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AM BEST'S MONTHLY INSURANCE MAGAZINE

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Forever Chemicals

Lawsuits over long-lasting chemicals that have contaminated drinking water are a growing concern for insurers.

Uncovering New Risks
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Best's Review's
Online Archives

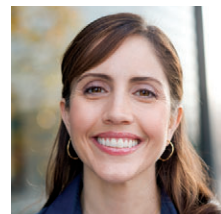
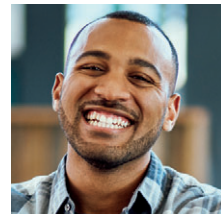
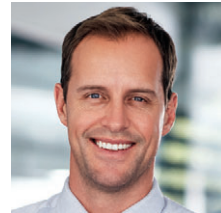
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Beyond the Pandemic, a Gathering Wave of Risks Threatens Insurers With Outsized Losses

This issue includes a look at lawsuits over chemicals that have contaminated drinking water and examines growing concerns about cyberrisks. Other coverage includes a listing of the largest insurers in Latin America.

While each year brings its share of natural catastrophes—hurricanes, earthquakes, wildfires and other storms—risk managers, brokers and insurers spend a lot of time trying to identify new, emerging developments that could turn into the next big loss.

Court cases, new technologies and regulations all have the potential to change the risk landscape for businesses and their insurers. These may not pose much of a threat today, but have the potential to escalate and turn into a much bigger problem a few years down the road.

For years, the industry has had its collective eye on cyberrisk. Cyber has been one of the hottest topics at RIMS conferences in recent years. It may no longer count as a “new” risk, but it certainly is still evolving quickly and has the potential for causing major losses.

In 2020, the big risk was the pandemic. Lloyd’s of London reportedly estimated global insured losses on par with 2017 when three Atlantic hurricanes contributed to insured losses of \$144 billion.

Many people had expressed concern about the possibility of a pandemic before 2020. The SARS (severe acute respiratory syndrome) outbreak in 2003 gave a preview of the dangers. But even the most savvy would have had a hard time foreseeing the scale and global consequences of not just the virus itself, but the government response and resulting business interruptions and event cancellations.

April is Risk Management Awareness Month. In this issue, *Best’s Review* examines today’s risk landscape and sheds light on new and developing risks.

Pollution and environmental risks have been a serious problem for the industry for a long time. Now a new concern is emerging with per- and

polyfluoroalkyl substances (PFAS) also known as “forever chemicals.”

“On High Alert: Rising Risks of PFAS Claims and Litigation Capture New Attention” looks at the problem of lawsuits over drinking water contamination from chemicals used in everyday products like cookware and firefighting foam. Litigation currently is focused on environmental cleanup and remediation but could soon extend to product liability and personal injury.

Best’s Review looks at some of the new developments on the cyberrisk front in “Insurers Face Evolving Cyberrisk From Costly Hacks, Deepfake Attacks and Sophisticated Ransomware.”

Litigation over board failures related to diversity initiatives is a focus in “D&O Writers Brace for Wave of Costly Diversity Lawsuits.”

Recent catastrophe losses have taken a lot of capital out of the market. In the years after significant losses, new capital often moves in to take advantage of improving rates. It happened in 2002 and again in 2005. At least 16 new and existing insurers in London and Bermuda raised capital in 2020, according to a recent *Best’s* Special Report.

Best’s Review spoke with two new reinsurers in “Bermuda’s Vantage and Conduit Re Enter Market With Clean Slates and Veteran Staffs.”

The April issue also includes a listing of the largest insurers in Latin America as well as a look at developments in the region.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com



The Question:

Are concerns about ESG changing the insurance industry? How much impact will it have?

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.



FOREVER CHEMICALS

Uncovering New Risks

In this special section, *Best's Review* tackles the emerging risks that may impact insurers today and down the road. This special section explores how insurers are calculating the risks and formulating the responses that protect themselves and their insureds.

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On High Alert: Rising Risks of PFAS Claims and Litigation Capture New Attention

Some industry experts are seeing parallels between PFAS risk and asbestos litigation that for years hit insurers hard. Insurers are now reacting by creating stand-alone products and adding PFAS-related policy exclusions for losses stemming from drinking water contamination, environmental remediation, and products liability and bodily injury claims related to the "forever chemicals."

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Insurers Face Evolving Cyberrisk From Costly Hacks, Deepfake Attacks and Sophisticated Ransomware

Because cyberattacks can affect a range of coverages including business interruption and reputational risk, insurers are forced to constantly update their coverage tactics.

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D&O Writers Brace for Wave of Costly Diversity Lawsuits

Shareholder derivative lawsuits that target boards' failures to act on diversity goals could steam roll directors and officers lines of business.

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Praesidium CEO: Risk Management Is Key to Preventing Child Abuse Claims

As claims grow due to changes in statute of limitations laws, insurers are raising underwriting standards and providing their insureds assessment resources to meet those requirements.

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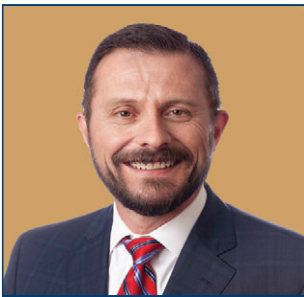
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ISSUES & ANSWERS

Risk Analytics, Data and AI

Experts discuss new developments in the risk management of abuse claims; the role of analytics in the insurance industry; and the latest on the adoption of generalized linear models by insurers.

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LIFE INSURANCE

Unclaimed Life Insurance: Insurers Grapple With a Problem That Resists Elimination

The life insurance industry is still addressing the issue of unclaimed benefits nearly a decade after the situation first made headlines across the U.S. While the use of new technologies and diligence has abated the issue, some instances still remain.

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REINSURANCE

Bermuda's Vantage and Conduit Re Enter Market with Clean Slates and Veteran Staffs

Vantage and Conduit bet a combination of experience, technology and grit will allow them to sidestep the low-interest rate environment that has crimped the entire industry.

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TECHNOLOGY

Innovation Through Integration: Legislation Should Help Open Access to Patient Data

Eight-year-old standard finds fresh life thanks to new legislation meant to ease access to patient data across the health care ecosystem.

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LATIN AMERICA

AM Best: Economic Uncertainty, Record Low Interest Rates Impact Brazil's Reinsurance Market

The AM Best outlook for the reinsurance market of the South American country remains at negative.

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NCOIL Spring Meeting Planned as Hybrid Event


April 7-9: VIRTUAL. 2021 Farm Bureau Virtual Commercial Conference, American Agricultural Insurance Company. 

April 7-9, April 12-14: VIRTUAL. NAIC Spring National Meeting, National Association of Insurance Commissioners. 

April 12-14: VIRTUAL. ACLI Life Insurance Conference, LIMRA, LOMA, SOA & ACLI.

April 13-15: VIRTUAL. AIR Envision Worldwide, Verisk Analytics. 

April 13-15: VIRTUAL. Philly I-Days, Insurance Society of Philadelphia and Philadelphia CPCU Society Chapter. 

April 15-18: HYBRID. NCOIL Spring Meeting, National Council of Insurance Legislators, Charleston, S.C. 

April 19-30: VIRTUAL. RIMS 2021 Annual Conference, Risk and Insurance Management Society, Chicago.  

April 22-23: VIRTUAL. InsurTech North, MSA Research. 

April 28: VIRTUAL. Insurance 3.0, Market Minds. 

May 12: VIRTUAL. PIA Advocacy Day, National Association of Professional Insurance Agents.

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.

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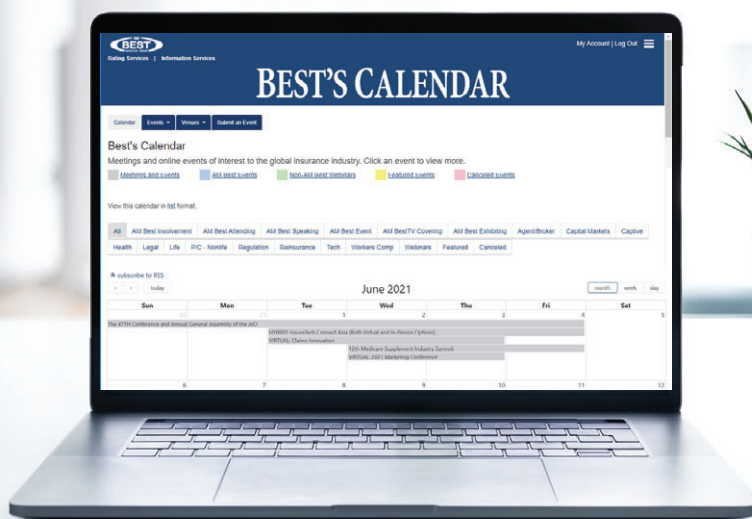
April Is Risk Management Awareness Month

Litigation, changing technology and new regulation all have the potential to change the risk landscape. Risk managers play a crucial role to help identify the risks facing their organizations and mitigate the potential for loss. Coverage begins on page 39.



Get the Latest Status on Upcoming Insurance Industry Events.

Best's Calendar provides important information on insurance industry meetings, webinars and conferences. Visit Best's Calendar to find out what's coming up: www.ambest.com/sales/calendar



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UnitedHealth Group Names Successor to Retiring CEO

Also, FM Global creates new position of head of power generation, Ohio has a new insurance commissioner and Lloyd's fills newly created role of chief of markets.

The board of directors of UnitedHealth Group named Andrew Witty to succeed David S. Wichmann as chief executive officer. Witty also rejoins the UnitedHealth Group board of directors.

Witty replaces Wichmann, who was to retire in March following a transition period. Wichmann joined UnitedHealth Group in 1998 and became its CEO in September 2017. He served as chief financial officer from 2011 until mid-2016 when he became president. He had previously led UnitedHealthcare and UnitedHealth Group's enterprisewide operations and technology efforts, along with external development, mergers and acquisitions and integration activities at the company.

Witty was named CEO of Optum in March 2018



Andrew Witty

and added the role of president, UnitedHealth Group, in November 2019. He previously served as a UnitedHealth Group company director. From April 2020 to December 2020, Witty took an unpaid leave of absence from his company positions to serve as a global envoy for the World Health Organization's COVID-19 efforts. He also served as an adviser to the U.K. Government Vaccine Taskforce. From 2008 to 2017, Witty was CEO and a director of the pharmaceutical manufacturer GlaxoSmithKline plc, according to the company.

Witty, CFO John Rex, and Dirk McMahon, as the new president and chief operating officer, will make up the company's chief executive office, the company said.

—Staff Report

FM Global Veteran Named to Newly Created Head of Power Generation

FM Global has named Allan J. Johnson to the newly created role of staff senior vice president, head of power generation.

His appointment follows FM Global's recent announcement it had created a new specialty industries division focused on the needs of the forest products and chemical sectors. Johnson will lead FM Global's power generation industry strategy, business planning and oversee the global delivery of FM Global's specialized products and services aimed at that sector.

Johnson is a 35-year company veteran and has



Allan J. Johnson

more than 20 years of high hazard experience in both underwriting and loss prevention engineering. Johnson started at FM Global in 1985 as a loss prevention engineering consultant. Most recently, Johnson was operations senior vice president of FM Global's forest products operations.

Prudential Financial Names CEO of US Insurance and Retirement Business

Prudential Financial Inc. has named Caroline Feeney to the newly created role of chief executive officer of its U.S. insurance and retirement business.

Feeney will be responsible for driving growth across the consolidated portfolio of



Caroline Feeney

U.S. businesses while ensuring alignment with PGIM, the company's asset-management business.

Feeney has been at Prudential for 27 years and most recently served as CEO of individual solutions. Previously, she served as president of Prudential Advisors and president of individual life insurance, and spent time in field leadership roles.

Aon Names Chief Operating Officer

Aon plc has named James Platt to succeed John Bruno as chief operating officer, according to a filing with the U.S. Securities and Exchange Commission.

Bruno has decided to step down from the position, but will remain at the company for a transition period to be determined.

Platt joined the company in 2014 as the chief executive officer of Aon Inpoint and head of data and analytics for Aon Risk Solutions. From January 2017 through June 2019, Platt served as the COO of Aon Risk Solutions, and then from June 2019 through September 2020, as the company's global solution lines COO. Since September 2020, Platt has served as the company's business COO.

Bruno joined Aon in 2014 as executive vice president of enterprise innovation and chief information officer. Prior to joining Aon, Bruno was executive vice president, industry and field operations and corporate development for NCR Corp.

Marsh & McLennan Names Former Starbucks Exec Chief Inclusion and Diversity Officer

Marsh & McLennan Cos. Inc. has named Nzinga Shaw chief inclusion and diversity officer.

Shaw most recently served as Starbucks Coffee Co.'s global chief inclusion and diversity officer. Prior to Starbucks, she was the chief diversity and inclusion officer for the Atlanta Hawks, the first role of its kind in the National Basketball Association.



James Platt



Nzinga Shaw

Ohio Governor Names New Insurance Commissioner

Ohio Gov. Mike DeWine has named former state Supreme Court Justice Judith French as the state's next insurance commissioner.

French replaces Jillian Froment, who resigned in August.

In 2012, Ohio Gov. John Kasich appointed French to fill a vacancy on the Ohio Supreme Court and on Jan. 1, 2013, she became the court's 155th justice. She was elected in 2014 to a six-year term, but was not reelected last year. Her term ended Jan. 2.

French joined the Ohio Environmental Protection Agency as deputy director for legal affairs in 1993. She was assistant attorney general and chief counsel in the attorney general's office from 1997 to 2002, and chief legal counsel to former Gov. Bob Taft from 2002 to 2004. She was elected in 2004 as a judge on the 10th District Court of Appeals, where she served until Kasich's appointment.



Judith French

Core Specialty Insurance Names CIO, President of New Reinsurance Division

Core Specialty Insurance Holdings Inc. and its subsidiaries, an insurance holding company operating through StarStone Specialty Insurance Co., has named Mary Kotch as chief information officer.

She will also join Core Specialty's executive committee.

Kotch has more than 20 years of experience in strategic technology innovation, application shared services, managing a global project management office, infrastructure, architecture and digital and data management. She previously served in senior executive technology roles at Aspen Insurance Holdings Ltd., Validus Group and American International Group Inc.



Mary Kotch



William R. Fischer

Earlier, Core Specialty named William R. Fischer as president of the newly formed agricultural reinsurance division.

Fischer has 25 years of experience in the crop reinsurance business. He joins the company from AIG Reinsurance, where he was senior vice president of agriculture.

Lloyd's Fills Newly Created Role of Chief of Markets

Lloyd's has named Patrick Tiernan its first chief of markets. He will oversee market performance and distribution.

Tiernan joins Lloyd's from Aviva, where he is the managing director, U.K. commercial lines and global corporate and specialty; he was previously chief financial officer of Aviva Insurance Ltd.

Tiernan has 24 years of experience in the insurance industry. He was group chief operating officer at Starstone Insurance and chief executive officer of Zurich's centrally managed businesses.



Patrick Tiernan

Brown & Brown Names Chief Information Officer

Brown & Brown Inc. has promoted Gray Nester to succeed Steve Boyd as chief information officer.

Nester replaces Boyd, who was senior vice president of technology, innovation and digital strategy. That title has been simplified to CIO with this new leadership appointment. Boyd remains with the company and was recently named executive vice president and president of the wholesale brokerage segment.

Nester has more than 20 years of experience in insurance technology leadership. Since December 2019, Nester has served as the CIO for Brown & Brown's retail division. Prior to that, he was with BB&T as senior vice president and business information officer of the insurance division.



Gray Nester

Northwestern Mutual Names Chief Information Security Officer

Northwestern Mutual has named Laura Deaner as chief information security officer. Deaner will be the first woman to hold this leadership position at Northwestern Mutual.

In her new role, Deaner will lead the enterprise information risk and cybersecurity team and be responsible for spearheading Northwestern Mutual's information security strategy. Deaner has more than 21 years of experience working in cybersecurity for multinational Fortune 500 companies to build information security programs.



Laura Deaner

Jackson Financial Names New CEO, CFO

Jackson Financial Inc. has named Laura Prieskorn as chief executive officer and Marcia Wadsten as chief financial officer ahead of the company's planned separation from Prudential plc.

Prieskorn succeeds Michael Falcon and Wadsten succeeds Axel Andre.

Prieskorn previously served as Jackson's executive vice president and chief operating officer. She has worked at Jackson for 31 years and was responsible for developing Jackson's operating platform, and has been a member of its executive, investment and product committees.

Wadsten, who has worked at Jackson for 29 years, previously served as Jackson's senior vice president and chief actuary.

In addition, Jackson made other changes to its leadership team. Dev Ganguly assumes the role of chief operating officer. Julia Goatley returns to Jackson and assumes an interim role as general counsel, replacing Andrew Bowden, who is leaving Jackson. Goatley previously served as SVP, insurance legal before departing Jackson in early 2019.



Laura Prieskorn



Marcia Wadsten

QBE Insurance Group Names CEO of Australia and Pacific Division

QBE Insurance Group Ltd. has named Sue Houghton as chief executive officer of its Australia and Pacific division.

She will form part of the group executive committee. The appointment is subject to regulatory approval.

Houghton, who will transition to her new role in August and be based in Sydney, will replace Frank Costigan, interim managing director Australia, and Declan Moore, chief customer officer, New Zealand and Pacific, who both led the AUSPAC division while the executive search process was undertaken.

Houghton is the president of the Insurance Council of Australia and has held a number of executive roles over her career. Houghton is currently the managing director for insurance at Westpac and, prior to this, the chief financial and operating officer for the Australian and New Zealand region for Arthur J. Gallagher. She has also held senior positions at Wesfarmers Insurance Division and Insurance Australia Group.



Sue Houghton

Axa XL Names US Country Manager

Axa XL has named Matthew V. O'Malley as U.S. country manager. This role is in addition to his previously announced new role as Axa XL's East U.S. zone leader.

In October 2020, Axa XL launched its new operating model, which included a new zone structure in the United States. O'Malley joins Todd Sutherland as Central U.S. zone leader and Mike Soper as West U.S. zone leader.

In his new role, O'Malley extends his responsibilities as U.S. country manager, assuming broader oversight of Axa XL's collective business activity in the U.S. insurance market.

O'Malley has 25 years of experience in the insurance industry and has held numerous underwriting and management positions. Most recently, he led Axa XL's North America environmental insurance business for eight years and later also took on the underwriting management responsibility of the E&S casualty business.



Matthew V. O'Malley

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Top Global Insurance Brokers

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Rankings will appear
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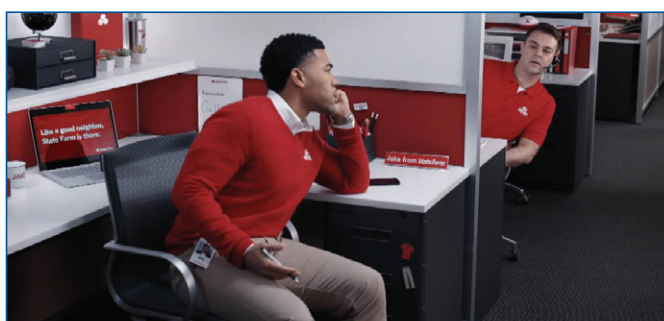
Power Shot: Customer Brand Loyalty and Sports Partnerships Are in Full Effect in Insurance

COVID-19 hasn't stopped many insurance brands from resonating with consumers and meeting customer expectations, and Vitality is partnering with reigning Olympic gold medal team England & Great Britain Women's Hockey.

