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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

The Greening of Insurance Asset Management

Values-based investing takes root among insurers and their asset managers. **Pages 33-51**

Best's Review's
Online Archives

Regulators and Activists Increase Pressure to Incorporate ESG in All Areas of Insurance

This issue also includes a look at AM Best's first Student Challenge and a listing of the largest insurers in the Asia-Pacific region.

Environmental, social and governance issues have become a hot topic within the insurance sector.

In 2020 ESG turned up 17 times in a search of AM Best's news wire, up from just five references in 2018, for instance. As of mid-April, ESG came up nine times, putting 2021 on track to far exceed 2020 numbers. While an imprecise measure, our search experiment demonstrates how interest in the topic is growing. We are in good company with this view.

"What was a fad and a trend seems to be much more than a fad and a trend now," according to Ross Webber, managing director, Bermuda, at Apex.

Webber was one of the industry experts interviewed for "The Greening of Insurance Asset Management," an AM Best TV and *Best's Review* joint project. In this special presentation, which aired on AM Best TV in April, discussions centered on how the insurance asset management sector is adapting to meet emerging standards and expectations for values-based investing.

The issues go beyond insurer investment and asset management practices. Regulators, legislators, activists and other stakeholders are applying significant pressure to insurers to incorporate ESG in all areas of business.

To reach a broad spectrum of perspectives, we also spoke with Chris Fowle, director of the Americas for PRI – Principles for Responsible Investment; Mike Kreidler, Washington state insurance commissioner; David Altmaier, Florida insurance commissioner and president of the NAIC; Grace Vandecruze, managing director, Grace Global Capital, and others.

While the industry has focused on the environmental side of the equation for some time, some experts noted that the social element is gaining more attention. Related, AM Best in March became a signatory to the United Nations Environment Programme's FI Principles for Sustainable Insurance (PSI).

The special presentation in *Best's Review* includes three articles: "The Push for Responsible Investing," "The Changing Relationship Between Asset Management, Values-Based Investing and Diversity and Inclusion" and "Smaller and Midsized Insurers Negotiate a Complex Investment Landscape." Also included in the *Best's Review* package is "Beware the Sirens of Environmental, Social and Governance Investing," from Nir Kossovsky, CEO of Steel City Re, and Denise Williamee, Steel City Re's vice president of Corporate Services.

The May issue also looks at AM Best's inaugural Student Challenge that had risk management and insurance students create innovative solutions for catastrophe risk. AM Best announced the winners on March 17.

As the COVID-19 pandemic enters its second year, life insurers are facing some new questions. *Best's Review* delves into this in "Life Insurers Ponder How to Underwrite COVID-19 Survivors."

And in "Hong Kong Insurance Regulator Launches Groupwide Supervision Rule," we include a listing of the largest insurers in the Asia-Pacific region. BR

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

The documentary *Coded Bias*, which focuses on the impacts of algorithms and AI, was a centerpiece of recent NAIC discussions. How can insurers avoid introducing data-related bias into decision-making?

Email your answer to *bestreviewcomment@ambest.com* or scan the QR code to submit your response.

Reader responses will be published in a future issue.

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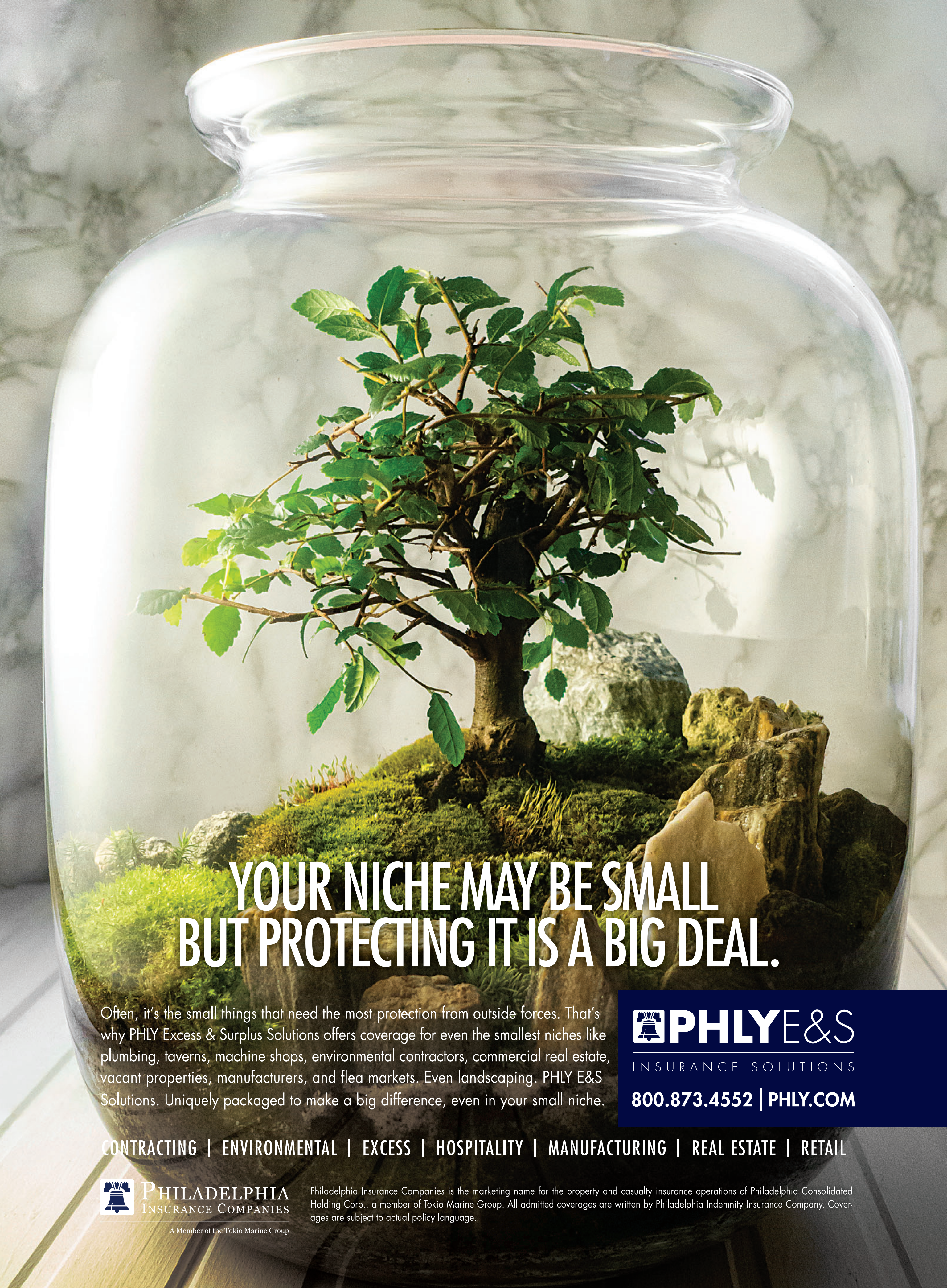
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AM Best to Speak at Conference on the Future of Risk

May 3-6: VIRTUAL. 2021 TMPAA Program Networking Week, Target Markets Program Administrators Association.

May 4-6: VIRTUAL. RMS Exceedance, Risk Management Solutions.

May 11-12: VIRTUAL. 2021 NCCI Annual Issues Symposium, National Council of Compensation Insurance.

May 12-13: VIRTUAL. BIBA 2021, British Insurance Brokers' Association.

May 12-13: VIRTUAL. 2021 Retirement Industry Conference, LIMRA.

May 14: VIRTUAL. Insurance Professional of the Year, The Insurance Library Association of Boston.

May 18-20: VIRTUAL. MPL Association Conference, Medical Professional Liability Association.

May 18-20: VIRTUAL. AIR Life Event, AIR Worldwide.

May 18-21: VIRTUAL. The Future of Risk, The Institutes CPCU Society.

May 19-20. VIRTUAL. Insurtech Fastpitch, National Association of Mutual Insurance Companies.

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

Attending Exhibiting Speaking Hosting Sponsoring

May Is ESG Awareness Month
Insurance companies have been stepping up their environmental, social and governance efforts, reflecting a national emphasis on building a resilient, inclusive and sustainable society. We take a look at ESG's impact on the industry. Coverage begins on Page 33.

Progressive Chief Marketing Officer, Responsible for Flo/Superstore and Dr. Rick Campaigns, to Retire

Jeff Charney, slated to leave in 2022, created an award-winning internal creative shop during his tenure. Also, at Beazley plc Adrian Cox succeeds CEO Andrew Horton, who is headed to QBE, and Ryan Specialty Group expands leadership team.

Progressive Insurance Chief Marketing Officer Jeff Charney, responsible for campaigns featuring Flo, Dr. Rick and other iconic characters, plans to retire in 2022.

Charney's retirement was announced early to allow time for an external search for his successor. He has been CMO since 2010 and is expected to retire in January 2022, but that will depend on finding his replacement and ensuring a seamless transition, according to a company statement.

Jeff Charney

In the past 10 years Charney's campaigns have included Flo/Superstore, parenta-life coach Dr. Rick, half-man-half-motorcycle Motaur, stadium-dwelling Baker Mayfield, bumbling NFL line markers Mark & Marcus, Baby-man, Sign Spinner, and parent-leeching Rebel, according to the company.

Charney built a marketing team by combining external and internal agencies, the company said. This content pipeline feeds the company's media budget, which has more than quadrupled since Charney's arrival to become the No. 3 spender in the country. His team's marketing efforts helped the company achieve eight consecutive years of sales and prospect growth in the hypercompetitive insurance marketing category, according to Progressive.

Charney also pioneered "in-housing" creative work by establishing an award-winning internal creative shop, Ninety6, which provides the company with an efficient, speed-to-market creative alternative—lessening its reliance on outside creative agencies. When Ninety6 launched in 2011, in-house agencies were considered a rarity among large brands. Now, the in-house model is increasingly being replicated and adopted, the company said.

Before joining Progressive, Charney served as CMO at insurer Aflac, retailer QVC, and real estate aggregator Homestore.com (now Move.com), according to the company.

—Staff Report

Allianz Life Names Successor to Retiring CEO

Allianz Life Insurance Company of North America has named Jasmine Jirele to succeed Walter White as president and chief executive officer.

Jasmine Jirele

Jirele will transition to her new role on Sept. 1, subject to independent auditor and standard regulatory filings.

White will step down from the role on Sept. 1 and will retire on Dec. 31. After his retirement, White will be nominated to serve as an independent director on the company's board of directors, according to a statement.

Jirele has leadership experience in strategy, product innovation, marketing, operations, and digital and experience management. She has served as Allianz Life's chief growth officer since 2018, responsible for defining the company's growth strategy including its expansion into new markets, and leading product innovation, marketing, communications, Allianz Ventures and enterprise agile, according to the company.

Prior to re-joining Allianz Life in 2018, Jirele was an executive vice president within Wells Fargo's consumer bank division, and was previously a senior vice president in Wells Fargo's wealth and investment management division. She also held various leadership roles in marketing, product innovation and operations at Allianz Life.

New Leadership Team Named at Ryan Re Underwriting Managers

Brian Boornazian has been named executive chairman, and Emil Issavi has been named chief executive officer and president, of Ryan Re Underwriting Managers LLC, a subsidiary of RSG founded in 2019.

Brian Boornazian

The moves are part of a new leadership structure announced by Ryan Specialty Group.

Boornazian and Issavi will be actively engaged in all aspects of Ryan Re's management, underwriting and business development, according to a company statement.

Boornazian has been in the reinsurance business since 1982, with prior experience at Gen Re, Guy Carpenter, Cologne Re, NAC Re, XL Re and, most recently, Aspen Re. He was the founding president and CEO of Ryan Re upon its formation in 2019.

Issavi joined Ryan Re in 2019 as a senior executive and previously was president, chief underwriting officer and managing director of the Americas, Aspen Re, where he worked for 12 years. He has more than 25 years in the reinsurance business.

Ryan Re also appointed Steve Capodanno as chief operating officer. Capodanno will retain his responsibilities as head of claims in addition to his new role.

Aegon Names President-CEO of Transamerica

Aegon has named Will Fuller to succeed Mark Mullin as president and chief executive officer of Transamerica.

Will Fuller

Mullin will succeed Don Shepard, who retired, as chairman of the Transamerica board of directors. Mullin has worked for Aegon/Transamerica for 33 years and served as president and CEO since 2009, according to a company statement.

Fuller also will join the management board of Aegon N.V. Formerly executive vice president of Lincoln Group, Fuller has worked for almost 30 years in insurance, annuities, retirement plans and wealth management, leading Lincoln's strategic shifts on product and the growth and diversification of distribution sources.

Marsh Names Leader for Sustainability and Climate Change Strategy

Marsh has named Amy Barnes head of sustainability and climate change strategy.

Amy Barnes

Barnes transitioned to the newly created role last month and will relocate later this year from Houston to London. She will be responsible for leading Marsh's global strategy on climate and sustainability-related initiatives for clients, particularly in relation to the impact of a changing physical risk landscape, improving access to capital for green initiatives, and a more thorough understanding of climate-related project risk. She also will participate in Marsh McLennan's sustainability and climate change program, according to a company statement.

Barnes most recently was U.S. and Canada energy and power leader within Marsh JLT Specialty, assisting clients across a range of risk and insurance issues, particularly in relation to the transition from fossil fuels to renewables. She joined Marsh in 2001 as an environmental consultant and has held a number of senior international insurance and risk advisory positions over the past 20 years in the United Kingdom and the United States.

Delta Insurance Group Names Chief Operating Officer

Delta Insurance Group, an underwriting agency, has expanded its management team and named Kent Chaplin chief operating officer to support its global growth plans.

Kent Chaplin

Currently an advisory board member, Chaplin was the chief executive officer and regional head for Lloyd's in Asia-Pacific. He brings a familiarity with the global insurance world and culture, including regulatory, technical and claims knowledge, from his time with Lloyd's, according to a company statement. Chaplin joined Delta in 2019 as an adviser to the board.

The decision to appoint a COO came from Delta's strategic planning sessions in late 2020 as the company looked at the long-term future of the business and the insurance industry.

Alleghany Corp. Starts Succession Plan for Retiring CEO

Joseph Brandon

Alleghany Corp. has named Joseph Brandon to succeed Weston M. Hicks as president and chief executive officer.

Hicks has announced his decision to retire as CEO at the end of 2021 after almost 19 years at the company, the past 17 as CEO, according to a company statement.

Kerry J. Jacobs will succeed Brandon as executive vice president of Alleghany, and she will continue as chief financial officer until her successor is named.

Brandon transitioned to president in April, and he will become CEO at year-end 2021. He also will be appointed to the board of directors at the end of 2021. He joined the company in 2012 as executive vice president and has worked closely with Hicks overseeing Alleghany's insurance and reinsurance operations and corporate strategy matters.

Jacobs joined Alleghany in 2014 as vice president, finance.

Successor Named as Beazley's CEO Makes Move to QBE

Adrian Cox

Beazley plc has named Adrian Cox to succeed Andrew Horton as chief executive officer.

Horton, who had been CEO since 2008, is expected to start his new position as CEO of QBE Insurance Group Ltd. in Australia, on Sept. 1.

Cox, who transitioned to his new role in April, has been with Beazley for 20 years, most recently as chief underwriting officer, and has more than 25 years of industry experience. He has been a member of the Beazley plc board since 2010, the company said.

Bethany Greenwood will be the interim CUO of long-tail underwriting (cyber and executive risk and specialty lines), and Tim Turner will be the interim CUO of short-tail underwriting (marine, market facilities, political, accident and contingency, property and treaty). These responsibilities will be in addition to their current roles, while the company conducts the process to appoint a new CUO, according to a company statement.

TransRe President-CEO to Leave Company

Mike Sapnar

TransRe President and Chief Executive Officer Mike Sapnar has announced he will be stepping down from his positions to pursue other opportunities.

Ken Brandt, TransRe's co-president of Global Underwriting, will succeed Sapnar, the company said.

Ken Brandt

Brandt has been a member of TransRe's senior leadership team since 2006 and will continue to serve on its board of directors. In addition, Paul Bonny, who is also co-president of Global Underwriting, has been named executive vice chairman.

Brandt has served as co-president of Global Underwriting and as president of the Americas, overseeing all of TransRe's U.S, Canada, Bermuda, Latin America and Caribbean teams. Prior to joining TransRe in 2006, Brandt was with Employers Reinsurance Corp., serving in a number of leadership roles, it said.

Ryan Specialty Group Announces Expanded and Revised Leadership Team

Timothy Turner

Timothy Turner, chairman and chief executive officer of Ryan Turner Specialty since its 2010 inception, has been named president of Ryan Specialty Group in addition to his current responsibilities.

The move is part of an expanded and revised leadership team announced by Ryan Specialty.

Jeremiah R. Bickham, currently global treasurer and head of corporate development, will succeed Diane M. Aigotti as chief financial officer. Aigotti has announced her decision to retire from RSG after 11 years, according to a company statement.

Michael T. VanAcker will become chief operating officer of RSG. He has been the COO of RT Specialty and joined RSG in 2011. Janice M. Hamilton will become chief accounting officer of RSG. She has been controller of RSG since 2018 and will retain these responsibilities going forward.

Mark C. Melander will become chief administrative officer, business services of RSG. Prior to joining RSG in September 2020 with the acquisition of All Risks, Melander was the chief administrative officer of All Risks Ltd.

Noah S. Angeletti will become treasurer of RSG. He has been vice president of treasury and corporate development for RSG and has been with the company since 2014, according to the company.

Berkley Agribusiness Names President

W.R. Berkley Corp. has named Bradley London to succeed Michael Ekiss as president of Berkley Agribusiness.

Bradley London

Ekiss will continue to work on special projects and initiatives throughout the organization, according to a company statement.

London has nearly 30 years of experience in the insurance industry, with a particular focus on underwriting for agricultural businesses. Most recently, he served as senior vice president and chief underwriting officer for Berkley Agribusiness. Prior to joining the company in 2009, he served in leadership roles for the agriculture practice at a number of U.S. insurers, the company said.

Ascot Promotes Chief Underwriting Officer to Bermuda CEO

Ascot has promoted Ian Thompson, currently executive vice president and chief underwriting officer, to succeed John Berger as chief executive officer, Bermuda, pending regulatory and immigration approval.

Ian Thompson

Thompson will assume leadership of Ascot's multifaceted Bermuda business, which includes specialty insurance, reinsurance and alternative capital capabilities underwritten from the group's Bermudian platform. Berger was to retire after three years helping to establish a presence in Bermuda. He will continue to advise and consult for Ascot, according to a company statement.

Thompson joined Ascot in 2017 as head of casualty and specialty, before being promoted in 2020 to his current role as EVP and CUO, casualty and specialty. He joined Ascot after almost 10 years at Hiscox Re as head of casualty and specialty. Thompson also worked at Catlin, heading the health care and professional lines practice in London.

