I Association	183,414	137,240
085716	Swedish Club	165,277	126,019
032640	London Steam-Ship Owners' Mutual Ins. Association	117,251	98,350
000161	American Steamship Owners Mutual P&I Association	115,580	91,313

Source: BESTLINK



States Expected to Face COVID-19 Regulation And 2020 Backlog in New Year

Questions about risk-based pricing and issues related to racial justice also are likely to fill legislative and regulatory agendas across the country.

by Timothy Darragh

The COVID-19 pandemic will continue to dominate in 2021, but a backlog of unfinished business—such as risk-based pricing and racial justice issues—also will fill state legislative and regulatory agendas this year.

Timothy Darragh is an associate editor, *BestWeek*. He can be reached at *timothy.darragh@ambest.com*.

Part of the backlog stems from how states managed workflows during the initial phase of the pandemic, said Frank O'Brien, vice president, state government relations, American Property Casualty Insurance Association.

"You had several states that stopped meeting, states that met remotely and others that met in a hybrid model," he said. "Some states attempted to tackle a full range of issues, others prioritized

"COVID will continue to impact legislatures in a significant way and will likely limit the number of bills, the types of issues they will consider."

Wes Bissett
Independent Insurance Agents and Brokers of America

just COVID and others only did the absolute highest priority items."

All states find themselves a year closer to the 2022 deadline to approve a credit for reinsurance measure following the NAIC model approved in 2019, O'Brien said. The approvals would make state laws consistent with the provisions of covered agreements with the European Union and United Kingdom regarding reinsurance collateral requirements.

Risk-based pricing will get a bigger spotlight, as regulators and lawmakers were already making moves to restrict tools used in underwriting, long before protests over the killing of George Floyd and others set off a wave of reflection within the industry.

Insurers should expect a flood of risk-based pricing bills, perhaps more than 100 in 2021, said Erin Collins, vice president of state affairs, National Association of Mutual Insurance Companies. "We anticipate that—not in every state, but it's going to be close," she said.

She noted Washington Insurance Commissioner Mike Kreidler's long push to eliminate credit scoring as a risk factor. Washington Gov. Jay Inslee said recently he would back legislation to eliminate it, as part of an effort to provide more equity across the state.

"We've seen legislation [restricting underwriting factors] in Rhode Island the past several years," APCIA's O'Brien said. "That will be back. We expect to see it in a number of states."

In addition, the 2020 elections will bring in new legislators who may need educating on how risk is assessed, what tools insurers have to calculate risk and rates, and how they drive competition into the marketplace, Collins said.

Collins also expects "a multitude" of bills to provide a COVID-19 liability shield to businesses—which, she noted, NAMIC favors.

Expect "some controversy" over whether states should offer immunity and if so, how broad it should be, said National Council of Insurance Legislators Executive Director Tom Considine.

Based on input he has gotten nationally, Considine said, state houses also should be busy with regulations covering telemedicine, insurance business transfers and whether air ambulance subscription services should be regulated as insurance products.

NCOIL, like other trade and member organizations, will continue work on racial justice issues with a special committee it established this summer, Considine added.

Former National Association of Insurance Commissioners President Ray Farmer said its special committee on race will present recommendations on "actionable steps" for insurers and regulators to better serve historically underrepresented groups. "The Committee recommendations, which are expected before the end of 2020 or in early 2021, will set the stage for the NAIC's long-term engagement on the issues of race and diversity," he said at the Fall National Meeting.

At the American Council of Life Insurers, members will be focused on the Economic Empowerment and Racial Equity Initiative, spokesman Whit Cornman said. The plan targets expanding access to financial protection products in underserved communities and investing in them. It also looks to improve financial education and grow more diverse companies and boards of directors.

NAIC's annuity suitability model that was finalized this year is another key state issue for 2021, said Cornman.

Expect to see states once again take up bills to mandate retroactive business interruption coverage for companies hammered by the pandemic, said Howard Mills, an independent consultant for Deloitte.

Bills written in 2020 requiring insurers to cover pandemic-related losses "don't seem to be going anywhere," said Mills, a former New York superintendent of insurance. "But that won't stop legislators from introducing them."

Likewise, legislators are feeling pressure to "do something" about the insurance market in wildfire-prone areas, he said. Insurers said actions to prevent them from making decisions about operating in wildfire areas in California will work against communities' interests.

COVID-related measures will be at the top of the list for America's Health Insurance Plans, CEO Matt Eyles said on an AHIP podcast looking at 2021 issues. The leading issue will be continuing to provide insureds with no-cost diagnostic testing and no-cost vaccinations, he said.

However, Eyles said, health insurers will continue to resist covering all public health surveillance or routine testing of those who work with vulnerable populations. "I don't know that's a role that health insurance should play," he said.

States also may find new opportunities to improve services provided through the Affordable Care Act, now that an ACA-friendly administration under President Joe Biden will be in Washington, Erik Smith, a partner at public relations firm Seven Letter, said on the podcast.

On the regulatory side, Mills said he expects states to undertake numerous market conduct exams due to most of 2020 work being done remotely for the first time.

These exams "are the best way to determine a consumer is being treated as they should be," he said, especially for life insurance and annuity products. Marketing and selling them online-only demonstrates "a very dramatic change in the way these products are being sold," Mills said.

The NAIC will continue to work with companies and regulators dealing with COVID-19 issues, but also will work on sustainability, resilience, mitigation and solutions to climate risk and long-term care insurance concerns, Farmer said. The NAIC also will develop and present in 2021 a multiyear blueprint, State Ahead 2.0, he said.

The coronavirus may stifle new business, as nonvirus issues will likely be put on the back burner, said Wes Bissett, senior counsel, government affairs and state relations, Independent Insurance Agents and Brokers of America.

"COVID will continue to impact legislatures in a significant way and will likely limit the number of bills, the types of issues they will consider," he said.

State houses also likely will be consumed by bills to amend state election codes after the rancor over the recent presidential election, he said. Redistricting, following the 2020 Census, also will crowd out other bills, he added. BR

AM Best: Higher Rates Drive Nonstandard Auto Underwriting Profitability

The nonstandard auto market has benefited from lower combined ratios but faces growth challenges during the pandemic, said David Blades, associate director, AM Best.

by John Weber

U.S. nonstandard auto insurance is a niche market that offers coverage to drivers who present the highest risk of loss—adding complexities that the larger personal auto market doesn't necessarily have to face. These drivers may have been hit particularly hard by the pandemic, though a clearer picture will develop when third-quarter and year-end premium numbers come in, said David Blades, associate director, AM Best. Blades recently spoke with AM Best TV about recent sector results found in the Best's Market Segment Report *Events of 2020 Impacting Nonstandard Auto Market Performance*. Following is an edited transcript of that interview.

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

What impact is the pandemic having on the nonstandard auto insurance line?

Similar to the case with other lines of coverage, the bottom-line impact of the economic hardships that have been brought on by the pandemic are still playing out. Typical nonstandard auto customers can include recent immigrants and individuals that have financial difficulties, or have a history of financial difficulties.

We're seeing that it's possible that a meaningful number of the individuals that have been laid off, for example, after the onset of the pandemic could be, or may have been, nonstandard auto insureds. Again, that's going to play out, but we'll see how that affects year-end premium numbers.

We could also end up seeing a number of policy cancellations that affect top-line premium revenue for nonstandard auto insurers. Again, we're going to continue looking at that, but that's something, from a pandemic standpoint, that could impact bottom line and, therefore, the profitability of nonstandard auto insurers.