Brand Appeal

While COVID-19 has changed the way we live and work, it hasn't impacted customer brand loyalty. Last year, several insurance brands passed the loyalty stress test posed by COVID-19, according to Brand Keys 25th annual 2021 *Customer Loyalty Engagement Index*. The national survey reports **STATE FARM, USAA, METLIFE, PROGRESSIVE AND NEW YORK LIFE** were among the insurers with the overall highest emotional engagement and levels of meeting customer expectations last year.

This year's Index examined customers' relationships with 855 brands in 94 categories. In order to graphically illustrate brand loyalty rankings, Brand Keys created a series of quadrant maps to delineate brand loyalty position in the marketplace based on two stress-test



dynamics: emotional engagement and meeting customer expectations, said Brand Keys Founder and President Robert Passikoff.

He said trust is a major component of those drivers, especially in categories like insurance.

Coming Together

Health and life insurer **VITALITY** has scored a goal as the new principal partner of England & Great Britain Women's Hockey—a champion field hockey team that is looking to defend its Olympic title this summer at the 2021 Tokyo Games.

As part of the three-year sponsorship deal, Vitality's logo will be worn on the players' shirts during games. The U.K. insurer also will become a presenting partner of Federation Internationale de Hockey Pro League in Great Britain, which includes both men's and women's matches, and a title partner of the English Women's Hockey League,



now named the Vitality Women's Hockey League.

Earlier this year, Vitality announced England & Great Britain's former captain, Alex Danson-Bennett, will be joining the Vitality team as a performance champion. The Olympic gold medalist will use her passion and experience to help motivate and inspire Vitality's colleagues to "look after and prioritize their health and well-being," it said. Danson-Bennett retired from the sport last February after sustaining a mild traumatic brain injury when hitting her head on a concrete wall in 2018.

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



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2020 Was a Time Machine That Flung Insurance Into the Future

Rather than introduce truly unique disruptions to the insurance industry, 2020 forced insurers to speed up existing plans to modernize their businesses.

By **Bill Pieroni**

The year 2020 is rightfully being recognized as one of tremendous disruption and profound change. Many have framed it as a series of unforeseen, interrelated events which created unprecedented upheaval.

For the insurance industry, 2020 was a watershed year—but it didn't introduce new disruptions, it accelerated what was already occurring.

Like a time machine, 2020 seemed to transport us from 2019 directly to 2030, over a span of months rather than years. The majority, if not all, of the challenges imposed on the industry by the global pandemic were known. Forward-thinking organizations positioned themselves to address these future inevitabilities. The market forces were already underway—the events of 2020 simply accelerated them and heightened their time frame for impact. In months, the industry gained insights, and confirmed the accompanying imperatives, that would have taken years under normal circumstances—but were nonetheless inevitabilities.



Best's Review contributor **Bill Pieroni** is President and CEO, ACORD. He can be reached at bestreviewcomment@ambest.com.



The insurance industry is better than any other sector at identifying and managing risk. Risk can be assessed, codified, transferred and managed. The risks associated with the pandemic could have been known and in fact some organizations were relatively better prepared, particularly in the insurance industry. For many that found themselves unable to cope with the challenges of 2020, the problem was confusing the unknown with the unknowable.

Despite their best efforts, renowned experts may struggle to predict when a financial market will crash, or where a hurricane will make landfall—sometimes being caught completely off guard. We know that each of these things will happen eventually. While their timing may be unknown, they are inevitable; they are risks, not unknowable concepts.

True uncertainties—events with unknowable frequency or severity—cannot be readily anticipated



or mitigated. Unfortunately, many of us have a bias toward labeling issues as “unknowable” when the cost and complexity of understanding them is material, particularly in organizations dominated by a culture of conventional wisdom, leadership that resists being questioned, and anecdotal decision-making which has been reinforced by a track record of positive results.

The global pandemic itself is just one example of a risk that has been treated by some as an unknowable uncertainty. The future inevitability of technology and digitization in our industry is another example.

Digital transformation has been an investment priority for many industry leaders for some time. However, for nearly half of our industry, there has been a prolonged underinvestment in digitizing the enterprise. Now, with insurance stakeholders compelled to interact with colleagues and customers alike through digital channels, even those who were

most skeptical of the digital imperative are finding it impossible to dismiss.

The pandemic has increased transparency and a sense of urgency around the danger of “digital debt.” Those who treated the technology imperative as something that could be deferred given the uncertainty have seen reduced current and future viability. Those who understood the importance of technology, and the accompanying risk of underinvestment, have systematically invested in digital capabilities over the long term. These firms are now better positioned to identify and capture market opportunities, deal with challenges related to the pandemic and macroeconomic forces, and take advantage of competitor vulnerabilities.

2020 flung us into the future, ready or not. Those who took steps to mitigate the risk of digital obsolescence are ready.

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Plan Now for the Inevitable Soft Market

Successful insurers maintain underwriting discipline that anticipates a rate downturn.

By **Lance Ewing**

A young man asked his wealthy father to sum up investing in the stock market. The man said to his son, "It is the strangest financial business model ever. One person sells a stock and another person buys the stock and they both think they are market geniuses." Or so the story goes.

As with any investment there are ups and downs. Volatility is the arithmetical measurement of the distribution of return for a specific stock or market index. In most cases, the higher the volatility, the riskier the security. Conversely, the higher the risk, the higher the reward. Volatility is the most widespread degree of risk in financial terms. But that same volatility in financial investment commerce or the stock market applies to insurance and insurance underwriting, as well. Property/casualty carriers are continuing to appreciate the hard market and are riding the "up" with the higher premiums they are obtaining. But successful carriers know that the softening (the "down") will appear on the horizon at some point in the life cycle of insurance. During the ups and downs underwriting discipline, similar to investment discipline, has to be followed. These pillars of P/C underwriting include:

Define Risk Tolerance and Stay the Course

- In any risk tolerance assessment, knowing your clients, their operations, their strengths and challenges and asking the probing questions



Best's Review columnist **Lance Ewing** is vice president of Enterprise Risk Management & Operations for the San Manuel Band of Mission Indians. He also is a former president of the Risk and Insurance Management Society. He can be reached at bestreviewcomment@ambest.com.

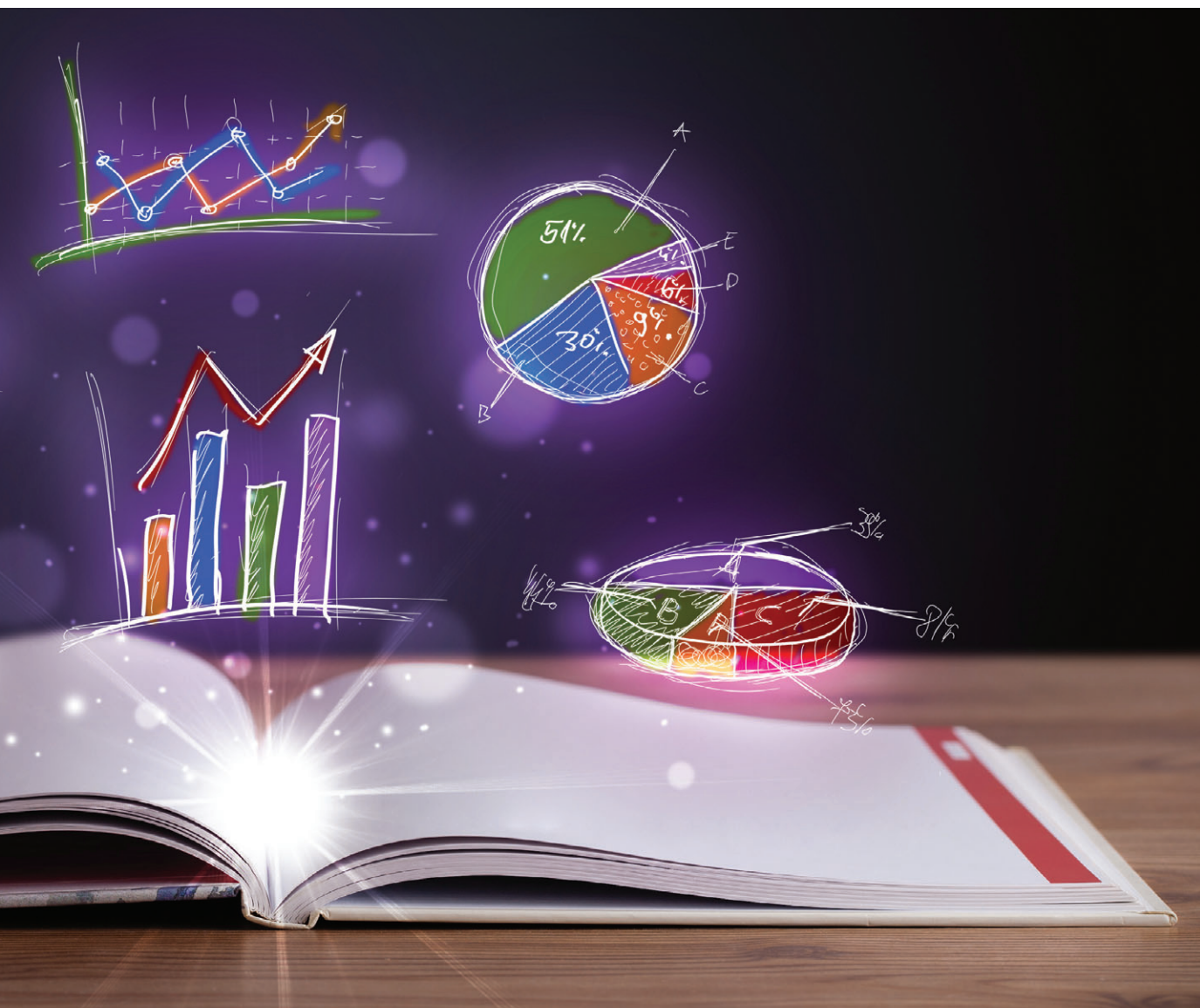


to build trust leads to successful and profitable underwriting. Submission applications and automated processes are necessary but the one-on-one conversations with the clients are critical to staying within the underwriting risk corridor. In stock market investing, knowing the company's past and future outlook and its volatility before investing is smart business. So, too, with underwriting the client.

- Smart underwriting stays with the playbook and only audibles when there is a true need. Especially in the hard market keeping within the parameters of the underwriting protocols grows the book.

Diversify

- Just as in financial investments, the right mix of instruments in a portfolio smooths the financial volatility by putting money into different types of investments and insurance underwriting is reflective



of that philosophy. The spread of risk by industry, geography, catastrophe exposures, line of coverage, all help to stabilize the risks and the claims, even in a hard market. The segmenting of client exposures is vital to carrier achievement and cost-effectiveness.

- As legendary investor John Templeton said, “The only investors who shouldn’t diversify are those who are right 100% of the time.” No underwriter will get it right 100%. There will be claims and losses that may or may not have been anticipated. These should be factored into the diversity of the underwriting portfolio.

Go Long

- The hard and soft markets of the P/C insurance cycle will almost assuredly continue. The underwriting cycle is one of the, if not the, prime tasks facing chief underwriting officers. Timing of the financial investment market is for many near

impossible, but long-term investing provides time for absorbing the ups and downs of the markets. So, too, with underwriting. While premiums are up in this hard market, predicting when they will soften even slightly is a difficult forecast. Preparing now for the softening market is what wise carriers are doing.

- Warren Buffett quipped, “Our favorite holding period is forever.” Carriers with a successful track record and a reputation for having been around for a long time understand the mantra, forever can be a small window of time. They have an underwriting volatility approach of “this too shall pass” and “are we ready when it does?” These carriers recognize that premiums and investments today in the hard market will not be here forever. Building the underwriting process for the soft market downturn should not happen at that time but well beforehand.

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BEST'S REVIEW® ISSUES & ANSWERS: RISK ANALYTICS, DATA AND AI

Experts discuss new developments in the risk management of abuse claims; the role of analytics in the insurance industry; and the latest on the adoption of generalized linear models by insurers.



Interviewed Inside:



Andy Shockey
Philadelphia Insurance Companies



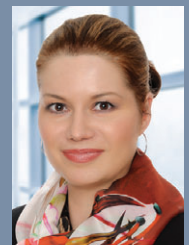
Pragya Sharma
Nationwide



Jennifer Law
Nationwide



Gaétan Veilleux
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Protecting the Most Vulnerable

Andy Shockey, Assistant Vice President for Philadelphia Insurance Companies, says when it comes to mitigating abuse and molestation, there are best practices agents should make their clients aware of. “It starts with the culture that is set by the CEO and moves through the organization through policy and procedure, just like any other topic, but this one has that nuclear potential to wreck a mission of an organization,” he said. Following are excerpts of an interview.



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What can agents do to help clients address abuse and molestation risk?

If they haven't had a conversation with their clients, or if it's been a while, schedule the time to have that conversation. It might look as simple as reviewing a crisis management plan to see if this incident even appears specifically. And determining if an allegation is aired or if an employee is arrested and charged with this type of incident, what happens? Is there a victim-centric approach in that crisis management plan? Agents should also encourage clients to use support resources that might be available from their carrier. A lot of times, they're at no cost, and can help prevent this type of incident. Finally, it's important to understand state laws are changing, and that is where it is imperative to pay attention to the venue that you're operating in.

How does PHLY support its policyholders that face abuse and molestation risks?

We're continuing to educate our agents and our policyholders on strategies that they can reasonably undertake to reduce the potential, and raise the barrier to this event happening in their business. Most importantly, we have people who can help. When an agent is asking questions, we have the experienced personnel getting those questions answered. We have staff and personnel across our company that can have the conversations that need to be addressed before there's an incident. Should an incident happen, we have claims professionals who understand the magnitude of this, how serious it is and the very sensitive matters across the board. Making sure we continue to position our clients in a very victim-centric approach and to provide the care, despite the circumstances, once that allegation or that charge is made.

Andy Shockey

Assistant Vice President
Philadelphia Insurance Companies



“Our risk management and claims staff are knowledgeable and experienced in dealing with these issues and are here to support our agents and customers.”

Go to the Issues & Answers section at bestreview.com to watch an interview with Andy Shockey.

What new developments are you seeing with the risk today?

There has been and will continue to be new legislation at the state level, possibly at the federal level, but it will stay in the news and on people's minds. Organizations need to consider that while some steps might not be required by law yet, there are reasonable steps that can be taken to prevent an incident. One is asking for proof of training records. Certainly, the reason to ask those questions is first and foremost to prevent this type of incident in an organization from happening, that irreparable harm from taking place to the victim. It's important to realize that later is too late to have some of these conversations in the middle of a crisis.

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Change Through Analytics

Pragya Sharma, Senior Analytics Solutions Adviser at Nationwide, and Jennifer Law, Associate VP Underwriting and Operations at Nationwide, are both passionate about the role of analytics in the insurance industry and how it's leading to better decisions at Nationwide. Following are excerpts of an interview with them.



Nationwide®

Why are risk analytics important to Nationwide?

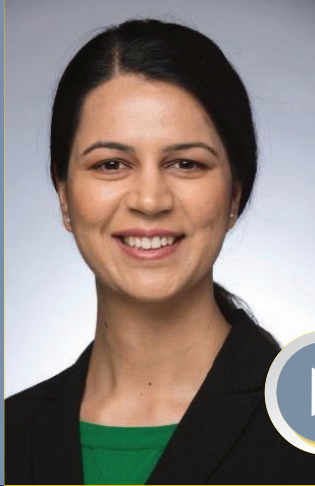
Law: Risk Analytics allow our business partners to make better informed decisions when it comes to such things as their underwriting, pricing of risk, or claims handling. At Nationwide, we are taking a holistic approach and addressing it at all levels. Our approach is connecting the underwriting, data and analytic team, claims, actuarial, all of our support teams to partner together to develop well rounded tools, taking into consideration all aspects of the underwriting risk and selection process. For example, when developing our predictive analytics tool, our underwriting and claims teams considered questions that have an impact on our risk selection, the “ingredients” while our data and pricing teams evaluated those identified factors and created “the special sauce.” Using our partner data, we can fill any gaps we have in our data repository, extrapolate likely scenarios, and validate our model. All of this is to benefit our customers with pricing accuracy, appropriate capital deployment and treatment of claims. The bottom-line goal to all of our risk analytics development is to strengthen and protect Nationwide’s capital.

Do risk analytics fold into the Nationwide culture?


Law: We are layering the understanding of data and how it can improve our decision making into our leadership and upskilling programs. This includes consuming and interpreting the data, the adoption of analytics, the design of business intelligence, and then impressing on our associates how data integrity is critical. In general, our philosophy on analytics is we design as a tool, not a rule. We are designing them to show our associates the path to make a well-informed decision, and not necessarily tell them the answer.


Sharma: It is not just about tools and analyzing data, it is also about building a culture with the right mindset around data driven solutions. In 2020, we hosted an internal data science competition, where people from different domains across the organization formed cross-functional teams to solve a business challenge. At the end of the competition, data scientists, data engineers, and partners from technology, business, and actuarial collectively came up with a fully formed deployable solution in a

Pragya Sharma
Senior Analytics Solutions Adviser



Jennifer Law
Associate VP – Underwriting and Operations





Go to the Issues & Answers section at [bestreview.com](https://www.bestreview.com) to watch an interview with Pragya Sharma and Jennifer Law.

span of a few weeks. Also, people who had not been exposed to analytics work before expressed interest in learning more and saw the value-add in including it in their work.

What’s next for Nationwide when it comes to analytics?

Sharma: A lot of exciting things! For some of our surplus lines’ products, the data can sometimes be thin, and the quality is not always great. We are all aware of the challenges of working with old, fractured legacy systems. Firstly, we must update those systems, so that we can make the data extraction easier. Secondly, we capture a lot of data but not all of it is readily usable. Making the data consumable is key. Lastly, there are some business segments where we do not have enough volumes of data, but there is plenty of third-party data that can be leveraged to bring analytical insights for these segments. The goal is to enable informed decision-making, not just at the product level, but also at the customer level by providing insights at each step, including descriptive, predictive and prescriptive analytics.



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$$\sqrt{E(d_{ij})}$$

$$E(c_{ij+1} | c_{ij}) = f_j$$
$$\text{Var}(Y) = E(\text{Var}(Y^2 | Z))$$
$$\text{Var}(f_j) = \sigma_j^2 / \sum_i c_{ij}$$

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Model Behavior

Speaking about GLMs or generalized linear models, Gaétan Veilleux, Senior Consulting Actuary, Pinnacle Actuarial Resources, said, “For insurers, the foremost advantage of GLMs is flexibility. After all, it was largely developed to allow for more generalized assumptions over linear regression.” Radost Roumenova Wenman, Consulting Actuary, Pinnacle Actuarial Resources, added, “That flexibility includes the inherent ability of GLMs to model the variety of loss distributions as well as account for the relationships among the predictor variables.” Following are excerpts of an interview.

Why are insurers using GLMs to set premiums?