Zurich Insurance Names Group Chief Underwriting Officer

Zurich Insurance Group has named Sierra Signorelli, currently group chief underwriting officer, to succeed James Shea as chief executive officer for commercial insurance and as a member of the executive committee, subject to regulatory approval.

Sierra Signorelli

Shea, who will be leaving Zurich, joined the company in September 2016 when the group combined its corporate and commercial businesses into a single global business unit, according to a company statement.

Signorelli joined Zurich in July 2017 and has extensive experience in the insurance industry, having held senior leadership positions in the United States, Asia and Switzerland.

Liberty Specialty Markets Names CUO and COO for US and Latin America

Liberty Specialty Markets, part of Liberty Mutual Insurance Group, has named Manuel Moreno to succeed Ronald Bolaños as chief underwriting officer for the United States and Latin America, and Heath Merrill to succeed Thais Kirchner, who retired, as chief operating officer for those regions.

Manuel Moreno

Moreno, based in Miami, is responsible for developing LSM's position in Latin America while overseeing the regional portfolio. Merrill, based in Boston, is responsible for delivering the operational strategy to meet the business' strategic objectives and will manage operations, claims, information technology, risk and compliance, marketing and communications. BR

Masthead: Forestay

Background illustrations on both mastheads are of HMS Victory. To learn more about The Nelson Collection at Lloyd's, visit *www.ambest.com/nelson*.

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WORLD HEADQUARTERS
1 Ambest Road,
Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
Av. Paseo de la Reforma 412 Piso 23,
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
12 Arthur Street, 6th Floor,
London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
NOMA House, Gustave Mahlerlaan 1212,
1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
Office 102, Tower 2, Currency House, DIFC,
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Representative Office

ASIA-PACIFIC (AP)

HONG KONG
Unit 4004 Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
6 Battery Road,
#39-04, Singapore
Phone: +65 6303 5000

ADVERTISING

REGIONAL SALES MANAGERS
Christine Girandola: +1 908 894 9563, *christine.girandola@ambest.com*
Brian McGoldrick: +1 908 894 9552, *brian.mcgoldrick@ambest.com*
SALES INQUIRIES
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Getting Noticed:
Unleashing the Power of Search Engine Optimization

Insurers are turning to SEO to gain visibility and build brand awareness, but an expert says success begins by first mapping out a strategy that focuses on content and meeting customer needs.

by Lori Chordas

Insurers increasingly have been relying on search engine optimization to improve visibility of their websites, bolster brand awareness and build relationships with customers and prospects.

But achieving SEO success and meeting those goals begins with having a strategy that focuses on content and a company's business objectives, said Steve Wiideman, co-founder and CEO of Wiideman Consulting Group and an adjunct professor at California State University, Fullerton, and University of California, San Diego. Over the years, he has played a role in the inbound successes of global brands such as Disney, Honda, Skechers and Applebee's, with an emphasis on strategy planning and campaign oversight. Wiideman recently spoke to AM Best TV about the power of SEO and how insurers can effectively direct traffic from search engines to their website to stand out from their peers. Following is an edited version of the interview.

Steve Wiideman

How can insurers use SEO to break through the search clutter in an industry that at one time had one of the most expensive AdWords, which was "insurance"?

It still does. I know "personal injury" is up there, too, with clicks going as high as $800 per click for some queries. It can be very expensive, but small businesses, in particular, have a huge advantage in that they can do that mom and pop grind that the larger companies can't do.

Collaborate with neighboring businesses and participate in community events, such as blood drives, to help your local area and earn many backlinks, or hyperlinks to your site that Google uses as one of its many ranking signals.

What advice can you share with insurers just beginning their SEO journey?

Begin by doing an SEO strategy and audits. There are tons of free audit templates available online. Create a strategy so you know what you have to do instead of saying, "Hmm, maybe we should add a keyword here." You don't need to reinvent the wheel.

Also, look at search like it's a pattern of behavior, not a set-it-and-forget-it. Create a page for every product and every version of that product that customers are looking for, and modify the title and heading to include the cities and counties you serve.

Ensure you're doing everything on your web pages to address local SEO ranking factors. Ask questions such as: Are we getting more visibility in terms of links and business listings every

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

month, and are we improving the quality, quantity and velocity of positive reviews and ratings that are coming in?

For organic search, make sure you have optimized your website as best as possible. And with the help of Google's new updates, make sure that your pages are fast-loading and pass a core web vitals test, which is a set of factors including stability, page loading and interactivity, that Google considers important in a webpage's overall user experience.

What steps should insurers take to build a successful SEO strategy?

There are three things to think about: How search engine-friendly is my website holistically? Can the search engines quickly and easily get to the content I want to appear in search results? Can users utilize that content regardless of operating system, device, browser or internet speed?

Also, look at what content your users are looking for. If searching for a specific type of agent, make sure to have that type of service as its own page to solve for that query.

The biggest challenge with SEO is content. SEO is a marketing initiative, not an advertising play, and it's something that offers a unique competitive advantage for every business.

Identify your business objectives. "Oh, I want to sell car insurance." OK, great, but show me your car insurance page and how it's better than the other nine results that appear on Page 1 of Google for the area that you serve and the type of car insurance that you offer.

Also remember to identify your technical action items and competitive baseline. Look at what keywords and nonbrand keywords your competitors are using and where they're receiving their traffic.

How far can SEO take insurers, and how can insurance companies of modest means be found in this ultracompetitive search sector?

Differentiate yourself by doing a better job solving problems that your customers have. Talk to your customer service people and ask, "What are the questions that we get the most often, and do we have a page for them?"

Create answers in the Google Actions console for Google Home, so when somebody does a query, it will give you that featured answer at the top of the search results. That is the catalyst to getting more voice queries answered.

Also use tools and free data sources like answerthepublic.com, and do a search for the word "insurance" to see questions people ask and related questions in search results. As you start clicking on the questions, they'll keep giving you more, and that offers many opportunities to create content that even the larger brands can't compete with, especially if you have an iPhone and a YouTube channel and are willing to create a better answer than what the big guys are willing to put money into.

What challenges do insurers face when it comes to SEO, and what's needed to overcome those hurdles?

Challenge No. 1 is there's simply a lack of resources. Often companies don't have a dedicated SEO person on staff. Also, outsourcing is a challenge. You'll get one of these fly-by-night, $200-a-month SEO companies that have 4,000 other insurance companies that are near you. Be careful of choosing a conveyor belt SEO brand.

If outsourcing, do your research. Talk to consultants and get recommendations of agencies that do a good job and don't put you on the conveyor belt.

The other challenge is that many parent companies don't give us much to work with in terms of an SEO-friendly landing page. You can't compete against a company that won't let you.

If you're allowed to create your own web presence and optimize your own website, then you've got a competitive advantage. If you're confined to that one URL, then you're going to want to use social channels like Facebook and LinkedIn.

Also, ensure your keywords are in your bylines and that you're linking back to your profile page to gain a competitive edge over local competitors. BR

AM Best TV

Go to *bestreview.com* to watch the interview with Steve Wiideman.

What I, a True Introvert, Have Missed Most About Office Life

Working from home certainly has its advantages, but it can't replace the benefits of in-person relationships or contemplative time spent while commuting.

By **Carly Burnham**

One of the largest employers in my home state recently announced it is closing its large downtown offices for good. There have been no follow-up reports of real estate purchases or new construction. Could this be a sign of things to come? We haven't heard of any insurers closing their home offices, but many of us are still working remotely and anticipate doing so for some time. So while traditional in-office work might have a short shelf life, I do look forward to returning to shared work space sooner than later. Here are three things I—a true introvert!—miss most about office life, and how I think things will look when we are able to return.

The Commute!

Remember sitting in rush-hour traffic? None of us ever thought we would miss that. For those drivers who were routinely stuck on highways that were more like parking lots, working remotely has given us a good amount of time back. But that time in the car helped me get into the right mindset, either mentally preparing for my day ahead or leaving work behind as I made my way back home. It was also my opportunity to listen to the news and catch up on current events. For some, it was a time to listen to a book, podcast or music. Now that our commute is from our bedroom to our home office—or let's be honest, our kitchen table or living room sofa—we've had to establish new ways to start up or shut down. I've done this by creating rituals and intentionally sharing with my husband when I am shut down for the day, so we can connect without work distractions. When I start driving to work again, I'll be aiming to keep those work/life balance practices in place.

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

Co-Workers

At this point, we have all acclimated to our new "commute" and gone through a phase of identifying pets as co-workers. But we can't deny that we've lost

the sense of community that comes from sharing space with the same people every day. In some ways, we may know more about our colleagues now—we may have seen into their homes, maybe even met their children or pets, on video calls—but we've lost the casual check-ins that come from passing each other in the halls. To overcome this, I make it a point to message or call co-workers from time to time just to chat. I for one will welcome the opportunity to see people in person, post-pandemic, and I'll be coordinating my schedule to prioritize face time with the right people.

Conferences

Over the last year, many conference organizers shifted to virtual offerings. While necessary and appreciated, virtual events don't have some of the more important aspects of in-person conferences. We have missed opportunities to network and have spirited conversations with colleagues we rarely see, or gain new perspectives on concepts and issues outside the confines of our offices. I look forward to the next time we can do this safely. For the time being, I've tried to take ideas out of my home office and contemplate them during a walk outside or from the change of scenery provided by the dining room. These practices of thinking through things away from our desk and attending virtual learning sessions, while not ideal, can give us the flexibility to learn and grow even if we're not able to get to a physical conference.

These are some of the many skills and capabilities that insurance professionals have developed while working through the pandemic. We ought to bring those forward once we are all able to interact in person more regularly. BR

Narrow Artificial Intelligence Is Latest Disrupter to Insurance Industry

NAI, just like the Industrial Revolution, is going to result in new government programs, as well as new theories of contract law and injury law.

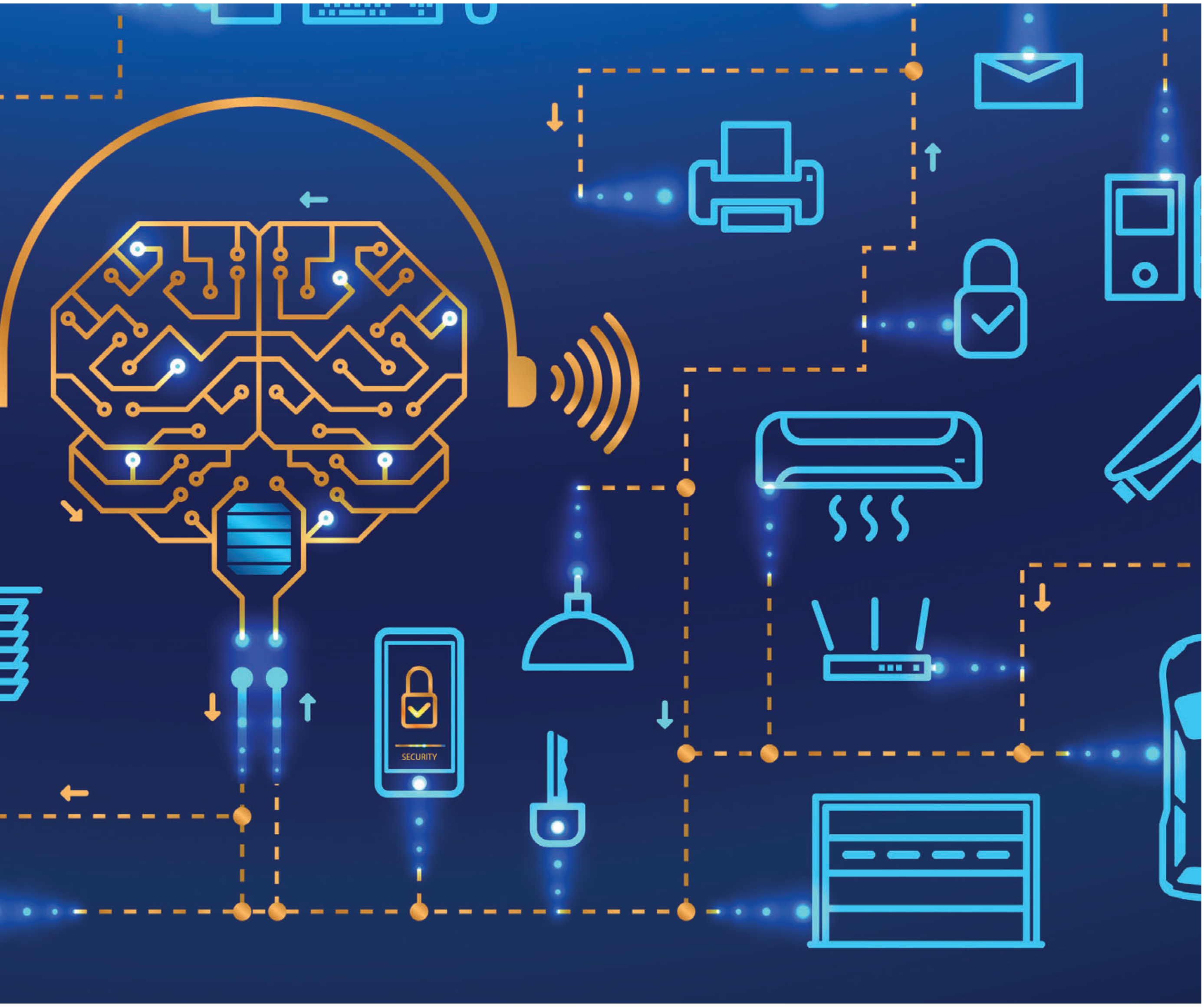
By Pete Thomas and Samantha Busenhart

Society is entering the age of artificial intelligence. Significant players in every industry are implementing narrow artificial intelligence (NAI) to improve their business processes. As a consequence, no element of the global insurance business model will be untouched. Most insurance product lines will need to be reengineered to reflect the new risks arising out of the adoption and deployment of NAI.

Insurers looking to take advantage of the opportunities that will result from the adoption of NAI or looking to mitigate the unintended risks associated with NAI will have to do research or partner with experts. While NAI's algorithms are becoming increasingly ubiquitous and autonomous, they are not without fault. It is helpful to understand the actual capabilities of NAI as opposed to its marketed aspirations and to determine the real risks versus media hype. It is important that algorithms are evaluated on their utility, transparency, accountability, explainability and propensity for bias. There is nothing easy about this kind of evaluation.

NAI is an increasingly integral part of utility, emergency, industrial, transportation, communication, entertainment, financial, medical and governmental infrastructure systems. Consider the "simple" examples of self-driving cars, autonomous robots, computerized investment programs, air traffic control programs, automated 911 systems or robotic surgeons. When a mistake is made by these autonomous programs, how do you assign liability? Can an autonomous program be liable? NAI has the potential to dramatically affect multiple sectors of litigation, including, but not limited to, injury law, insurance law, contract law, civil rights law, criminal law, and employment law.


Best's Review columnists **Pete Thomas** is managing director and president of GC Genesis, Guy Carpenter, and **Samantha Busenhart** is vice president, distribution and thought leadership, Guy Carpenter. They can be reached at *bestreviewcomment@ambest.com*.



Awards related to such litigation directly impact the financial health of insurers.

This historical pattern is not new. For example, the Industrial Revolution revealed that with most innovations and improvements came new risks, unexpected injury or damage, new ethical considerations, and new theories of law. While the asbestos crisis of the 1980s caught liability underwriters by surprise, it would be unfortunate if NAI also stymied the insurance industry.

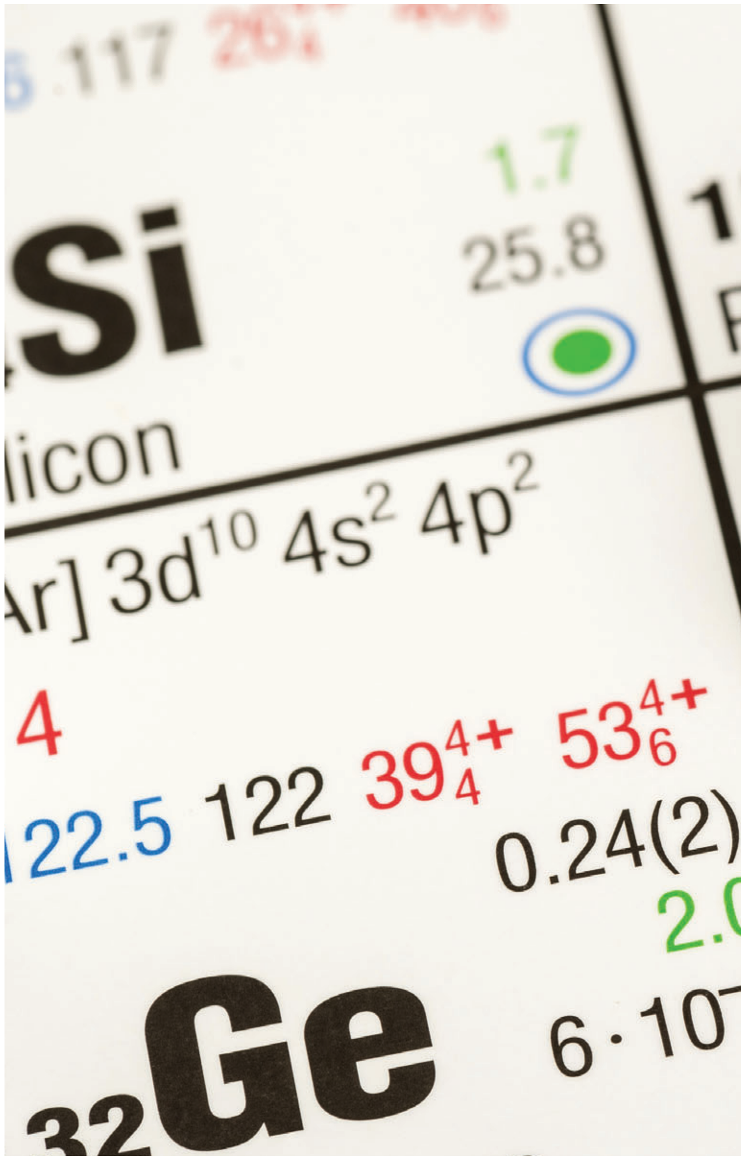
The unexpected damages and injuries of the Industrial Revolution inevitably highlight the role of government. One of the primary purposes of government is to protect the public. This is often realized through the creation of laws and promulgation of regulations. Since government cannot prevent all loss, however, to compensate an injured party or remediate property damage, society traditionally turns to six areas to redress the wrong: loss retention, family support, charity, public policy/government programs, insurance or tort liability. NAI, just like the Industrial Revolution, is going to result in new government programs, as well as new theories of contract law and injury law.