On the positive side, with many state departments of insurance implementing moratoriums on the cancellation of insurance policies for nonpayment, nonstandard auto insureds may benefit from those actions. Look at a state like California, for example, which generates more than 22% of the total direct premium written in the nonstandard auto market, so it could be very meaningful. To the extent that in any state the insurers were ordered to refund premiums to drivers that were affected by COVID-19, that's going to have some impact, we think, on nonstandard auto premiums and on the ability of nonstandard auto insureds to maintain their insurance. Also, some of the states that didn't initially issue formal mandates encouraged their insurance companies to work with their insureds on payment issues, etc. That should also have some benefit for nonstandard auto policyholders.

How had results been over the past few years going into 2020?

The operating performance of AM Best's Nonstandard Auto Composite had actually been improving notably in the last couple of years. Improved rate adequacy was the key driver for the improvement in underwriting income. That improvement in underwriting income had helped improve overall operating profitability for the nonstandard auto insurers.

Net premiums earned for the nonstandard auto composite increased in both 2018 and 2019, and they increased by more than the incurred losses that we'd seen.

So the loss ratio for the nonstandard auto composite had gone down, and that had really driven the improvement in the overall underwriting profitability for nonstandard auto insurers. The other component of the overall combined ratio is the expense ratio.

Nonstandard auto insurers generally operate at a little bit higher expense ratio than private passenger standard auto insurers. It had really been the loss ratio and the impact of rate increases and focusing more on good risk selection that nonstandard auto insurers had been employing, that had driven the improvement.

Those improvements in key underwriting fundamentals and the increasingly aggressive rate actions that nonstandard auto insurers had taken had really driven the improvement in the results.

Pretax income for nonstandard auto insurers has also consistently improved or [been] augmented by finance and service charges that are paid by policyholders. That's unique to nonstandard auto insurers when you compare them to private passenger standard auto insurers. That fee income gives a boost to the overall pretax income, and that's still something that continues to play out.

Nonstandard auto insurers get more of a boost from that fee income than they do from their actual investment income. Those are some of the factors that have improved the results in recent years.

We'll see if results continue to trend in that direction, with the pandemic and fewer cars on the road, especially during the shelter-at-home mandates. We do expect that to have some benefit by in terms of the loss ratio and the underwriting profitability.

Does the nature of the risk and the potential for loss make it difficult for smaller insurers to participate in this line of business?

Large and national private passenger insurers, those that have more technologically advanced platforms and more voluminous sets of credible data, can actually improve their risk selection, maybe even more so than some of the smaller, nonstandard auto insurers that don't have technological platforms at the same levels.

Those are definitely capabilities where the nonstandard auto insurers may be a step behind or at somewhat of a disadvantage in terms of playing against some of the larger insurers. The larger insurers with the more sophisticated, but efficient, “The operating performance of AM Best’s Nonstandard Auto Composite had actually been improving notably in the last couple of years. Improved rate adequacy was the key driver for the improvement in underwriting income.”

David Blades
AM Best

systems can benefit from a lower expense ratio. That can also give them somewhat of an advantage over the smaller nonstandard auto insurers. That definitely plays a part.

In addition, single-state regional private passenger nonstandard auto writers that lack scale or effective risk and expense management capabilities, those companies are probably going to find it more difficult as the market continues to go forward.

They may find it more difficult to compete against those other insurers, and especially the degree to which the larger national insurers get more involved in nonstandard auto underwriting. Those smaller insurers with the lesser risk management systems, lesser expense management systems, could find themselves at a greater disadvantage going forward.

That’s something that AM Best analysts will continue looking at.

Looking ahead to the rest of 2021, then, what does AM Best expect?

One of the things we’re looking forward to is the impact of the recent acquisition of nonstandard auto insureds by national private passenger auto insurers. For example, in July, Allstate Corp. announced it would be acquiring New York-based National General Holdings Corp.

Auto insurance accounts for about 60% of National General’s overall business, and they have a significant presence in the nonstandard auto market. Even though they’re much smaller than Allstate, they have one of the largest networks of independent agents selling their products. I think over 42,000 agents countrywide, and that will markedly expand Allstate’s independent agency business.

State Farm actually announced in mid-September that it was acquiring Gainsco, which is another large nonstandard auto insurer. Actually, the insurance company for Gainsco is MGA Insurance Co., but this was the first acquisition by State Farm in their 98-year history.

While Gainsco is expected to continue operating as a separate brand and a separate company, the plan is for State Farm agents to be able to distribute Gainsco products and services as well.

I think that’s going to help propel Gainsco and enhance their operations even more so in the nonstandard auto marketplace. Those are things that our analysts are definitely going to continue paying attention to and monitoring in [2021].

The last thing I’d mention is that fraud continues to be a major issue for nonstandard auto insurers. Considering the economic hardships because of the pandemic, and the reality that more and more people are struggling financially, it bears watching whether nonstandard auto insurers report an uptick in vehicle dumping, arson, or any other types of fraudulent claim activity. BR

AM Best TV

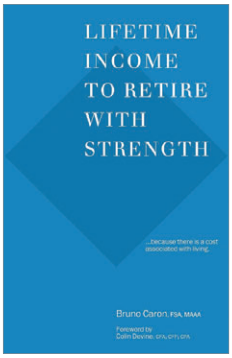
Go to *bestreview.com* to watch the interview with David Blades.

Lifetime Income Can Help Ensure Your Money Lasts For as Long as You Do

Books

Bruno Caron explains the importance of striking the right balance between income for the rest of your life and bequest.

Lifetime Income to Retire With Strength



As the saying goes, there are only two sure things in life: death and taxes. We know when to expect the second. The first? Not so much. That can create a dilemma when planning for retirement, but lifetime income can be "a big part of the solution," Bruno Caron writes in his new book. Caron is an associate director, AM Best. Following is an edited transcript of an interview with AM Best TV.

What's the dilemma when it comes to retirement?

The current dilemma is usually spending rate versus a probability of ruin. The more you spend, the higher that probability of ruin is. The idea behind the use of lifetime income is to shift that dilemma to spending rate versus bequest. Lifetime income is that financial vehicle that strikes the right balance between the two.

How do you incorporate lifetime income into your portfolio?

There are many, many ways. For example, timing on taking benefits [such as Social Security], electing to keep a pension versus a lump sum, using annuities.

Can you explain bequeath risk?

Bequeath risk is the risk of not leaving the appropriate bequest that you targeted for. If it's too big, you probably could have spent more money while you were alive. If you live a very long life, that bequest may be very, very low or even negative, which is known as longevity risk—the risk of outliving your savings.

Why is the concept of lifetime income unpopular?

A lot of people are not comfortable with an investment vehicle that does not have an account value associated to it. Pure lifetime income, a single premium immediate annuity, does have a value because it's a guarantee of payments in the future, but it doesn't necessarily have an account value associated to it. People may not be comfortable risk pooling for a positive event, which is living longer. Typically, insurance [offers protection] in the event of a negative event.

People are not necessarily comfortable … paying a big upfront premium in exchange for future recurring benefits. Usually, people pay a small premium and potentially receive a big benefit.

What's your best retirement advice?

Always be in a position of strength. Strike that right balance between ongoing income for the rest of your life and bequest. Think about all risks, not just longevity risk, and in a very comprehensive manner. I believe lifetime income could be a big part of the solution.

Publisher: Independently published (November 2020)

—John Weber

AM Best TV

Go to *bestreview.com* to view the full interview with Bruno Caron.

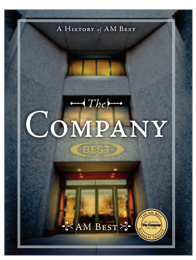
AM Best Trilogy

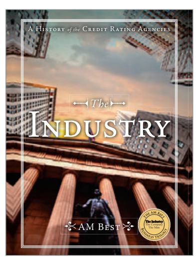
AM Best details the history of AM Best, the history of credit rating agencies, and the life of Alfred M. Best.