The industry’s widespread adoption of GLMs is the greatest testament to their usefulness for modeling risk and setting prices. Over the course of the last few decades, the models have become indispensable for actuaries and data scientists, who have come to rely on GLMs for prediction over, say, standard linear regression models. GLMs may utilize linear regression, but the link function along with the exponential family of distributions allow the model to fit a series of predictor variables to more flexibly quantify risk. This is critical considering the type of variables that insurers need to incorporate in pricing and the metrics needed to evaluate, including frequency, severity and pure premium. As with other statistical methods and approaches—or any other business improvement or innovation—it is their proven value, through efficiency and effectiveness, that has made the use of GLMs practically universal within the insurance industry.

Do you see GLMs as the future of setting rate?

Similarly to the relationship of GLMs to linear regression models, we shouldn’t assume that GLMs will remain industry standard forever. We will likely see new tools that will enhance, augment or perhaps replace GLMs as a preferred model. Certainly, artificial intelligence and machine learning may have some bearing on which tools and models actuaries and insurers use. More immediately, however, there are insurance industry applications in which GAMs, or generalized additive models, have demonstrated an advantage over GLMs.



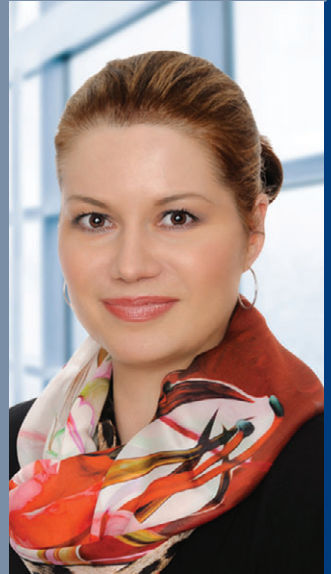
Gaétan Veilleux

Senior Consulting Actuary
Pinnacle Actuarial Resources



Radost R. Wenman

Consulting Actuary
Pinnacle Actuarial Resources



Is there an argument to be made for using a GAM as opposed to a GLM?

As with the advantage of GLMs over standard linear regression, the main advantage of GAMs over GLMs is an even higher degree of flexibility. GAMs are considered an extension of GLMs, partially because both are based on the aforementioned link function and the exponential family of distributions. But because GAMs can incorporate a wider range of inputs and functions, including nonlinear trends, unlike GLMs, they can model general, curvilinear shapes more effectively. That gives GAMs an edge in certain applications, and types of insurance that include a wider range of data.

Where are GAMs most effective?

Since GAMs can incorporate more flexible variable effects into an analysis than a typical GLM, GAMs can be a highly useful option in our age of big data. The diversity and depth of data currently being aggregated is greater than ever before. A great example is vehicle telematics, characterized with much greater volume and nuance of driving data than what was accessible a decade ago.

Unclaimed Life Insurance: Insurers Grapple With a Problem That Resists Elimination

The life insurance industry is still addressing the issue of unclaimed benefits nearly a decade after the situation first made headlines across the U.S. While the use of new technologies and diligence has abated the issue, some instances still remain.

by Terrence Dopp

No one really wants to leave money on the table, but it happens. Unclaimed life insurance payouts are a nettlesome fact of an industry built upon the premise that for centuries, people who made monthly payments could be assured that when they died, their heirs would receive the policy's face value. But even in an age when there's a camera on every street corner and emails get archived for years, some small sliver of the insured population falls between the cracks.

By some estimates, it can be upward of \$7 billion, and the causes can vary.

While past instances usually centered on companies being deemed not aggressive enough in tracking down beneficiaries, today the problems more commonly include beneficiaries not even being aware that policies are in force or not having enough data to keep track of them.

"I would not refer to it as a big issue, but I think

it's the kind of situation where if it happens to you as an individual or as a family—it's extremely important," said Michel Leonard, vice president and senior economist at the Insurance Information Institute. "Certainly as an industry we do everything we can to make sure that doesn't happen."

The money involved may not be enough to sink the life insurance business, but it remains an issue for both the carriers who agreed to pay the death benefits and those slated to receive them. Compounding this relationship is the fact that the very beneficiaries who stand to gain may not have complete policy numbers, company names or, in some cases, don't even know a relative had a policy at all. After all, life insurers can carry a policy for decades before it comes due.

A Rough Decade

The issue, however, has been a big problem for many of the industry's life insurers, resulting in litigation and fines.

In 2019, New York State's insurance regulator ordered MetLife Inc. to pay a \$19.75 million fine

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and \$189 million in restitution over its failure to adequately track 13,712 New York annuitants to whom it owed pension payments.

Also that year, Protective Life, Allstate and Great West reached their own settlements with the Pennsylvania Department of Insurance over claims they were not paying death benefits properly in all cases, bringing to 30 the number of insurers that settled with Pennsylvania over the issue.

The issue took on increased prominence early last decade, when a series of high-profile court cases made headlines and life insurers entered into settlements with state regulators over unclaimed benefits.

In 2013, New York Life Insurance Co. agreed to pay \$15 million to state insurance regulators in a settlement over its use of the Social Security Administration's Death Master File database.

At the heart of the cases in the past was the manner in which companies used the federal Social Security Administration's Death Master File to seek out and stop payments to deceased annuity holders but not to find out and identify any insurance payouts

Key Points

People: Beneficiaries must file a claim, and often that is complicated when they don't even know a policy existed or after companies have changed hands multiple times.

Companies: Insurers gained buckets of bad ink years ago for the accusation they weren't aggressive enough in tracking down those to whom they owed money.

Today: The issue has quieted down as a front-burner topic thanks to increased monitoring, new requirements and technology. But it hasn't gone away and some cases fall between the cracks.



Life Insurance



"It's reputational risk of course, but at the end of the day these are life-changing financial products that people buy. It's very important for folks to have access to those and we take it very seriously. Of course there's a reputational risk if we aren't able, as an industry or an individual carrier, to do it."

Michel Leonard
Insurance Information Institute

that may have been due. The problem is that the issue is partly federal but also, like most of the insurance world, regulated by states.

As a rule, life insurers have faced more requirements to check the ranks of lapsed policies against the Social Security agency's master list since the issue came to a head. If the company cannot find the beneficiaries, the money is then escheated, or handed over to state governments which then take on the responsibility to track

down the rightful recipients as they would with any unclaimed property.

Along the way, there are both state and national databases that can help beneficiaries track down potential policies. States use websites that allow residents to search for any unclaimed property. States and industry groups also maintain life insurance-specific tools.

The National Association of Insurance Commissioners (NAIC), the trade group that represents state regulators, maintains its own Life Insurance Policy Locator that allows consumers to connect with potential benefits. That tool was launched in November 2016 and through last summer (the most recent figures available) had received 145,432 requests that led to 46,665 matches of life insurance policies or annuities with claim amounts of \$651 million.

Users register with the NAIC by logging information, and the search toll then asks participating companies to search internal records to determine whether they have a life insurance policy or annuity contract in the name of the deceased. It then plays matchmaker by asking any insurers that have policy information to respond directly to the requester if they are the beneficiary or authorized to receive information.

Another industry group, the American Council of Life Insurers, has pushed since 2012 for states to adopt a model national standard for the requirements placed on insurance carriers. About three dozen have mandated life insurers use new technologies to identify policyholders who died but whose beneficiaries haven't made a claim.

Widespread Issue

Companies including MetLife, Prudential Insurance and John Hancock reached multimillion-dollar settlements for not tracking down beneficiaries after policyholders died. In the cases of Prudential and MetLife, the cases came about a decade after they demutualized.

MetLife in a 2017 audit said it had an “operational failure” as it increased its reserves by \$510 million pretax after a review found deficiencies in the way it looked for unresponsive annuitants. The company looked back 25 years and found about 13,500 annuitants who didn’t receive benefits.

MetLife has improved its processes for tracking down beneficiaries over the course of years, spokeswoman Kim Friedman said. The company now engages third-party sources beyond the federal Death Master File and partners with Lexis Nexis to expand its reference base. The company also refocused its own internal handling of the cases and expanded the data points it uses.

“In 2019, we paid more than \$7 billion in life insurance claims in the United States,” she said. “We paid about \$125 million to beneficiaries as a result of our enhanced search efforts. And we escheated roughly \$90 million to the states when a beneficiary could not be found.”

In Minnesota alone, Lincoln Financial, Voya, Prudential, Transamerica, Axa Equitable, Jackson National and New York Life entered into settlement agreements last decade with the Department of Commerce to make good on “unpaid insurance policies, annuity contracts and retained asset accounts” to consumers in that state.

Todd Erkis, a professor in the risk management department at St. Joseph’s University near Philadelphia said the main issue in the past was that many of the instances of unclaimed benefits involved so-called industrial life insurance.

The term covers small policies—typically a face value of \$10,000 or less—and a broker who collected weekly or monthly premiums. Industrial life was typically designed to cover burial expenses and the policies were often aimed at factory workers. The products have largely been replaced with updated term and group policies that are registered electronically and offer less chance for them to fall between the cracks.

“There weren’t electronic payment collections, people weren’t sending in checks. This was literally, people going from house to house and collecting weekly payments,” he said. “Most of those policies they weren’t collecting premiums for anymore, so therefore the heirs didn’t even know that those policies existed. Those policies have all been paid off by the insurance companies at this point.”

Finding Solutions

Leonard, of the Insurance Information Institute, said the issue is difficult to address in part because it involves solutions that are technology-based. For consumers who bought policies in the past, many are elderly or other segments of the population that may be less fluent in technology therefore it gets compounded. He said the industry has taken steps to ensure that those owed money don’t get overlooked and can obtain all of the policy information they need.

For companies, that means transparency and finding a way to grant consumers access to those pieces of information they don’t have such as policy numbers.

He compares that to the banking industry, which saw a wave of consolidation in the past three decades, yet banks were able to transfer in account holders from acquired institutions and make the transition seamless in most cases. The same holds true in the insurance world, where a wave of consolidation left companies handling policies that may have originated decades ago by companies that possibly changed hands multiple times, he said.

“It’s reputational risk of course, but at the end of the day these are life-changing financial products that people buy,” Leonard said. “It’s very important for people to have access to those and we take it very seriously. Of course there’s a reputational risk if we aren’t able, as an industry or an individual carrier, to do it.”

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Bermuda's Vantage and Conduit Re Enter Market With Clean Slates and Veteran Staffs

Vantage and Conduit bet a combination of experience, technology and grit will allow them to sidestep the low interest rate environment that has crimped the entire industry.

by Terrence Dopp

If “2020” can be used as an adjective, then last year was very 2020 for Christopher McKeown.

He and others spent the better part of the year planning Vantage Group Holdings Ltd. before it launched a reinsurer in

December as the world struggled to deal with fallout from the COVID-19 pandemic. Even though as CEO, reinsurance innovation and insurance-linked securities, he is one of the company's

top executives, he has yet to meet the entire management team in person. The company cobbled together a staff in a series of remote video chats. It's domiciled in Bermuda, but there's no headquarters there yet and he conducted a recent video interview from Massachusetts.

“We've done it all just like you and I are doing,” he said. “So that's been interesting.”

Vantage and fellow newcomer Conduit Re opened shop in 2020, arguably the weirdest and most uncertain year in a long time. As reinsurers, they are betting freedom from the past will make them less exposed to low interest rates and that

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capacity is growing at the same time the demand for their product is growing. Both are domiciled in Bermuda.

Vantage has people scattered over Bermuda, Chicago and New Jersey, McKeown said. At some point, there will be a return to normal life with offices and such but for now the company is OK with how it's leveraged the tools at its disposal.

■ Key Points

Conduit: Underwriting began with Jan. 1 renewals and the company reported \$160 million in new business by the following month.

Vantage: Chris McKeown, CEO of reinsurance, innovation and insurance-linked securities, said the firm's executive team hasn't even met in person due to the COVID-19 pandemic but the challenges make the company stronger and more nimble.

Common Point: Both companies are betting on seasoned teams operating without the baggage of the past to make them stand out in the reinsurance world.

Vantage Group's rated entity, Vantage Risk Ltd., has a current Best's Financial Strength Rating of A- (Excellent).

"We have people sort of all around and we may not have been able to hire them if we said we're here in this spot and you need to look to move," McKeown said. "We're going to look to take advantage of that going forward."

The conceptualization of Vantage started pre-COVID-19 and was based on the idea that balance sheets were simply becoming too cumbersome, bureaucratic and laden with business written in a low interest rate world to face the opportunities of the foreseeable future, he said.



“What we saw in 2020 is despite the fact that the market is well-capitalized, capacity hasn’t changed very much.”

Carlos Wong-Fupuy
AM Best

“Then COVID happened, so there were COVID losses channeling through the system and then other losses happened—wildfires, a derecho and hurricanes,” he said. “That just really crystallized the moment even further that capacity would be constrained and somebody with new capital, but experienced management and a new product hopefully built on technology, would be welcome in the marketplace.”

Old Guard Disruptors

While Conduit and Vantage may be new names, neither is purely looking to disrupt the industry with a new model. Rather, they can be thought of as identifying opportunities within the market and also how a new entrant into the market can marry the old and the new in a way that addresses shortcomings. This comes at a time when older companies are juggling the need for growth against older technology and financial underpinnings.

In both cases, the companies were started by

industry veterans with decades of experience who are betting a thick Rolodex and years of building relationships will help them transition and grow. Conduit, for instance, plans to write \$492 million in business in 2021 and expects that to grow to \$900 million in five years.

For Vantage, that means being led by Chief Executive Officer Greg Hendrick and Chairman Dinos Iordanou. Hendrick has spent three decades in the industry and is the former CEO of Axa XL. Iordanou, who notched a standout 40-year career in insurance and is the retired president and CEO of Arch Capital Group Ltd., is Vantage’s nonexecutive chairman. Along with McKeown, the leadership team includes Jack Kuhn, CEO, insurance; Aurora Swithenbank, chief financial officer; Peter Hahn, chief data and analytics officer; and Gail McGiffin, chief information and operations officer.

Vantage Risk provides property catastrophe reinsurance, mainly covering North America, Europe, Japan and Australia, as well as specialty reinsurance across property/casualty classes including marine, energy, aviation, crop, workers’ compensation, property per-risk and mortgage. Private equity firms Carlyle Group and Hellman & Friedman, along with management, have invested \$1 billion in Vantage with the possibility of additional funding.

For Conduit Re, founders Neil Eckert, executive chairman, whose career began in 1980, and Trevor Carvey, the chief executive officer, each brings more than three decades of experience to the table. Eckert founded Brit Insurance in 1995 and remained its chief executive officer until 2005, after which he was a nonexecutive director of the company until 2008.

In December, Conduit raised £826 million (US\$1.10 billion) in an initial offering on the London Stock Exchange and the company booked about \$160 million in gross written premium during the January renewal season. Conduit Re has a Best’s Financial Strength Rating of A- (Excellent).

Clean Slate

Eckert said he and Carvey began discussing the possibility of starting Conduit Re after seeing a market that was softening from 2006 onward. From 2015 to 2018-19 the market started to harden as the world saw several of the worst

consecutive catastrophe loss years in history. Also, he said there were over \$300 billion in catastrophe losses against a reinsurance market capitalization of about \$600 billion.

The market is under-reserved and there's a casualty hole of between \$100 billion and \$200 billion, Eckert said. He pointed to results that companies put out earlier this year as proof that many companies need to increase their general reserves and those for COVID-19.

"That means basically that there's loss-fatigue setting in and they were the conditions that enabled us to go to the stock market and say right now was the right time to start with a clean slate and get the company up and running," he

said. "If we were a new entrant to a soft market, we wouldn't have the business we've seen."

Conduit often uses the clean slate description. Carvey said older carriers faced both a drain on balance sheets and the inability to tailor older technology to exactly what they want and need to do in the future.

"We are starting from scratch with a clean slate. That's the important point. The others are encumbered by legacy, back-year drag," Carvey said. "Obviously, we're not suffering from the under-pricing and poor reserving that's gone on, particularly in the casualty market, for the better part of the last 10 years."

Tristan McDonald, head of strategy and London

London Market and Bermuda – Capital Raised, 2020-21, and AM Best Ratings of the Main Operating Entities of Capital-Raising Groups

AMB#	Company	Amount Raised	Equity/Debt	Date of Issue	Best's Long-Term Issuer Credit Rating (ICR)	Best's Financial Strength Rating (FSR)	Best's ICR & FSR Action	Best's ICR & FSR Outlook	Rating Effective Date
58459	Arch Capital Group Ltd.*	USD 1bn	Debt	Jun-20	aa-	A+	Affirmed	Stable	4-Dec-20
44770	Ark Insurance Holdings*	USD 605m	Equity	Jan-21	a	A	Assigned	Stable	4-Jan-21
46638	Ascot Group Ltd.*	USD 400m	Debt	Dec-20	a	A	Affirmed	Positive ¹	4-Sep-20
46515	Beazley plc*	GBP 247m	Equity	May-20	a	A	Affirmed	Stable	25-Jun-20
44835	Conduit Holdings*	USD 1.1bn	Equity	Dec-20	a-	A-	Assigned	Stable	7-Dec-20
44173	Convex Group Ltd.*	USD 1bn	Equity	Nov-20	a-	A-	Affirmed	Stable	1-May-20
		USD 500m	Equity	Jan-21					
44864	Core Specialty Insurance*	GBP 670m	Equity	Dec-20	a-	A-	Affirmed ²	Stable	23-Dec-20
58455	Everest Re Group*	USD 1bn	Debt	Oct-20	aa-	A+	Affirmed	Stable	29-May-20
33824	Fidelis Insurance Holdings Ltd.*	USD 500m	Equity	Jun-20	a	A	Upgraded	Stable	3-Jun-20
		USD 300m	Debt	Jun-20					
		USD 125m	Debt	Nov-20					
		USD 60m	Equity	Dec-20					
54148	Helios Underwriting plc	GBP 20m	Equity	Oct-20					
51951	Hiscox Ltd.*	GBP 375m	Equity	May-20	a+	A	Affirmed	Stable	4-Dec-20
-	Inigo Ltd.	USD 800m	Equity	Nov-20					
51279	Lancashire Holdings Ltd.*	USD 365m	Equity	Jun-20	a+	A	Affirmed	Stable	22-Sep-20
		USD 0.75m	Equity	Dec-20					
33495	Randall & Quilter Investment Holdings Ltd.*	USD 100m	Equity	Apr-20	a-	A	Affirmed	Stable	15-Oct-20
		USD 108m	Debt	Dec-20					
86357	Renaissance Reinsurance Ltd.	USD 1.1bn	Equity	Jun-20	aa-	A+	Affirmed	Stable	13-May-20
44839	Vantage Group Holdings Ltd.*	USD 1bn	Equity	Nov-20	a-	A-	Assigned	Stable	19-Nov-20

Note: AM Best's ICR and FSR ratings do not apply to raised capital or equity.

* Rating applies to the main operating entities of the group.

¹ FSR outlook is Stable.

² ICR and FSR removed from under review

Source: 



“COVID happened, so there were COVID losses channeling through the system and then other losses happened—wildfires, a derecho and hurricanes. That just really crystallized the moment even further that capacity would be constrained and somebody with new capital, but experienced management and a new product hopefully built on technology would be welcome in the marketplace.”

Christopher McKeown
Vantage Group Holdings Ltd.

CEO, pointed to recent winter storms in the U.S. that left 38 of the 48 contiguous states with snow cover simultaneously during the winter as evidence of the impact of climate change on the industry. “That’s a record since record-keeping began,” McDonald said. “Add to that the devastating impact of snow and ice on poorly prepared Texas and you’ve got a meaningful event.”