NAI, despite the risks, is an exciting innovation that holds great promise. The insurance industry has a vested interest in such technology and needs to collaborate with technologists, legal scholars, legislators and regulators to anticipate the injuries and damage that may result from the deployment of NAI. Collectively, these professionals should help create a rationale and equitable legal and regulatory framework that protects the public. BR

Emerging Litigation Targets Arsenic in Baby Food

Droughts caused by climate change have elevated the amount of heavy metals found in rice. Insurers must help clients manage this risk.

By Robert Reville and David Loughran



A new type of climate change litigation has arrived and it is not what you think. You know about ongoing climate lawsuits against oil, gas and coal companies. The catastrophic, climate-induced wildfires that spawned lawsuits against California utilities are fresh in our memories. But recent lawsuits filed against baby food manufacturers over elevated levels of arsenic and other heavy metals represent an entirely new kind of climate-related litigation that insurers will likely see increase in coming years.

Rice is known to draw inorganic arsenic from soil, though historically in manageable amounts. In recent years, however, more-frequent droughts have increased the amount of arsenic in soil, while rising temperatures have been shown to escalate its absorption. The result is a looming global food-supply crisis in which, over the next 50 years, a significant fraction of agricultural land dedicated to this staple food is expected to generate rice that is potentially unsafe for human consumption. When rice is converted into products such as flour, formula, milk and cereal, all used in baby foods, the problem becomes one of product liability for baby food manufacturers.


Best's Review contributors **Robert Reville** is chief executive officer of Praedicat, and **David Loughran** is senior vice president of product and chief economist. They may be reached at *reville@praedicat.com*.

Scientists have long understood that arsenic poses serious health risks. Arsenic is a known human carcinogen, according to regulators worldwide. Arsenic exposure is also associated with diabetes, heart disease, and reproductive and neurological impairment. The U.S. Environmental Protection Agency has set the standard for arsenic in drinking water at 10 ppb.

In early February, the House Committee on Oversight and Reform reported that four baby food brands—Beech-Nut, Gerber, Happy Family Organics and Earth's Best Organic—contained elevated levels of heavy metals including inorganic arsenic. Inorganic arsenic was found in baby food at levels between 129 ppb and 180 ppb, and ingredients were tested at levels as high as 913 ppb. The U.S. Food and Drug Administration issued guidance in August 2020 limiting inorganic arsenic in infant rice cereal (but

not baby food generally) to 100 ppb. Some consumer advocates, though, believe a standard as low as 5 ppb may be necessary to protect infants and children.

At least 43 lawsuits have been filed in the wake of the House report, and plaintiffs now seek to consolidate these lawsuits in multidistrict litigation. The lawsuits allege that consumers would not have purchased baby food from the four brands had they known they contained elevated levels of inorganic arsenic and other contaminants. A putative class action filed by a Staten Island mother goes further in demanding defendants pay for medical monitoring and any costs associated with treating their children for damage they suffer from the heavy metals consumed in baby food.

More generally, in 2019 the World Health Organization published a study on a range of food-safety-related climate risks. The study highlighted heavy metals, including arsenic, in food as one example. An increased risk of food borne illness is another. Yet another is illustrated by a recent study finding that a 1-degree increase in water temperature increases mercury, a highly toxic metal, in fish by 3% to 5%.

Patterns of latent climate-related litigation risk may emerge for other products and businesses as well. For instance, a recent study found that expected shifts in weather patterns may significantly increase mold in buildings in many cities.

We expect these slower-moving environmental shifts to generate as much litigation, with a wider industrial footprint, than the direct litigation against energy companies observed today. Insurers will need to monitor the science carefully and work with their clients in a wide range of industries to manage this risk. BR

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BEST'S REVIEW®

ISSUES & ANSWERS:

Industry professionals discuss the benefits of software suites and the growing importance of environmental, social and governance for insurers.

CLAIMS AUTOMATION AND ESG

Interviewed Inside:

Kurt Diederich
Finys

Anne Baskette
Virginia Farm Bureau

Jennifer Jackson
Munich Re Trading LLC

Raghuveer Vinukollu
Munich Re US

View past Issues & Answers sections at
www.bestreview.com/issuesanswersarchive.asp

Suite Talking About Finys

Kurt Diederich, President and CEO of Finys, and Anne Baskette, Director of Claims Administration, Virginia Farm Bureau, believe the pandemic has been cause for an acceleration toward digitization. Following is an excerpt from an interview with them.

Kurt Diederich
President and CEO
Finys

Anne Baskette
Director of Claims Administration
Virginia Farm Bureau

Go to the Issues & Answers section at *bestreview.com* to watch an interview with Kurt Diederich and Anne Baskette.

We don't hear as much talk as we used to about best of breed or single point solutions. Why is that?

Diederich: First, if you take a look at the modern suites that are out there, they've become a lot more full-featured than they used to be many years ago. Secondly, when you do best of breed, you're merging together the user experience for not only the internal users or the external users, but all the users of the system. By going with a single suite, your user experience is much more consistent across the board, regardless of which module you're using on the software. Those are a couple big reasons why we don't see as much in terms of best of breed.

Are there distinct operational benefits to working with a complete software suite in which policy data flows directly into a claims module and vice versa?

Diederich: You could certainly get that with best of breed applications. There's a lot more integration work. When you buy a suite, what happens is all those integrations are prefabricated. When you set the suite up, there's, generally speaking, a lot less integration work that needs to be done, for example, to take policy information and push it to your claims or take your policy information and push it to a billing system. Because all those integrations are native to that suite, what winds up happening is those pushes are automatic. Good suites will have desk checks that make sure that the information flow from one module to another is correct and accurate. Then all your backend reporting tends to be a little more consistent, simply because all that information is designed to work together. What happens in best of breed is you find that all that stuff has to be thought out. It's typically thought out by disparate development teams, perhaps on different technologies. There's a lot more coordination and management of best of breed type applications from an integration standpoint.

What are the benefits of the claims capabilities of the Finys suite?

Baskette: The policy information flows directly to our claims system. In the past, using some of our older systems, if a customer recently added a vehicle or made some changes to their policy, it could be days before we found out about that in our claims system or had that information flow into our claims system. Today, because we have this real-time system with Finys, if a customer walks into one of our local offices and adds a vehicle, we can enter a claim today and have that documentation, have that coverage information. Equity is another issue where that's a very important feature to know what's going on with a policy for the claims user. It's real-time information from the Finys billing system directly into the claims system, what that status is for that person's equity. That's very important.

Has the pandemic heightened awareness of the need for automation and digitization?

Baskette: Definitely. Customers want to be able to do things remotely, electronically, because of the pandemic, but then there's just a class of customers, they don't want to walk into a local office. They want to do everything online. They want to do everything on their phone. It's important for us as an insurance company to meet customers wherever they want to be met. Is it online? Is it at the local office? It's important. The pandemic brought some of that to light, but we were moving there anyway because customers want ease of doing business.

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Re|imagine
the meaning
of resiliency
For the most vulnerable communities, coming back from a natural catastrophe can be a near impossible task. It's why Munich Re is a long-time leader in measuring and helping mitigate the impact of climate change. We believe innovative risk solutions and greater resiliency – now and in the future – should be for everyone. Let's talk.
Learn how at munichreus.ly/closingthegap
Munich Reinsurance America, Inc.
NOT IF, BUT HOW
Munich RE

ESG Fostering a Climate of Change

Jennifer Jackson, Chief Financial Officer of Munich Re Trading LLC, and Raghuveer Vinukollu, Senior Vice President, Natural Catastrophe Solutions Lead, Munich Re US, recently had an opportunity to speak about the importance and growing trend of environmental, social and governance (ESG) issues in the insurance industry.

Jennifer Jackson
Chief Financial Officer
Munich Re Trading LLC

Raghuveer Vinukollu
Senior VP, Natural Catastrophe Solutions
Munich Re US

Go to the Issues & Answers section at *bestreview.com* to watch an interview with Jennifer Jackson and Raghuveer Vinukollu.

Can you talk to us about climate justice and what that means?

Jackson: Climate justice is actually a new concept, but it essentially is the idea that adverse impacts in weather are not felt equitably among all people. In the United States, this environmental injustice includes climate change, and it impacts communities of color and communities that are not of a certain economic status in a disproportionate way, hence the concept of climate justice.

Why is climate justice important?

Jackson: It's important because it's an aspect of human rights and development needed to achieve this human-centered approach. What we want to do and the reason why this is important is because we want to make sure that there are options and opportunities available to individuals who are adversely impacted by these changes in climate. The insurance industry has an enormous opportunity to bridge the gap between how these climate changes impact certain communities—in particular, those of underserved communities.

How is the NAACP Environmental and Climate Justice group working to address this problem?

Vinukollu: The NAACP Environmental and Climate Justice group is doing tremendous work to ensure that communities are equipped to engage in sustainability and climate action planning that integrates policy and practices. This organization together with Munich Re US are focusing on developing long-term solutions. Communities of color and low-income communities bear the brunt of the impacts of unhealthy, energy-inefficient and disaster-vulnerable buildings. We support the NAACP on its centering equity in the sustainable building sector. We envision a future in which they proactively enforce sustainable building policies and practices that produce equitable access opportunities, treatment impacts and outcomes for all, regardless of their identity or status. That's really important.

Why is Munich Re US passionate about addressing this topic?

Vinukollu: Munich Re has been thinking long and hard about both the topic of climate change and about closing the protection gap. This is really important for long-term resiliency of communities. We think that Munich Re plays an important role in this global effort to mitigate and adapt to climate change. At Munich Re, we have the knowledge and expertise that can help communities become more resilient by focusing on increasing the insurance takeup rate and closing the insurance gap so that we can reduce the risk, along with the help of innovative loss prevention measures and new risk transfer solutions that meet the needs of the underserved and underprivileged communities. We believe that a public-private partnership is a perfect approach to do that. We can raise awareness around the policies needed to reduce the impact of climate change and advance a society that fosters sustainable, resilient communities that uphold all rights of all people. We think that as we address this topic of closing the protection gap, and how can we have a sustainable future and adapt to the changing climate, we have to think as a whole, holistically, and not just a certain section of the population.

Munich Re desires to work together with others in and outside the insurance industry to develop innovative community-based solutions for closing the protection gap for vulnerable populations, helping protect them from the adverse effects of climate risk, and providing the resources to allow them to recover from catastrophic disasters.

Life Insurers Ponder How to Underwrite COVID-19 Survivors

Options range from the most severe—refusing to extend coverage—to treating the virus like cancer, respiratory illnesses and other conditions that must be disclosed when applying for life insurance.

by Terrence Dopp

As a volunteer EMT in suburban Houston, Richard Demko has seen scared young men with COVID-19 weep in the back of ambulances on their way to the hospital. As a life insurance professional, he's seen the insurance industry experience a different worry as the virus

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

Key Points

Good: Most people who contract COVID-19 recover, and a massive vaccination effort is underway across the globe.

Bad: The Centers for Disease Control and Prevention and others have warned that even seemingly mild cases of the coronavirus can bring complications down the road.

Uncertain: Life insurance carriers need to decide how they'll handle applications from people who have recovered from COVID-19.

“If you needed to be hospitalized due to COVID, that could make a difference. Insurers will want to know the details of the hospitalization just as they would if an applicant was hospitalized for anything else during that same time period.”

Christopher DiGeorge
DiGeorge Life Insurance Law

introduced uncertainty into every corner of the business.

More than a year into the pandemic, Demko and others have witnessed the life insurance world go through its own stages of COVID-19. There was the initial shock of an unknown virus spreading across the globe, followed by a rapid effort to adopt new technology and explore ways to continue sales and operations activity on a remote basis.

Now a new question is confronting the industry: How will underwriters deal with the multitudes of people who have recovered from COVID-19?

“I’m not really sure anyone understands the longevity and what’s going to happen to someone’s pulmonary system,” said Demko, a past president of a regional chapter of the National Association of Insurance & Financial Advisors and director of insurance for Centric Risk Strategies. “How does an actuary really understand the long-term effects of COVID?”

Because the two-year contestability period provides insurers some assessment time, companies have the opportunity to develop plans to factor COVID-19 into their current slate of diligence.

The most likely outcome, Demko said, is that COVID-19 questions will be asked on life insurance applications, included in sections about past or recurring respiratory illnesses.

“Unknown things scare insurance companies. Right now, there’s plenty of unknown,” Demko said. “It’s easier to have a broad-based question on any respiratory or pulmonary issues in the last two years. Because that’s going to be encompassing of any COVID condition.”

It’s possible that insurers would underwrite a client who later dies of COVID-19 within the two-year contestability window and the benefit would be scaled back, Demko said. He likened the current uncertainty to that that once surrounded HIV/AIDS, which went from being untouchable for life insurers to a manageable condition that doesn’t always pose an insurmountable barrier to coverage if it’s disclosed early in the application process.

More Recovery

According to the Centers for Disease Control and Prevention, most people with COVID-19 recover and return to normal health. As of late March, CDC data show there have been about 30 million cases in the U.S., with just over 540,000 deaths.

Yet some people experience so-called “Long COVID” and can face symptoms that persist for weeks or months after their initial recovery. Those symptoms commonly include fatigue, shortness of breath, cough or pain in the chest or joints.

Other long-term symptoms can range from brain fog or depression to inflammation of the heart muscle, altered lung functions and even kidney problems.

Cardiac imaging tests taken months after a recovery have in some cases shown lasting changes to the heart, even in people who experienced mild COVID-19 symptoms, according to the Mayo Clinic. These changes could increase the risk of heart failure or other heart complications in the future, it said.

Additionally, the type of pneumonia often associated with the virus can cause long-term damage to air sacs in the lungs and the scarring

"Unfortunately, the full long-term health impact is not yet known. Companies continue to analyze the most-recent data available and make their own determination on the impact to their application process."

Jan Graeber
American Council of Life Insurers

"Unknown things scare insurance companies. Right now, there's plenty of unknown."

Richard Demko
Centric Risk Strategies

can cause breathing problems, Mayo found. Even in young patients, the disorder can cause strokes, seizures and Guillain-Barré syndrome or short-term paralysis. It might increase the risk of later developing Parkinson's disease or Alzheimer's.

The CDC is still in the process of long-term studies, as COVID-19 is new and the mountains of data available for other conditions such as cancer and asthma don't yet exist.

As a result, insurers now must decide how to deal with a disease for which little to nothing is certain, from a standpoint decades into the future. Options range from the most severe—refusing to extend coverage—to treating it like cancer, respiratory illnesses and other conditions that must be disclosed when applying for life insurance.

Nicky Virgo, vice president, global underwriting, and head of manual development at Reinsurance Group of America, said COVID-19 is "clearly a multisystem disease" with implications for mortality and morbidity, particularly in cases of long COVID. Complications that need to be watched include lung fibrosis, heart failure or stroke.

"The range of outcomes varies quite widely," she said. "For individuals who have suffered from COVID-19, their risks are assessed in an identical way to that of any individual who is a survivor of other diseases—by considering them based on their current health status and using the best information that is available to us."

The U.S. and other countries have been on a vaccination push that by late March had resulted in about one-in-three Americans being vaccinated. The goal of those programs is herd immunity—the point at which enough people are immune that the spread is nearly stopped. Until that point, COVID-19 remains a fact of life.

Complicating matters is the rise of new variants, such as the B.1.1.7. strain that was first detected in the U.K. in the autumn and has been found to spread more quickly than initial incarnations. Add to that P.1 from Brazil, which may be tougher for antibodies to detect, and B.1.351 from South Africa.

Increased Mortality

A recent Best's Market Segment Report, "*US*

"For individuals who have suffered from COVID-19, their risks are assessed in an identical way to that of any individual who is a survivor of other diseases—by considering them based on their current health status and using the best information that is available to us."

Nicky Virgo
Reinsurance Group of America

Life/Annuity Industry Weathers the Pandemic Well in 2020," found most companies in the life and annuity sector have strong balance sheets but are facing issues that both predate the pandemic and have been exacerbated by it. Those include the need for top-line growth, prolonged low interest rates, the need to use technology to improve efficiency and the need to better align the business model with the needs of customers.

AM Best also found mortality to be better than initially anticipated for 2020, though life insurers struggled with sales, and volumes didn't recover from a drop-off until later in the year.

Jan Graeber, senior health actuary for the American Council of Life Insurers, said carriers need to assess near-term COVID-19 impacts such as the outcome of vaccination efforts, developing strains of the virus, and changes to consumer behavior alongside those that may be longer-lived. Long term, the industry also needs to watch the virus's effects on those who recover from it.

Graeber is responsible for advocacy on long-term care, risk classification and supplemental benefits for ACLI, which represents more than 280 member businesses across the life and annuity space. The current experience indicates an anticipated increase in mortality, particularly for people with underlying health conditions. Graeber said people may also be deferring care during the pandemic. Both situations are fluid and the full impact may not be readily apparent for many years, she said.

"Unfortunately, the full long-term health impact is not yet known," Graeber wrote in an email. "Companies continue to analyze the most-recent data available and make their own determination on the impact to their application process."

The type and magnitude of these impacts vary due to the unique characteristics of companies and the products they sell, she said. Companies, along with industry experts, continue to watch and analyze the impact of COVID-19 on the individual life insurance industry and mortality.

Life insurance attorney Christopher DiGeorge, whose firm DiGeorge Life Insurance Law specializes in representing beneficiaries of denied claims, sees transparency as key. It's far better for insurers to ask about the virus as part of their application process rather than leave any degree of uncertainty. "Ultimately, the consumer wants a life insurance contract that is going to protect their loved ones the way they intended so the additional questions being asked are a good thing," he said.

"For somebody who was a COVID survivor who was not hospitalized, I don't think there will be any difference in underwriting or approving new life policies," he added. "On the other hand, if you needed to be hospitalized due to COVID, that could make a difference. Insurers will want to know the details of the hospitalization just as they would if an applicant was hospitalized for anything else during that same time period. Except in this case it happens to be COVID."

In cases when insurers deny payment of claims, the beneficiary typically spends six-months to a year battling the company before giving up and Googling "life insurance attorney" late at night, he said. So the first COVID-related death claim denials are just coming into the system, he said. BR

Ripples From Software M&A Can Buffet Insurers

Selecting a software solution is a long-term business commitment. That's why understanding a vendor's footing in the M&A market is essential.

by Matthew Josefowicz

Insurance is a fragmented industry, which means growth-oriented software vendors will always be looking for ways to expand their offerings to increase overall market share. Accordingly, mergers and acquisitions are a defining feature of the insurance software marketplace, rather than an occasional disruption.

For insurance technology leaders, active investment and M&A activity is a mixed blessing. On one hand, new and innovative solutions are coming to market and getting the backing they need to grow and mature. On the other hand, disruption risk is increasing as vendors may be acquired or be subject to changing product strategies following an acquisition.