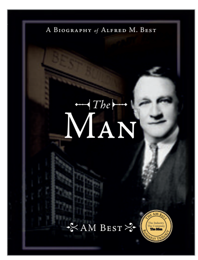
The Company—A History of AM Best

The Industry—A History of Credit Rating Agencies

The Man—A Biography of Alfred M. Best







Go to Amazon to find these and other books.
Send us your book recommendations at *bestreviewcomment@ambest.com*.

available at amazon

A Look at Insurers' Priorities in 2021 and Features From the Entrepreneurial Agent/Broker Series

Other trending content includes webinars on social inflation and cyberrisk and videos on digital strategies and auto claims severity.

Trending: *Best's Review*

1. **What's Ahead?**
   As insurers look toward 2021, their priorities and concerns are shaped by the unusual events of 2020. (December 2020)
2. **Who Was Prepared for This?**
   With civil unrest on the rise globally, insurers are rethinking how they underwrite riots and civil commotion and looking closely at aggregation risk. Record losses last year in the U.S. and in 2019 in Chile illustrate the growing severity of events. (November 2020)
3. **Insurtech Drives Distribution Innovation**
   Balancing technology and insurance expertise is the key to innovation—and success—for insurtech MGAs. (December 2020)
4. **Programs That Produce**
   Insurance entrepreneurs say the program sector offers the opportunity to quickly build effective, scalable business. (December 2020)
5. **Strength Through Specialization**
   Creating new markets and products to meet the challenge of emerging risks is at the heart of the excess and surplus lines market. (December 2020)

Trending: BestWire

1. **AIG to Spin Off Life and Retirement Business, Names New CEO** (October 26, 2020)
2. **Berkshire Hathaway Insurance Operations Post $213 Million Net Underwriting Loss** (November 8, 2020)
3. **CEO: Prudential May Sell Off Some Blocks of Life and Annuities in Face of Lower Interest Rates** (November 4, 2020)

Trending: AM Best Webinars

1. **The Impact of Social Inflation on Insurance** (November 10, 2020)
2. **The New Normal of Cyberrisk: How Cyber Insurance Has Been Impacted by Changing Global Events** (November 18, 2020)
3. **AM Best's Insurance Market Briefing - MENA** (November 3, 2020)

Trending: AM Best TV

1. **Novarica: New Regulations Challenge Insurers' Digital Strategies** (December 1, 2020)
2. **Philadelphia Insurance: Auto Claims Severity Up Despite Less Traffic** (November 9, 2020)
3. **Insurance Industry Looks to Federal Government to Backstop Pandemic Risk** (November 17, 2020)

These were the top trending items from October 23-December 23. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

The above content can be viewed on demand at *www.bestreview.com*, or by visiting AM Best's home page at *www.ambest.com*.

Legacy Business Pressure Continues On LTC Insurers' Bottom Lines

AM Best also comments on hardening in the 2021 general liability market and European reinsurance.

Best's Research

Market Segment Report: LTC Product Performance Pressures Continue
The pre-2003 legacy business continues to pressure LTC insurers' bottom lines.

January 7, 2021 - 10 Pages

Special Report: US Commercial Health Premium Flattens, Enrollment Continues to Slide
Although the segment's share of medical premium is down, earnings remain favorable.

January 5, 2021 - 13 Pages

Market Segment Report: European Insurers – The Moment Before the Moment
While AM Best's analysis of its listing of the largest European domiciled (re)insurers shows a certain amount of movement year-on-year, the position of nearly two-thirds of them remained unchanged.

December 21, 2020 - 8 Pages

Market Segment Report: Rated Bermuda, Cayman Islands, and Barbados Captives Continue to Outperform Peers
Underwriting results dipped in 2019, but long-term profitability remains favorable.

December 17, 2020 - 9 Pages

Market Segment Report: Catastrophes and COVID-19 Changing Business Trends for P/C Insurers
Results in 2019 so far have deteriorated, although premiums remain stable.

December 16, 2020 - 6 Pages

Market Segment Report: Market Segment Outlook: US General Liability Insurance
General liability underwriters are facing a number of negative trends that are likely to drive hardening market conditions through 2021.

December 15, 2020 - 7 Pages

Market Segment Report: Market Segment Outlook: US Commercial Property Insurance
COVID-19 and catastrophe uncertainty drive our Negative outlook for commercial property segment.

December 14, 2020 - 13 Pages

Market Segment Report: Market Segment Outlook: China Non-Life Insurance
Our outlook remains Negative, as underwriting profitability comes under pressure amid market reform.

December 10, 2020 - 6 Pages

Trending: Best's Research

Special Report: Insurers and Reinsurers:
Ignoring ESG Factors Poses Reputational Risk

(November 16, 2020)

Market Segment Report: Market Segment Outlook: Global Reinsurance

(December 7, 2020)

Market Segment Report: Market Segment
Outlook: US Commercial Property Insurance

(December 14, 2020)

First Look: Nine-Month 2020 Property/Casualty Financial Results

(November 30, 2020)

These were the top trending research and commentary reports from October 20-December 20.

Best's News & Research Service 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.*

Remote Claims Handling, Medical and Behavior Data And the Benefits of Captives

AM BEST WEBINARS

Professionals discuss how COVID-19 has changed the handling of insurance claims, how combining data sources can help life carriers reach fast decisions and how captives are an important risk management tool for their owners.

On Demand

Integrating Medical and Behavior Data Sources in Predictive Modeling

A joint research study shows how combining medical and behavior data sources can help life carriers understand how to deliver a fast decision at the point of underwriting. Panelists explore opportunities in leveraging medical data; carriers learn how combining these data sources together can create a powerful underwriting scoring model.

Captives in the GCC and Their Rating

Captives are an important risk management tool for their owners, providing them with the flexibility to navigate the insurance and reinsurance underwriting cycle and maintain access to the risk cover they require on an ongoing basis. This webinar brings together two global captive market leaders to highlight the captive owner's perspective on its benefits, as well as their experiences in the Gulf Cooperation Council markets.

The New Normal of Cyberrisk: How Cyber Insurance Has Been Impacted by Changing Global Events

A panel of insurance and legal experts explore the ever-evolving trends of cyber liability, and how unforeseen events such as a pandemic are changing the risk, while new technologies such as AI are helping to manage that risk.

Streaming Live

Remote Access: How Work And Lifestyle Changes Are Transforming Insurance Claims

COVID-19 has accelerated the need for remote claims handling processes, which are affecting today's claims environment. A panel of insurance and legal professionals examines the recent evolution of the claims process and how virtual engagements, technological advancement, insurance fraud and other factors are impacting today's landscape.

Wednesday, Feb. 10, 2 p.m. ET

View These and Other AM Best Webinars

- ESG in the (Re)Insurance Market – What's Considered?
- The Impact of Social Inflation on Insurance Claims
- AM Best's Methodology Review Seminar
- AM Best's Insurance Market Briefing – Europe
- Data Driven: How Auto Insurers Can Tap Diverse Vehicle Data

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

AM BEST TV

AIR Worldwide: Insured Cat Losses Average $100B

The company's *2020 Global Modeled Catastrophe Losses* report helps insurers identify potential growth opportunities. AM Best TV and AM Best Audio report on stories from a number of sectors within the insurance industry.

On Demand

AIR Global Report Estimates 2020 Cat Losses at $100 Billion

For modeled events, insurers pay an average of nearly $100 billion in annual catastrophe claims, said Caroline McMullan, manager, AIR Worldwide. Still, many western regions with mature markets for catastrophe risk protection have a sizable protection gap.

Caroline McMullan

Guy Carpenter: Predicted Insurtech Disruption Never Materialized

Rather than replace traditional insurers, insurtechs have become partners, said George Woods, senior vice president, global strategic advisory, Guy Carpenter.