But Conduit Re isn’t simply hanging out its sign and looking for customers to come calling. Eckert said the level of experience and track record of the management team filters out to all levels. The firm will be aggressive in seeking out business and relationships forged before now will be key.

Most of the high profile startups have come from the world of insurtechs, technology-focused startups such as Lemonade and Root. In some cases, the founders come from outside the world of insurance.

“Reinsurance brokers like trading with people they know; they like people who will give them an efficient response and they like to be operating with people who are close to the decision-makers,” he said. “It’s really important and certainly from the show of business we’ve had, it’s worked.”

Flood of Capital

In a recent Best’s Special Report, *London and Bermuda Attract Capital as Insurance Market Conditions Improve*, AM Best found 2020 saw a slew of capital-raising activity from both existing insurance players and startups looking to bolster balance sheets and to take advantage of perceived improvements in pricing and conditions.

The report found at least 16 new and existing insurers in London and Bermuda raised capital in 2020. In recent years, the emergence of collateralized reinsurance vehicles, referred to as sidecars, along with growth in insurance-linked securities has given third-party capital an efficient way to move in and out of the market, dampening expectations of a swathe of new formations like the bumper classes of 2002 and 2005.

The money came from a mix of private equity, industry capital and public placements, but the common theme was investors looking to protect balance sheets and diversify amid the uncertainty caused by COVID-19.

Bermuda and London market insurers have been able to raise equity with relative ease, the report found. They have also found the debt markets receptive: in spite of higher credit spreads they’ve been able to issue debt at relatively favorable rates. That suggests investors are confident the insurance industry is a solid bet in the near-term despite claims of

uncertainty around COVID-19, social inflation and catastrophe exposure.

Going into 2021, there was considerable optimism in respect of pricing, particularly in commercial lines and reinsurance, AM Best said. Rates in a number of lines of business continue to harden as the market responds with increased underwriting discipline to adverse claims experience driven by social inflation in the U.S., COVID-19-related losses and, in recent years, elevated catastrophe experience.

“There was an expectation that the market was going to start hardening and that already started last year, led mainly by the primary segment and specialty lines,” said Carlos Wong-Fupuy, senior director, AM Best and one of the report’s authors. “COVID has simply exacerbated that because the uncertainty we’ve had about the impacts that the pandemic was going to have on cat losses adds to pricing uncertainty.”

At the same time, the appetite on the part of investors has grown in a search for yield while they’ve also become increasingly selective about where they choose to put their money, Wong-Fupuy said. In fact, he said AM Best and Guy Carpenter jointly estimate capacity for the market is around \$485 billion, which includes almost \$90 billion of third-party capital.

“What we saw in 2020 is despite the fact that the market is well-capitalized, capacity hasn’t changed very much,” he said.

COVID-19 and the initial market reaction in late March and April of last year, coupled with falling interest rates took a toll on insurers across lines, said Colin Devine, operating partner, Health Catalyst Capital. Looking at new firms, whether reinsurers like Conduit and Vantage, or insurtech startups, there are two solidarities as he sees it: they don’t have legacy technology and don’t carry the financial burden of legacy liabilities.

For the industry, the conditions of recent years made reinsurance, business spin-offs or sales to private equity more attractive to primary carriers by allowing them to divest blocks and lines that otherwise aren’t running at profits they’d like to see. In some cases, the capital cost of maintaining them can be halved because they can operate at much lower RBC ratios, he said.

“The catalyst for that has been low rates and trying to get things off your books,” he said. “The



There was over \$300 billion in catastrophe losses against a reinsurance market capitalization of about \$600 billion. “That means basically that there’s loss-fatigue setting in and they were the conditions that enabled us to go to the stock market and say right now was the right time to start with a clean slate and get the company up and running.”

Neil Eckert
Conduit Re

decline in rates also exposes expense inefficiencies because they’re running these old legacy IT systems. So you’ve got to find another solution to try to keep yourself making money. In steps reinsurance, spin-off or private equity transactions.”

McKeown, of Vantage, has an expression he likes to use—flatter, faster and fiercer. Coupled with a sense of identity, that is what will distinguish the firm from older and larger competitors, he said.

“That will give us an advantage and we will not have expense being driven by legacy issues whether it’s legacy reserves, legacy technology, or legacy lines of business,” he said. “We will choose very selectively the lines we want to get into and we won’t try to be all things to all people.” **BR**



Innovation Through Integration: Legislation Should Help Open Access to Patient Data

Eight-year-old standard finds fresh life thanks to new legislation meant to ease access to patient data across the health care ecosystem.

by Gates Ouimette

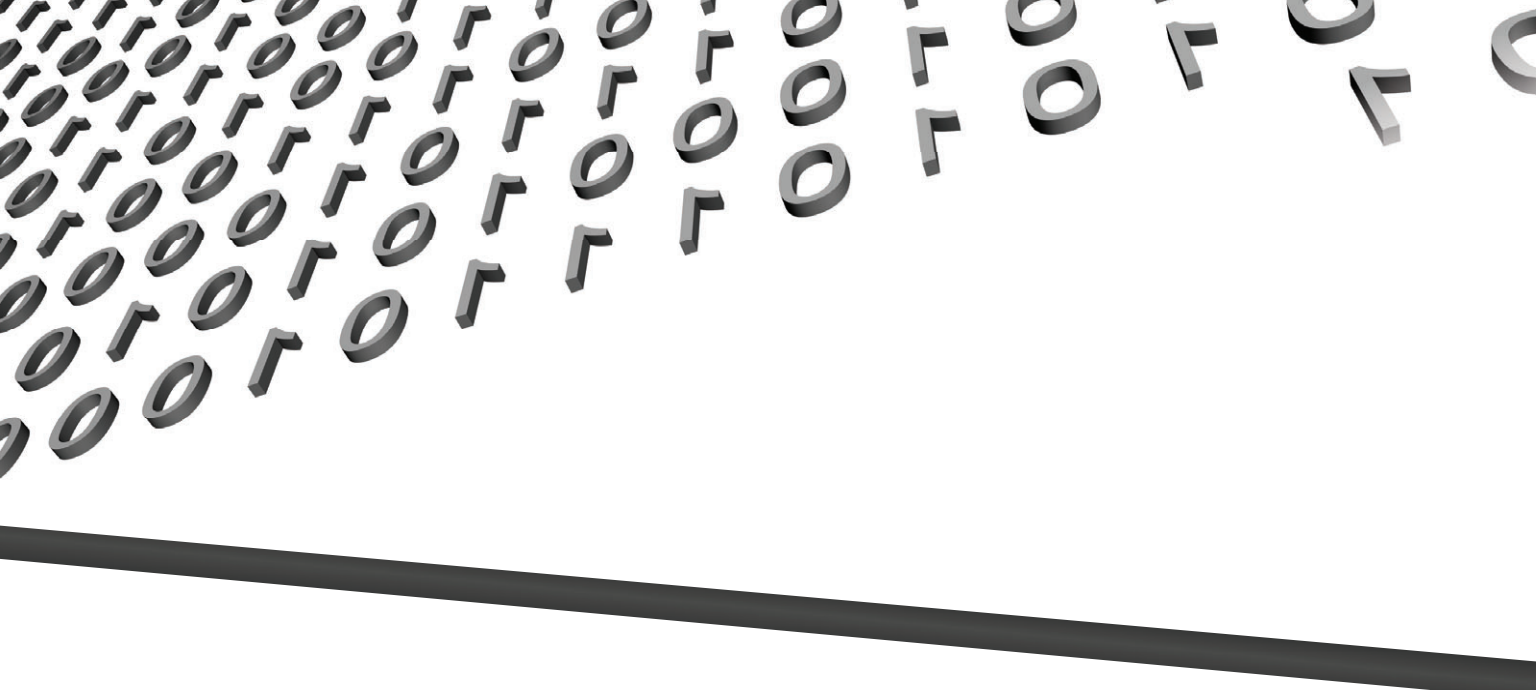
As the current U.S. health care model becomes less sustainable, with administrative costs negatively impacting the industry, the public's awareness of health insurance availability and affordability increases. The COVID-19 pandemic, with its rapid spread, varying symptoms and overall

unpredictability, has further accelerated this situation.

To specifically address a move from fee-for-service to a value-based care world, where patient outcomes will benefit, in 2020 the federal government passed legislation with short-term implications to providers and to payers. Despite having some short-term implications, longer term ramifications are significant. Combined, the CMS Interoperability and Patient Accessed Rule (CMS-9115-F) and the ONC 21st Century Cures Act are designed to increase access to patient data.

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Since insureds often have multiple providers, including primary care and specialists, patient records can be found in multiple systems in multiple formats. While hospital systems struggle to rationalize patient provider data within their system, adding to this complexity are patient out-of-system encounters.

Patient data is most often viewed as being held within a provider's electronic health record (EHR), but there is a significant amount of insureds' data held within payers' systems. Insureds' payers can change as often as they change jobs, not to mention changes from family members transitioning to their own insurance. With a typical insured's provider and network continually evolving, so are isolated instances of their data. The federal legislation is designed to eliminate "all of the above" types of data silos.

New Rules

Under this legislation, insurers have new requirements. Access to a payer's provider directory must be provided by an API (application programming interface); payers must allow other payers to access patient/claims data through a payer-to-payer exchange. A third piece required of payers is a patient access API, where insureds can easily access their claims data.

To simplify this any-to-any data sharing, the Fast Healthcare Interoperability Resources (FHIR) standard, created more than eight years ago by the Health Level Seven International (HL7) for data exchange, is increasingly relevant. A foundational technology, FHIR can be the vehicle for EHRs, digital health applications, and insureds/patients to use and exchange structured health care data.

In this newly "open" world for patient data, each individual payer can implement their interoperability as they prefer. Some may focus on compliance implications, and the potentially significant cost to be incurred by payers. Others may focus on more strategic designs for this requirement, taking more of a leadership role on using individual patient data to enable personalized health management.

This more strategic approach can help a payer better manage, and even drive down their costs for providing health insurance. By themselves hosting the patient access API, payers can use near real-time data to augment patient histories. Earlier diagnoses can alter the types of treatments used, driving down costs for the payers, improving health outcomes for patients and growing positive payer brand perception.

The evolving role of data in insurance innovation is important, said Charlie Sidoti, executive director of InnSure Corporation. As a 501(c)(3) not-for-profit organization focused on fostering innovation in insurance and risk management, InnSure's guiding principle is "building and connecting confidence." To achieve the requisite confidence within the insurance industry, data will play a critical role in how it helps industry constituents respond to disruptive forces. Nothing builds or breaks confidence as much as good or bad data, the company noted.

Going forward, the sharing of health care data will create new opportunities across the industry, and beyond health insurers to life writers and even to property/casualty insurers. Insurers considering the new possibilities, rather than focusing on privacy and cost concerns, can create the new normal with health care providers.

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"On High Alert: Rising Risks of PFAS Claims and Litigation Capture New Attention" reports on PFAS, or "forever chemicals," and the parallels between them and asbestos litigation. Some insurers are already creating stand-alone products and adding PFAS-related policy exclusions for losses stemming from drinking water contamination.

Cyberattacks can affect a range of coverages including business interruption and reputational risk. "Insurers Face Evolving Cyberrisk From Costly Hacks, Deepfake Attacks and Sophisticated

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On High Alert: Rising Risks of PFAS Claims and Litigation Capture New Attention

Some industry experts are seeing parallels between PFAS risk and asbestos litigation that for years hit insurers hard. Insurers are now reacting by creating stand-alone products and adding PFAS-related policy exclusions for losses stemming from drinking water contamination, environmental remediation, and products liability and bodily injury claims related to the “forever chemicals.”

by Lori Chordas

The number of lawsuits surrounding the use and disposal of per- and polyfluoroalkyl substances, or PFAS, is a growing concern for insurers.

In addition, industry experts believe the products liability and personal injury cases are only beginning and costly payouts may become the next asbestos litigation threat for carriers.

In December 2020, 11 local water districts in California filed a lawsuit in Orange County Court alleging that four PFAS manufacturers—DuPont de Nemours, The Chemours Company, 3M and Corteva, along with roofing products manufacturer Decra Roofing Systems—were responsible for potentially more than \$1 billion in cleanup and decontamination costs related to PFAS chemicals leaching into the districts’ groundwater and water systems.

It wasn’t the first time the companies have been brought into litigation over the use of the synthetic chemicals. In 2017, DuPont and

its spinoff Chemours reached a \$671 million settlement in roughly 3,550 personal injury lawsuits brought by citizens alleging they suffered health consequences from drinking water contaminated by chemical releases from a Parkersburg, West Virginia plant. The following year, 3M settled with Minnesota for \$850 million for contaminating groundwater with chemicals used in its Scotchgard products.

PFAS, dubbed “forever chemicals” because of their pervasiveness and inability to break down in the environment for decades or even centuries, have long been used in many personal, household and commercial products. Along with environmental concerns, the man-made chemicals—of which there are more than 7,000 compounds—pose a potential threat to humans and have been linked to health risks such as reproductive and endocrine development disorders, certain types of cancer, and liver and immunological issues.

Much like in the early days of lawsuits targeting companies manufacturing or binding asbestos fibers and other products containing large

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quantities of the carcinogenic fibrous silicate mineral, and the staggering impact those claims had on liability insurance—a legacy that still haunts insurers today, “we’re now seeing that once again with PFAS manufacturers,” said attorney and shareholder John Gardella of the law firm CMBG3 Law LLC.

U.S. property/casualty insurers have been hard hit by asbestos and environmental losses over the years, and in the past five years alone paid out \$16.1 billion for claims while incurring \$11.3 billion in losses, according to a 2020 Best’s Market Segment Report, *AM Best’s A&E Loss Estimates Remain Unchanged*.

So far, the wave of PFAS lawsuits—many of which have also resulted in costly losses and settlements—has largely centered on environmental cleanup and remediation. But Gardella said lurking on the not-so-distant horizon is the growing threat of PFAS-related products liability and personal injury cases that could also significantly impact insurers and their bottom lines.

PFAS were accidentally developed by chemists in the late-1930s, and over the years the oil- and moisture-resistant chemicals were widely used in the production of everyday products such as nonstick cookware, water-repellent clothing, cosmetics, stain-resistant fabrics and carpets, aqueous firefighting foam and food packaging.

While the manufacturing and use of two specific PFAS compounds—perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA)—were phased out of the U.S. nearly 20 years ago, PFAS still pose a significant threat in the nation due to their

Key Points

Risky Business: PFAS, which for decades were used in the manufacturing of thousands of common household and commercial products, have been linked to various long-term environmental concerns and potential health risks.

All Rise: Those risks already have spurred growing litigation alleging property, personal injury and other damages, and some companies are turning to insurers to help cover some of those costly losses.

On the Horizon: Some states have enacted rules around the use and disposal of PFAS, but there is limited legislation at the federal level. However, that could change with the new administration and the anticipation of a maximum contaminant level in drinking water by the EPA.

environmental persistence and continued use or import in many consumer-based products such as food wrappers and furniture protectants, said Jamie Langes, assistant vice president of Philadelphia Insurance Companies’ Midwest territory environmental division.

Also, inconsistent legislation around drinking water standards and PFAS disposal limits in some states, along with the lack of federal rules, add another layer of complexity and concern, Gardella said.

But he believes the new administration will soon change that. During last year’s presidential campaign, President Joseph Biden and Vice President Kamala Harris named environmental and PFAS-related issues two of their top priorities for the current term.

Rising Risk

As litigation surrounding PFAS continues to unfold, settlements have so far posted some big





As litigation surrounding PFAS continues to unfold, settlements have so far posted some big numbers, at well over \$1 billion just between 2018 and the end of last year.

Jamie Langes
Philadelphia Insurance Companies

numbers, at well over \$1 billion just between 2018 and the end of last year, Langes said. “With these large settlements occurring even before widespread regulation has been enacted in the United States, PFAS are posing many questions and casting uncertainty on the costs to insurers and clients alike regarding future costs for this pervasive group of compounds.”

The challenge for insurers now is trying to put a monetary value on the potential risk—something Gardella calls a difficult task with “results so far being all over the map.”

One certainty, he said, is that no one is immune to the problem, “and even companies of any size that think they don’t have anything to worry about may very well be brought into a suit.

“Some of our clients are now receiving violation notice letters in the mail saying, ‘Years ago we believe your business put PFAS in the water and

you are now responsible for cleanup costs to rectify the problem.’ Also, the EPA and state agencies are issuing fines and penalties to companies they feel are egregious polluters,” Gardella said.

Only recently has the U.S. Environmental Protection Agency identified PFAS as a known hazard, said Timothy Fletcher, vice president and senior emerging issues specialist at Gen Re, who also noted testing for PFAS contamination historically has not occurred “at locations where they’re known to exist.”

But in recent years some states have begun taking regulatory action to help change those and other concerns by enacting remediation protocols and drinking water standards and banning firefighting foams and other PFAS products. Last August, California became the first state to ban certain chemicals, including 13 different kinds of PFAS, from cosmetics and personal care products manufactured and sold in the state. The following month, California regulators passed yet another law banning the manufacture, sale and use of PFAS firefighting foam in most applications beginning Jan. 1, 2022.

Gardella also soon expects some big changes at the federal level, including the possible issuance by the EPA of a maximum contaminant level and a National Primary Drinking Water Regulation for PFOS and PFOA to the Safe Drinking Water Act by year end.

But he’s concerned such a rule could lead to even more costly violation and cleanup notices, business interruption headaches and PFAS-related litigation for, as he noted in a recent *National Law Review* article, “businesses of all types that fail to prepare and assess the multitude of ways that their practices (whether intentional/known or not) are contributing to PFAS pollution in drinking water sources.”

Those concerns also are signaling a red flag for insurers, which, Gardella said, could be on the hook for some of those potentially costly losses. As a result, he added, it’s “starting the coverage cogs to turn to determine whether or not there will be coverage for violation notices and EPA issues.”

For years, companies have tried to trigger general liability policies for pollution-related losses. But in 1986, the insurance industry took some steps to protect itself against some of those risks by introducing an absolute pollution exclusion to general liability policies that “forecloses coverage for pollution-related incidents,” said Philadelphia Insurance’s Langes. “With the advent, evolution and offering of a pollution-based insurance market over



the last 30-plus years, and the prohibition of many claimants from accessing general liability programs for PFAS contamination, modern environmental programs potentially have significant exposure to claims arising from PFAS.”

The issue of coverage dates was the focus of cases such as the 2018 lawsuit, *Continental Insurance Co. vs. Honeywell International*, in which the New Jersey Supreme Court held that it was unfair to penalize the insured for not having insurance after 1986 when that coverage was not available, according to an article on the law firm Anderson Kill’s website. As a result, the article

said, the court held that the insurers from 1980 to 1986 “were liable for the entire exposure, with no allocation to the insured for the uninsured years.”

Recently, some carriers have been trying to get ahead of the impending wave of PFAS-related litigation by creating standalone products or, Gen Re’s Fletcher noted, adding PFAS exclusions to new and renewal quotes for properties they suspect have PFAS or are adjacent to properties with known PFAS presence.