Insurance is an information business—and it depends on information technology to communicate with partners and clients, evaluate risk, and operate efficiently. Insurers should keep an eye on M&A market dynamics, especially for core systems. Understanding major market participants and their activity can be helpful in formulating an approach to potential M&As. Some of the major participants include:

- **Insurance Software Vendors:** Publicly traded and large, private-equity-backed, full-suite

Best's Review contributor **Matthew Josefowicz** is president and CEO of Novarica. He can be reached at *mj@novarica.com*.

insurance software vendors are active strategic acquirers in this marketplace. No major player has changed hands in the past two years, but it's always possible that a tech giant could acquire one of these companies as part of an industry expansion plan.

- **Tech and Data Giants:** Platform giants (AWS, Microsoft, IBM) don't offer vertical solutions, but they do nurture relationships with insurers. Data giants (Verisk, LexisNexis, CoreLogic) have largely stayed away from insurer software acquisitions, with the exception of Verisk acquiring FAST and Sequel. Application and service giants (DXC, Salesforce, Accenture) have a history of acquiring and bringing vertical solutions to market.
- **Private Equity and Venture Capital:** Private equity has been active in the insurance software marketplace for at least two decades, whether through engineering transactions or acquisitions, privatizing public companies, investing in growth companies, or operating a holding company. Venture capital investor interest also has grown, thanks in part to insurtech, which is adjacent to the insurance software marketplace. Insurers have also set up their own VC arms, often investing in startup software companies as well as distributors and carriers.

Working with an acquiring vendor means understanding product road maps and how acquisitions will enhance or replace existing solutions. Conversely, working with an acquisition target will require a sense of how the company might be viewed by potential investors or acquirers.

Making a Choice

For insurers, selecting an insurance software solution is usually a long-term decision that depends as much on the current state as it does on the future road map. An acquisition thesis for key partners and suppliers can help to navigate potential M&A impact. More specifically, determining how a vendor is likely to be viewed by the larger market is an important consideration for insurers.

Is a chosen vendor likely to be the acquirer or acquiree? Is the chosen system likely to be acquired for the software and therefore a continued R&D investment? Or will a future buyer only care about the client base, and therefore the insurer will be forced to migrate to a different platform?

Working with an acquiring vendor means understanding product road maps and how acquisitions will enhance or replace existing solutions. Conversely, working with an acquisition target will require a sense of how the company might be viewed by potential investors or acquirers. Insurers also may find it valuable to invest in newer entrants that could eventually be acquired. This allows some degree of control as well as insight into future M&A activity.

Investment and acquisition also affect pricing and contracting. Vendors with new owners may become more revenue-focused than relationship-focused, which may lead to more-aggressive pricing. This pivot in approach may be especially jarring for insurers used to working with an accommodating founding team. Acquiring companies also may increase prices to reflect enhanced service and base products. The increase in fees may be worth it for insurers, especially those who have spent years running a poorly supported product.

No matter what an insurance software vendor says, pricing is negotiable, and few vendors want to risk losing a customer or suffering reputational damage. Insurers have power in these new relationships, and it's possible to work toward a win-win deal structure with new partners.

Big exits, investor excitement and global economic uncertainty mean M&As will continue to increase in the coming years. Insurers of all sizes can benefit from understanding M&A market dynamics, whether to inform decisions around supporting current systems or to make strategic investments in emerging ones. BR

The Greening of Insurance Asset Management

Values-based investing takes root among insurers and their asset managers.


David Altmaier
Florida Insurance Commissioner


Sonia Axter
Ullico Investment Advisors


Chuck Chamness
National Association of Mutual Insurance Companies


Stewart Foley
Insurance AUM


Chris Fowle
Principles for Responsible Investment


Tom Karol
National Association of Mutual Insurance Companies


Sean Kevelighan
Insurance Information Institute


Mike Kreidler
Washington State Insurance Commissioner


David Sampson
American Property Casualty Insurance Association


Patrizio Urciuoli
Liberty Mutual


Grace Vandecruze
Grace Global Capital


Ross Webber
Apex

The Push for Responsible Investing

The Changing Relationship Between Asset Management, Values-Based Investing and Diversity and Inclusion

Smaller and Midsized Insurers Negotiate a Complex Investment Landscape

AMBestTV
Go to *www.bestreview.com/greening* to watch the full lineup of programs in “The Greening of Insurance Asset Management.”

The Push for Responsible Investing

From the United Nations to nations and states, regulators and representatives are aligning investing standards with concerns about climate risk and social responsibility. Insurance and asset management experts explore emerging standards and expectations, along with the strategies and products designed to lower the stress of complying.

by Meg Green and John Weber

"I think in 10, 15 years you'll see ESG ultimately become something that people just think about as good investing."

Chris Fowle
Principles for Responsible Investment

The insurance industry controls trillions of dollars of assets, mostly invested in low-profile, stable monetary vehicles that fly under the radar. But these investments now are attracting greater scrutiny related to their impact on environmental, social and governance issues.

The so-called ESG movement—which involves regulators, social and environmental activists, and even the broader public—is shaping industries across the world. Asset management, banking, venture capital, energy and manufacturing businesses have joined insurers working to balance financial needs with all three aspects of ESG.

Job No. 1 for insurers is to maintain sufficient financial strength to satisfy obligations to policyholders. In other words, they need enough available capital to pay claims. Insurers traditionally have sought investments that offer sufficient returns and appropriate risks. For centuries, those investments included energy, carbon-based fuels, weapons, tobacco and industries now associated with human rights concerns or other sensitive issues.

Many insurers have begun altering their investment practices to avoid areas that have fallen out of favor in recent years, but a growing body of regulators, legislators, activists and other stakeholders is applying significant pressure to incorporate ESG in all areas of the business.

Meg Green and **John Weber** are senior associate editors. They can be reached at *meg.green@ambest.com* and *john.weber@ambest.com*.

“We’re seeing, with the new administration coming into Washington, that climate is part of virtually everything in that administration.”

Sean Kevelighan
Insurance Information Institute

Inflection Point

Many insurers see their choice of investments as a key element in meeting ESG standards. Political changes are amplifying that focus, said Sean Kevelighan, president and chief executive officer of the Insurance Information Institute.

Most of insurers’ revenue comes from investments, which can be a great tool for building communities, Kevelighan said. “You are beginning to see companies proactively look at their portfolios and see whether or not there are ways they can address the issues through their investments,” he said. “You’re also seeing companies find ways to help their customers with the risks that are increasing too, beyond just our own investments.”

The industry has reached an important inflection point where it is going from a detect-and-repair focus to one of predicting and preventing catastrophes, Kevelighan said. Investments play a decisive role in that approach, as does being part of the broader conversation around ESG, he added.

“We’re seeing, with the new administration coming into Washington, that climate is part of virtually everything in that administration. Being part of those discussions, making sure people understand how insurance can be a solutions provider, making sure that people understand what risk-based pricing is and why it matters so much. It’s a lot for us to do in the climate area, even above and beyond investments,” Kevelighan said.

Rising Regulation

Insurers soon will be subject to broader regulatory pressures, according to David Sampson, president and CEO of the American Property Casualty Insurance Association.

“I think there will be a whole raft of new regulations on ESG-related issues coming from the Securities and Exchange Commission, the Fed, and other regulators on public companies,” said Sampson. “All of that’s going to have an impact on what happens at the state level among regulators, that is likely to sweep in nonpublic companies, mutual companies and other forms of insurance organizations.”

The National Association of Insurance Commissioners is sharpening its focus on ESG issues in general, noted NAIC President and Florida Insurance Commissioner David Altmaier. Another regulatory priority for 2021 is the Natural Catastrophe and Climate and Resilience Task Force, which it formed last year.

“The NAIC has always been involved in climate-related risks and natural catastrophes,” Altmaier said. “What we did last year was elevate that to what we call our executive level. Bringing some more commissioner-level attention to that issue and exploring ways that we can make our communities more resilient and make our insurance sector more responsive to natural catastrophes and thereby protect the consumers that rely on them.”

A Global Perspective

A major driver of the increasing emphasis on insurers’ investments is Principles for Responsible Investment, the organization that describes itself

"I think there will be a whole raft of new regulations on ESG-related issues coming from the Securities and Exchange Commission, the Fed, and other regulators on public companies."

David Sampson
American Property Casualty Insurance Association

as a United Nations-affiliated international network of investors working together to implement its six aspirational principles. PRI began operating in 2006.

It was incubated within the U.N. as a grad student project during Kofi Annan's tenure as secretary-general. It later was spun into a standalone nonprofit with headquarters in London. The U.N. supports PRI via two advisory board seats. "Otherwise we're completely independent from the U.N.," said Chris Fowle, director of the Americas for PRI. "There are no budgetary connections or administrative connections.

"For those that follow the science and understand that climate change is real and it's having an impact on our environment and therefore on humans, then I think someone could recognize that these issues will have an impact on investment returns as well," Fowle said. "In many markets around the world, that recognition sort of transcends politics. There are really important sectors that are impacted by climate change, by enhanced recognition of environmental factors, in fact, affecting valuations."

For example, he said: "There will be an important recognition that some companies will be making the transition to a low carbon economy better than others, therefore potentially creating better returns for their investors than others."

It's important for investors to understand how companies are responding to different environmental issues, he said.

"Clearly there are opportunities," Fowle said. "If you think about companies that might have a product or service that enhances a company's ability to successfully make the transition to a low carbon economy, then there should be a financial return and opportunity associated with that."

PRI's goal, as an organization that supports investors making decisions around material ESG factors, is to provide evidence, tools and a framework for recognizing these issues and opportunities to change investment processes, and ultimately help investor signatories be more successful at achieving good returns for their stakeholders, Fowle said.

Liberty Mutual Signs On

Liberty Mutual became the first U.S.-based property/casualty insurance organization to sign on to the PRI's principles. The insurer is joined by MassMutual and Unum, part of a growing global list that includes insurance organizations such as AXA, Hannover Re, Munich Re, Swiss Re and others.

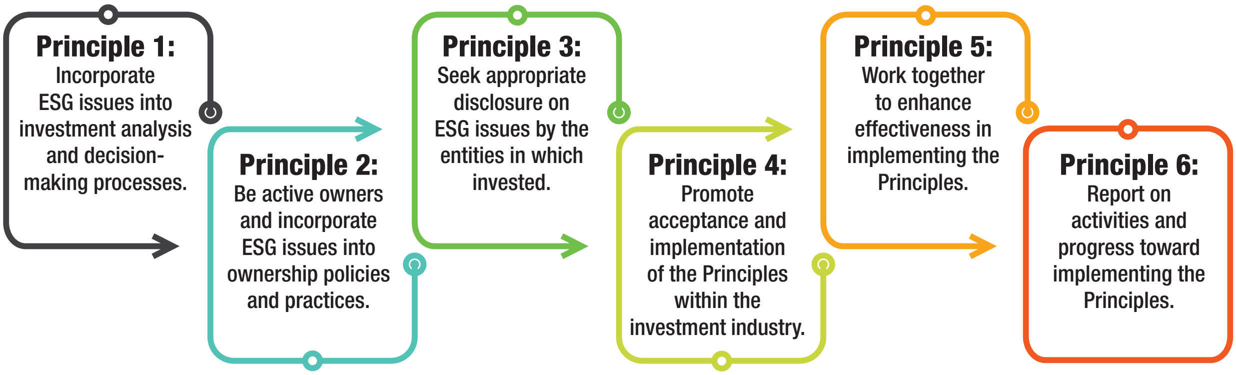
The principles are a good fit for Liberty Mutual, said Patrizio Urciuoli, executive vice president and co-head of strategy and asset allocation at the company.

"I'm very, very excited to see how ESG is playing an increasingly important role in our investment strategy," Urciuoli said. "Responsible investing has always been part of our business. It's an integral part of our company's purpose. In fact, we do strongly believe that insurance, at the core, is a socially responsible product."

As a global insurer and investor, Liberty Mutual has a broad set of opportunities to address environmental, social and governance considerations, said Urciuoli. The company also believes it is building a holistic approach to ESG that will withstand the constantly changing global environment, he added.

The 6 Principles

Asset managers and investors that sign on to the PRI agree to pursue six principles. "The six principles are first that you integrate ESG across your assets. You're making a commitment to all of your assets. It's not just a part of them over here on the side," said Chris Fowle, director of the Americas for PRI. "You don't have to be doing it all at once. You can get started without having started or doing anything yet, but you're going to progress over time."



Indeed, signing on to PRI was more a formality than a shift, Urciuoli said. "The signing itself didn't really change the business, didn't really change the way we make investment decisions. In fact, becoming a PRI signatory has been building off our existing strategic approach to ESG. We have been incorporating these six principles in every aspect of our business decision process," he said.

"I think about the six principles for responsible investments, which commit, basically, to incorporating ESG in all your investment analysis and decision-making processes. You commit to be an active owner. You seek appropriate disclosure. You promote acceptance, implementation of those principles. You commit to enhance and make more effective those principles. Then you finally commit to report on your activity and the progress you are making toward this implementation.

"All of those are just a natural evolution of incorporating the principles into something that is really the next step for us. That's why it became a very natural progression to our current strategy."

Growing Ranks

The number of PRI signatories continues to grow, according to Fowle, fueled in part by insurers and the organizations that manage their investments.

PRI estimates it has about 130 general insurance company signatories globally, with more joining each week. In addition to Liberty Mutual and MassMutual, RGA and CNO recently signed on.

"We're in talks with a number of others. That's not mentioning their insurance company investment management affiliates. You've got Nuveen, for example, with TIAA," Fowle said. "All of the New York Life investment management affiliates are signatories now. It's not an obligation use, but it's an opportunity to work with some of those signatories that have been doing it for a while, to collaborate on how to improve practices and progress up the curve."

Revised Focus

PRI has learned to put the emphasis on insurers' general accounts, which are funded by premiums and support the broader business, rather than on ancillary investment accounts, said Fowle. In the past, the investment management affiliates could sign up independently and separately from their corporate group parents. Now, PRI requires the general accounts to sign up first.

"We view the asset owners as key to the investment chain in terms of creating a sustainable financial system. They're the ones ultimately that have control over the funds, and therefore they can work with and direct their investment managers to do ESG, if you will," Fowle said.

A Matter of Survival

Pressures on insurance investment managers are more than conceptual. Companies need to make a solid return on equity and move to a broader asset allocation, into some nontraditional, more-value-based strategies and away from some of the core fixed income that has been a stalwart of the industry for decades, according to one insurance investment veteran.

"There will be pressure on the ESG side, but I think the primary pressure moving insurance investment allocations is the need for profitability and survival," said Stewart Foley, founder of Insurance AUM and editor-in-chief of the Insurance AUM Journal. "You've seen major insurance companies sell their life books because, given their regulatory environment, they can't fund it. Those blocks of business are going to folks who have a less-restricted, broader opportunity set for investments."

Values in Action

Pursuing values-based investment has spurred ongoing changes at Liberty Mutual, Urciuoli said.

As part of its climate strategy, the company is transitioning to a low carbon economy. It has been focusing on three things: gradually divesting from traditional energy and fossil fuel; strengthening its sustainable investment portfolio; and integrating climate consideration in its investment decision process.

"What does it mean? Let me give you some practical examples," Urciuoli said. "In 2020 alone, we more than doubled our investment and commitment to renewable resources. We have been selling all our remaining thermal coal royalties. We partnered with Jupiter [which provides predictive data and analytics for climate risk], which will help us identify, mitigate and manage climate-related risk. We implemented a very solid energy transition strategy.

"We are very excited about the investment opportunities that are in front of us in the space. Those examples are just part of a much longer journey. They align very well, for example, with the coal policy that we introduced in December 2019 and align very well with our commitment to do our part to support our transition to a zero-carbon economy."

Principles, Not Rules

PRI principles allow for latitude in terms of execution and timing, Fowle said.

"Think of us as a framework and a set of principles that allow investors to think through how they approach ESG," Fowle said. "We'll never be prescriptive and say 'You can invest in this, and you can't invest in that.' There really isn't anything that's PRI-compliant per se. More broadly speaking, there's been a lot of research around material ESG factors and whether or not they have an impact on valuations."

In particular there is good academic evidence, he said, that shows companies that take ESG or sustainability issues into account perform better financially. Public equities, for example. Depending on an investor's strategy and process, they may be able to achieve outsize returns if it recognizes those factors and chooses companies that are doing better on sustainability issues.

Fowle sees a limited time during which ESG-related issues will be considered the next big idea.

"There's a lot of recognition around issues like climate change or social issues related to COVID that are starting to impact valuations," Fowle said. "As people start to understand those dynamics, I think in 10, 15 years you'll see ESG ultimately become something that people just think about as good investing. … It'll just be a gradual process of education that's being pushed along by increasing recognition from regulators that these are important issues that they would also like to see investors make more progress on."

More Regulatory Consultation Ahead

Regulators have traditionally kept an eye on insurers' investing practices, and that focus will sharpen, said Washington state Insurance Commissioner Mike Kreidler.

"We've got to do a better job of helping to make sure that they clearly understand which [investments] are going to be looked on favorably," Kreidler said. "Insurance regulators have always been, should be, and are, very, very conservative in the investment portfolios that are permitted by the insurance industry. That's made us look very well when we went through the '07-'08 debacle, financially with the Great Recession. Insurance did quite well."

Mostly.

"That's what we've got to make sure of as we look at reinvestments as they come up, that we're open enough so they have that opportunity to make those investments in a timely fashion—not looking at what was permitted 20, 30, 40 years ago, but looking at what's going to be offered in the next decade," Kreidler said. BR

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The Changing Relationship Between Asset Management, Values-Based Investing and Diversity and Inclusion

More-demanding expectations are affecting how insurers, regulators and investors view personnel, investments and corporate transparency.

by Meg Green and John Weber

"The House Financial Services Committee [recently] issued a questionnaire to the major asset management companies in terms of [D&I], and it would not be surprising to have the same type of inquiry be made of the insurance companies."

Tom Karol
National Association of Mutual Insurance Companies

Whether it's called green investing, ESG or stakeholder capitalism, a new approach to investing has insurer actions increasingly directed—and judged—on how well they match the company's professed values.

Meg Green and **John Weber** are senior associate editors. They can be reached at *meg.green@ambest.com* and *john.weber@ambest.com*.

Half-hearted moves already have a new, derogatory name: greenwashing.

Many insurers have adopted a values-based approach well ahead of any regulatory prodding, said David Altmaier, Florida's insurance commissioner and president of the National Association of Insurance Commissioners.

"There's a recognition that those are going to be larger issues, in terms of society in general,

"I think we have seen a fair amount of greenwashing whereby investment managers and ILS promoters purport to be ESG ambassadors, but there really isn't any independent verification or proof."

Ross Webber
Apex

and that insurers are going to have a role in being responsive to that and making sure that they're showing some progress on those issues. I've been encouraged so far with their willingness to come to the table and have some conversations with us."

However, insurers are not giving equal weight to each element of ESG, said Grace Vandecruze, founder and managing director, Grace Global Capital.