George Woods

Insurers Look to Shake Up Earthquake Complacency

Frustrated by traditionally low takeup rates for earthquake coverage in western and central states, insurers are devising new types of coverage, broader public-private programs and new approaches to mitigation. When it comes to earthquakes, "sadly, the homeowners will shoulder a significant burden of that loss," said Andy Tran, senior vice president, Swiss Re America.

Andy Tran

Aon Edge: Data, Analytics Make Flood Insurable in Private Market

The private flood market is poised to help close the flood insurance gap, said John Dickson, president and CEO, Aon Edge. Persistence, innovation, investment and community are the "pillars" of reaching potential policyholders.

John Dickson

Visit *www.ambest.com/video* to see new and archived video from AM Best TV.

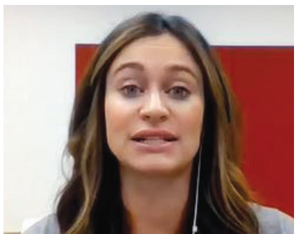
Novarica: New Regulations Challenge Insurers' Digital Strategies

Insurers must be careful not to use data to discriminate against customers, said Mitch Wein, senior vice president, research and consulting, Novarica.

Mitch Wein

LexisNexis Director: Less Driving During Pandemic Increases Demand For Pay-Per-Mile Auto Insurance

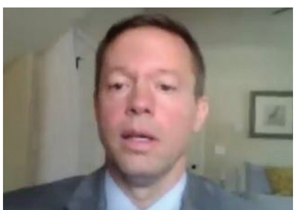
Pay-per-mile auto insurance is on the rise, thanks to people driving less during the pandemic, said Liz Rozier, director, auto insurance, LexisNexis Risk Solutions.



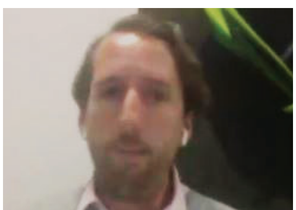
Liz Rozier

Panel: Driver Assistance Technology Reduces Claims Frequency

Using advanced driver assistance systems (ADAS) lowers bodily injury claims by 27% and property damage claims by 19%, said John Kanet, director, auto vertical market, LexisNexis Risk Solutions. Vehicle architecture, however, can make it difficult to share ADAS information, said Andrew Hart, director, SBD Labs, SBD Automotive, during a recent AM Best TV panel.



John Kanet



Andrew Hart

Panel: Rising COVID-19 Cases Drive Increase in Litigation, Liability Claims

As COVID-19 cases continue to increase, so do the number of legal challenges and potential liability claims, according to an AM Best TV panel. "A lot of the claims have been in the business interruption area," said Laura Foggan, partner, Crowell & Moring's Washington, D.C., office and chair of the law firm's Insurance/Reinsurance Group. "The challenge is that property policies are exactly that. They are policies that are designed to cover property losses."

Laura Foggan

D&A Helps Identify Factors Affecting Longevity, Pensions

Industry experts talk with AM Best Audio about the use of data and analytics to address risk, and why many agents are optimistic about 2021.

Data and Analytics Play Important Role in Pension Risk

Jennifer Haid, CEO, Club Vita, explains the various factors that are influencing longevity, and the technology being deployed to address risk.

Aon Survey: Insurance Agents See Bright 2021

David Zeornes, business development executive, Aon Programs, discusses a recently released survey showing that 93% of insurance agents are looking at the new year with a "glass half-full" mindset—and why they have such optimism.

Find AM Best Audio at *www.ambest.com/ambaudio*.

This edition lists all Credit Rating actions that occurred between Dec. 1 and Dec. 31, 2020. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH								
New	H	Accendo Insurance Company *CVS Health Corporation*	060681	A a	Stable Stable	NR nr		Utah
⊕	L	American Life & Security Corp. *Midwest Holding Inc.*	006861	B++ bbb+	Stable Stable	B++ bbb	Stable Stable	Nebraska
⊕	H	Chesapeake Life Insurance Company *UnitedHealth Group Incorporated*	006215	A a	Stable Stable	A- a-	Stable Stable	Oklahoma
⚑	H	ConnectiCare, Inc. *EmblemHealth, Inc.*	068517	C+ u b- u	Negative Negative	C+ b-	Negative Negative	Connecticut
⊕	L	Delaware American Life Insurance Company *MetLife, Inc.*	006305	A+ aa-	Stable Stable	A a+	Stable Stable	Delaware
⚑	H	EmblemHealth Insurance Company *EmblemHealth, Inc.*	008034	C+ u b- u	Negative Negative	C+ b-	Negative Negative	New York
⚑	H	EmblemHealth Plan, Inc. *EmblemHealth, Inc.*	064601	C+ u b- u	Negative Negative	C+ b-	Negative Negative	New York
⊕	L	Enterprise Life Insurance Company *UnitedHealth Group Incorporated*	008919	A a	Stable Stable	A- a-	Stable Stable	Texas
⇅	L	Family Life Insurance Company *Manhattan Life Group, Inc.*	006360	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Texas
⊕	H	Freedom Life Insurance Co of America *UnitedHealth Group Incorporated*	006269	A a	Stable Stable	A- a-	Stable Stable	Texas
⇅	L	Gulf Guaranty Life Insurance Company *Gulf Guaranty Life Insurance Company*	008081	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Mississippi
⚑	H	Health Ins Plan of Greater New York *EmblemHealth, Inc.*	068985	C+ u b- u	Negative Negative	C+ b-	Negative Negative	New York
New	L	ITA International Insurer *ITA International Holdings LLC*	062408	A- a-	Stable Stable			Puerto Rico
⇅	L	Manhattan Life Insurance Company *Manhattan Life Group, Inc.*	006686	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	New York
⇅	H	ManhattanLife Assurance Co of America *Manhattan Life Group, Inc.*	006222	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Arkansas
⊕	H	National Foundation Life Insurance Co *UnitedHealth Group Incorporated*	006774	A a	Stable Stable	A- a-	Stable Stable	Texas
⇥	L	PHL Variable Insurance Company *Nassau Financial Group, L.P.*	009332	NR nr		B bb	Negative Negative	Connecticut
⊕	L	Royal Neighbors of America	007010	A a	Stable Stable	A- a-	Positive Positive	Illinois
⊕	H	SafeGuard Health Plans, Inc. (CA) *MetLife, Inc.*	068512	A+ aa-	Stable Stable	A a+	Stable Stable	California
⊕	H	SafeGuard Health Plans, Inc. (FL) *MetLife, Inc.*	064671	A+ aa-	Stable Stable	A a+	Stable Stable	Florida
⊕	H	SafeGuard Health Plans, Inc. (TX) *MetLife, Inc.*	064460	A+ aa-	Stable Stable	A a+	Stable Stable	Texas
⇅	L	Standard Life and Casualty Insurance Co *Manhattan Life Group, Inc.*	007408	B bb+	Positive Positive	B bb+	Stable Stable	Utah
⇅	L	Western United Life Assurance Company *Manhattan Life Group, Inc.*	008588	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Washington
AMERICAS PROPERTY/CASUALTY								
⚑	P	21st Century Advantage Insurance Company *Zurich Insurance Group Ltd*	011587	A u a u	Developing Developing	A a	Stable Stable	Minnesota
⚑	P	21st Century Auto Ins Co of New Jersey *Zurich Insurance Group Ltd*	011684	A u a u	Developing Developing	A a	Stable Stable	New Jersey
⚑	P	21st Century Casualty Company *Zurich Insurance Group Ltd*	010614	A u a u	Developing Developing	A a	Stable Stable	California