When it comes to pollution liability coverages, he said, some contain “wording unique to a specific industry or insured or exclusions such as the ‘expected or intended’ exclusion or those typically

A Peek Inside PFAS

Look around. Per- and polyfluoroalkyl substances, commonly known as PFAS, are everywhere. In your carpet. In your stain- and water-repellent clothing. In your nonstick pans. In your microwave popcorn bags and fast-food wrappers. And even in many of your cosmetics, cleaning products and dental floss.

But what are these troublesome toxic chemicals that are increasingly grabbing headlines and spurring litigation surrounding the widespread contamination of drinking water sources, environmental remediation and a growing host of other issues?

According to the U.S. Environmental Protection Agency, PFAS are a group of man-made chemicals that includes PFOA, PFOS, GenX and other chemicals that have been manufactured and used in various global industries since the 1940s. Here are some other facts about PFAS:

- For decades the chemicals were widely used in the manufacturing of many everyday products, such as Teflon and Scotchgard, because of their ability to repel water, resist heat and protect surfaces.
 - 3M began manufacturing two types of PFAS—PFOA and PFOS—in the 1950s for product applications. The following decade, the U.S. Navy, with support from 3M, developed firefighting foams using PFAS.
 - PFAS are different from other chemicals because their strong carbon-fluoride bonds don’t break down in nature and can accumulate over time, therefore potentially leading to adverse human health effects such as increased cholesterol levels, changes in liver enzymes, increased risk of kidney and testicular cancer, decreased vaccine response in children and increased risk of high blood pressure or pre-eclampsia in pregnant women.
 - It’s widely believed that nearly every American has PFAS in their body.
 - In a recent article posted on Royal Society of Chemistry’s website, toxicologists are concerned that exposure to PFAS can increase an individual’s likelihood of developing severe COVID-19, and could diminish the effectiveness of the coronavirus vaccine.
 - PFAS contamination is a widespread problem. As of March 2019, at least 610 locations in 43 states were known to be affected by PFAS contamination, including drinking water systems serving roughly 19 million people, according to data analyzed by the Environmental Working Group and Northeastern University.
 - Earlier this year, the EPA took two preliminary actions toward regulating PFAS in U.S. tap water. Among those actions includes committing to set legal limits for the two most notorious PFAS compounds and to test public water systems for more than two dozen others, according to the nonprofit Environmental Working Group.
- Sources: 3M and PFASfacts, Agency for Toxic Substances and Disease Registry, Centers for Disease Control and Prevention, U.S. Environmental Protection Agency, Environmental Working Group



The challenge for insurers now is trying to put a monetary value on the potential risk—a difficult task with “results so far being all over the map.”

John Gardella
CMBG3 Law LLC

seen as to criminal fines and injunctive relief.” Fletcher expects that as those issues develop, “insurers will also likely look at other coverage issues, such as whether there is bodily injury as defined by a policy. That’s significant since many suits include claims for medical monitoring. Other factors will be similar to that seen in prior environmental litigation, such as trigger and allocation, or determining when injury from PFAS took place.”

But making determinations like that, along with concluding when the chemicals were released into the environment or to whom the finger of blame should be pointed, continues to be a challenge for litigators and others because of the longevity of PFAS in the environment.

“That’s something we’ve been doing a lot of work on,” said Adam Grossman, a senior scientist and vice president of modeling at science-based data analytics firm Praedicat. “We have a framework that classifies emerging risks into three phases—emerging interest, emerging damage and emerging litigation. PFAS falls into the latter. One thing we do for agents in that category is build scenarios.”

He said the scenarios estimate economy-wide and company-level losses related to PFAS water cleanup by assessing how PFAS were used over time, whether it was released directly from manufacturing or indirectly from products later in their lifecycles. “We also explore different ways that liability could be apportioned across companies and industries. These estimates also provide one possible way that those losses could be attributed to historical policy periods. For example, we’ve determined that around half of losses related to Teflon manufacturing are due to activities before 1986. For textiles, that number is closer to 20%.

“So if a carrier insured a company, let’s say a

sportswear company, from 1950 through the 1980s the insurer might still be responsible for some losses even if the pollution exclusion post-1986 holds,” Grossman said. “At the end of the day insurers and their insureds need to estimate the total potential cost of litigation, how its spread through the economy affects who might pay and how insurance may respond.”

New Concerns

While litigation surrounding drinking water contamination and environmental remediation continues to grab national headlines, Gardella raises an important question: What about the thousands of other everyday products that contain PFAS?

“It’s only natural that once the plaintiffs bar realizes these chemicals were used in so many different types of products and have been linked to several types of serious health issues they’ll start to target other downstream players for personal injury and products liability suits,” he said.

There’s already been a number of those cases, including a recent class action lawsuit in Peshtigo, Wisconsin. In January, Johnson Controls’ subsidiary Tyco Fire Products settled a lawsuit with more than 270 homeowners for \$17.5 million over claims that their drinking water was contaminated by PFAS used by Tyco to test firefighting foam. According to reports, \$15 million of the settlement will be allocated for class-wide claims such as property damage and the remainder will go to individuals diagnosed with health conditions such as thyroid disease, ulcerative colitis and testicular cancer.

In another case, reports cite that last year Martha’s Vineyard Airport was in the process of finalizing a proposed \$136,000 insurance settlement that would cover investigative costs related to the discovery of PFAS in firefighting foam used



to extinguish jet fuel and other flammable liquid fires. In February 2020, the airport entered into a multidistrict lawsuit against aqueous film forming foam manufacturers to try to recoup remediation costs involved with testing wells in the affected area.

Gardella expects that within the next five years there will be more product liability and bodily injury cases against manufacturing companies that use PFAS as a component of their products, potentially submerging companies under a wave of costly financial burdens and business interruption issues.

Grossman agrees, “So far we’ve seen bodily injury lawsuits from highly exposed individuals like firefighters, but scientists are continually studying how our health is affected by PFAS. Evidence could accumulate showing that lower-dose but longer-term exposures also cause bodily injury. That scientific development would likely lead to lawsuits claiming bodily injury from a wide variety of exposures, including food packaging, cosmetics and building products.”

An Eerie Reminder

For some in the industry, the rise of PFAS litigation is an eerie reminder of another environmental concern that just a generation ago hard hit the industry in terms of claims and costs.

“In the 1980s, if you had asked any attorney doing asbestos litigation if they could envision a day when roofing and shingle manufacturers would be brought into litigation for personal injury they would have thought you were crazy,” Gardella of CMBG3 said. “But that’s where we are today, and I see no reason why it will be any different for PFAS litigation.

“Personal injury claims now are trickling down to some of the higher exposure products like firefighting foam. But the next step is what happened in asbestos litigation where once insulation manufacturers went bankrupt or bowed out of litigation they moved onto other products that contained smaller percentages of asbestos components, and that’s where litigation is today,” he said.

One of the biggest concerns now for insurers is the uncertainty that still surrounds PFAS, and Gardella expects it will take some time before many of those questions are answered.

One of those unknowns, he said, is what the Comprehensive Environmental Response, Compensation, and Liability Act will mean for future PFAS-related litigation.

“The EPA will tackle whether or not PFAS can be designated as a hazardous substance under the Superfund law. And if and when a designation passes, which could occur under the Biden administration, that’s massive because it opens up many regulatory requirements for companies emitting PFAS into water, air or soil,” Gardella said. “Also it opens them up to regulatory investigations for contamination of any of those sources that can lead to fines, penalties and potential suits for remediation. That could be a huge trigger to many insurers and their insureds.”

As insurers gear up for what’s to come, Philadelphia Insurance’s Langes offers them a word of advice: Be cautious. “Strong underwriting will always be something that insurance carriers need in their toolbox. Without it, we cannot ensure fiscal viability to policyholders,” she said. “So as we move forward, not just with PFAS but in this overall litigious environment, insurers need to be cautious with their underwriting and disciplined for ensuring an understanding of client exposures.”

Langes added it’s also important for insurers to remain on the cutting edge of change. “Historically, insurance has largely been reactionary, but lessons learned along the way show we need to be more proactive and understand what the next chemical concern will be so we can tailor risk management strategies and policies to accept some—but not all—of that risk as the regulatory and legal environments evolve,” she said.

While each new year brings a rash of new PFAS-related lawsuits, Gen Re’s Fletcher said the industry is still in “the very early stages of a litigation saga that will take many years to play out.”

He anticipates that as “better” scientific data that links PFAS to adverse health consequences comes to the fore, it will accelerate the pace and cost of litigation. “Conversely, the lack of such data may temper the litigation. Regardless, there will be growing societal pressure to remediate our water supplies, and the cost to do that will be in the billions. And much like with environmental and asbestos litigation, policyholders and plaintiffs will be looking to the insurance industry to pay for some of that.”

That’s why it’s important, Fletcher said, for insurers to begin identifying which policyholders have used or had PFAS on site, the locations in which those activities took place and the coverages and policy years that may be triggered. **BR**

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Turning Points

The past is a foreign country: they do things differently there.
(L.P. Hartley, *The Go-Between*)

We're not sure why, but we seem to be pretty big on theories around here. One of them is that it's only on rare occasions that we're acutely aware of historic moments. They often blow right by us without impressing us with their significance. Then we read some later accounts of those things and say, "Oh, yeah. I remember that."

The coronavirus pandemic constitutes one of those rare moments. And it has us thinking about that famous quote from L.P. Hartley. It also has us thinking about three other things:

- The so-called new normal
- Best practices
- Thomas Kuhn.

First, the notion of a new normal, of course, suggest the existence of an old normal. And that, to varying degrees, suggests stasis — a set of circumstances, unchanging, in which we do or think about things in a particular way. Since nothing in the world is unchanging, that suggests any notion of an old normal was a fallacy. At the very least, it was necessarily temporary.

Second, and by the same token, best practices also reflect stasis — a kind of settling for inactivity or unimaginativeness, rather than a relentless search for active improvement or creative betterment. While the phrase, best practices, has become almost required in business vernacular, touting it can imply we've settled for some degree of complacency.

Hello, Paradigm

Third, in his 1961 book, *The Structure of Scientific Revolutions*, Thomas Kuhn wrote this, which, one could argue, introduced the term, paradigm (which later became a buzzword), into the vernacular:

Paradigms gain their status because they are more successful than their competitors in solving a few problems that the group of practitioners has recognized as acute.

That one sentence applies to the new normal and the old normal, and it presages the notion of best practices, even as it suggests best practices are, by definition, temporary; that is, we recognize that one paradigm or set of paradigms may be adopted to solve one particular problem or one particular set of problems. It also tells us the success of the paradigm has been perceived and accepted in hindsight. Accordingly, and similarly, we can perceive a set of activities to be a best practice only in retrospect. That's why, later in the book, Kuhn writes this, indicating that — rather than looking to the past to derive practices in the present — we might look to the future; that is, we can choose to pursue, rather than to make do:

If we can learn to substitute evolution-from-what-we-do-know for evolution-toward-what-we-wish-to-know, a number of vexing problems may vanish in the process.

And that brings us back to the coronavirus pandemic and the new normal.

Ready Is as Ready Does

Under the constraints of the pandemic, we're replacing what we were doing for what we want, need, or aspire to be doing. The good news is we'll always be improving. The bad news is we're demonstrating that best practices and new normal might not be good things because they have obsolescence built in.

That brings us back to historic moments and the coronavirus. We have to find our way to becoming efficiently productive outside of the office and generating new sales activity. We're not the only ones doing that. We can't be. As human beings, we're creatures of creativity. We think. We adapt. We evolve. We grow and change. We develop better ways of doings. We chafe at restraint and aspire to ideals. So, best practices become yesterday's news; and our quest for improvement never ends. It's the way of the world and exactly as it should be.

We used to do things differently in the past. That was then. This is now. The coronavirus was the turning point.

Are you ready?


 A large, white, three-dimensional sign for SolarWinds is mounted on a building. The word "SolarWinds" is in a dark blue, sans-serif font. To the right of the text is an orange logo consisting of three stylized, overlapping shapes that resemble a flame or a fan. Below the main sign, on a lower level of the building, is a white geometric logo consisting of several intersecting lines forming a diamond-like shape.

Insurers Face Evolving Cyberrisk From Costly Hacks, Deepfake Attacks and Sophisticated Ransomware

Because cyberattacks can affect a range of coverages including business interruption and reputational risk, insurers are forced to constantly update their coverage tactics.

by Eric Zeman

Early estimates for insured losses associated with the December SolarWinds hack are pegged at about \$90 million, according to security ratings firm BitSight. This figure may be low, however, as the full extent of the attack is still unfolding. According to Microsoft President Brad Smith, SolarWinds is “the largest and

most sophisticated attack the world has ever seen.” What happened?

Hackers, believed to be Russian, breached utility software from SolarWinds Corp. The compromised Orion network monitoring software was later downloaded by some 18,000 SolarWinds customers, many of which were government entities. The hackers were able to tunnel into the systems of those customers and access things such as emails from the United States Commerce, Justice and

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CYBERATTACK: Russian hackers targeted SolarWinds network software because it was used by government entities. The result? Some 18,000 customers' data was exposed to criminal intelligence gatherers.

is no reliable historical or result-oriented data that can be used to estimate losses. Every cyber incident is unique," he said.

That's what makes them so worrisome.

Evolving Landscape

Cyber is a dynamic risk that knows no customer boundaries or geographic borders. Moreover, cyberattacks have wide-ranging implications for businesses, including business interruption, data loss and potential third-party liability as well as reputational risk, said Lori Bailey, global head of cyberrisk at Zurich Insurance Group. "As both the frequency and severity of cyber incidents increase, it will be important to provide support in building resilience, strong response services and relevant coverage for customers."

Unlike other lines of business where the risk landscape stays relatively static, the cyberrisk landscape is continually evolving. For instance, artificial intelligence and machine learning are aiding social engineering and deepfake attacks at the same time the threat from ransomware and cloud provider outages are rising.

The different types of attacks, techniques and impacts all have an ability to change the coverage and policies being offered. For this reason, cyberrisk insurance coverages and policies will need to be updated constantly.

Brittany Baker, director of technical sales at CyberCube, a cyber data analytics company, said the changing regulatory landscape doesn't help. "As new regulations are introduced, coverages may be adjusted to reflect these changes. We've seen this in the past with increased data breach notification regulations leading to the creation and take-up of coverages that indemnify insureds for the cost of notifying customers in the event of a breach."

Zurich's Bailey says cyber insurance has so far kept pace with the changes in technology, regulation and customer demand. This has led to many extensions and broadening of coverage on cyber policies. Though capacity has been reduced in recent months thanks to the jump in frequency and severity of incidents, the cyber insurance market is meeting its customers' needs, according to Bailey.

Key Points

An Evolving Problem: Cyberrisk is continually changing and evolving as more sophisticated tools fall into the hands of criminals.

Security Is Paramount: Insurance companies need to pay attention to their own security best practices, as well as the practices of their insureds to minimize risk.

Balancing Needs: As cyberattacks lead to greater losses, insurers have to strike the right balance between providing coverage and managing losses.

Treasury departments. U.S. intelligence agencies believe, for the moment, that the SolarWinds hack was meant to gather intelligence rather than to cause destruction or seek money via ransomware.

SolarWinds software was used by thousands of public and private organizations around the world, which points to the gravity and potentially catastrophic nature of the losses, either economic or insured, noted Fred Eslami, associate director North American property and casualty, AM Best. "Unlike natural catastrophes for which we have historical data and information, for cyber there



“Unlike natural catastrophes for which we have historical data and information, for cyber there is no reliable historical or result-oriented data that can be used to estimate losses. Every cyber incident is unique.”

Fred Eslami
AM Best

Cyber insurers have been forced to reckon with this change in various ways, according to Thomas Johansmeyer, head of PCS, Verisk. Historically, cyber was a buyer's market. Pricing was generally considered to be attainable. As a result, returns relative to the capital provided were seen as a bit slim. “Over the past couple of years, 2020 in particular, the increase in cyberattacks, particularly ransomware, alongside increased market penetration has unsurprisingly led to increases in insured loss,” said Johansmeyer. When companies see an increase in loss they have to consider both the prices and the protection, and the amount of capacity they are going to allocate to it.

For example, Beazley plc Chief Underwriting Officer Adrian Cox expects the highest rates changes in Beazley's book in cyber insurance this year. “The market is moving very fast” and is “the most dislocated one we have at the moment,” Cox said during a February earnings call.

As insureds seek more coverage, carriers need to better understand their exposure and adjust their

risk management techniques. One impact this has had is the increased attention and the tightening of wording in noncyber lines of business to decrease exposure to silent cyber.

Lurking Danger

The top two cyber risks facing insurers are social engineering attacks and cloud outages, whether forced or incidental, said CyberCube.

Insurers need to pay particularly close attention to social engineering and “ensure that the risk management frameworks, security strategies, analytics tools and catastrophe models take this emerging threat into consideration,” said Darren Thomson, head of cybersecurity strategy at CyberCube.

Advances in artificial intelligence and machine learning will, unfortunately, supercharge social engineering techniques, such as phishing, and increase the impact of these attacks. “Social engineering is often used to open up opportunities for ransomware and destructive malware. Advances will likely cause these attack types to increase in severity,” noted Thomson.

Cloud provider outages are another cyber risk that can take down large portions of the internet and the businesses that rely on those servers. For example, Amazon AWS suffered an outage in November for several hours that impacted a number of companies, including 1Password, Autodesk, Coinbase, Glassdoor, Flickr, Pocket, RadioLab, Roku, Vonage as well as several newspapers. Luckily it was a short outage, relatively speaking.

“Looking at this through the lens of cyber insurance, most coverages typically come with an eight- to 12-hour waiting period retention, which an insured must bear before coverage applies,” explained Thomson. “So, ‘disaster,’ at least from an insurance perspective, hasn't really occurred in the cloud yet.” CyberCube believes a 16-plus hour event—most likely caused by malicious actors—will happen at some point in the next five years and will lead to major loss accumulation on a national scale.

Zurich agrees with this basic position. It sees the increased use of cloud technologies and remote work taking greater prevalence in terms of cyber risk. Zurich's Bailey said, “Whether assessing technological interdependencies with the supply chain or building contingencies into risk management response plans, this is a risk that all companies face and must address.”

Historically, insurers in the cyber category have relied heavily on reinsurance. Verisk estimates there



“Over the past couple of years, 2020 in particular, the increase in cyberattacks, particularly ransomware, alongside increased market penetration, has unsurprisingly led to increases in insured loss.”

Thomas Johansmeyer
Verisk



are \$5 billion in global cyber premiums and it believes the cyber reinsurance premium is around \$2.5 billion worldwide. “So a lot of reinsurance gets purchased,” said Verisk’s Johansmeyer. “Insurers haven’t held as much of the risk as you might think.”

Ransomware a Zero Sum Game?

Ransomware forces victims to gamble. Do

insureds pay the ransom to regain access to their systems or call the perpetrator’s bluff? That’s a question the City of Baltimore faced.

In 2019, Baltimore was hit with a ransomware attack wherein hackers accessed city systems and locked city employees out. Baltimore chose not to pay the \$80,000 ransom demanded by the attackers. As a result, it cost the city some \$18 million in

Deepfakes Are No Laughing Matter

Deepfakes are a relatively new phenomenon and companies are struggling to understand what they are and how to assess their true risk and exposure.