"If you look at E with the environmental and climate risk, the industry has addressed this for decades. Climate risk is measured. It's being tracked. It's incorporated. We live with it daily because of various storms and catastrophes that are occurring," Vandecruze said. "The industry has made significant strides with the G, and they've added oversights on governance of the insurance industry and insurance companies. But it's the S, the social, that has taken third fiddle to the E and the G.

"As a board member and as a consultant in M&A within industry, I am really focused on the S. Why? Because when you look at our society and you look at the social inequities, the racial injustices, we're still in the George Floyd aftermath and what happened with that callous killing. Even recently, the stripping away of voters' rights, which is a hallmark of democracy," Vandecruze said. "The societal impact of not having the social factor where it should be will affect the insurance industry, our workers, and this is the opportunity for the industry to really make an impact on the S.

"It takes diversity, equity and inclusion within the company and at every rank of the organization and also the inclusive journey of having our products and services be more accessible to the underserved in particular that will make a significant difference," Vandecruze said.

Many insurers are not only embracing ESG—environmental, social and governance—but they are building it into company culture. "We need to do much more than spout rhetoric. There needs to be actual action taking place on ESG," said Ross Webber, managing director, Bermuda, at Apex. "I'm expecting we'll see insurers start to adjust pricing and start to implement far more punitive pricing for non-ESG risks. I think they'll bend pricing more favorably toward investments and underwriting that clearly promote the principles of ESG."

Responsible investing is just one part of Liberty Mutual's ESG journey, Patrizio Urciuoli, executive vice president and co-head of strategy and asset allocation, said. "Being a large enterprise like Liberty is about how you build an ESG-integrated framework that is consistent across the business, but also ... the focus has to not be on only the environmental factor. There is a lot to be said about the social and governance aspects.

"One of our biggest beliefs is that insurance is a socially responsible product. As such, the social aspect plays a critical role in our integration," Urciuoli said. "Liberty, and [the] insurance industry, we are all uniquely positioned to address some of the most pressing environmental, but also a lot of the social, issues that the world is facing today, unfortunately."

Enter D&I

Previously diversity and inclusion issues were

“I’m a fiduciary, and I get to incorporate responsible investing policies into my investments. We have a responsible contractor policy, which covers the way labor is treated from an operations, maintenance and construction standpoint.”

Sonia Axter
Ullico Investment Advisors

confined to personnel and management, but in recent years they are finding a home in asset management considerations, according to Stewart Foley, founder of Insurance AUM and editor-in-chief of Insurance AUM Journal.

“It’s a really hot topic, and one of our strategic initiatives is to promote and support D&I efforts in the insurance industry and the investment industry. I think it’s become a bigger and bigger topic,” Foley said. “Our colleagues at Camradata in the U.K. actually have a segment of their data that they collect from managers that’s specific to D&I. I’m not so sure that D&I is going to drive the bus, but I certainly think it’s a growing consideration on asset allocation decisions by institutional investors in the insurance market and more broadly.”

D&I considerations are front and center in infrastructure projects as well. Ullico Investment Advisors, part of Ullico Inc., is investing in upgrades to the John F. Kennedy International Airport in New York. Part of that investment is aimed at furthering diversity and inclusion, said Sonia Axter, managing director, infrastructure investments at UIA.

“We have 31 area investors in New York, New Jersey and Connecticut whose pension funds will be investing in that asset. That’s really powerful when it comes to the decision-makers, to the mayors of those cities, to the Port Authority, to the commissioner, to the governor,” Axter said. “Thinking about that as a way to engage the community in that long-term commitment is really powerful. We’re also able, as a private owner, to [institute] hiring standards, diversity requirements, diversity of capital, diversity of workforce.

“We have a target focus on training and hiring from the ZIP codes in Queens that are going to be impacted by that construction, as a huge economic opportunity for that community,” Axter said. “It’s something we’re really excited to get started on. It’s a great example of what we can do when we apply what we consider best practices to all phases of infrastructure investing.”

No aspect of property/casualty insurance today could ignore the critical importance of diversity and inclusion to the growth and development of the insurance industry, said Tom Karol, general counsel, federal, for the National Association of Mutual Insurance Companies.

“Insurance asset management and operations are examining how to increase the diversity and inclusion of their own operations, the services and companies they use, and the impact of the investments they make,” Karol said. “The House Financial Services Committee, [recently] issued a questionnaire to the major asset management companies in terms of this particular area, and it would not be surprising to have the same type of inquiry be made of the insurance companies. As these workable metrics and standards are developed to help insurance investment asset management better understand these areas, the good policies and operations are going to follow.”

The Risks of ‘Greenwashing’

Observers are beginning to scrutinize organizations’ commitments to values-based investing and operations, and are quick to cast doubt on those who don’t live up to their words, Webber said.

"Another term that I'm hearing a lot more recently is 'greenwashing,'" Webber said. "I think we have seen a fair amount of greenwashing whereby investment managers and ILS promoters purport to be ESG ambassadors, but there really isn't any independent verification or proof of what makes their portfolio, their investment or their specific action particularly ESG-friendly."

He noted there are service providers who can help with ESG reviewing, monitoring and rating. They drill through actions, investment holdings and the risk profile of a company to rate against various peers and provide an independent ranking.

In addition, regulations are coming into force. For example, the EU Sustainable Finance Disclosure Regulation's provisions became applicable in March. That set of rules focuses on metrics for assessing ESG outcomes in investments. "While it is EU-centric, I believe it's very much a portent of what we expect to see globally in the U.K., in the United States, and, of course, here in Bermuda," Webber said.

"I think we'll see a continued demand for higher ESG investment standards," Webber added. "I think it will not only accelerate ILS market growth, but it could play an integral role in the long-term sustainability and attractiveness for capital market investors moving forward. I think the insurance-linked securities asset class is well aligned for tailoring with ESG principles."

One Size Does Not Fit All

Chris Fowle, director of the Americas for Principles for Responsible Investment (PRI), believes becoming a values-driven organization is a gradual, not wrenching, process. The PRI is an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact.

"It's important to understand the distinction between what PRI is promoting and helping our signatories do—which is actually better investing based on material risks and opportunity and not values-based investing per se, although there's certainly a range of approaches to integrating ESG—and being a responsible investor," Fowle said. One end of the spectrum could have investors excluding businesses such as tobacco, alcohol and weapons, through to ESG integration, he said.

"You're doing ESG integration," Fowle said. "You're doing it based on your material risks and opportunities, but then you also want to think about what your outcomes are, how your investment decisions are impacting the broader environment and society. It's better to think about it as a spectrum."

Ullico's Axter believes investments can and should further an organization's purpose and values.

"Ullico was created in 1927. It was born out of a need to provide life insurance for union workers. Everything about the company has been a values-based mission." Axter said. "It's owned by union general funds. It has a corporate mission to promote the union workplace. I'm a fiduciary, and I get to incorporate responsible investing policies into my investments. We have a responsible contractor policy, which covers the way labor is treated from an operations, maintenance and construction standpoint," Axter said. "We look for union contractors, union content, union labor in the construction and maintenance phases of our work. We incorporate it into the transaction documents. We talk to our public counterparties about that up front."

Fad, Trend or Permanent Change?

ESG-related discussions with insurers require little explanation, said Webber of Apex.

"ESG is the most-often-used [acronym of] three letters that I've seen since ILS. What was a fad and a trend seems to be much more than a fad and a trend now. What I find interesting with ESG is most people seem to focus solely on the E. Even then, they seem to focus solely on climate change, but there's so much more to that E than just climate change. Similarly, I think the S is subjective," Webber said. "What may seem to be a progressive societal issue for some may seem to be abhorrent to others. I believe the recent U.S. electoral cycle is testament to that."

Indeed, ESG integration involves more than environmental initiatives, Liberty's Urciuoli said.

"Certainly for us, Liberty Mutual, social and governance aspects play an equal role," he said. "There is a lot that we are trying to do, both on the investment side and on the business side, to make all three factors equally important for our business." BR

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Smaller and Midsized Insurers Negotiate a Complex Investment Landscape

Not all insurers have the resources to deploy across a range of investment opportunities designed to address changing standards and expectations. Insurance and investment experts explore how insurers of all sizes can better meet emerging guidelines without sacrificing business objectives.

by Meg Green and John Weber

"I think the misconception is that you need to flip a switch and be completely compliant with Principles for Responsible Investment. That's not the case. Insurance companies can set a long-term goal."

Stewart Foley
Insurance AUM

As insurers respond to demands for greener investing, they are learning the historical trade-off between values and profit is diminishing, but regulation remains an obstacle.

"There is this misconception, as investors in general, that in order to integrate environmental, social and governance factors, you have to sacrifice investment return," said Patrizio Urciuoli, executive vice president and co-head of strategy and asset allocation, Liberty Mutual. "At Liberty, we believe that ESG integration is about strengthening and enhancing our already solid investment process.

"Taking into consideration material environmental, social and governance factors can only contribute to generating better and superior long-term risk-adjusted return, which at the end of the day is what we as asset managers and asset owners should do."

Meg Green and **John Weber** are senior associate editors. They can be reached at *meg.green@ambest.com* and *john.weber@ambest.com*.

“The Disaster Reform Recovery Act ... has an important component, which we’re most excited about in this context of climate change, resiliency and preparing for problems that we know we’ll face with our changing climate.”

Chuck Chamness
National Association of Mutual Insurance Companies

No Rush

Long-term is indeed the operative word, according to Stewart Foley, founder of Insurance AUM and editor-in-chief of Insurance AUM Journal.

“Insurers are maybe a little behind the asset management community, but I think the misconception is that you need to flip a switch and be completely compliant with Principles for Responsible Investment (PRI). That’s not the case,” Foley said. “Insurance companies can set a long-term goal.”

This allows investors to reorient holdings while taking into consideration potential limitations based on how certain investments are viewed by regulators, Foley said.

“The concern is, ‘Oh, if I have to sell a bunch of my portfolio and reinvest at lower rates, I’m going to erode my book yield,’ ” Foley said. “My understanding is that insurers can set their sights on becoming PRI signatories and implement that over a longer-term period of time and make that adoption more seamless.”

PRI describes itself as a United Nations-supported international network of investors working together to implement its six aspirational principles into ESG investment.

‘A Real Conundrum’

PRI rules around using a look-through approach in investing are presenting roadblocks for some insurers. The National Association of Insurance Commissioners defines the approach as the process of admitting audited investments in entities owned by an unaudited downstream noninsurance holding company. That may limit some insurers’ ability to participate in larger-scale investments that may adhere to PRI or value-based investing principles, Foley said.

“It’s a real conundrum. At the NAIC level, you can get look-through on exchange traded funds—a look through the ETF structure into the underlying asset. However at the state level, that’s not always the case. They treat the ETF structure opaquely. ETFs are a way for insurers to get good diversification with less of an investment or commitment than they may need to make on a separate-account basis.

“That’s particularly true for small insurance companies who want to gain access to a particular asset class,” Foley added. “Maybe they want to buy, but they can’t get there because they don’t have enough of an allocation. It would be helpful to have a consistent treatment at both the NAIC level and at the state level to give look-through to ETFs.”

Foley said he believes regulators should remain focused on policyholder protection, including giving insurers more latitude in supporting their organizations through investing.

“The purpose of regulation is to protect the policyholder,” Foley said. “You have a claim. Your insurance company needs to have the financial strength to pay that claim. Regulators make sure that can happen. They do a lot. It’s not only on the investment side. It’s on the operations side as well. The way that this has always been done is guarding against the risk of default.”

"Taking into consideration material environmental, social and governance factors can only contribute to generating better and superior long-term risk-adjusted return, which at the end of the day is what we as asset managers and asset owners should do."

Patrizio Urciuoli
Liberty Mutual

Regulators can play a big part in value-based investing, said Tom Karol, general counsel, federal, National Association of Mutual Insurance Companies.

"We see that the greatest benefit that regulators, particularly the state insurance commissions and the NAIC, could provide to value-based investing would be to work directly with insurance portfolio managers to better understand the operations and the impediments that exist today, and to provide practical and workable definitions and standards that can supplement the existing insurance investment," Karol said. "Overly broad political pronouncements that lack objective specificity or operational viability are only going to raise the barriers to value-based investing."

Expect More Disclosures

"The SEC announced that they're going to be looking at climate-related disclosures of companies," Chris Fowle, director of the Americas for PRI, said. "Revisiting guidance they'd put out in 2010 to guide companies in terms of how they're talking about, thinking about or analyzing the risks and opportunities related to climate.

"Insurance companies in some cases will be subject to those rules. There are also discussions around formalizing disclosure on climate-related risk and opportunities for all types of insurers in line with something called the TCFD, the Taskforce on Climate-Related Financial Disclosure. There's discussion about making some of those requirements mandatory to enhance something that the NAIC has been doing for quite a long time. In fact, the NAIC has had a call for climate-related disclosure out for something like 10 years. That's now run by the California insurance commissioner's office."

Regulators certainly hold influence over insurers' ability to pursue ESG investing, said Grace Vandecruze, founder and managing director, Grace Global Capital.

"This is an area where we expect to see more regulation," Vandecruze said. "The SEC with the new administration has signaled clearly that ESG will impact the disclosures. We know that investors are keenly interested in ESG but also in our regulatory environment.

"I firmly believe incorporating ESG practices in the risk framework lens is good for the company. It's also good for businesses," Vandecruze said. "I expect to see more ESG incorporated in the Own Risk and Solvency Assessment report that companies give to the regulators. We will see this topic and hear this topic more and more in the boardroom."

ESG Meets ILS

Insurance-linked securities are the next frontier for insurers to pursue climate- and value-based investing, said Ross Webber, managing director, Bermuda, at Apex.

"By focusing on the climate and environmental aspects of perils, by providing capital and using the investment gains from that capital … . The proceeds of and the actual investment of the capital that's being used is specifically being directed into ESG friendly portfolios," he said. "That's the way that it works."

Another driver for value-based investing for insurers is coming from the EU Sustainable Finance Disclosure Regulation, Webber said. "It was a disclosure for companies to actually demonstrate and submit their investment portfolio to the EU and declare where they believed it was ESG-friendly and financially sustainable and demonstrating sustainability within their investments," Webber said. "It's specific to the EU, but I genuinely believe this or something similar will become adopted by the U.K. as well as the United States in due course."

Mutual Values

Chuck Chamness, president and CEO of NAMIC, maintains that mutual insurers were making great strides in embracing goals of the ESG movement long before the concept made headlines. After the powerful hurricanes of '04, and '05, he said, NAMIC's members wanted to focus on strengthening and enforcing building codes.

"By 2011 we broadened that to predisaster mitigation and resilience, broadly defined, knowing this was an issue we needed to address as a country," Chamness said. "At the same time, we had that great industry resource, which is the Insurance Institute for Business and Home Safety's research center that was coming online in South Carolina.

"Now, we had not just sterile discussions about building codes and the need to prepare and build better in advance of disaster. We had this great research facility with 150 giant fans that blew hurricane-force winds and tested real structures. That was the beginning, building up over several years because it takes several years, always, to get anything done in Washington."

In addition, the group developed the Disaster Reform Recovery Act working with Congress. The measure was signed into law in 2018. "The DRRA ... has an important component, which we're most excited about in this context of climate change, resiliency and preparing for problems we know we'll face with our changing climate.

"The Building Resilient Infrastructure and Communities aspect of the DRRA, the BRIC program, is for the first time an opportunity for FEMA to fund mitigation in advance of disaster," Chamness said. "We know it will save lives. We know it will save property."

A Big Tent

Starting value-based investing should not be overly difficult or costly, said Fowle from PRI.

"We want you to be an active owner, which can mean different things in different asset classes and public equities," Fowle said. "We want you to ask your investee companies for ESG data to help you make decisions. We look for you to collaborate with other investors and share best practices. Ultimately, we hope our signatories progress up the curve and become leaders in this space. Finally, we do have a reporting element to being a signatory."

After a one-year grace period, a company must report on its activities against a PRI-created framework. "That framework is designed to help you understand where you are, to benchmark yourself, to figure out those one, two, three things you might want to do over the next year to improve your practices and get in line with global best practices."

PRI requires investors to have a responsible investment policy that covers 50% or more assets, and pay an annual fee, Fowle said. "If you don't meet the minimums after your grace period, if you don't pay the fee and if you don't report, then you would potentially be delisted. Otherwise the whole goal as a big tent organization is to help investors get started, even if they're not doing anything yet, to orient them to best practices globally, and help them climb the learning curve," Fowle said.

Insurers in the U.S. seem to be climbing more slowly than many of their peers in other regions. "To a certain extent, the U.S. is behind. How can we catch up? What will any regulatory changes look like in the U.S.? Will they be in line with what's happening in other markets?" Fowle said. "Many of our investment manager signatories in the U.S. operate globally. They're already subject to many of these regulations, and they're bringing that knowledge back home. That extends to insurers as well that operate around the world. Definitely I think that we will see change.

"I always like to use the analogy of being on a ship. Do you want to ride the wave and understand where it's going to take you, or do you want to be hit by the wave that's definitely coming at you?" BR

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Beware the Sirens of Environmental, Social and Governance Investing

Boosting ESG without understanding and carefully considering who stakeholders are, what they expect and how their potential disappointment might be expressed is a tactical path to a reputational liability.

by Nir Kossovsky and Denise Williamee

It's been almost two years since nearly 200 CEOs signed a Business Roundtable pledge to balance the interests of investors with those of other stakeholders. Blame it on the lure of the sirens of environmental, social and governance-driven investing—and the expectations of reputational benefits and capital investments earned by outperforming peers' ESG rankings. It could be a story of capitalism at its best.

Best's Review contributors
Nir Kossovsky is CEO of Steel City Re. **Denise Williamee** is Steel City Re's vice president of Corporate Services. They can be reached at *nkossovsky@steelcityre.com and dwilliamee@steelcityre.com.*

Kossovsky

Williamee

Instead, it is a story of how captains of industry are potentially wrecking themselves and their boards on the rocks of reputational damage.

Corporate leadership has made these commitments in at least some cases without a clear plan to achieve them. This is a classic and enormous reputational risk. Leaders are setting expectations. If they don't meet them, stakeholders will become disappointed and angry, and their behavior will manifest in ways that have a direct and material impact. It is not a coincidence that between June 2019 and June 2020 there have been 39 federal lawsuits in which a board's duty to oversee reputation was cited—a nearly 60% increase over last year, and the third year of growth.

Warnings Ahead

In many cases, companies may not have recognized who their stakeholders were or what they would do if their expectations were not met. Sen. Elizabeth Warren declared recently that the Business Roundtable pledge was "weak and meaningless," and "just a publicity stunt."

For every company making pledges and setting goals without thinking through the potential reputational risks we have a news flash: Warren, backed by a more progressive Congress, is now a stakeholder. These companies stepped into Warren's wheelhouse.