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⚑	P	21st Century Centennial Insurance Co *Zurich Insurance Group Ltd*	000876	A u a u	Developing Developing	A a	Stable Stable	Pennsylvania
⚑	P	21st Century Indemnity Insurance Company *Zurich Insurance Group Ltd*	011768	A u a u	Developing Developing	A a	Stable Stable	Pennsylvania
⚑	P	21st Century Insurance Company *Zurich Insurance Group Ltd*	003247	A u a u	Developing Developing	A a	Stable Stable	California
⚑	P	21st Century North America Insurance Co *Zurich Insurance Group Ltd*	003641	A u a u	Developing Developing	A a	Stable Stable	New York
⚑	P	21st Century Pacific Insurance Company *Zurich Insurance Group Ltd*	002359	A u a u	Developing Developing	A a	Stable Stable	Colorado
⚑	P	21st Century Pinnacle Insurance Company *Zurich Insurance Group Ltd*	012021	A u a u	Developing Developing	A a	Stable Stable	New Jersey
⚑	P	21st Century Premier Insurance Co *Zurich Insurance Group Ltd*	002123	A u a u	Developing Developing	A a	Stable Stable	Pennsylvania
New	P	Accelerant Specialty Insurance Company *Accelerant Holdings LP*	020951	A- a-	Stable Stable			Arkansas
New	P	Accredited Specialty Insurance Company *Randall & Quilter Invest Hldgs, Ltd.*	020930	A- a-	Stable Stable			Arizona
⇅	P	Addison Insurance Company *United Fire Group, Inc.*	003223	A a	Negative Negative	A a	Stable Stable	Iowa
⚑	P	American Federation Insurance Company *Zurich Insurance Group Ltd*	011877	A u a u	Developing Developing	A a	Stable Stable	Texas
⚑	P	American Pacific Insurance Company, Inc. *Zurich Insurance Group Ltd*	012039	A u a u	Developing Developing	A a	Stable Stable	Hawaii
⇅	P	Atlantic Casualty Insurance Company *Auto-Owners Insurance Company*	001780	A a+	Positive Positive	A a+	Stable Stable	North Carolina
⚑	P	Bristol West Casualty Insurance Company *Zurich Insurance Group Ltd*	012404	A u a u	Developing Developing	A a	Stable Stable	Ohio
⚑	P	Bristol West Insurance Company *Zurich Insurance Group Ltd*	012461	A u a u	Developing Developing	A a	Stable Stable	Ohio
⚑	P	Bristol West Preferred Insurance Company *Zurich Insurance Group Ltd*	013761	A u a u	Developing Developing	A a	Stable Stable	Michigan
⊕	P	California Capital Insurance Company *Auto-Owners Insurance Company*	003136	A a	Stable Stable	A- a-	Stable Stable	California
⇅	P	Cerity Insurance Company *Employers Holdings, Inc.*	020728	A- a-	Stable Stable	A- a-	Positive Positive	New York
⚑	P	Civic Property and Casualty Company *Zurich Insurance Group Ltd*	011778	A u a u	Developing Developing	A a	Stable Stable	California
⚑	P	Coast National Insurance Company *Zurich Insurance Group Ltd*	000177	A u a u	Developing Developing	A a	Stable Stable	California
New	P	CompSource Mutual Insurance Company	003479	A a	Stable Stable	NR nr		Oklahoma
⊕	P	Concord General Mutual Insurance Company *Auto-Owners Insurance Company*	000289	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
New	P	Conduit Reinsurance Limited *Conduit Holdings Limited*	074595	A- a-	Stable Stable			Bermuda
⊕	P	Eagle West Insurance Company *Auto-Owners Insurance Company*	003125	A a	Stable Stable	A- a-	Stable Stable	California
—	P	Echelon Property & Casualty Insurance Co *Lockhart Companies, Inc.*	012679	C+ b-	Negative Negative	B- bb-	Negative Negative	Illinois
⚑	P	Economy Fire & Casualty Company *MetLife, Inc.*	002276	A u a+ u	Negative Negative	A a+	Positive Positive	Illinois
⚑	P	Economy Preferred Insurance Company *MetLife, Inc.*	003831	A u a+ u	Negative Negative	A a+	Positive Positive	Illinois
⚑	P	Economy Premier Assurance Company *MetLife, Inc.*	002761	A u a+ u	Negative Negative	A a+	Positive Positive	Illinois
⇅	P	EMC Reinsurance Company *Employers Mutual Casualty Company*	002808	A a	Negative Negative	A a	Stable Stable	Iowa
⇅	P	Employers Assurance Company *Employers Holdings, Inc.*	012180	A- a-	Stable Stable	A- a-	Positive Positive	Florida
⇅	P	Employers Compensation Insurance Company *Employers Holdings, Inc.*	012554	A- a-	Stable Stable	A- a-	Positive Positive	California
⇅	P	Employers Insurance Company of Nevada *Employers Holdings, Inc.*	012516	A- a-	Stable Stable	A- a-	Positive Positive	Nevada

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
↓↑	P	Employers Preferred Insurance Company *Employers Holdings, Inc.*	011826	A- a-	Stable Stable	A- a-	Positive Positive	Florida
⚑	P	Exact Property and Casualty Company *Zurich Insurance Group Ltd*	011779	A u a u	Developing Developing	A a	Stable Stable	California
⚑	P	Farmers Insurance Company of Arizona *Zurich Insurance Group Ltd*	004158	A u a u	Developing Developing	A a	Stable Stable	Arizona
⚑	P	Farmers Insurance Company of Idaho *Zurich Insurance Group Ltd*	004159	A u a u	Developing Developing	A a	Stable Stable	Idaho
⚑	P	Farmers Insurance Company of Oregon *Zurich Insurance Group Ltd*	004305	A u a u	Developing Developing	A a	Stable Stable	Oregon
⚑	P	Farmers Insurance Company of Washington *Zurich Insurance Group Ltd*	004306	A u a u	Developing Developing	A a	Stable Stable	Washington
⚑	P	Farmers Insurance Company, Inc. *Zurich Insurance Group Ltd*	003100	A u a u	Developing Developing	A a	Stable Stable	Kansas
⚑	P	Farmers Insurance Exchange *Zurich Insurance Group Ltd*	002171	A u a u	Developing Developing	A a	Stable Stable	California
⚑	P	Farmers Insurance Hawaii, Inc. *Zurich Insurance Group Ltd*	002784	A u a u	Developing Developing	A a	Stable Stable	Hawaii
⚑	P	Farmers Insurance of Columbus, Inc. *Zurich Insurance Group Ltd*	002577	A u a u	Developing Developing	A a	Stable Stable	Ohio
⚑	P	Farmers New Century Insurance Company *Zurich Insurance Group Ltd*	012089	A u a u	Developing Developing	A a	Stable Stable	Illinois
⚑	P	Farmers Specialty Insurance Company *Zurich Insurance Group Ltd*	001879	A u a u	Developing Developing	A a	Stable Stable	Michigan
⚑	P	Farmers Texas County Mutual Insurance Co *Zurich Insurance Group Ltd*	004097	A u a u	Developing Developing	A a	Stable Stable	Texas
↓↑	P	Financial Pacific Insurance Company *United Fire Group, Inc.*	000143	A a	Negative Negative	A a	Stable Stable	California
↓↑	P	Finger Lakes Fire and Casualty Company	010695	A a+	Stable Negative	A a+	Stable Stable	New York
⚑	P	Fire Insurance Exchange *Zurich Insurance Group Ltd*	002172	A u a u	Developing Developing	A a	Stable Stable	California
—	P	First American Property & Cas Ins Co *First American Financial Corporation*	002570	B++ bbb	Negative Negative	A a	Stable Stable	California
—	P	First American Specialty Insurance Co *First American Financial Corporation*	000154	B++ bbb	Negative Negative	A a	Stable Stable	California
⚑	P	Foremost County Mutual Insurance Company *Zurich Insurance Group Ltd*	003634	A u a u	Developing Developing	A a	Stable Stable	Texas
⚑	P	Foremost Insurance Co Grand Rapids, MI *Zurich Insurance Group Ltd*	002189	A u a u	Developing Developing	A a	Stable Stable	Michigan
⚑	P	Foremost Lloyds of Texas *Zurich Insurance Group Ltd*	001753	A u a u	Developing Developing	A a	Stable Stable	Texas
⚑	P	Foremost Property and Casualty Ins Co *Zurich Insurance Group Ltd*	001897	A u a u	Developing Developing	A a	Stable Stable	Michigan
⚑	P	Foremost Signature Insurance Company *Zurich Insurance Group Ltd*	001754	A u a u	Developing Developing	A a	Stable Stable	Michigan
↓↑	P	Franklin Insurance Company *United Fire Group, Inc.*	012119	A a	Negative Negative	A a	Stable Stable	Pennsylvania
⊕	P	Green Mountain Insurance Company, Inc. *Auto-Owners Insurance Company*	002315	A+ aa-	Stable Stable	A a+	Positive Positive	Vermont
⇥	P	Hoosier Insurance Company	000543	NR nr		A a+	Stable Stable	Indiana
⊕	P	Housing Authority Prop Ins, A Mutual Co *Housing Authority Prop Ins, A Mutual Co*	011430	A a+	Stable Stable	A a	Stable Positive	Vermont
⊕	P	Housing Authority RRG, Inc. *Housing Authority Prop Ins, A Mutual Co*	010741	A a+	Stable Stable	A a	Stable Positive	Vermont
⊕	P	Housing Enterprise Insurance Co, Inc. *Housing Authority Prop Ins, A Mutual Co*	072686	A a+	Stable Stable	A a	Stable Positive	Vermont
⊕	P	Housing Specialty Insurance Co, Inc. *Housing Authority Prop Ins, A Mutual Co*	022109	A a+	Stable Stable	A a	Stable Positive	Vermont
⚑	P	Illinois Farmers Insurance Company *Zurich Insurance Group Ltd*	004083	A u a u	Developing Developing	A a	Stable Stable	Illinois
↓↑	P	ISMIE Indemnity Company *ISMIE Mutual Insurance Company*	012435	A- a-	Negative Negative	A- a-	Stable Stable	Illinois