Deepfakes rely on artificial intelligence to manipulate recorded audio and video. The first applications targeted movies, mostly for entertainment purposes. Recently, however, deepfakes have been used to alter facts and details, and spread misinformation.

“This makes deepfakes a real dangerous tool, and obviously social media is making them more vicious as this medium can spread deepfakes much faster,” said Fred Eslami, associate director North American property and casualty, AM Best.

Deepfake and related technologies will initially spread from video and will be a major contributor to digital identity theft, predicts Darren Thomson, head of cybersecurity strategy at CyberCube. “Targets will likely include executives with the power to initiate and approve wire transfers.” Politicians and other public figures are also on deck for attacks.

Fraudulent money transfers due to social engineering and other cyber techniques are already on the rise. Deepfake technology will only increase the odds of successful cyberattacks

because people often believe what they see on video and hear via audio, according to CyberCube.

For example, in March 2019, criminals used artificial intelligence-based software to mimic the voice of a chief executive and then demand a fraudulent transfer of €220,000 (US\$243,000). The criminals were successful.

The real question is how to cover deepfakes. Best’s Eslami says, “Whether or not deepfakes are covered under cyber (identity theft), CGL, E&O (crime) or the media liability policies that were designed with social media exposure in mind, is a tricky question. It remains to be seen how policy language will be evolving and changed over time to cover or exclude the deepfakes.”

Lori Bailey, global head of cyber risk at Zurich Insurance Group, said risk managers should ensure that a comprehensive security awareness training program is in place to educate employees at all levels about such tactics and ensure that steps are taken to validate identities of individuals to avoid falling victim to such schemes.

“At the heart of it, the deepfakes are really frightening,” concluded Best’s Eslami, “as they have the potential of threatening our social and political fabric as well as financial structure.”

Best's Rankings

US P/C Industry – Top 20 Cyber Insurers, 2018-2019

(\$ millions)

Rank		Company Name	2019 DPW	2018-2019 DPW Change (%)	Market Share (%)	% of Cybersecurity DPW	
2018	2019					Standalone	Packaged
1	1	Chubb INA Group	356.9	9.5	15.9	0.4	99.6
2	2	XL Reinsurance America Group (AXA XL)	229.7	-10.2	10.2	100.0	0.0
3	3	American International Group	225.8	-2.9	10.0	99.5	0.5
4	4	Travelers Group	178.5	22.1	7.9	80.7	19.3
5	5	Beazley USA Insurance Group	150.9	36.0	6.7	93.8	6.2
7	6	AXIS US Operations	97.3	28.0	4.3	51.0	49.0
6	7	CNA Insurance Companies	94.7	13.6	4.2	16.9	83.1
8	8	BCS Financial Group	76.1	9.4	3.4	58.7	41.3
9	9	Liberty Mutual Insurance Companies	68.4	2.8	3.0	43.4	56.6
14	10	Fairfax Financial (USA) Group	65.1	70.4	2.9	99.8	0.2
12	11	Hartford Insurance Group	57.5	28.7	2.6	13.5	86.5
10	12	Tokio Marine US PC Group	52.6	10.7	2.3	66.9	33.1
13	13	Sompo Holdings US Group	49.7	22.3	2.2	47.1	52.9
11	14	Zurich Insurance US PC Group	49.2	6.8	2.2	88.4	11.6
15	15	Berkshire Hathaway Insurance Group	31.2	8.8	1.4	38.8	61.2
19	16	W. R. Berkley Insurance Group	23.9	23.1	1.1	72.8	27.2
20	17	The Cincinnati Insurance Companies	21.7	29.0	1.0	0.0	100.0
18	18	Aspen US Insurance Group	19.6	-7.8	0.9	99.0	1.0
16	19	Markel Corporation Group	19.5	-13.2	0.9	57.0	43.0
23	20	Alleghany Corporation Group	19.3	45.4	0.9	66.8	33.2
Top 5			1,141.8	6.6	50.7	66.0	34.0
Top 10			1,543.4	9.1	68.6	61.4	38.6
Top 20			1,887.5	10.1	83.9	58.2	41.8
Total P/C Industry			2,250.9	11.9	100.0	54.6	45.4

Ranked by 2019 total standalone and packaged cybersecurity direct premiums written.

Source:  BESTLINK

fees for new computer hardware, lost revenue and remediation efforts.


“Why don’t we just pay the ransom?” posed Mayor Bernard C. “Jack” Young in a televised press conference in June 2019. “First, we’ve been advised by both the Secret Service and the FBI not to pay the ransom.” (This is the official position of the federal government.) “Second, that’s just not the way we operate. We won’t reward criminal behavior.” Perhaps most importantly, “If we paid the ransom, there is no guarantee they can or will unlock our system.” Baltimore officials believed the city would still be on the hook for the remediation costs even if it paid the ransom.

The right approach isn’t always so easy to see. “If your operation is halted because of the ransomware, I don’t think you have any choice,” said Best’s Esلمي. “Look at hospitals. If the attack is going to kill patients, you go and you pay the ransom.”

Ransomware claims have been increasing in both frequency and severity over the past few years, noted CyberCube’s Baker. “While there are simple, straightforward cyber hygiene best practices to

incentivize in their insureds, insurance carriers and risk managers should understand that this risk can occur across many industries and company sizes.”

Even those insured companies that don’t have a lot of direct exposure to cyber risk may be reliant upon software and technology that appeal to certain types of attacks. The SolarWinds hack and Amazon AWS outage are prime examples. “When these major targets, known as single points of failure, experience ransomware events there is the potential for major cascading impacts across an insurance carrier’s book of business,” said Baker.

The increased prevalence of ransomware incidents means insurers are looking much more closely at risk controls and network security management as well as how quickly an organization can restore capabilities if its systems are compromised in an attack, said Zurich’s Bailey. From a risk management perspective, focus areas should include protective controls, monitoring and employee awareness as well as backup and recovery measures to minimize the impact of any ransomware event. 



D&O Writers Brace for Wave of Costly Diversity Lawsuits

Shareholder derivative lawsuits that target boards' failures to act on diversity goals could steam roll directors and officers lines of business.

by Renee Kiriluk-Hill

An already stressed directors and officers line is facing even more challenges as the Black Lives Matter movement that gained steam in the summer of 2020 spurs a spate of diversity lawsuits.

Costly shareholder derivative lawsuits charging boards of directors with failing to diversify have been filed against major companies and could

Renee Kiriluk-Hill is an associate editor. She can be reached at reneekiriluk-hill@ambest.com.

■ Key Points

What's Happening: Costly shareholder derivative lawsuits charging boards of directors with failing to diversify have been filed against major companies and could become a megatrend.

Perspective: Observers compare the diversity awareness trend to the earlier #MeToo movement against sexual abuse and sexual harassment.

What to Expect: D&O insurers will take a more active role by asking their insureds diversity questions that previously weren't part of their underwriting considerations.



“When it comes to diversity, corporations should realize that staying still is not an option, and so the best way forward for them is to manage diversity and inclusion proactively. Diverse corporations perform better and are well-integrated with their environment.”

Sridhar Manyem
AM Best

become a megatrend, according to observers.

Diversity now factors into a carrier’s ultimate decision to provide coverage or walk away, said Sarah Downey, Marsh/JLT Specialty D&O liability product leader. “I don’t know if it will play out into rate; rates are already very high for a number of reasons.”

D&O pricing for public companies rose more than 50% in the third quarter, Downey noted, and more than 90% of Marsh clients renewed at higher rates. Coverage is narrowing in the United States and London markets, reducing limits and increasing deductibles, and the situation isn’t likely to improve anytime soon, she said.

Public companies have been hit with hundreds

of securities suits over each of the past four years. The pricier derivative suits are becoming more frequent, and they’re increasingly seeking compensatory damages—not just attorneys fees and governance changes, Downey added.

Observers compare the diversity awareness trend to the earlier #MeToo movement against sexual abuse and sexual harassment.

Regardless of the impetus, racial and gender diversity is a vital topic, “top of mind this year for many people, especially in the corporate world,” Downey said.

It’s a difficult factor to underwrite. “I don’t expect D&O insurers will tell potential insureds what they need to do with their own board. They will ask diversity questions that I don’t think were previously asked ... taking more of an active role.”

Diversity a Top Three Concern

Diversity lawsuits are a potential megatrend, Goldberg Segalla partner Eric Fitzgerald said, calling them a top three concern for D&O insurers this year, alongside climate and the COVID-19 pandemic.

The lawsuits may target corporate inaction, but businesses that pledged commitments to diversity are particularly vulnerable if they don’t follow through with appropriate action, Fitzgerald added.

A shareholder derivative suit filed against Facebook includes quotes from the social media giant’s founder, Chairman and Chief Executive Officer Mark Zuckerberg, about caring “deeply about diversity,” and the company’s 2020 proxy statement, “We have an obligation to build a culture of inclusion where everyone can thrive.”

However, the complaint charges, Facebook’s approach to diversity has been “characterized by tokenism: Make a small gesture to satisfy appearances, but don’t make any underlying substantial change. The message at Facebook is set at the top—by Zuckerberg” and other board members. It claims the company’s directors have also “long failed” to curb hate speech posts targeting Black people and minorities. “Platitudes in proxy statements are not progress,” it said.

Observers noted a string of corporations face similar shareholders derivative lawsuits, including Oracle, Qualcomm, The Gap and Cisco.

The Gap lawsuit alleges that certain directors and officers “breached fiduciary duties and



benefited from unjust enrichment, among other allegations,” said Sridhar Manyem, AM Best director of industry research and analytics. And the number of suits could grow “significantly,” subsequent to California’s enactment of a bill requiring public companies headquartered there to have a minimum of one director from an underrepresented community by 2021, while a company with nine or more directors must appoint at least three such directors by the end of 2022.

Other states are starting to address the issue, but California’s action is the “only one that has some teeth in terms of how they’re defining diversity,” said Kimberly Blair, a Wilson Elser partner focused on professional liability, D&O liability, insurance coverage and bad faith matters.

The state defines underrepresented communities as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, Alaska Native, gay, lesbian, bisexual or transgender.

In nearby Washington state, an act took effect last year requiring that at least 25% of public company boards consist of individuals who self-identify as women.

Gender diversity is starting to play an important role in environmental, social and governance issues, said Manyem, who noted institutional investors such as Vanguard are “implementing rules for proxy voting where a board fails to meet diversity expectations.”

Courts hearing corporate diversity lawsuits will look to such moves, Blair said, and insurers should do the same and take a proactive rather than reactive approach to underwriting D&O, even if lawsuits on prior coverage are inevitable.

Preparedness Is Key

Fitzgerald said diversity may not have been a D&O issue five years ago, but now it’s coming on fast, and insurers need to be prepared.

Goldberg Segalla partner Al Alikin said courts will define “adequate” diversity in different ways. “As in many regular civil cases, it is specific to the location where you’re at. The jury is your community, your peers. Those are the folks determining liability.”

He foresees a tide of such lawsuits. “We’re still at the early stages of the reckoning,” Alikin said.

Underwriting and pricing coverage may be

complicated, but insurers know their trade. What carriers can’t do is anticipate a sudden change in direction, like when environmental general liability written to cover slips and falls “all of a sudden became waves and waves of environmental suits,” he said.

The greatest loss risk rests with companies that, akin to #MeToo liabilities, try to conceal a diversity-related problem. “It’s one thing to have something bad happen,” Alikin said, but suppression attempts by leadership or boards expose the company to punitive damages. “People hate you for what you’re trying to cover up.”

In his D&O blog, RT ProExec Executive Vice President Kevin LaCroix has written about derivative lawsuits, including one filed in July against computer software company Oracle.

He cited the complaint’s assertion that Oracle’s board is “one of the few remaining publicly traded companies without a single African American director,” and that directors “repeatedly made gross misrepresentations in the company’s public statements by claiming to have a multitude of policies, internal controls and processes designed to ensure diversity both at the management level and the board itself.”

Alikin acknowledges the multiple layers of distributors in the industry but said carriers should enact more robust application processes before they agree to bind a policy.

“Did you ask the right questions in the application process?” he said. “Policyholders obviously want the coverage, but they have an obligation to be truthful when asked a certain question.” An insurer can use the answers to raise a premium, or to ensure they’ve done due diligence, said Alikin.

Manyem stressed the need for action. “When it comes to diversity, corporations should realize that staying still is not an option, and so the best way forward for them is to manage diversity and inclusion proactively. Diverse corporations perform better and are well-integrated with their environment.”

AM Best Associate Director David Blades in November said D&O market conditions had hardened following “years of depressed rates due to capacity-driven competition that led D&O insurers to suffer growing underwriting losses in the past few years.”

BR

Praesidium CEO: Risk Management Is Key to Preventing Child Abuse Claims

As claims grow due to changes in statute of limitations laws, insurers are raising underwriting standards and providing their insureds assessment resources to meet those requirements.

by John Weber

Insurers are focusing on risk management, while raising rates and lowering limits on child abuse and molestation coverage, said Aaron Lundberg, president and chief executive officer, Praesidium. When it comes to abuse and

molestation, new challenges are coming into focus as the new wave of historical allegations continues, he said during an interview with AM Best TV.

Following is an edited transcript of the interview.

What has the role of the insurance industry been in the sector, and how is that changing?

Praesidium is a risk management firm. We have

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ASSESSMENT

worked with insurance carriers for probably over 15 years to help them work with their insureds to reduce the risk of any kind of abuse or molestation from happening, hence claims occurring.

What we have seen over the years is insurance carriers have really had an evolution in their thinking and how they're looking at this risk. When we first saw insurance carriers looking at

this, and getting on their radar, there was a bit of complacency and denial on their part.

They were seeing some big cases, but they were only happening in certain industries. They weren't sure if this was something that they were going to have to be really taking a sustained effort for.

Shortly what we saw after that was they began to look at different resources that they



“Now, what we’ve seen is that there’s been a move for the states to pass some changes to their statute of limitations that have done two things. One, it has opened up a window of one to two years typically, where regardless of when the abuse happened, survivors can come and disclose that abuse.”

Aaron Lundberg
Praesidium

could provide their insureds. They started to work with their insureds to provide them with discounted services like background checks and training. As this risk got broader and more industries were affected, they began to take a very comprehensive approach.

Where we see carriers working now is that they are, on one hand, raising the standards for underwriting and to being insured, but at the same time, they are providing their insureds the resources to meet those standards. We really see carriers being a tremendous influence in our work

and the broader work of helping organizations prevent these horrible incidents from happening.

How has COVID impacted reporting of abuse and molestation?

COVID, certainly, has had an effect in regards to how organizations are facing this risk. We, internally, saw a pretty significant decrease in reporting. We run a helpline where organizations report their incidents to us, and we help them manage those, and we saw those numbers dropped pretty significantly. Then, when you look at state reporting, the state, like child protective services and the police, have also seen a decrease in reporting.

This is suspected because, oftentimes, individuals who are the first responders or the reporters are teachers, camp counselors, people who are working front lines with the youth. Since we’ve seen a pretty dramatic decrease in youth and vulnerable adults being served in these organizations for a period of time, those reports have gone down as well.

Are the statutes of limitation changing, and what effect does that have on insurers?

What we know about this risk is that while the number in terms of how many youth are abused is very, very high. What we also know is that approximately 80% of the abuse does not go reported.

There have been studies that have been done that show that the average age of a survivor to report abuse is 52 years old. There are a lot of barriers for survivors to come out and talk about what had happened to them.

Now, what we’ve seen is that there’s been a move for the states to pass some changes to their statute of limitations that have done two things. One, it has opened up a window of one to two years typically, where regardless of when the abuse happened, survivors can come and disclose that abuse. There either can be criminal charges or civil suits filed.

Then, the second thing that we’re seeing states do is raise the age where an individual is able to file a claim. For example, in some states, it was the case where you could file a claim up until the age of 20. Now, they’re pushing that back to the age of 30, 35.

What we have seen is when states open these windows, it has resulted in a pretty significant influx in claims made. For example, in New York,



they opened a window in August 2019, and a year later, they had close to 4,000 cases filed.

That causes challenges and opportunities for organizations to both reach out to the survivors, but then it causes challenges in regards to how to ensure that we're best protecting the future of our organization.

Is the nature and frequency of insurance claims regarding abuse and molestation changing?

We've seen two significant changes over the years. One is we're seeing more claims. As these windows open, the claims have increased, as we've mentioned.

Then, the types of claims are changing. Historically speaking, the majority of claims were adult-to-child. What we're starting to see now is that there's been an increase in youth-to-youth claims.

As an organization, we help our clients prevent adult-to-youth abuse and child-to-child abuse. When you look at the numbers, frequency-wise, there are more child-to-child cases than there are adult-to-child cases. However, claims have not always represented themselves in that way. Now, we're starting to see those catch up.

Has your scoring system been implemented by insurers or risk managers?

We have an online self-assessment that our clients use to rate their operations against our best practice standards. We work under the philosophy that there are eight different root causes that help manage this risk.

Under each of those eight root causes, there are best practice standards that we've developed over the last 20 years that organizations strive to, and they can become accredited if they meet those best practice standards. What our self-assessment instrument does is it provides them an actual score of how they rate.

What we've seen over the years is, after having thousands of organizations complete it, organizations have worked really hard. They take those scores, and they say, "Well, my first round was 40%. Now, I'm at 60%. Now, I'm out at 80%."

They're starting to show those and use those for underwriting purposes to show that they are a good risk. Carriers now are starting to ask about those scores and look at those scores to evaluate those prospects as they come in.

Now, the report mentions reduction in limits of liability, caps of availability of coverage, and new or expanded exclusions. How are insurers changing their practices regarding this area of coverage?

Insurers are facing a very challenging time. They are seeing their expectations increase, and so carriers are expecting more. State licensing bodies are expecting more, and parents and guardians and the community are expecting more.

How does changing from occurrence-based forms to claims-made forms affect the sector?

What we've seen is, because these cases have such long tails, it can leave some of the organizations, when they have the historical allegations, with unique challenges.

Sometimes, because of the change in forms, there can be gaps in coverage if these cases have happened a number of years ago, depending how they were written.

Oftentimes, it's even challenging to figure out how they were insured 20, 30, 40 years ago. They're having to really figure out, one, if they're covered, and two, if they are, what type of coverage, what was it, and then what kind of gaps could that present.

Can you talk to us about survivor-forward response and what that is?

When we work with organizations, we help them on two fronts. One, this is a preventable risk. This is not a natural disaster. This is something that not only can we respond to once it happens, that really will reduce the consequences for the survivors, but we can prevent from it even occurring. We work with them on the prevention tools.

However, these cases do happen. What we have found through research is that how an organization responds, once it occurs, will either reduce the consequences first and foremost to the survivors, but also to the organization and the community, or increase the consequences to the survivors, the organization, or the community. BR

AM Best TV



Go to bestreview.com to watch the interview with Aaron Lundberg.

CITY LANDSCAPE: Sao Paulo with a view of the Octavio Frias de Oliveira Bridge. In comparison to most economies of similar size, Brazil's insurance penetration is relatively low—with a correspondingly low level of reinsurance penetration and significant growth potential.



AM Best: Economic Uncertainty, Record Low Interest Rates Impact Brazil's Reinsurance Market

The AM Best outlook for the reinsurance market of the South American country remains at negative.