Too many companies are treating these ESG pledges as mere marketing statements, but when financial setbacks occur plaintiffs' lawyers are seizing on boards' failures of their duties to oversee mission critical functions such as corporate reputation. While the Caremark International litigation that set the legal standard for board liability made allowances for "puffery," it also made it clear that boards have a duty to protect operational viability.

ESG pledges can't be empty promises when they speak to operations that investors value. And they can't only focus on the environmental and social parts of the equation. E and S won't amount to much if they aren't backed by better governance. That means when companies make pledges and set stakeholder expectations those pledges will come to fruition; directors

need to make sure executives build across the entire enterprise, operations and culture the consequences of those promises.

Examples

Consider two iconic businesses whose values are bound to their reputations for ethics and safety. Goldman Sachs and Boeing each spent upward of $1.5 billion on ESG initiatives that may have boosted ESG metrics but provided no protection when processes most important to their shareholders failed.

Or consider Signet Jewelers, reaching a $240 million shareholder settlement related to pledges over gender ethics. Or Wells Fargo, settling with a world record price tag in a derivative suit over reputational damage.

Boosting ESG without understanding and carefully considering who stakeholders are, what they expect and how they might express their disappointment is a tactical path to reputational liability.

While ESG investment done correctly is commendable, the ESG sirens of the investment community are trapping companies and their leaders in a blinding fog of metrics. ESG investment is touted loudest by the firms that will profit from the ecosystem: conformance consultants, performance auditors and investment advisers.

There is no end in sight as companies exhaust themselves competing for the highest ESG marks to please the investment community, but at the potential cost of ultimately disappointing the very stakeholders they are hoping to appease. The culmination of that disappointment could be evisceration in the courts of law and public opinion.

Managing the risk of disappointed stakeholders expecting ESG triumphs seems prudent. Better still, it is actually a path to better ESG metrics. ESG rating firms are taking into consideration the risk that companies will fail to meet their objectives. Effective January 2021, institutional investors exemplified by BlackRock have started voting their proxies on the strategies firms use to meet their ESG objectives. These stakeholder groups need to hear a clear and convincing narrative describing how these hazardous reputational seas are being navigated and how those risks are being mitigated throughout the organization. Best of all, we have observed over the years that equity markets—reflecting the mindset of ESG raters, bond raters and institutional investors—have rewarded companies disclosing verifiable reputational risk management efforts with equity boosts ranging from 7% to 30%. Apollo Global Management's 11.5%, $1.15 billion increase over a span of two weeks in January is exemplary.

> ESG pledges can't be empty promises. And they can't only focus on the environmental and social parts of the equation. E and S won't amount to much if they aren't backed by better governance.

To reliably avoid destruction at the hands of ESG sirens, corporate leadership must take a lesson from Odysseus and lash itself to the ship's mast of reputational risk management and wisely pursue maximum shareholder returns by charting a course that minimizes stakeholder disappointments. Companies need an expansive reputational risk management process staffed by a team that can gather intelligence from throughout the enterprise—defining who the sea of stakeholders includes, what they expect, and whether there are gaps between expectations and actual performance. They need to highlight third-party validations, whether in the form of a legal review or insurance cover.

Engagement in that process, support by third parties who can validate the soundness of governance and operations, and insurance that shows someone is standing behind the company's systems and protocols, will build into a story that marketers and investment relations professionals will love to tell. It's a story that matters to all stakeholder groups—including the political players who can damage a company's reputation with a press release or a tweet. BR

AM Best Becomes Signatory to the ESG-Related Principles for Sustainable Insurance

AM Best is the first credit rating agency to make this commitment.

AM Best became a signatory of the United Nations Environment Programme's (UNEP) FI Principles for Sustainable Insurance (PSI). AM Best believes the insurance industry plays an important role in supporting sustainable economic and social development. In addition, management of environmental, social and governance (ESG) efforts will strengthen the insurance industry's contribution to building a resilient, inclusive and sustainable society. AM Best's PSI membership is a significant step in this direction.

Endorsed by the U.N. Secretary-General, the Principles have led to the largest collaborative initiative between the U.N. and the insurance industry—the PSI Initiative. Over 140 organizations worldwide have adopted the four Principles for Sustainable Insurance, including insurers representing more than 25% of world insurance premium volume and US$14 trillion in assets under management. The Principles are part of the insurance industry criteria of the Dow Jones Sustainability Indices and FTSE4Good.

"AM Best and its major affiliates are pleased to become a signatory to the U.N.'s Principles for Sustainable Insurance. The Principles 'serve as a global framework for the insurance industry to address environmental, social and governance risk and opportunities,'" said Arthur Snyder III, chairman, president and CEO of AM Best.

"We are delighted that the world's first credit rating agency is also the first credit rating agency to sign the U.N.'s Principles for Sustainable Insurance."

Butch Bacani

UN Environment Programme

"This fits both our focus on insurance and our continued perspective that ESG elements play an important role in the financial strength of an insurance company. We've long captured environmental and governance issues in our ratings opinions through catastrophe stress tests, A&E tests and ERM. ESG is a repackaging of these. Through the PSI, we are making a further commitment of disclosure and transparency to forward an ESG agenda," said Matthew C. Mosher, president and CEO of AM Best Rating Services.

"We are delighted that the world's first credit rating agency is also the first credit rating agency to sign the U.N.'s Principles for Sustainable Insurance (PSI)," said Butch Bacani, who leads the PSI at the UN Environment Programme. "As the largest credit rating agency specializing in the insurance industry, this is a clear and strong signal from AM Best that sustainability matters in the insurance business, that sustainability counts. In the final analysis, the bottom line is sustainability." BR

Emerging Leaders

In this special section, *Best's Review* reports on AM Best's first student competition and the Emerging Leaders Conference co-sponsored by the American Property Casualty Insurance Association, the Insurance Careers Movement, and AM Best.

"AM Best's Inaugural Student Challenge Leads to Innovative Solutions for Catastrophe Risk" reports on the winners and finalists in the competition, which tasked risk management and insurance students from around the nation with creating innovative solutions for catastrophe risk.

"Competitions for Students of Insurance and Risk Management" takes a look at industry-sponsored challenges available to insurance and risk management college and graduate school students.

Tricia Griffith addresses the issues of credit scoring and diversity in "Progressive CEO: Insurance Industry Needs Proven Risk Rating Metrics and More-Affordable Products."

"Insurance Will Remain Relationship-Focused, Even With COVID-Inspired Tech Advances" covers the remarks of AM Best Rating Services President and CEO Matthew C. Mosher during the Emerging Leaders Conference. BR

Contents

AM Best's Inaugural Student Challenge Leads to Innovative Solutions for Catastrophe Risk

This year's winning team created a parametric insurance solution that helps families during emergency evacuations.

by Lori Chordas

University of Wisconsin-Madison graduate students Andrew Shaw and Madison Wescott have won AM Best's inaugural Student Challenge, which tasked risk management and insurance students from around the nation with creating innovative solutions for catastrophe risk.

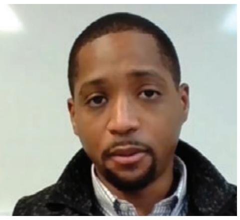
Their winning submission, "Emergency Evacuation Assistance," is a parametric insurance solution that helps low-income families pay expenses related to an emergency evacuation during a catastrophic event.

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

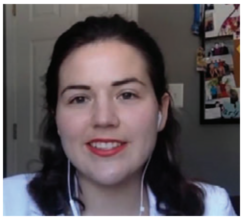
The winning duo, who received half of the overall votes cast for the top three finalists, "brought an interesting perspective on the funding of liquidity and economic loss from emergency evacuations," said Matthew C. Mosher, president and CEO of AM Best Rating Services.

Shaw and Wescott were among three finalists who presented their risk solutions at the 28th Review & Preview Conference—AM Best's invitation-only gathering of top-tier insurance executives. Conference attendees of this year's event, which was held virtually on March 15-17, voted on the Student Challenge winner.

The challenge is designed to support efforts by AM Best and the industry to develop and

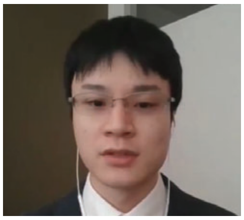


Andrew Shaw
University of Wisconsin-Madison



Madison Wescott
University of Wisconsin-Madison

Colin Lane
University of Wisconsin-Madison



Kohta Kumazaki
University of Wisconsin-Madison

Mohammad Soltani-Nejad
St. John's University

attract talented students to the insurance and risk management sector, Mosher said. While the competition was open to undergraduate and graduate students who could submit as individuals or two-member teams, this year's top three are graduate students at their universities.

Colin Lane and Kohta Kumazaki, also from the University of Wisconsin-Madison, developed "Localized Parametric Insurance Technology," which proposes using highly localized weather data to accurately assess basis risk for parametric crop insurance.

Mohammad Soltani-Nejad of St. John's University presented "Contingent Pandemic-Response Investment Instrument," a capital markets solution for pandemic risk that uses tradable securities and contingent capital to fund the development of pandemic vaccines and therapies.

> "Although evacuating on such short notice can be an inconvenience for some, it is nearly impossible for many who suffer from financial insecurities."
>
> **Andrew Shaw**
> **University of Wisconsin-Madison**

The overall competition included three rounds. All entrants submitted an abstract, and each of the entrants who advanced to the second round presented a 25- to 30-minute video detailing their solution. Three finalists were then paired with senior members of AM Best's analytic team who mentored them through the final phase of the competition, said Andrea Keenan, executive vice president and chief strategy officer at AM Best. Keenan announced the winners on March 17.

Emergency Response

Catastrophes of all types have been grabbing headlines because of the widespread destruction and costly losses often left in their wake. Last year alone saw an unprecedented 22 billion-dollar disasters in the U.S., including wildfires, droughts and heat waves, tornadoes, tropical cyclones, hail storms and a derecho, according to the National Oceanic and Atmospheric Administration's National Centers for Environmental Information.

Given the rising frequency and severity of those events, AM Best sought to focus its inaugural student competition on risk solutions designed to insure against natural and human-caused calamities such as pandemics, hurricanes, floods, and industrial and nuclear perils. Solutions could take any form—from new products to public-private partnership or alternative risk transfer instruments.

> Parametric insurance is common in today's agriculture sector. But parametric policies "tend to have problems in basis risk, whereby the proxy that we're using to measure the weather phenomena is too distant from the field that we're trying to insure."
>
> **Colin Lane**
> University of Wisconsin-Madison

"When natural disasters strike, such as hurricanes, floods or wildfires, we all know that a speedy evacuation is key to saving the most lives," said Shaw. He and Wescott were mentored by AM Best Director Michelle Baurkot.

"Although evacuating on such short notice can be an inconvenience for some, it is nearly impossible for many who suffer from financial insecurities," Shaw said, pointing out a Federal Reserve report that indicates nearly one-third of Americans fall into the latter group.

"We looked at the five states that were the most likely to get flood damage and realized that 15 million people are uninsured and in poverty in those five states alone," Wescott added.

The duo sought to assist individuals facing those hardships in all locales by creating a parametric solution that triggers an insurance payout when an emergency evacuation is declared by county or state government, automatically distributing funds to policyholders and allowing them to quickly leave their homes.

Policyholders would pay a small fee for the policy, which would be well-suited for backing by the Federal Emergency Management Agency, Shaw and Wescott said. The solution would be distributed by private insurers.

"Since we were developing a public-private partnership, we knew that we needed to find efficiencies which made the product beneficial for both parties. The parametric insurance product allows for many efficiencies, especially within the claims management process," Shaw said.

While Mother Nature's wrath can wreak havoc and costly losses on homes, businesses and autos, natural catastrophes can also significantly impact local agriculture. Kumazaki and Lane created a solution to help those impacted by that risk, while also improving food security and increasing crop insurance penetration in the U.S. from the current 80% to "about 100% by covering crops that existing crop insurances cannot insure," said Kumazaki.

Parametric insurance is common in today's agriculture sector. But, Lane said, parametric policies "tend to have problems in basis risk, whereby the proxy that we're using to measure the weather phenomena is too distant from the field that we're trying to insure." He and Kumazaki proposed the use of a technological device, such as an insurer-provided pole placed in a farmer's field to measure wind and rainfall at field level, and collect data to trigger the insurance policies.

Unlike traditional insurance, Kumazaki said, the product doesn't require the use of claims adjusters, "so farmers can receive fast and efficient payouts."

The duo said they plan to partner with biotechnology research institutes, which can use the data to breed crops suitable for the local climate, and logistics companies that will utilize the data to predict crop yield so they can efficiently allocate their fleet and reduce operating costs.

In addition, Kumazaki said, "Localized data will realize efficient pricing, and cutting-edge technologies are automating claims adjusting and payout processes.

These advances will help policyholders in the form of lower premiums. Also, the localized data will realize detailed coverage that existing parametric insurance cannot provide. Therefore, our product will significantly reduce base risk."

New Concerns

Natural catastrophes weren't the only disasters to hit insurers across the globe this past year.

The COVID-19 pandemic created trillions of dollars in losses for the global economy and billions in losses for the insurance industry, said Soltani-Nejad of St. John's University.

Adding to the challenge is that pandemics are largely not insurable. But industry experts say there are ways the sector can address those perils, including supporting pandemic response through financial instruments. Soltani-Nejad's solution addresses the funding of pandemic exposure and the importance of response time to limit economic loss.

> "Instead of having donations to cover all the proceeds and financing requirements, we can just use them for paying premiums, and the proceeds of the instruments will be used for financing the pool of the vaccine developers that are now backed by those multinational institutions."
>
> **Mohammad Soltani-Nejad**
> **St. John's University**

"The recent experience showed us that the insurance industry doesn't have the capacity to absorb losses of a pandemic. Investing in and insuring the pandemic generally is not a smart investment," he said. His solution would enable the private sector and insurance industry to, "instead of insuring the pandemic," finance the most effective instruments to end it: vaccines and therapeutics.

The first part of his two-form solution is "basically an ILS structure" similar to a cat bond that uses the proceeds to finance vaccine development and support global vaccine developers, he said.

The second instrument is contingent capital, which Soltani-Nejad said is much like "contingent capital facilities used by reinsurers and insurers around the world."

"In that case, pharma companies that have a platform for vaccine and therapeutic development can tap into this structure and use it to have access to immediate capital when they need it most after a pandemic unravels," he said.

Soltani-Nejad said funding for his solution would likely come from hedge funds and ILS-dedicated funds that typically invest in cat bonds. Investors would receive premium and coupons financed by donations that "agencies and multinational institutions have access to."

"Instead of having donations to cover all the proceeds and financing requirements, we can just use them for paying premiums, and the proceeds of the instruments will be used for financing the pool of the vaccine developers that are now backed by those multinational institutions," he said.

The discovery of a dangerous pathogen would be an example of a "triggering event, meaning if the company has a platform for vaccine development for that specific pathogen, it would call on committed capital and use that capital to fund its research and development expenses," Soltani-Nejad explained.

Future Leaders

AM Best's Mosher said he was impressed by the level of creativity and innovation among risk management and insurance students who participated in the inaugural Student Challenge, which was sponsored by the AM Best Foundation. The foundation was created in 2018 to financially support charitable organizations that encourage education and thought leadership in insurance and risk management.

"These submissions were all well-thought-out," he said. "There is a lot of young talent out there. We saw that in this competition.

"Risk management programs have really done a lot for the professional development of their students and their understanding of the industry," Mosher added. "They're prepared for the business world." BR

AM Best TV

Go to *bestreview.com* to watch the interviews with the finalists.

Competitions for Students of Insurance and Risk Management

A look at some of the industry-sponsored challenges available to insurance and risk management college and graduate school students.

CICA Student Essay Contest

Sponsor: Strategic Risk Solutions
www.cicaworld.com/student-essay-contest
Description/Challenge: Two-person teams of college risk management, insurance and business students use a case study to demonstrate how to establish a captive insurance company, select policy options, determine underwriting and pricing, and more.

HSBC Life Insurance Innovation Challenge

Sponsor: HSBC
https://www.coursehero.com/file/77962674/HSBC-Life-Innovation- Insurance-Competition-2020-2021pdf/
Description/Challenge: Teams propose ways that HSBC Life could implement changes to its organization, process, life insurance products and services. Total HK$110,000 (US$14,146) in cash prizes and a six-month student work placement at HSBC Life for qualified winners.

Insurance Law Writing Competition

Sponsor: American College of Coverage Counsel
https://www.americancollegecoverage.org/index.php
Description/Challenge: Students of insurance law choose a client from parties in a legal case and submit an analytical response. Cash prize.

Intercollegiate Insurance Sales Challenge

Legacy Sponsor: BKS Partners
https://business.fsu.edu/departments/rmi/dr-hold-program/events/insurance-sales-challenge
Description/Challenge: Students outline how they can better serve the needs of a business owner and "close the deal," after reading a case study that details issues the owner is having with their current agent.

PRMIA Risk Management Challenge

Global Sponsor: MathWorks
www.prmia.org/prmia-risk-management-challenge
Description/Challenge: Undergraduate and graduate students apply concepts they have learned and showcase knowledge, critical thinking skills, leadership and presentation abilities while competing for a $10,000 cash award.

The Riskies

Sponsors: Georgia State University Risk Management Foundation and the Department of Risk Management & Insurance in the J. Mack Robinson College of Business at Georgia State University. Students of the Year sponsored by AssuranceAmerica.
https://robinson.gsu.edu/academic-departments/risk-management-and-insurance/the-riskies-awards/
Description/Challenge: Riskies recognize active or retired business executives who have demonstrated a career of high achievement and service to the insurance, risk management or related industry and whose achievements and service align with the vision of the Robinson College Department of Risk Management & Insurance. Students of the Year are selected by leaders of four major programs in the Risk Management & Insurance Department. Each award includes a $2,500 scholarship.

Selective's College Competition (formerly known as College Agency Management Competition)

Sponsor: Selective
https://www.prisim.com/about/competitions/prisim-agency-management-competition/
Description/Challenge: Teams from eight top colleges with insurance programs compete in a business simulation in which they function as the management team running an insurance agency.

SOA Student Research Case Study Challenge

Sponsor: Society of Actuaries
https://www.soa.org/research/opportunities/2021-student-case-study/
Description/Challenge: Teams develop a parametric insurance product that will focus on economic losses related to global health risks in two fictional countries.