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⇅	P	ISMIE Mutual Insurance Company *ISMIE Mutual Insurance Company*	003757	A- a-	Negative Negative	A- a-	Stable Stable	Illinois
⇅	P	Lafayette Insurance Company *United Fire Group, Inc.*	000552	A a	Negative Negative	A a	Stable Stable	Louisiana
⇅	P	Mercer Insurance Co of New Jersey, Inc. *United Fire Group, Inc.*	001818	A a	Negative Negative	A a	Stable Stable	New Jersey
⇅	P	Mercer Insurance Company *United Fire Group, Inc.*	000593	A a	Negative Negative	A a	Stable Stable	Pennsylvania
⚑	P	Metropolitan Casualty Insurance Company *MetLife, Inc.*	003288	A u a+ u	Negative Negative	A a+	Positive Positive	Rhode Island
⚑	P	Metropolitan Direct Prop and Cas Ins Co *MetLife, Inc.*	002496	A u a+ u	Negative Negative	A a+	Positive Positive	Rhode Island
⚑	P	Metropolitan General Insurance Company *MetLife, Inc.*	002866	A u a+ u	Negative Negative	A a+	Positive Positive	Rhode Island
⚑	P	Metropolitan Group Prop and Cas Ins Co *MetLife, Inc.*	003733	A u a+ u	Negative Negative	A a+	Positive Positive	Rhode Island
⚑	P	Metropolitan Lloyds Ins Co of Texas *MetLife, Inc.*	011417	A u a+ u	Negative Negative	A a+	Positive Positive	Texas
⚑	P	Metropolitan Property & Casualty Ins Co *MetLife, Inc.*	004675	A u a+ u	Negative Negative	A a+	Positive Positive	Rhode Island
⚑	P	Mid-Century Insurance Company *Zurich Insurance Group Ltd*	002173	A u a u	Developing Developing	A a	Stable Stable	California
⚑	P	Mid-Century Insurance Company of Texas *Zurich Insurance Group Ltd*	000270	A u a u	Developing Developing	A a	Stable Stable	Texas
New	P	MMIC Risk Retention Group, Inc. *Constellation, Inc.*	014387	A a	Stable Stable	NR nr		District of Columbia
⊕	P	Monterey Insurance Company *Auto-Owners Insurance Company*	010603	A a	Stable Stable	A- a-	Stable Stable	California
⇅	P	National Fire and Casualty Company *WBL Corp*	002879	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Illinois
⚑	P	Nationwide Indemnity Company *Nationwide Mutual Insurance Company*	011664	B+ u bbb- u	Positive Positive	B+ bbb-	Stable Stable	Ohio
⚑	P	Neighborhood Spirit Prop and Cas Co *Zurich Insurance Group Ltd*	011780	A u a u	Developing Developing	A a	Stable Stable	California
⊕	P	Nevada Capital Insurance Company *Auto-Owners Insurance Company*	012493	A a	Stable Stable	A- a-	Stable Stable	Nevada
New	P	OCIL Specialty Ltd *Oil Casualty Insurance, Ltd*	074586	A- a-	Stable Stable			Bermuda
New	P	Paramount Insurance, Inc. *Obayashi Corporation*	076092	A a	Stable Stable			Hawaii
⇅	P	PEMCO Mutual Insurance Company	002415	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Washington
⚑	P	Security National Insurance Company *Zurich Insurance Group Ltd*	010796	A u a u	Developing Developing	A a	Stable Stable	Florida
New	P	Sirius Specialty Insurance Corporation *China Minsheng Investment Group Corp Ltd*	020919	A- u a- u	Developing Developing			New Hampshire
⇥	P	Southern Fire & Casualty Company	002402	NR nr		A a+	Stable Stable	Wisconsin
New	P	Specialty Builders Insurance Company *Builders Insurance (A Mutual Captive Co)*	020949	A a	Stable Stable			Georgia
☑	P	StarStone National Insurance Company *Core Specialty Insurance Holdings, Inc.*	002512	A- a-	Stable Stable	A- u a- u	Developing Developing	Delaware
☑	P	StarStone Specialty Insurance Company *Core Specialty Insurance Holdings, Inc.*	011432	A- a-	Stable Stable	A- u a- u	Developing Developing	Delaware
—	P	State Farm General Insurance Company *State Farm Mutual Automobile Ins Co*	002478	A a	Stable Stable	A a+	Stable Negative	Illinois
⊕	P	State Mutual Insurance Company *Auto-Owners Insurance Company*	004771	A+ aa-	Stable Stable	A a+	Positive Positive	Maine
⊕	P	Sunapee Mutual Fire Insurance Company *Auto-Owners Insurance Company*	001937	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
⚑	P	Texas Farmers Insurance Company *Zurich Insurance Group Ltd*	003312	A u a u	Developing Developing	A a	Stable Stable	Texas