Owing to the COVID-19 pandemic, previously tempered macroeconomic and political uncertainties have resurged, and Brazil has become more vulnerable to the global economy. The reinsurance market continues to grow, given its relatively low penetration and the low primary insurance penetration in the country. However, the segment's growth may be negatively impacted by a more modest capacity to underwrite risks if the financial

The following is an excerpt from the Best's Market Segment Report: *Market Segment Outlook: Brazil Reinsurance*. The entire report can be accessed at www.ambest.com.

flexibility provided by the local capital markets dries up and by global risk aversion as international investors and players focus more on their domestic markets. Persistently high government debt has the potential to crowd out investment opportunities in the private sector when interest rates go back up.



Given the corporate nature of the reinsurance segment and its correlation to the domestic economy, losses have grown, with companies feeling the effect of the COVID-19 crisis. Record-low interest rates offer little help to grow capacity through retained earnings, for reinsurers to increase their underwriting activity. As local and global immunization efforts reach critical thresholds, economic growth may resume and Brazil may regain stability. However, when that will happen remains an open question.

Following a significant devaluation of its currency, Brazil now has a low current-account deficit and a solid foreign-exchange reserve position, which offers the potential for future foreign direct investment. Inflation has been under control, with the global pandemic reducing aggregate demand. Brazil ranks in the lower quartile on “ease of doing business” (at 124) by the World Bank and faces a long road with regard to implementing much-needed reforms. Once reforms have been implemented, however, foreign investment may return, bringing stable demand to the economy and to business in general—a key factor for development of the primary insurance market and the natural trickle-down effect for the reinsurance market.

When discussing Brazil’s future, two themes come to mind: the country’s potential and its macroeconomic instability. Before the pandemic, Brazil appeared to be emerging from its recent economic and political turmoil stronger and better equipped to address the challenges it was facing, which would have led to a thriving reinsurance market to support the country’s future economic growth, facilitating prudent risk taking and resulting in improvements in the average person’s daily life. Unfortunately, Brazil was once again caught off guard, by the shock caused by the pandemic.

In comparison to most economies of similar size, Brazil’s insurance penetration is relatively low—with a correspondingly low level of reinsurance penetration and significant growth potential. However, growth potential doesn’t always translate into prudent risk selection or underwriting profitability. Investment income has been a major contributor to the profitability of the country’s reinsurance industry in recent years. Just a few years ago, nominal interest rates on Brazilian sovereign bonds were as high as 14% and were sufficient to mitigate underwriting losses. Interest rates are now around 2%, and inflation, in the 3.5%–4.5% range, leading to lower investment income—and underwriting needs to make up the difference. In addition, global companies that send dividends or cede premiums abroad, or are consolidated with operations outside Brazil, are exposed to foreign exchange swings when paying out claims in Brazilian reais. Reinsurers based in Brazil have a competitive advantage by being somewhat insulated from currency fluctuations.

A factor providing ballast for the reinsurance segment had been the evolution of the surety market and, in particular, the development of judicial surety bonds. However, due to political and economic stress, the market for surety products such as performance or bid bonds has largely disappeared, and the pandemic is now putting demand for these products on hold. Judicial bonds have been profitable, but are characterized by significant tail risks, concentration, and accumulation risks that are subject to local jurisprudence. As general economic conditions improve, performance bonds and other traditional surety products should continue to support growth for the surety reinsurance segment. The growth in performance bonds may come from infrastructure projects the country needs for both economic and human development. Specialty and agricultural product lines also have growth

potential. Brazil remains a developing economy with a developing (re)insurance regulatory framework that has played a large role in the market and that will continue to evolve and influence the segment's prospects. AM Best believes that a couple of factors in particular could stabilize the reinsurance market. The most notable would be the continuation of

meaningful economic reforms, which could facilitate long-term growth and boost confidence both domestically and abroad. Another important factor is underwriting profitability. The ability to generate strong overall earnings mainly from underwriting is critical for a sustainable and prosperous reinsurance segment in Brazil. **BR**

Best's Rankings

Largest 30 Latin American Insurers 2019 Ranked by Gross Premiums Written

(US\$ thousands)

Rank	AMB #	Company	Country of Domicile	Gross Premiums Written	Capital & Surplus
1	85165	Bradesco Saúde S.A.	Brazil	5,995,064	2,050,674
2	93357	Amil Assistencia Medica Internacional SA	Brazil	5,292,621	3,095,942
3	92225	Sul América Companhia de Seguro Saúde	Brazil	4,303,155	1,631,254
4	85612	Grupo Nacional Provincial S.A.B.	Mexico	3,609,997	813,194
5	84188	MetLife México, S.A.	Mexico	2,925,309	979,852
6	77089	Seguros BBVA Bancomer, S.A. de C.V.	Mexico	2,495,763	795,399
7	87168	Porto Seguro Companhia de Seguros Gerais	Brazil	2,312,619	984,396
8	85571	AXA Seguros, S.A. de C.V.	Mexico	2,136,158	1,015,136
9	78644	Citibanamex Seguros, S.A. de C.V.	Mexico	2,119,880	493,972
10	85590	IRB - Brasil Resseguros S.A.	Brazil	2,113,539	979,344
11	84189	Brasilseg Companhia de Seguros, S.A.	Brazil	2,107,574	347,248
12	89951	Bradesco Vida e Previdência SA	Brazil	2,063,562	1,799,391
13	83016	Quálitas Compañía de Seguros SA de CV	Mexico	1,820,094	442,055
14	89953	Caixa Seguradora S.A.	Brazil	1,712,836	1,055,629
15	93956	Notre Dame Intermédica Saúde S/A	Brazil	1,664,434	978,089
16	85870	Seguros Monterrey New York Life SA de CV	Mexico	1,604,931	829,093
17	85883	MAPFRE Seguros Gerais S/A	Brazil	1,543,370	623,592
18	86287	MAPFRE México, S.A.	Mexico	1,493,826	277,750
19	84237	Tokio Marine Seguradora S.A.	Brazil	1,470,256	456,102
20	86855	Bradesco Auto/Re Cia de Seguros	Brazil	1,429,310	397,656
21	86279	Seguros de Vida Suramericana S.A.	Colombia	1,423,320	710,949
22	78007	Seguros Banorte SA de CV Grupo Banorte	Mexico	1,408,245	1,261,588
23	77317	Rimac - Internacional Cia de Seg y Reas	Peru	1,330,325	635,370
24	77080	MetLife Chile Seguros de Vida S.A.	Chile	1,295,824	588,777
25	77770	Zurich Santander Brasil Seg e Prev S.A.	Brazil	1,179,885	1,026,318
26	77318	Pacifico Compañía Seguros y Reaseguros	Peru	1,115,451	734,376
27	90692	Seguros de Vida Alfa S.A.	Colombia	1,099,996	532,841
28	94267	Unimed Belo Horizonte Coop Trabalho	Brazil	1,089,981	524,817
29	86238	Instituto Nacional de Seguros	Costa Rica	1,072,280	1,897,697
30	77981	Chubb Seguros Mexico S.A.	Mexico	1,067,350	399,956

Source: 

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EMPTY STREETS: Traffic is light on the Street of Eternal Peace in Beijing during the COVID-19 pandemic in May 2020. However, new vehicle sales in China have recovered to the pre-pandemic level since the third quarter of 2020.

AM Best: China Outlook Shaped by Premiums, Profitability and Regulation

Auto insurance comprises the majority of China's nonlife market.

by John Weber

Christie Lee, senior director of analytics for Northeast Asia, AM Best, said AM Best is maintaining its negative outlook on the China nonlife insurance market. Positive factors include regulatory involvement and the ongoing economic recovery. Lee spoke with AM Best TV about the performance of the nonlife market and the silver linings that are ahead in the future. Following is an edited transcript of the interview.

What is the AM Best outlook for the China nonlife insurance market?

We're maintaining a negative outlook on the China nonlife insurance market mainly because

we continue to observe, firstly, pressure on motor premium growth and underwriting performance, secondly, potential execution risk on non-motor line expansion and subsequent negative impact on profitability, and lastly, investment challenges.

How did the market perform last year?

China's nonlife segment did quite well relative to its neighboring countries. It grew by 5.8% year-on-year in terms of direct premium written over the first 11 months of 2020. This growth was steered by the non-motor line of business.

Motor continues to account for the lion's share of nonlife insurance premiums. We observe that this class of business grew at a slower pace in past years, partially attributed to COVID-19 in 2020, and now makes up slightly less than 60% of the market.

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



“Motor continues to account for the lion’s share of nonlife insurance premiums. We observe that this class of business grew at a slower pace in past years, partially attributed to COVID-19 in 2020.”

Christie Lee
AM Best

With the announcement of a comprehensive motor insurance reform policy that took effect last September the monthly volume of motor premiums for October immediately contracted by 17%, compared with September. We expect that the profitability of the motor business would continue to come under pressure over the next 12 to 18 months.

On the non-motor front, health insurance was the biggest growth driver. The ongoing COVID-19 pandemic, which has helped to raise consumer risk awareness and buying sentiment for health insurance coverage, propelled a 44% increase in premiums for the first quarter of 2020.

However, the barriers to entry for health are low and the relatively similar product offerings tend to have simple features which are easy to replicate. For smaller companies, the health line of business offers an easy option for portfolio diversification.

We note that this has also led to pricing competition and climbing combined ratios, which have in turn resulted in an increasing number of insurers experiencing underwriting losses in this line.

On the investment front, we note that the nonlife market’s overall profits continue to rely heavily on investment returns and are characterized by high concentration in domestic capital markets. Fortunately, China’s domestic capital market has performed quite well to date. Despite significant volatility over the first half of 2020, AM Best expects the investment return will continue supporting the nonlife insurance bottom line over the near term. Given the market uncertainty, many companies had been playing a more active role in the management of the investment portfolios. When government bond yields fell in March and April last year, insurers had the opportunity to realize some capital gains on

the bond portfolios as well as increasing the equity holdings at low market valuations.

Also, [the China Banking and Insurance Regulatory Commission] had lifted its cap on equity allocation to up to 45% in July last year, which allows players with strong capitalization greater flexibility and autonomy for investment decisions. Our view is that Chinese nonlife companies will maintain rational strategic asset allocation and we don’t expect to see a material increase in equity allocations.

Is there any silver lining that you’re seeing?

China is ahead of other major markets in its economic recovery and it’s forecast to be the only G20 country with a positive rate of GDP growth for 2020. New vehicle sales also recovered to the pre-pandemic level since the third quarter of 2020 with a rosy forecast supported by the State Council target to significantly raise homegrown new EV car sales. We expect non-motor lines of business to continue steering the growth of China’s nonlife market, given that current insurance penetration rate is still very low. The CBIRC is also strongly guiding the insurance industry toward quality growth through its reform and initiatives development. For instance, the comprehensive motor reform is aimed to lower motor premium rates, expand coverages, and correct historical fundamental legacy issues such as high acquisition commissions. BR

AM Best TV



Go to bestreview.com to watch the interview with Christie Lee.



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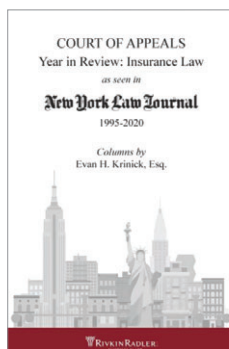


Attorney: Insurance Policy Exclusions Still Fodder for New York Courts

Author Evan Krinick takes a look at 25 years of insurance cases in new book.



Court of Appeals Year in Review: Insurance Law 1995 - 2020



Evan Krinick, managing partner, Rivkin Radler LLP, recently published a compendium, *Court of Appeals Year in Review: Insurance Law 1995 - 2020*. In it, he addresses cases and trends heard by the New York Court of Appeals over a 25-year period. Following is an edited transcript of the interview with AM Best TV.

You've just published a digital compendium based on 25 years' worth of columns. Can you tell us a little bit about that?

Having written a column for 25 years, it seemed like an appropriate time to take a look at all the years and all the cases.

It turned out to be 187 separate cases that the New York Court of Appeals had decided in insurance law. We were able to provide some statistical analysis of how the court resolved these disputes.

It's really incredible when you look at all those cases, the diversity of the insurance policies that the court faced.

AM Best TV



Go to bestreview.com to watch the interview with Evan Krinick.

Every insurance policy that you can imagine has been before the court, every exclusion, every portion of an insuring agreement, just a tremendous breadth of issues.

What were some of the highlights of the compendium?

There were 161 cases that were insurance carrier versus a policyholder. For many years, New York has had a reputation as a pro-insurance company jurisdiction.

We determined that in 55% of the cases, the carrier prevailed, and in 45% of the cases the policyholder prevailed. What does that tell you? I think it tells you that the perception is mostly accurate.

What dominated as far as type of litigation went?

Certainly the two insurance policies that received the most attention was the automobile insurance policy, including the no-fault and under insurance endorsement and the [commercial general liability] policy.

Other policies such as life policies, health policies, property policies, excess policies, reinsurance treaties, those are far less prevalent.

What's changed when it comes to insurance litigation?

What's changed is that the more we go on, the more things stay the same. You would like to think that after all these years of litigation, people have an understanding what an exclusion means, but there is no shortage of bright lawyers out there arguing different interpretations of exclusions that have been in policies for decades.

—John Weber

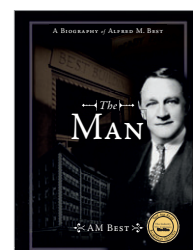
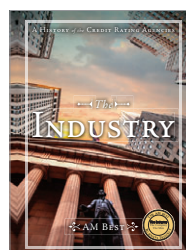
AM Best Trilogy

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



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Best's Credit Ratings Mobile App Puts Information at Agents' Fingertips

Adriana Franco details the concept behind developing the app and what to expect from the application and its features over time.



Best's Credit Ratings Mobile App

The Best's Credit Ratings Mobile App allows users to search for insurers by name or AM Best number, review an insurer's Best's Financial Strength Rating and contact information and follow the insurers they're most interested in. Adriana Franco is assistant vice president, product strategy, AM Best. Following is an edited transcript of an interview with Franco.

What information does the AM Best rating app provide?

The Best Credit Ratings Mobile App provides financial strength ratings for rated companies with AM Best. It also provides information about the financial size category of an insurance company. We also provide information on the rating outlook, the rating action. You can find who is the rating analyst at AM Best as well as other contact information for the insurance company.

What changes do you foresee?

There are several opportunities to explore for AM Best through the mobile environment. We are evaluating what are the data needs and the rating needs from insurance agents. This is a market that will need the credit rating at their fingertips in the process of negotiating or placing insurance with policyholders. It is important for them to have the most current rating available.

The idea will be for them to get more information about the rating, maybe understanding when the rating

was placed for the first time, a few key metrics that determine the financial stability of the rating, as well as important information about where the company is domiciled or where it is licensed to do business.

What feedback have you received about the app?

We have received a lot of feedback in terms of how it's being used. The app is being used where they are talking to a policyholder or with a business when there is planning on setting coverage for insurance. The insurance agents are facing a big challenge by having multiple resources at once. Sometimes they are in the office, where they will rely on the website, but the mobile app will be used when they are on the go. That's where AM Best is trying to expand their current coverage.

Are these sort of apps hard to develop? What's the challenge?

There are a lot of challenges trying to develop a good mobile app. You need to ensure that you are delivering value and that the information you are providing is timely, that it's accurate, that it's comprehensive. At AM Best, we pay very close attention to these challenges, and that goes to web design as well as mobile app design.

Once you have developed the app, you have tested the app, you need to deploy the app within the different marketplaces. You need to bring those to the attention of users and then you need to minimize the uninstalls of the mobile app by providing relevant information that will help the user to do their everyday work more seamlessly.

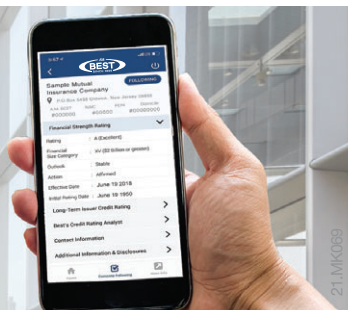
—John Weber

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Top Content Includes Features on Diversity and Inclusion and News About Layoffs

Other trending content includes *Best's Review's* broker rankings and news on COVID-19 court cases.

Trending: *Best's Review*

- 1. Top Global Insurance Brokers**
Acrisure LLC and EPIC Insurance Brokers & Consultants each jump two spots in ranking. China-based Fanhua makes a return.
 - 2. Turning a Corner**
Insurtechs go through a wave of consolidation and in some cases merge with each other as they move into their next stage of development.
 - 3. 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.
 - 4. 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.
 - 5. 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.
-

Trending: BestWire

- 1. Centene CEO: Company Will Lay Off 3,000 Employees, Not Fill 1,500 Vacant Jobs**
 - 2. Federal Court Sides Against Zurich in COVID-19 Business Interruption Case**
 - 3. UK Supreme Court Sides Against Insurers in COVID-19 Business Interruption Test Case**
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- 1. Long-Term Care Insurance - What is the Prognosis?**
 - 2. Remote Access: How Work and Lifestyle Changes are Transforming Insurance Claims**
 - 3. Integrating Medical and Behavior Data Sources in Predictive Modeling**
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Trending: AM Best TV - News

- 1. Philadelphia's Glomb: Helping When It's Most Needed Builds Strong Bonds**
 - 2. Technology Provider: AI, Machine-Learning Accelerates Workers' Comp Claims**
 - 3. AM Best: 'Resilient' Title Insurance Outlook Revised to Stable**
-

These were the top trending items from December 23, 2020-February 23, 2021. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

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Market Segment Report: Premium Volume May Be Down but Profits Could Expand for Auto Insurers

AM Best also comments on the potential for Texas insurers to see record catastrophe losses from winter storm Uri and accelerated ESG investments.

Best's Research

Market Segment Report: Premium Volume May Be Down but Profits Could Expand for Auto Insurers

Personal auto underwriters have made fundamental improvements in recent years, which have led to better results.

Market Segment Report: Health Insurers Persevere through Pandemic as Uncertainties Remain

Health insurers navigate pandemic but large-scale pent-up demand for care and increased morbidity may present new challenges.

Market Segment Report: P/C Industry Maintains Strong Capital in the Face of 2020 Challenges

A rebound in loss experience is likely to pressure the US P/C segment's results in 2021.

Special Report: London and Bermuda Attract Capital as Insurance Market Conditions Improve

Bermudian and London market insurers have been able to raise equity with relative ease.

Market Segment Report: COVID-19 and the Russian Insurance Market: Negative Implications for Premium Growth, but Opportunities for Innovation.

AM Best believes that a post-pandemic push toward innovation is likely to lead to some Russian insurers reviewing their business models, and in the long-term, will have positive implications for the development of the industry.

Best's Commentary

Commentary: Policyholders Face Steep Hikes in Auto Insurance Prices in 2021

Argentinian peso depreciation, as well as supply chain disruptions, have led to a rise in automobile prices as well as spare parts and repair costs.

Commentary: Potential Record Catastrophe Losses for Texas Insurers Due to Winter Storm Uri

This storm could be the key driver of record first-quarter insured property catastrophe losses for the P/C industry.