Spencer-RIMS Risk Management Challenge

Sponsor: Spencer, RIMS
www.rims.org/community/students/spencer-rm-challenge
Description/Challenge: University teams develop and present a comprehensive risk management program based on a case study. BR

Progressive CEO: Insurance Industry Needs Proven Risk Rating Metrics and More-Affordable Products

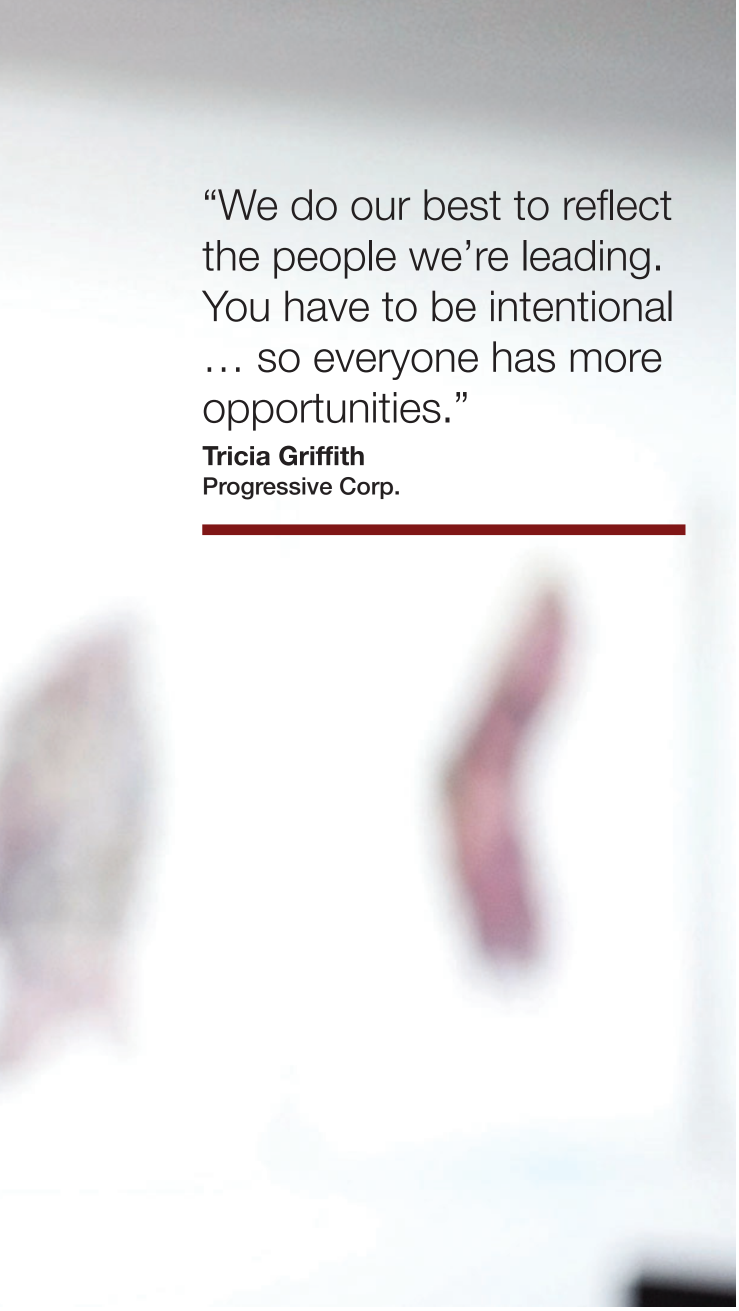
Tricia Griffith also said risk-based pricing should be bifurcated from discussions about affordability.

by Renée Kiriluk-Hill

The insurance industry needs to offer more-affordable products, rather than jettison factors that have long been successful in assessing risk, Tricia Griffith, Progressive Corp. president and chief executive officer, said during the virtual Emerging Leaders Conference.

"Risk-based pricing is data-based" and should be bifurcated from discussions about affordability, she said when asked about social justice and pricing,

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



> "We do our best to reflect the people we're leading. You have to be intentional … so everyone has more opportunities."
>
> **Tricia Griffith**
> Progressive Corp.

adding that she's also an advocate for raising the minimum wage. Lower minimum limits could be one path to broadening access, Griffith said.

Credit Scoring Debate

The industry has largely opposed moves to bar the use of credit scoring in property/casualty underwriting. Among the arguments, opponents have said higher credit scores bring discounts that the majority of consumers would not want to lose.

Supporters of such bans have said that since people of color have been discriminated against in housing, jobs and access to credit for years, their credit scores will be lower, driving up their insurance costs. The Washington state insurance commissioner in March issued an emergency rule prohibiting insurers from using credit scoring to set rates for automobile, homeowners and other personal property lines for three years. Griffith, a mother of six, stressed the need to rate to the risk, using her family as an example. Her family's auto rates rose when there were four teenagers on the policy, even before the losses and speeding tickets started, she said.

"It was clear our risk profile had changed dramatically. … You get accurate rates through data."

Griffith said she has always been "passionate about diversity and inclusion." When she was chief human resources officer at Progressive in the 2000s, the company started its first two of what are now nine employee resources groups that offer personal and professional support.

The groups include Asian American; lesbian, gay, bisexual, transgender plus; military; African American; and disabilities awareness.

The company says the groups are key to leveraging differences to support an inclusive culture and to offer insight into customers. They also help employees who aren't part of a particular demographic to expand points of view, Griffith said.

Her company has set goals to expand diversity and inclusion, including doubling the number of people of color in the top 3% of management over five years, Griffith said.

"We know it's a goal, not a quota. We do our best to reflect the people we're leading," she said. "You have to be intentional … so everyone has more opportunities."

External Challenges

She also noted that more than half of employees are female, saying challenges she has faced during her career have been generally external. For instance, she said, men and women working in claims 30 years ago were sometimes greeted differently in auto body shops.

More recently, Griffith said, she attended an event for CEOs and spouses and was routinely assumed to be the spouse.

She offered advice to the conference's emerging leaders to build and believe in their skills. As Teddy Roosevelt asserted, Griffith said, "Comparison is the thief of joy."

The conference was co-sponsored by the American Property Casualty Insurance Association, the Insurance Careers Movement, and AM Best. BR

Insurance Will Remain Relationship-Focused, Even With COVID-Inspired Tech Advances

Improvements to claims handling, underwriting and policy origination forge customer connections at every level, said AM Best's Matthew C. Mosher.

by Terrence Dopp

Insurance will remain a relationship-focused industry, with even the technological advances necessitated by the COVID-19 pandemic not eliminating the need for independent agents and brokers, said AM Best Rating Services President and CEO Matthew C. Mosher.

Mosher spoke during the Emerging Leaders Conference co-sponsored by the American Property Casualty Insurance Association, the Insurance Careers Movement, and AM Best. He said the industry's push to use technology to better handle claims and improve underwriting and policy origination will actually forge customer relationships at every level.

Mosher pointed to court cases around the country and the globe over COVID-19 exclusions as an example of where agents fulfill an important role.

"Customers still need help interpreting what the risks are, what the coverages are. We still see a lot of it," he said. "The question [relates to] having that trust and that working relationship with the companies. Do the customers go to their agent with that claim, or do they just go directly to the company with that claim, and how does that process work? That's part of the issue that I think agents and brokers are going to have to work through."

Two years ago AM Best created a framework for evaluating innovation on the part of insurers and finalized those guidelines about one week before going remote amid the pandemic, Mosher said.

"The technology that we saw early on during the pandemic was something that was really focused on 'How do we do this human interaction without human interaction?' And we saw a lot of changes in that regard over the past 12 months," he said.

Mosher was joined at the session by Marc Schmittlein, president and CEO of CopperPoint Insurance Cos. and Lissette Perez of the Latin American Association of Insurance Agencies.

In a March Best's Market Segment Report, *US Life/Annuity Industry Weathers the Pandemic Well in 2020*, AM Best found the pandemic's effect on the sector spurred the use of new technologies. Hastened digital sales initiatives did manage to lift volumes in the second half of the year. BR

"The technology that we saw early on during the pandemic was something that was really focused on 'How do we do this human interaction without human interaction?'"

Matthew C. Mosher
AM Best Rating Services

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

NIGHT SHOT: An aerial view of Hong Kong's financial center.

Hong Kong Insurance Regulator Launches Groupwide Supervision Rule

Rules first proposed in December 2020 have been approved and put into place with the hope of luring large insurers to the region.

by David Pilla

Hong Kong's insurance regulator has launched a groupwide insurance supervision framework while working on a regulatory regime for groupwide insurance-linked securities business in the wake of legislative amendments.

"The GWS framework is in full alignment with international standards and best practices, positioning Hong Kong as an ideal base for large insurance groups and a coordinator of supervisory efforts among all relevant jurisdictions in

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

Asia-Pacific," Clement Cheung, chief executive officer, Hong Kong Insurance Authority, said in a statement. "This is a central element of our strategic campaign to reinforce the status of Hong Kong as a global risk management center and a regional insurance hub."

The Insurance Authority said it engaged closely with industry stakeholders to develop a guideline on group supervision with principles and standards for designated insurance holding companies in areas including enterprise risk management, corporate governance, capital requirements and public disclosure.

The launch of the guideline will help the regulator effect formal designations for three insurance groups—AIA Group, FWD Group and Prudential plc—by mid-2021.

In late December 2020, the HKIA closed a public consultation on insurance group capital rules that the agency said at the time it planned to roll out in 2021 to complement a new supervisory framework for multinational insurance groups.

The proposed Group Capital Rules were forwarded to the Hong Kong Legislative Council at that time.

For the regulation of ILS business, the Insurance Authority said it is "ironing out implementation details by drawing reference from

Best's Rankings

Largest 25 Asia-Pacific Insurers 2019 Ranked by Gross Premiums Written

(US$ thousands)

Rank	AMB #	Company	Country of Domicile	Gross Premiums Written	Capital & Surplus
1	086446	Ping An Ins (Group) Co of China Ltd.	China	113,805,461	96,356,266
2	052446	China Life Insurance (Group) Company	China	99,869,780	19,336,926
3	085320	People's Ins Co (Group) of China Ltd.	China	79,478,628	26,259,319
4	090826	Nippon Life Insurance Company	Japan	53,049,111	55,567,372
5	085485	Life Insurance Corporation of India	India	50,534,695	98,505
6	090598	China Pacific Insurance (Group) Co Ltd.	China	49,743,583	25,540,041
7	046417	Dai-ichi Life Holdings, Inc.	Japan	45,314,104	35,032,425
8	050962	Tokio Marine Holdings, Inc.	Japan	37,046,430	31,301,646
9	052662	MS&AD Insurance Group Holdings, Inc.	Japan	34,798,852	31,756,502
10	052599	AIA Group Limited	Hong Kong	34,777,000	57,508,000
11	053008	Japan Post Holdings Co. Ltd.	Japan	29,955,071	101,418,643
12	052641	SOMPO Holdings, Inc.	Japan	29,017,968	14,817,925
13	055742	China Taiping Insurance Group Ltd.	China	28,013,945	5,307,644
14	090828	Meiji Yasuda Life Insurance Company	Japan	27,008,351	32,841,056
15	093027	Huaxia Life Insurance Co Ltd.	China	26,165,335	3,190,174
16	091242	Sumitomo Life Insurance Company	Japan	22,694,529	14,526,464
17	077638	Taikang Insurance Group Inc.	China	21,278,190	11,622,682
18	090958	China Reinsurance (Group) Corporation	China	20,751,399	12,472,689
19	090300	Cathay Life Insurance Co, Ltd.	Taiwan	20,328,506	19,589,233
20	093804	Fubon Life Insurance Company Ltd.	Taiwan	20,182,087	11,232,546
21	058645	Prudential Holdings of Japan, Inc.	Japan	19,808,090	5,899,405
22	091605	New China Life Insurance Company Ltd.	China	19,772,071	12,088,316
23	093102	Samsung Fire & Marine Insurance Co Ltd.	South Korea	16,851,412	12,385,532
24	052951	T&D Holdings Ltd.	Japan	16,128,325	10,358,924
25	084748	MetLife Insurance K.K.	Japan	15,276,064	5,069,303

Source: BESTLINK

“This is a central element of our strategic campaign to reinforce the status of Hong Kong as a global risk management center and a regional insurance hub.”

Clement Cheung
Hong Kong Insurance Authority

overseas experience while taking into account local circumstances.”

The regulator said its pilot ILS grant scheme, recently announced by the financial secretary, will help attract potential sponsors. The first issuance is expected this year.

The Insurance Authority said legislative amendments seek to expand the scope of insurable risks for captives, transforming Hong Kong into a preferred domicile for captives formed by state-owned enterprises from mainland China, multinational conglomerates and local corporates.

“Coupled with the tax concessions for the general reinsurance business of direct insurers, selected general insurance business of direct insurers and selected insurance brokerage business, these initiatives will inject impetus into the development of marine and specialty risks insurance in Hong Kong,” the regulator said. BR

AM Best: The Role and Importance of MGAs and Other, Similar Underwriting Enterprises Have Grown in Recent Years

Insurers are increasingly using distribution partners called delegated underwriting authority enterprises.

by Kate Smith

Managing general agents and similar underwriting enterprises have seen their roles grow in recent years, along with their importance to the insurance value chain. AM Best's David Blades, associate director of industry research, recently discussed the new AM Best Market Segment Report *Delegated Underwriting Authority Enterprises Prove Their Worth Across the Insurance Distribution Model*.

Following is an edited transcript of the interview.

Kate Smith is the associate director, Public Relations, AM Best Rating Services. She can be reached at *kate.smith@ambest.com*.

AM Best recently put out a call for comment on a new methodology for a performance assessment for delegated underwriting authority enterprises, DUAEs. When we talk about DUAEs, are we talking about MGAs?

Delegation of underwriting authority essentially refers to an insurer permitting a distribution partner to act on its behalf regarding functions usually handled by the insurer.

These insurance distribution partners can be MGAs—managing general agents; MGUs—managing general underwriters; program administrators. In the Lloyd's market, they can be Lloyd's coverholders. In the Australian market, they can be underwriting agencies.

AM Best's new performance assessment was spurred by the growth of premium generated by these types of distributors, along with the associated growth in terms of their influence in the overall commercial market, particularly in the specialty commercial space.

Can you give a couple of examples of data that show growth of this segment?

Based on our research, we believe that the premium attributable to DUAEs has doubled over the last 10 years. In the U.S., AM Best estimates DUAEs generated more than $44 billion in direct premiums written in 2019. That figure is based on data gleaned from annual financial statements filed by AM Best-rated property/casualty insurance companies, so it does not encompass 100% of the business produced by these enterprises. The total DPW, therefore, is likely higher.

Additionally, the number of MGAs rose to 688 in 2019, compared with 577 in 2017. Those figures are strictly based on NAIC disclosures, so the actual number of MGAs may be even larger.

Why have they grown so dramatically? What's behind that?

One of the key reasons is that insurance carriers have struggled for a good while now in the competitive market to grow organically, and so partnerships with DUAEs have provided a new avenue for growth.

Strategically, DUAEs have provided carriers with access to new risk classes, new lines of coverage, or other geographic areas. This diversification has been critical to the enhancement of many of our property/casualty insurance entities, in terms of their business profile.

The enterprises also take things off a carrier's plate, with regards to specific business that they are producing, such as underwriting, binding, premium collection, reinsurance ceding and even claims handling.

Aligning with a DUAE can provide an insurer with quicker, less-expensive access to business in a new territory, compared to the cost that an insurer might incur in setting up its own operation in a new state, for example, including the scores of personnel that would be needed to support such an operation.

What role has insurtech played in elevating the role of DUAEs or the performance of DUAEs?

I'd say the technological capabilities of many DUAEs have made them more efficient and more effective, which enhances their value from an insurer's standpoint.

For example, these entities have been leveraging the power of telematics, smart devices, artificial intelligence, the Internet of Things and blockchain to optimize their risk assessment, which. along with more expert pricing, also adds to their overall value proposition.

Technology allows them to be more agile. For instance, MGAs with specialized expertise and technology can expand quickly to service specific niches or sub-niches. Overall, our research has found that these entities tend to be ahead of the curve from a technology standpoint.

How is the playing field changing, and what will DUAEs need to do in order to be successful moving forward?

The competition with other distributors to partner with the best of the best in terms of property/casualty insurers will require DUAEs of the future to be even leaner and even more tech-enabled.

The combination of agility, resources, access to greater specialty expertise and cost-effective distribution will set these entities apart from other players in the distribution chain. Additionally, product innovation, actuarial capabilities and enhanced skills relative to claims handling that instill greater confidence in their overall abilities will be paramount for them in terms of, again, enhancing their overall value proposition to the insurance carriers they look to partner with. BR

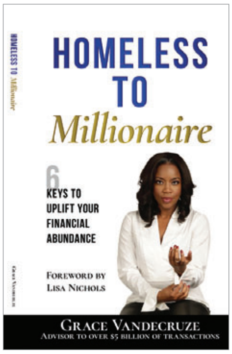
AM Best TV

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

Author Experiences Firsthand the Difference Insurance Can Make

Grace Vandecruze's book is designed to help others reach financial security, including having adequate protection.

Homeless to Millionaire—Six Keys to Uplift Your Financial Abundance



Grace Vandecruze spent 20 years on Wall Street and has advised on over $25 billion of transactions. But it was her grandmother's words and an experience when she was 21 that prompted Vandecruze to write a book to help others achieve financial wellness. Insurance is a critical component of this process, she said. Following is an edited transcript of an interview with AM Best TV.

What motivated you to write your book?

My grandmother. She imparted many wise words to me, but her most treasured were, "Believe beyond your limits." I think of those words every day as I live, work and service clients in the insurance industry and financial services industry.

I wanted to write a book that would be a step-by-step approach that my grandma and mother can read and understand and help in uplifting financial wellness and impairment.

AM Best TV

Go to *bestreview.com* to watch the interview with Grace Vandecruze.

You had many challenges growing up. Could you tell us about that?

When I was 21, I went home to Brooklyn one summer afternoon to find that the brownstone our family shared was up in flames. The only option we had as a family of nine, in order to stay together, was to go to a homeless shelter. That's where my grandmother's words became so real to me. Your current circumstances have nothing to do with the potential of your human accomplishments.

I'm an advocate for financial services … because I believe in families staying together, healthy and safe. I believe in families enhancing their financial security.

What do you hope people will take away from the book?

I'm a mountain climber, having climbed over 25 mountain peaks on three different continents. Just as with climbing a mountain, it's a step-by-step approach. I included tools, techniques, apps, websites and other resources people can use to start taking control, bit by bit, step by step, of their finances. … It's my goal that this book inspire people to look at their assets, look at where they're underinsured.

Could I ask if your family had insurance on the brownstone that caught fire?

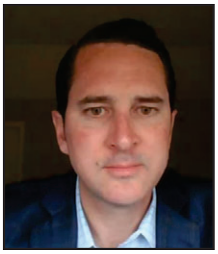
My family did not have insurance on the brownstone. It's one reason why my story's so powerful, because insurance would have made a difference. Had my family been insured, that homeless shelter would have been a brand new furnished apartment. BR

—Meg Green

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

App Enables Life Insurance Agents to Sell Policies Anytime, Anywhere

IXN Tech CEO Kevin Pohmer discusses the history and hurdles behind the company's new mobile app for life insurance quotes.