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
		AMERICAS PROPERTY/CASUALTY (CONTINUED)						
⚑	P	Toggle Insurance Company *Zurich Insurance Group Ltd*	011109	A u a u	Developing Developing	A a	Stable Stable	Delaware
—	P	Tower Hill Prime Insurance Company *Shively Family*	012359	B++ bbb+	Stable Negative	A- a-	Negative Negative	Florida
⚑	P	Truck Insurance Exchange *Zurich Insurance Group Ltd*	002174	A u a u	Developing Developing	A a	Stable Stable	California
⇅	P	UFG Specialty Insurance Company *United Fire Group, Inc.*	002038	A a	Negative Negative	A a	Stable Stable	Iowa
⇥	P	Unigard Insurance Company	002370	NR nr		A a+	Stable Stable	Wisconsin
⇅	P	United Fire & Casualty Company *United Fire Group, Inc.*	000928	A a	Negative Negative	A a	Stable Stable	Iowa
⇅	P	United Fire & Indemnity Company *United Fire Group, Inc.*	002036	A a	Negative Negative	A a	Stable Stable	Texas
⇅	P	United Fire Lloyds *United Fire Group, Inc.*	001775	A a	Negative Negative	A a	Stable Stable	Texas
⊕	P	Vermont Accident Insurance Company, Inc. *Auto-Owners Insurance Company*	004780	A+ aa-	Stable Stable	A a+	Positive Positive	Vermont
New	P	WorkPartners National, Inc. *University of Pittsburgh Medical Center*	020947	A- a-	Stable Stable			Pennsylvania
		EUROPE, MIDDLE EAST AND AFRICA						
⇅	P	Folgate Insurance Company Limited *Anglo London Limited*	087350	B bb+	Stable Negative	B bb+	Stable Stable	United Kingdom
New	P	GIC Perestrakhovanie LLC *General Insurance Corporation of India*	071975	B++ bbb	Stable Stable			Russia
⚑	C	Gulf Insurance and Reins Co KSC (Closed) *Gulf Insurance Group K.S.C.P.*	090950	A u a u	Developing Developing	A a	Negative Negative	Kuwait
⚑	C	Gulf Insurance Group K.S.C.P. *Gulf Insurance Group K.S.C.P.*	090842	A u a u	Developing Developing	A a	Negative Negative	Kuwait
⚑	P	Humboldt Re Limited	094441	A- u a- u	Negative Negative	A- a-	Stable Stable	Guernsey
⚑	P	Kelvin Re Limited	093711	A- u a- u	Negative Negative	A- a-	Stable Stable	Guernsey
		ASIA-PACIFIC						
⚑	L	BNZ Life Insurance Limited *National Australia Bank Limited*	091593	A u a u	Negative Negative	A a	Stable Stable	New Zealand
New	P	Fubon Insurance Vietnam Co., Ltd. *Fubon Financial Holding Co., Ltd.*	052949	B++ bbb+	Stable Stable	NR nr		Vietnam
New	P	Mandal Daatgal JSC	071939	B bb+	Stable Stable			Mongolia
⇅	P	Pacific International Insurance Pty Ltd *Badger International (Pty) Ltd*	078302	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Australia
⚑	L	Partners Life Limited *Partners Group Holdings Limited*	091252	A- u a- u	Developing Developing	A- a-	Stable Stable	New Zealand
		AMERICAS						
☑	P	IRB - Brasil Resseguros S.A.	085590	A- a-	Negative Negative	A- u a- u	Negative Negative	Brazil
⊕	L	MetLife Global Benefits, Ltd. *MetLife, Inc.*	092935	A+ aa-	Stable Stable	A a	Stable Stable	Cayman Islands
⇅	L	Pacifico Compañia Seguros y Reaseguros *Credicorp Ltd.*	077318	A- a-	Stable Stable	A- a-	Positive Positive	Peru

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇥	EMC Insurance Group Inc.	058358	nr		bbb+	Stable	Iowa
⇅	Employers Holdings, Inc.	051243	bbb-	Stable	bbb-	Positive	Nevada
⇅	United Fire Group, Inc.	058589	bbb	Negative	bbb	Stable	Iowa

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BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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

Financial Size Category

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

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

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

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

Version 121719

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

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

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

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

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

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

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

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

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

Rating Disclosure: Use and Limitations

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New Companies, Name Changes, Mergers And Acquisitions and Ownership Changes

Friday Health, Hoosier and Unigard insurance companies are among the life/health and property/casualty insurers in the United States that have been incorporated, merged or had another corporate change.

LIFE/HEALTH

New Company

Friday Health Insurance Co. (AMB# 62492), incorporated May 4, 2020, in Texas.

Name Changes

Colorado Dental Service Inc. (AMB# 064558), Denver. This company changed its name to Delta Dental of Colorado through the merger of Colorado Dental Service Inc. with and into Delta Dental of Colorado on Aug. 1, 2020. The Colorado Division of Insurance issued a Certificate of Authority to Delta Dental of Colorado on July 10, 2020.

Envision Insurance Co. (AMB# 064969), Twinsburg, Ohio. This company changed its name to Elixir Insurance Co. on June 1, 2020.

Group Health Inc. (AMB# 064601), New York. This company changed its name to EmblemHealth Plan Inc. on Aug. 24, 2020.

HIP Insurance Company of New York (AMB# 008034), New York. This company changed its name to EmblemHealth Insurance Co. on July 9, 2020.

Rabenhorst Life Insurance Co. (AMB# 007954), Baton Rouge, La. This company changed its name to American Monumental Life Insurance Co. on Aug. 28, 2020.

Acquisitions & Ownership Changes

FirstCarolinaCare Insurance Co. (AMB# 064268), Pinehurst, N.C. The Carle Foundation acquired 80% ownership in the company from FirstHealth of the Carolinas Inc. on April 1, 2020.

Pellerin Life Insurance Co. (AMB# 007909), Breaux Bridge, La. This company was acquired by American Benefit Life Insurance Co. from the Pellerin Insurance Group Inc. on Aug. 28, 2020.

Rabenhorst Life Insurance Co. (AMB# 007954), Baton Rouge, La. This company was acquired by American Benefit Life Insurance Co. on Aug. 28, 2020.

Virginia Premier Health Plan Inc. (AMB# 064251), Richmond, Va. Sentara Healthcare acquired 80% ownership in the company from Virginia Commonwealth University Health System Authority on April 7, 2020.

PROPERTY/CASUALTY

Mergers

Capitol Preferred Insurance Co. (AMB# 012203), Tallahassee, Fla. This company merged with and into Southern Fidelity Insurance Co. on Sept. 8, 2020.

Hoosier Insurance Co. (AMB# 000543), Indianapolis. This company merged with and into General Casualty Company of Wisconsin on Oct. 1, 2020.

MGIC Reinsurance Corporation of Wisconsin (AMB# 011882), Milwaukee. This company merged with and into Mortgage Guaranty Insurance Corp. on Sept. 1, 2020.

Name Change

Unigard Insurance Co. (AMB# 020961), Stevens Point, Wis. This company changed its name to Dairyland American Insurance Co. on Nov. 1, 2020.

Acquisitions & Ownership Changes

7710 Insurance Co. (AMB# 022502), Summerton, S.C. This company was acquired by Benchmark Holding Co. from 7710 Holdings LLC on Oct. 1, 2020.

Southern Fire & Casualty Co. (AMB# 002402), Sun Prairie, Wis. This company was acquired as a clean shell by Sentry Insurance a Mutual Company from General Casualty Co. of Wisconsin on Nov. 1, 2020.

Unigard Insurance Co. (AMB# 002370), Sun Prairie, Wis. This company was acquired as a clean shell by Sentry Insurance a Mutual Company from QBE Regional Cos. (N.A.), on Nov. 1, 2020.

UK Coalition Asks Government to Provide Insurance Backstop for Live Music Festivals

Coverage could be extended to a range of sectors, including hospitality, sports and leisure.

A coalition of U.K. members of Parliament and music and entertainment groups are asking the government to keep financially battered summer music festivals alive by providing an insurance backstop for them.

In a letter to Chancellor of the Exchequer Rishi Sunak, members of the Digital, Culture, Media and Sport Committee said insurance cover in the age of COVID-19 is necessary to provide confidence that the summer live music season can be held.

"Without insurance, the events we know and love simply won't take place this year—vaccine or no vaccine," said the letter, signed by nine committee members and dozens of entertainment organizations and performers. "Sustaining losses like those we've seen in 2020 for another year isn't an option, and hundreds of businesses in the events supply chain have already been forced to fold.