Trending: Best's Research

1. Texas Insurers Face Potential Record Catastrophe Losses from Winter Storm Uri
2. Continued Poor Performance of Long-Term Care Product Keeps Pressure on US Life Insurers
3. Rejoining Paris Agreement Likely to Spur US (Re)Insurers' ESG Adoption

Trending: AM Best TV - Research

1. AM Best: 'Resilient' Title Insurance Outlook Revised to Stable
2. AM Best: World's Largest Insurers List Reveals Shifting Global Lineup
3. AM Best: US Economy to Pick Up in Second Half of 2021

These were the top trending items from December 23, 2020-February 23, 2021.

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.

The Impact of COVID on Cyberrisk and the Importance of Recorded Statements in Insurance Claims

Industry experts also discuss the business lessons learned from COVID and the importance of data quality, optimal processes and accurate data analysis for insurers across all lines of business.

On Demand

How Insurers Are Turning the Lessons of COVID Into Tomorrow's Business Advantage

The pandemic is making the new abnormal into the permanent normal and the insurance industry continues to adapt. Insurance professionals explore what these trends will mean for the future.

How Insurers Are Harnessing Legacy and New Data to Drive Business

To thrive during a period of unprecedented volatility, insurers need to leverage artificial intelligence to make faster and better decisions. A panel of insurance and data analytics experts will explore how insurers can gain a competitive market advantage.

Data Quality Matters: How Insurers Are Benefiting From Optimal Processes and Accurate Analysis

Carriers are investing significant resources into sophisticated analytics to turn data into insights that will inform decisions at every level of their business. A panel of industry experts will examine the importance of data quality, optimal processes and accurate data analysis for insurers across all lines of business.

Streaming Live

On the Record: The Importance of Recorded Statements in Insurance Claims

A panel of insurance claims and legal professionals examine the key role that recorded statements play in insurance cases, and how to properly produce the information that claims departments require.

Wednesday, April 14, 2 p.m. ET

Webinar Highlights

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

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

View These and Other AM Best Webinars

- Remote Access: How Work and Lifestyle Changes are Transforming Insurance Claims
- Long-Term Care Insurance—What is the Prognosis?

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Stronger Hurricanes May Put More Inland Areas at Risk in the Future

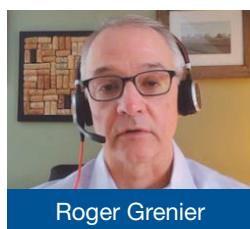


Also, insurance industry professionals discuss pet prescription coverage and new regulations on the use of commercial drones.

On Demand

AIR Worldwide: Hurricane Risk Growing Beyond Coastal Areas

By the year 2050, stronger hurricanes may pose a greater threat to inland areas, said Roger Grenier, senior vice president, AIR Worldwide. The firm, in collaboration with the Brookings Institution and Axis, released a report about potential impacts from strong storms.



Roger Grenier

NAMIC Counsel: New Drone Regs Could Boost Insurers' Use

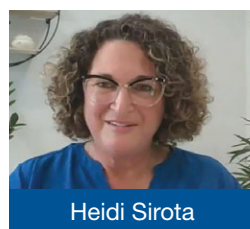
The use of drones continues to make inroads into the insurance industry. About 20% of commercial drones belong to insurers that are facing new regulations to fly them, said Tom Karol, general counsel, federal, NAMIC.



Tom Karol

Nationwide Teams Up With Walmart to Offer Streamlined Pet Prescriptions

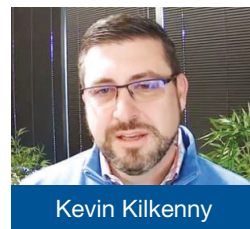
Nationwide has joined with Walmart to offer pet owners lower cost pet prescription coverage, said Heidi Sirota, chief pet officer, Nationwide. Other goals are to streamline claims and expand pet insurance.



Heidi Sirota

First Cap Focuses on Homes Considered at Higher Fire Risk

First Cap Property Insurance Solutions is targeting homes forced into California's insurer of last resort due to tight market conditions, said Kevin Kilkenny, CEO, First Cap.



Kevin Kilkenny

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Legacy Systems May Be Holding Back Innovation in Some Insurance Sectors



Also, AM Best Audio explores why take-up rates may be falling in the earthquake insurance market in some areas.

Legacy Systems May Prevent Digital Transformation

Samantha Chow, life, annuities and health markets lead for EIS Group, discusses the need for rapid innovation on the part of insurers and how outdated legacy systems may be holding them back.

Missouri Insurance Department: Earthquake Insurance Take-Up Rates Falling

Missouri is the third largest earthquake market in the U.S., but insurance take-up rates are falling, said Jo LeDuc, director, Missouri Insurance Market Regulation.

Visit www.ambest.com/ambaudio to listen to new and archived audio from AM Best Audio.

This edition lists all Credit Rating actions that occurred between Feb. 1 and Feb. 28, 2021. 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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH								
➡	L	Church Life Insurance Corporation Church Pension Fund	006221	NR nr		A- a-	Stable Stable	New York
+	H	Cigna Life Insurance Company of New York New York Life Insurance Company	006538	A++ aa+	Stable Stable	A u a u	Positive Positive	New York
+	L	Direct General Life Insurance Company The Allstate Corporation	009373	A+ aa	Stable Stable	A- u a- u	Positive Positive	South Carolina
➡	L	First Assurance Life of America Louisiana Dealer Services Insurance Inc.	009125	NR nr		A- a-	Stable Stable	Louisiana
New	L	Kuvare Life Re Ltd. Kuvare Holdings LP	095113	A- a-	Stable Stable			Bermuda
+	L	Life Insurance Company of North America New York Life Insurance Company	006645	A++ aa+	Stable Stable	A u a u	Positive Positive	Pennsylvania
🚩	L	Monitor Life Insurance Co of New York Fairfax Financial Holdings Limited	008664	A- u a- u	Developing Developing	A- a-	Stable Stable	New York
↕	L	Multinational Life Insurance Company Ancon Investment Corporation	007447	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Puerto Rico
+	H	National Health Insurance Company The Allstate Corporation	008392	A+ aa	Stable Stable	A- u a- u	Positive Positive	Texas
➡	L	Performance Life of America Louisiana Dealer Services Insurance Inc.	009325	NR nr		A- a-	Stable Stable	Louisiana
New	H	Town & Country Life Insurance Company Moreton & Company	008049	B+ bbb-	Stable Stable	NR nr		Utah
↕	L	United Heritage Life Insurance Company United Heritage Mutual Holding Company	006472	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Idaho
➡	L	Versant Life Insurance Company Louisiana Dealer Services Insurance Inc.	060339	NR nr		A- a-	Stable Stable	Mississippi
AMERICAS PROPERTY/CASUALTY								
+	P	Agent Alliance Insurance Company The Allstate Corporation	011866	A+ aa	Stable Stable	A- u a- u	Positive Positive	Alabama
—	P	American Millennium Insurance Company Sirius International Limited	000512	C- u cc u	Negative Negative	C++ u b+ u	Negative Negative	New Jersey
+	P	Auto Club Group Insurance Company Auto Club Insurance Association	004089	A a	Stable Stable	A- a-	Positive Positive	Michigan
+	P	Auto Club Insurance Association Auto Club Insurance Association	002139	A a	Stable Stable	A- a-	Positive Positive	Michigan
+	P	Auto Club Property-Casualty Insurance Co Auto Club Insurance Association	000650	A a	Stable Stable	A- a-	Positive Positive	Michigan
↕	P	Brotherhood Mutual Insurance Company	000221	A- a-	Negative Negative	A- a-	Stable Stable	Indiana
+	P	Century-National Insurance Company The Allstate Corporation	003090	A+ aa	Stable Stable	A- u a- u	Positive Positive	California
—	P	Citadel Reinsurance Company Ltd Sirius International Limited	083735	B u bb u	Negative Negative	B++ u bbb+ u	Negative Negative	Bermuda
↕	P	Conifer Insurance Company Conifer Holdings, Inc.	000291	B++ bbb	Stable Stable	B++ bbb	Negative Negative	Michigan
↕	P	Crusader Insurance Company Unico American Corporation	001889	B++ bbb	Negative Negative	B++ bbb	Stable Stable	California
+	P	Direct General Ins Co of Mississippi The Allstate Corporation	012130	A+ aa	Stable Stable	A- u a- u	Positive Positive	Mississippi

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

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
+	P	Direct General Insurance Company The Allstate Corporation	012040	A+ aa	Stable Stable	A- u a- u	Positive Positive	Indiana
+	P	Direct Insurance Company The Allstate Corporation	011320	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Direct National Insurance Company The Allstate Corporation	000681	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
🚒	P	Echelon Property & Casualty Insurance Co* Lockhart Companies, Inc.	012679	NR nr		C ccc	Negative Negative	Illinois
New	P	Everspan Indemnity Insurance Company Ambac Financial Group, Inc.	020948	A- a-	Stable Stable			Arizona
New	P	Everspan Insurance Company Ambac Financial Group, Inc.	000109	A- a-	Stable Stable	NR nr		Arizona
+	P	Fremont Insurance Company Auto Club Insurance Association	000405	A a	Stable Stable	A- a-	Positive Positive	Michigan
⬆️	P	Genesee Patrons Cooperative Insurance Co	010562	B++ bbb	Stable Positive	B++ bbb	Stable Stable	New York
+	P	Imperial Fire and Casualty Insurance Co The Allstate Corporation	011376	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Integon Casualty Insurance Company The Allstate Corporation	011301	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Integon General Insurance Corporation The Allstate Corporation	002459	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Integon Indemnity Corporation The Allstate Corporation	002458	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Integon National Insurance Company The Allstate Corporation	002387	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Integon Preferred Insurance Company The Allstate Corporation	011650	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	Meemic Insurance Company Auto Club Insurance Association	004435	A a	Stable Stable	A- a-	Positive Positive	Michigan
+	P	Members Insurance Company The Auto Club Group	013811	A a	Stable Stable	A- a-	Stable Stable	North Carolina
+	P	MemberSelect Insurance Company Auto Club Insurance Association	002140	A a	Stable Stable	A- a-	Positive Positive	Michigan
+	P	MIC General Insurance Corporation The Allstate Corporation	002669	A+ aa	Stable Stable	A- u a- u	Positive Positive	Michigan
+	P	National Farmers Union Prop and Cas Co The Allstate Corporation	000676	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
+	P	National General Assurance Company The Allstate Corporation	001822	A+ aa	Stable Stable	A- u a- u	Positive Positive	Missouri
+	P	National General Insurance Company The Allstate Corporation	003366	A+ aa	Stable Stable	A- u a- u	Positive Positive	Missouri
+	P	National General Insurance Online, Inc. The Allstate Corporation	012403	A+ aa	Stable Stable	A- u a- u	Positive Positive	Missouri
+	P	National General Premier Insurance Co The Allstate Corporation	013069	A+ aa	Stable Stable	A- u a- u	Positive Positive	California
+	P	National General Re Ltd. The Allstate Corporation	093811	A+ aa	Stable Stable	A- u a- u	Positive Positive	Bermuda
+	P	New South Insurance Company The Allstate Corporation	000698	A+ aa	Stable Stable	A- u a- u	Positive Positive	North Carolina
New	P	Pekin Select Insurance Company Farmers Automobile Insurance Assn	020770	A- a-	Stable Stable	NR nr		Illinois
+	C	PMG Assurance Ltd. Sony Corporation	086494	A a+	Stable Stable	A a	Stable Stable	Bermuda
🚒	P	Protective Insurance Company Protective Insurance Corporation	000784	A u a u	Positive Positive	A a	Negative Negative	Indiana

* Ratings were downgraded to C/ccc from C+/b- on February 5, 2021. Ratings were withdrawn on February 5, 2021.

Rating Action: (⊕) Upgrade; (⊖) Downgrade; (New) Initial Rating; (✖) Under Review; (⬆) Change in Outlook; (✖) Rating Withdrawal; (✔) Rating Affirmation.

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Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
🚩	P	Protective Specialty Insurance Company <i>Protective Insurance Corporation</i>	013918	A u a u	Positive Positive	A a	Negative Negative	Indiana
🚩	P	Sagamore Insurance Company <i>Protective Insurance Corporation</i>	001840	A u a u	Positive Positive	A a	Negative Negative	Indiana
+	P	Standard Property and Casualty Ins Co <i>The Allstate Corporation</i>	004005	A+ aa	Stable Stable	A- u a- u	Positive Positive	Illinois
↕	P	Sublimity Insurance Company <i>United Heritage Mutual Holding Company</i>	003614	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Oregon
↕	P	United Heritage Property & Casualty Co <i>United Heritage Mutual Holding Company</i>	010062	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Idaho
+	P	Universal Insurance Company (NC) <i>The Auto Club Group</i>	003680	A a	Stable Stable	B++ bbb	Stable Stable	North Carolina
New	P	Wakefield Insurance Company, LLC	020953	A- a-	Stable Stable			Tennessee
↕	P	White Pine Insurance Company <i>Conifer Holdings, Inc.</i>	004127	B++ bbb	Stable Stable	B++ bbb	Negative Negative	Michigan
EUROPE, MIDDLE EAST & AFRICA								
↕	C	CICA Re	093852	B bb+	Positive Positive	B bb+	Stable Stable	Togo
☑	C	Noor Takaful Family PJSC <i>Dar Al Takaful PJSC</i>	090644	B bb	Negative Negative	B u bb u	Negative Negative	United Arab Emirates
☑	P	Noor Takaful General PJSC <i>Dar Al Takaful PJSC</i>	090591	B bb	Negative Negative	B u bb u	Negative Negative	United Arab Emirates
ASIA-PACIFIC								
New	P	Shanghai Electric Insurance Limited <i>Shanghai Electric (Group) Corporation</i>	074578	A- a-	Stable Stable			Hong Kong
New	C	Uzbekinvest Export-Import Ins Co JSC <i>Ministry Invest Foreign Trade Rep of UZ</i>	093728	B bb	Stable Stable	NR nr		Uzbekistan
AMERICAS								
↕	P	AVLA Seguros de Crédito y Garantía S.A. <i>AVLA S.A.</i>	094888	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Chile
↕	P	Eureka-Re SCC	074630	B++ bbb+	Stable Stable			Barbados
↕	P	Grupo Mexicano de Seguros, S.A. de C.V. <i>GMS Valore, S.A. de C.V.</i>	077263	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Mexico
🏠	L	NCB Insurance Company Ltd <i>NCB Financial Group Limited</i>	091514	NR nr		B bb	Negative Negative	Jamaica

Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			ICR	Outlook/ Implications	ICR	Outlook/ Implications	
New	Austral Participações S.A.	033631	bb+	Positive			Brazil
↕	Conifer Holdings, Inc.	052626	bb	Stable	bb	Negative	Michigan
⊕	National General Holdings Corp.	052590	a	Stable	bbb- u	Positive	Delaware
🚩	Protective Insurance Corporation	058332	bbb u	Positive	bbb	Negative	Indiana
↕	Unico American Corporation	058482	bb	Negative	bb	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.

GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – (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.

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

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

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

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

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

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

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

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

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

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

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Acquisitions, State Actions and Name Changes

Secura Insurance is among the life/health and property/casualty insurers in the United States that have had a recent corporate change.

LIFE/HEALTH

Acquisitions & Ownership Changes

Monitor Life Insurance Company of New York (AMB# 008664), Utica, N.Y. This company was acquired by United States Fire Insurance Co. from AmFirst Insurance Co. on Jan. 4, 2021.

State Actions

Midwestern Dental Plans Inc. (AMB# 064680), Dearborn, Mich. This company was placed into insolvent liquidation on Feb. 3, 2021.

PROPERTY/CASUALTY

Name Changes

Secura Insurance, a mutual company (AMB# 000483), Neenah, Wis. This company restructured to a mutual holding company, converted to a stock insurance company and changed its name to Secura Insurance Co. on Jan. 1, 2021.

State Actions

Synergy Insurance Co. (AMB# 013594), Charlotte, N.C. This company changed its name to Prescient National Insurance Co. on Feb. 1, 2021.



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Name Game: Some Insurers Are Shedding Their Old Monikers for New Company Names

Every corporate name change has a unique story behind its inspiration, and several insurers recently have found creative ways to rebrand their company names.

by Lori Chordas

It's often been asked: What's in a name? For companies, not only can a name say a lot about their brand, products and business strategy, but it often generates a first impression with customers and potential clients. This past year has seen several insurers shed their name for a new moniker.

Last year, Connecticut Medical Insurance Co. completed the final rollout of its rebrand to Integris Group. The company made the decision to change its name in 2018.

Shelly Ursini, vice president of business development and marketing at Integris, said the new name was selected because “it captured the integrity and stability with which we were founded as well as our vision for the future.”

The insurance industry has a history of corporate name changes, including Consec's rebrand to CNO Financial Group Inc. in 2010, First United American Life Insurance Co.'s name change to Global Life Insurance Company of New York in 2017, and last year, BB&T Insurance Holdings became Truist Insurance Holdings—a name that links the insurance brokerage to its owner, Truist Financial Corp.

Behind every corporate name change is a unique and different story. Some companies opt for catchy, quirky names that help them to stand out from the crowd, while others prefer short and simple monikers that are easy to pronounce and spell yet reflect the organization's history or products.

For program insurer Incline P&C Group, which

last year acquired Worth Casualty Co. and Danielson National Insurance Co. and rebranded them to Incline Casualty Co. and Incline National Insurance Co., respectively, the inspiration behind its new names came from an unlikely source: a highway sign.

“Every day while driving to work I would brainstorm with one of our senior executives about a new name,” said Chris McClellan, president and CEO of the three companies.

“One day I passed a road sign, ‘Incline Ahead.’ We liked the word ‘incline’ and how it projects growth and a positive upward pathway. We took the name to the board and now we operate under the ‘Incline’ brand,” he said.

Often, McClellan said, “we felt that companies try to get cute with their names. We wanted something simple

and straightforward. We don't advertise much because we are a program carrier and our programs partners are the ones who advertise.”

Some of the advantages afforded to companies opting to make a business name change include the opportunity for consumers to become more aligned with the organization's brand and the company's ability to target different demographics, according to an article posted on Fora Financial's website. However, it said changing a company's corporate name may potentially be confusing for customers and can be costly and complicated for organizations making the switch.

More name changes and other company information can be found in *Best's Review's* monthly department Corporate Changes.



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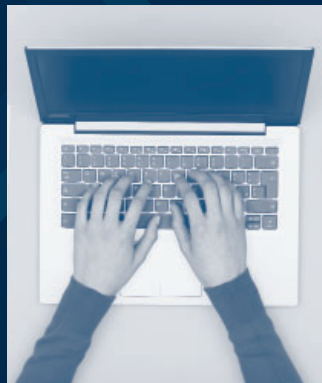


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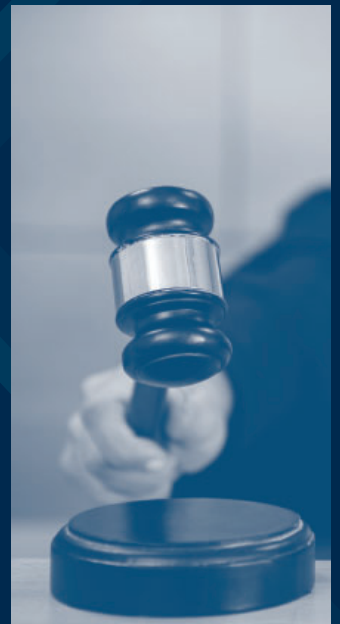
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