"The government has backed insurance for the film and television industry to the tune of £500 million ($677.8 million)," they said. "It's now time to do this for other creative industries."

The insurance scheme could use the existing terrorism reinsurance structure, which would require no upfront funding and leave Treasury with a maximum liability of £1.5 billion, it said. Coverage could be extended to a range of sectors, including hospitality, sports and leisure, as well as festivals, live performances and events, it said.

The letter follows the release of a report, *Let The Music Play: Save Our Summer*, from U.K. Music, an umbrella group representing a wide range of organizations and performers.

In the report, Executive Director Jamie Njoku-Goodwin said the 2020 COVID-19 pandemic had a "devastating" impact on the live music industry, which contributed £1.3 billion directly to the economy in 2019. "An indicative date for restart and a government insurance scheme are vital. Without them, many major festivals will not have the confidence or the preparation time to go ahead this year," he said.

—Timothy Darragh

Best's Insurance Professional Resources

The following are newly qualified members in AM Best's claims industry resource.

Best's Recommended Insurance Attorneys

MPPL Business Law
Insurance, Corporate Law, Contracts, Employment
Timisoara, Romania • +40 356 269 707

Studio Legale Scognamiglio
Business Law, Insurance Law, Intellectual Property, Immigration Law
Naples, Italy • +39 081 551 55 58

Best's Recommended Insurance Adjusters

Clarity Claims Service
Accident, Automobile Appraisals, Automobile Liability, Bodily Injury
Bellmawr, NJ • 856-384-7790

Best's Recommended Expert Service Providers

O'Brien Communications Group
Brand Management, Strategic Marketing Planning, Tactical Program Creation and Execution
South Windsor, CT • 860-944-9022

Edrington and Associates
Expert Witness, Mediation, Building Inspections, Building Code Compliance
Oakland, CA • 510-749-4880

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Munich Re: Insured 2020 Natural Catastrophe Losses Hit $82 Billion on Hurricanes, Wildfires

U.S. share was higher in 2020 as natural disaster losses accounted for $67 billion of insured losses, compared with $26 billion a year ago.

A record hurricane season and "historic" wildfires fueled $82 billion in 2020 insured losses from natural catastrophes, according to Munich Re.

There was a record number of storms in the North Atlantic, along with historic wildfires in the western United States, the reinsurer said in a statement.

Natural disasters worldwide produced overall losses of $210 billion, with insured losses of $82 billion in 2020. Both figures were higher than 2019's overall losses of $166 billion and insured losses of $57 billion.

According to Munich Re, floods in China caused the highest event loss at $17 billion, but only about 2% of that was insured.

"Natural catastrophe losses in 2020 were significantly higher than in the previous year," said Torsten Jeworrek, a member of Munich Re's board of management, in a statement.

"Record numbers for many relevant hazards are a cause for concern, whether we are talking about the severe hurricane season, major wildfires or the series of thunderstorms in the U.S."

Jeworrek said climate change will play an increasing role in all of these types of disasters.

Munich Re said the U.S. share of natural disaster losses was significantly higher in 2020 as the United States accounted for $67 billion of insured losses compared with $26 billion a year ago. Overall losses rose to $95 billion from $51 billion in 2019.

Six of the 10 costliest natural disasters in 2020 were in the United States, Munich Re said. The most destructive event was Hurricane Laura, a Category 4 storm that made landfall on Aug. 27 in western Louisiana. Laura caused substantial wind and storm surge damage and triggered widespread flooding. Insured losses totaled $10 billion, and overall losses were $13 billion.

Risk modeler RMS said onshore and offshore insured losses from Hurricane Laura could range from $10 billion to $15 billion.

The hurricane season in the North Atlantic saw a record-setting 30 storms, 13 of which reached hurricane status, Munich Re said. The previous record year of 2005 had 28 storms and 15 hurricanes.

"The U.S. landfall record was shattered as well, with 12 tropical cyclones making landfall in one season," Munich Re said. "The previous record was nine."

Overall losses from the hurricane season in North America came to $43 billion, of which $26 billion was insured.

A series of large wildfires across the western United States in 2020 caused total losses of $16 billion, of which $11 billion was insured, Munich Re said.

The wildfires included record-setting fires (in terms of area burned) in California and Colorado. Munich Re said drought conditions, particularly across northern California and the Pacific Northwest, helped fuel dozens of large fires.

As of the beginning of December 2020, Munich Re said, California had 9,600 wildfires. The severity and extent of the largest fires damaged or destroyed around 10,500 structures.

The area burned by wildfire in the state was over four times larger than the 2015–2019 average.

"It was notable that damaging wildfires occurred not just in California, but across the rest of the western U.S. as well," Munich Re said.

"Colorado saw its three largest fires, in terms of acres burned, in 2020. Wildfires in Washington and Oregon also set new records. In Oregon alone, about 4,000 homes were damaged or destroyed by wildfires, becoming one of the worst natural disasters in the state's history."

In Asia, losses from natural disasters were lower than in 2019, Munich Re said. Overall losses were $67 billion, down from $77 billion in 2019. Insured losses fell to $3 billion from $18 billion.

In the Northwest Pacific, tropical cyclone Haishen was the first super typhoon of the 2020 Pacific season. It made landfall on Sept. 7 on the coast of South Korea. Overall losses were $1.2 billion, of which $800 million was insured, said Munich Re.

Natural disaster figures were "relatively benign" in Europe in 2020, said Munich Re. Overall losses were $12 billion, with insured losses of $3.6 billion.

—David Pilla

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Insurance Jobs Hold Steady During Economic Upheaval Created by Pandemic

Employment in the sector is projected to increase through the year, primarily in areas such as technology, underwriting and claims.

by Lori Chordas

Despite the economic upheaval created by COVID-19, which has forced businesses to cut jobs or shut down altogether, the insurance sector continues its history of resiliency—posting a 3.0% unemployment rate for December 2020, compared to the 6.7% national rate.

And the insurance job market is projected to keep growing this year, adding as many as 20,000 more positions, said Greg Jacobson, CEO of insurance executive search and staffing firm The Jacobson Group.

As 2020 drew to a close, the industry added 4,900 jobs in December, according to the U.S. Department of Labor Bureau of Labor Statistics. While less than the 6,700 jobs added in October, it is significant because more than 6 million new cases of COVID-19 in the United States were found in December.

This year, 83% of employers in the insurance sector plan to maintain or increase staff, according to an *Insurance Labor Market Study* released by Jacobson and Aon plc in August 2020.

Technology, underwriting and analytics roles are expected to be in high demand, Jacobson said.

The industry also will see a rising number of claims adjuster, account manager and producer posts—many available because of the tsunami of retiring baby boomers, a trend expected to continue for the next 10 years, added Jeff Gipson, an executive search consultant at The James Allen Cos., an insurance staffing and recruiting services firm. But this positive job news presents a challenge for employers, who have long struggled to attract new talent and entice employees from other sectors to join the world of insurance.

This time, however, could be different. Many insurers, wholesalers and other industry professionals have "started doing a much better job at bringing young professionals into their development programs to fill those needs," Jacobson said. And many of those recruits are coming into the sector with much-needed skills such as change management, innovation and entrepreneurial savvy, he added.

Still, the pandemic has forced human resources departments to find new ways to recruit, interview and hire when in-person conversations are not practical during quarantines. The transition to remote recruiting and other digital strategies has allowed employers to more easily and economically recruit candidates across geographies, thereby creating a much larger talent pool, Jacobson said.

While other industries may struggle to regain their footing after the pandemic subsides, the insurance sector is well positioned to "continue to be a very strong job market for individuals who want to consider new opportunities," he said. It will, however, remain highly competitive, "so insurers need to put processes and approaches in place that are geared not only toward attracting candidates but also evaluating them." BR

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