IXN Tech Mobile App

The IXN Tech Mobile App allows agents to sell life insurance whenever and wherever they want. Following is an edited transcript of an interview with IXN Tech CEO Kevin Pohmer, who spoke about the new product and its impact on the industry.

What is the concept behind the app?

We started looking at how agents interact with consumers. The traditional way was face-to-face meetings, a lot of paper, a lot of back and forth.

We thought, "Can we streamline this process? Can we utilize that cool little tool that everyone has in their pocket, the mobile device, and build out specific mobile apps so agents and consumers can interact and not only see what's out there from a life insurance perspective, but go further and potentially apply for life insurance from their phone?"

Not only will IXN have its own mobile app, but some of the largest distributors and producers can now have a white-labeled mobile app that has all of the data necessary to do a needs analysis, to quote and to [apply] to that carrier.

What feedback have you received?

The feedback has been great. We feel like we're taking the insurance industry into the mobile world.

We joke that agents can now sell life insurance from the golf course, the coffee shop, wherever they are. They don't have to set up that second or third meeting. It can happen right there and then, within five minutes.

AM Best TV

Go to *bestreview.com* to watch the interview with Kevin Pohmer.

How long did it take to develop the app?

Our initial product probably took about a year to get going. The biggest hurdle, and I think this is true for most software companies coming into the insurance industry, is getting access to the data. If you want to quote 50 carriers, you actually have to get the rate tables for all 50 carriers. Carriers aren't really big on giving out this information. A lot of [the access] comes from reputation, doing what you say you're going to do, and having a really high degree of security built into the software.

What can you tell us about the app's future?

We're constantly innovating and adding features. Hopefully, we'll never be done, and we'll just keep adding cool, useful tools for agents and consumers.

We started with being able to do a needs analysis quote and e-submission with term life insurance. We've added other products such as GUL [guaranteed universal life], final expense. You'll most likely see annuities and long-term care in the mobile app.

Younger agents are demanding these technologies. People are getting more comfortable utilizing their phone and iPad to do business. We've been seeing massive adoption over the last 24 months, which is really nice as we're starting to hit the innovation curve in this industry. BR

—Casey Montague

Casey Montague is a media production specialist. She can be reached at *casey.montague@ambest.com*.

The app is available in both the Apple and Google app stores.

Top Content Includes Features on the Pandemic and Diversity and Inclusion Efforts

Other trending content includes *Best's Review*'s broker rankings and a webinar on data quality.

Trending: *Best's Review*

1. Top Global Insurance Brokers
2. Insurers Cozy Up to Remote Work and Reduced Office Space
3. The Pandemic Has Accelerated the Pace of Digital Transformation and Product Innovation in Insurance
4. Looking for a Career? The Insurance Business Offers a Wealth of Options for Young Professionals
5. Insurers Work to Build Diverse and Inclusive Workplaces

Trending: BestWire $

1. Centene CEO: Company Will Lay Off 3,000 Employees, Not Fill 1,500 Vacant Jobs
2. Federal Court Sides Against Zurich on COVID-19 Business Interruption Case
3. Observers: Hartford Acquisition Would Boost Chubb Across Key Segments
4. Bedivere Insurance Co. to Be Liquidated as Financials Deteriorate
5. Hartford Financial Is Reviewing Unsolicited Offer From Chubb

Trending: AM Best Webinars

1. Data Quality Matters: How Insurers Are Benefiting From Optimal Processes and Accurate Analysis
2. Long-Term Care Insurance—What Is the Prognosis?
3. Remote Access: How Work and Lifestyle Changes Are Transforming Insurance Claims
4. AM Best's Reinsurance Outlook and Insights

Trending: AM Best TV - News

1. Archipelago CEO: Insurance Industry 'Spends Too Much Time Talking With Itself'
2. AIR Worldwide: Hurricane Risk Growing Beyond Coastal Areas
3. Insurers' Use of Credit History Under Fire
4. NAIC President: COVID-19, Cyber, Long-Term Care Top 2021 Insurance Agenda
5. Argo: Automation Can Speed Complex Commercial Business Underwriting

These were the top trending items from January 23 to March 23. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

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

$ Payment or subscription required.

Go to *www.ambest.com/advertising* to learn more about how to advertise in *Best's Review*, BestWire, AM Best Webinars and AM Best TV.

Trending Research Includes Market Segment Reports on P/C and Life/Annuity Industries

AM Best also comments on the London and Bermuda markets, the US title industry and rejoining the Paris Agreement.

Trending: Best's Special Reports

1. First Look: 12 Month 2020 Property/Casualty Financial Results $
2. London and Bermuda Attract Capital as Insurance Market Conditions Improve $
3. 2021: Transitioning to a New Normal $
4. Insurers' CLO Holdings Continue to Grow, but Exposures Are Manageable $
5. P/C Rating Affirmations Continue to Dominate Despite COVID-19 Pandemic $

Trending: Best's Market Segment Reports

1. P/C Industry Maintains Strong Capital in the Face of 2020 Challenges $
2. US Life/Annuity Industry Weathers the Pandemic Well in 2020 $
3. US Title Industry
4. P&I Clubs in 2021 - Navigating Their Way in a Hardening Market $
5. Premium Volume May Be Down, but Profits Could Expand for Auto Insurers $

Trending: Best's Commentary

1. Rejoining Paris Agreement Spurs US (Re)insurers' ESG Adoption
2. Potential Record Catastrophe Losses for Texas Insurers Due to Winter Storm Uri
3. Stock Market Frenzy Will Add to Social Inflation Pressures
4. UK Commercial Property Insurers - Looking Beyond a Difficult 2020
5. China Revises Solvency Management Rules to Strengthen Industry Capitalisation

Trending: AM Best TV - Research

1. AM Best: 'Resilient' Title Insurance Outlook Revised to Stable
2. AM Best: Lower Auto Claims Offset Higher Cat Losses for P/C Industry in 2020
3. AM Best: Health Insurers Brace for 2021 Challenges
4. AM Best: EIOPA's Proposal Reflects Solvency II Compromises
5. AM Best: US Economy to Pick Up in Second Half of 2021

These were the top trending research and commentary reports from January 23-March 23.

$ Payment or subscription required.

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.*

To learn more about Best's Research, visit *http://news.ambest.com/research/.*

The Future of Claims and Customer-Centered Technology in Commercial Insurance

Professionals discuss how identity management tools can protect against fraud and better roofing can reduce home insurance losses.

Streaming Live

Identity Management Strategies for Optimal Claims Experience

Industry experts explore how carriers can use identity verification and authentication tools to meet consumer demands for smooth and safe virtual claims, while safeguarding their business from fraud and cybercrime. **Sponsored by LexisNexis Risk Solutions**

Wednesday, May 5, 2 p.m. ET

State of the Medical Professional Liability Market

AM Best analytic personnel and insurance leaders review the U.S. medical professional liability insurance sector.

Wednesday, May 13, 10 a.m. ET

How Innovation and Customer-Centric Technology Are Improving Outcomes for Commercial Insurers

Technology and insurance professionals explore how customer-focused technology and innovation support improved customer experience and protect the bottom line. **Sponsored by LexisNexis Risk Solutions**

Monday, May 24, 2 p.m. ET

COVID-19's Impact on the Future of Insurance Claims Management

Insurance and tech experts discuss the LexisNexis *2021 Future of Claims* study and how to turn disruption into advantage. **Sponsored by LexisNexis Risk Solutions**

Wednesday, May 26, 2 p.m. ET

On Demand

What the Hail? For Home Insurers, Getting the Roof Right Has Never Been More Important

Traditional methods of managing roofing are no longer good enough, so the industry is mobilizing around new technologies and data aimed at addressing this critical problem. **Sponsored by LexisNexis Risk Solutions**

On the Record: The Importance of Recorded Statements in Claims

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

Webinar Highlights

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

Industry experts examine the importance of data quality, optimal processes and accurate data analysis for insurers across all lines of business. **Sponsored by LexisNexis Risk Solutions**

All in the Family: Tapping Into the Pet Insurance Market Opportunity

Insurance consultants and experts explore how insurers can embrace new strategies and access the growing pet insurance market. **Sponsored by Cognizant** BR

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

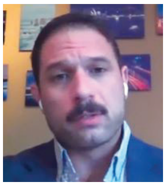
Severe Weather Across US Could Trigger Record First-Quarter Catastrophe Claims

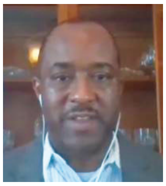
Also, industry professionals discuss the value of automating underwriting and compromising on insurance policy.

On Demand

Winter Storms Could Bring Record First-Quarter Catastrophe Claims

Severe weather impacted 70% of the U.S. from Feb. 12-18, said Marc Marcella, principal scientist, AIR Worldwide, and David Blades, associate director, AM Best.


Marc Marcella


David Blades

APCIA Chief: Congress Lacks Compromise 'Muscle Memory' on Insurance Policy

The most recent bipartisan insurance policy to pass in Congress was the Terrorism Risk and Insurance Act after 9/11, said David Sampson, chief executive officer, APCIA.


David Sampson

Argo: Automation Can Speed Complex Commercial Business Underwriting

Rather than seeking complete automation, commercial lines can benefit from automating specific underwriting steps, said Gary Grose, executive vice president of Argo.


Gary Grose

Archipelago CEO: Insurance Industry 'Spends Too Much Time Talking With Itself'

Rather than make incremental changes, insurers should go upstream to their customers, said Hemant Shah, co-founder and CEO, Archipelago.


Hemant Shah

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

New Program to Help Brokers, Clients With Benefits Administration

Also, AM Best Audio explores the importance of keeping data current.

New Platform Aims to Streamline Workplace Benefit Quoting

James Ocampo, executive vice president and head of Wellfleet's Workplace Benefit Division, discusses the company's new Lighthouse platform, designed to make quoting, implementing and administering workplace benefits more accurate and efficient for brokers and clients.

Updating Data Critical for Insurers

Sandeep Kharidhi, general manager of data and analytics platforms at Deluxe Corp., explains that it's not enough to have a mountain of data; keeping the data up to date is more important than ever. BR

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 March 1 and March 31, 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 FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH								
⇅	L	Accordia Life and Annuity Company *Global Atlantic Financial Group Limited*	061755	A a	Stable Positive	A a	Stable Stable	Iowa
⊕	H	American Republic Corp Insurance Company *American Enterprise Mutual Holding Co*	006906	A a	Stable Stable	A- a-	Positive Positive	Iowa
⊕	H	American Republic Insurance Company *American Enterprise Mutual Holding Co*	006096	A a	Stable Stable	A- a-	Positive Positive	Iowa
☑	L	Aspida Life Re Ltd. *Ares Management Corporation*	094219	A- a-	Stable Stable	A- u a- u	Developing Developing	Bermuda
⊕	L	Athene Annuity & Life Assurance Co of NY *Athene Holding Ltd.*	006948	A a+	Stable Stable	A a	Stable Positive	New York
⊕	L	Athene Annuity & Life Assurance Company *Athene Holding Ltd.*	006175	A a+	Stable Stable	A a	Stable Positive	Delaware
⊕	L	Athene Annuity and Life Company *Athene Holding Ltd.*	006199	A a+	Stable Stable	A a	Stable Positive	Iowa
⊕	L	Athene Co-Invest Re Affiliate Intl Ltd. *Athene Holding Ltd.*	071795	A a+	Stable Stable	A a	Stable Positive	Bermuda
⊕	L	Athene Co-Invest Reins Affiliate 1A Ltd. *Athene Holding Ltd.*	071720	A a+	Stable Stable	A a	Stable Positive	Bermuda
⊕	L	Athene Co-Invest Reins Affiliate 1B Ltd. *Athene Holding Ltd.*	071721	A a+	Stable Stable	A a	Stable Positive	Bermuda
⊕	L	Athene Life Insurance Co of New York *Athene Holding Ltd.*	006467	A a+	Stable Stable	A a	Stable Positive	New York
⊕	L	Athene Life Re International Ltd. *Athene Holding Ltd.*	071794	A a+	Stable Stable	A a	Stable Positive	Bermuda
⊕	L	Athene Life Re Ltd. *Athene Holding Ltd.*	090645	A a+	Stable Stable	A a	Stable Positive	Bermuda
⊕	L	Athora Life Re Ltd. *Athora Holding Ltd.*	095382	A- a-	Stable Stable	B++ bbb+	Stable Stable	Bermuda
—	L	Columbian Life Insurance Company *Columbian Mutual Life Insurance Company*	068009	B bb+	Stable Negative	B++ bbb	Negative Negative	Illinois
—	L	Columbian Mutual Life Insurance Company *Columbian Mutual Life Insurance Company*	006243	B bb+	Stable Negative	B++ bbb	Negative Negative	New York
⊕	H	Commercial Travelers Life Insurance Co *National Guardian Life Insurance Company*	007361	A a	Stable Stable	A- a-	Positive Positive	New York
⇅	L	Commonwealth Annuity and Life Ins Co *Global Atlantic Financial Group Limited*	008491	A a	Stable Positive	A a	Stable Stable	Massachusetts
⇅	L	First Allmerica Financial Life Ins Co *Global Atlantic Financial Group Limited*	007086	A a	Stable Positive	A a	Stable Stable	Massachusetts
⇅	L	Forethought Life Insurance Company *Global Atlantic Financial Group Limited*	009053	A a	Stable Positive	A a	Stable Stable	Indiana
⇅	L	Global Atlantic Assurance Limited *Global Atlantic Financial Group Limited*	071815	A a	Stable Positive	A a	Stable Stable	Bermuda

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH (CONTINUED)								
⇅	L	Global Atlantic Re Limited *Global Atlantic Financial Group Limited*	061738	A a	Stable Positive	A a	Stable Stable	Bermuda
⊕	L	Great Western Insurance Company *American Enterprise Mutual Holding Co*	009362	A a	Stable Stable	A- a-	Positive Positive	Iowa
⇥	L	IdeaLife Insurance Company *Berkshire Hathaway Inc.*	009326	NR nr		A- a-	Stable Stable	Connecticut
⊕	H	Medico Corp Life Insurance Company *American Enterprise Mutual Holding Co*	008350	A a	Stable Stable	A- a-	Positive Positive	Iowa
⊕	H	Medico Insurance Company *American Enterprise Mutual Holding Co*	003150	A a	Stable Stable	A- a-	Positive Positive	Iowa
⊕	L	Medico Life and Health Insurance Company *American Enterprise Mutual Holding Co*	006662	A a	Stable Stable	A- a-	Positive Positive	Iowa
⊕	L	National Guardian Life Insurance Company *National Guardian Life Insurance Company*	006777	A a	Stable Stable	A- a-	Positive Positive	Wisconsin
⇥	L	Settlers Life Insurance Company *National Guardian Life Insurance Company*	009322	NR nr		A a	Stable Stable	Wisconsin
⇅	L	Somerset Reinsurance Ltd.	061751	A- a-	Positive Positive	A- a-	Stable Stable	Bermuda
AMERICAS PROPERTY/CASUALTY								
⇥	P	American Capital Assurance Corp* *AmCap Holdings, LLC*	013307	NR nr		D c	Negative Negative	Florida
⇅	P	Argo Re Ltd. *Argo Group International Holdings, Ltd.*	013313	A- a-	Stable Stable	A- a-	Negative Negative	Bermuda
⇅	P	Argonaut Great Central Insurance Company *Argo Group International Holdings, Ltd.*	002219	A- a-	Stable Stable	A- a-	Negative Negative	Illinois
⇅	P	Argonaut Insurance Company *Argo Group International Holdings, Ltd.*	002056	A- a-	Stable Stable	A- a-	Negative Negative	Illinois
⇅	P	Argonaut-Midwest Insurance Company *Argo Group International Holdings, Ltd.*	003078	A- a-	Stable Stable	A- a-	Negative Negative	Illinois
⇅	T	ARIS Title Insurance Corporation *Argo Group International Holdings, Ltd.*	014152	A- a-	Stable Stable	A- a-	Negative Negative	New York
⇅	P	Atlantic States Insurance Company *Donegal Mutual Insurance Company*	002223	A a	Stable Stable	A a	Negative Negative	Pennsylvania
⇅	P	Carolina Re, Ltd. *James River Group Holdings, Ltd.*	095935	A a	Negative Negative	A a	Stable Stable	Bermuda
New	P	Cedar Hamilton Limited *Nuclear Electric Insurance Limited*	074633	A a+	Stable Stable			Bermuda
⇅	P	Colony Insurance Company *Argo Group International Holdings, Ltd.*	003283	A- a-	Stable Stable	A- a-	Negative Negative	Virginia
⇅	P	Colony Specialty Insurance Company *Argo Group International Holdings, Ltd.*	002619	A- a-	Stable Stable	A- a-	Negative Negative	Ohio
New	P	Commonwealth Insurance Co of America *Accelerant Holdings LP*	020952	A- a-	Stable Stable			Delaware
⇅	P	Donegal Mutual Insurance Company *Donegal Mutual Insurance Company*	000318	A a	Stable Stable	A a	Negative Negative	Pennsylvania
⊕	P	Eastern Mutual Insurance Company	000316	A a	Stable Stable	A- a-	Positive Positive	New York

* The ratings were downgraded to D/c from C/ccc+ and removed from under review on March 25, 2021. The ratings were withdrawn on March 25, 2021.

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⇅	P	Falls Lake Fire and Casualty Company *James River Group Holdings, Ltd.*	022509	A a	Negative Negative	A a	Stable Stable	California
⇅	P	Falls Lake National Insurance Company *James River Group Holdings, Ltd.*	014313	A a	Negative Negative	A a	Stable Stable	Ohio
⇅	P	Farm Bureau Mutual Insurance Co of Idaho *Farm Bureau Mutual Insurance Co of Idaho*	000355	A- a-	Stable Stable	A- a-	Negative Negative	Idaho
New	P	Fidvest US LLC *FMR LLC*	020959	A- a-	Stable Stable			South Carolina
⇅	P	General Casualty Company of Wisconsin *QBE Insurance Group Limited*	002416	A a+	Stable Negative	A a+	Stable Stable	Wisconsin
⇅	P	General Casualty Insurance Company *QBE Insurance Group Limited*	004242	A a+	Stable Negative	A a+	Stable Stable	Wisconsin
⇥	P	Georgia Casualty & Surety Company	000410	NR nr		A- a-	Stable Stable	Georgia
⊕	P	Greenville Casualty Insurance Company *Greenville Casualty Insurance Company*	012324	B bb+	Positive Positive	B bb	Stable Positive	South Carolina
New	P	Healthcare Providers Insurance Company *Healthcare Providers Insurance Company*	076072	A- a-	Stable Stable	NR nr		South Carolina
New	P	HPIC Risk Retention Group *Healthcare Providers Insurance Company*	022619	A- a-	Stable Stable	NR nr		South Carolina
⇥	P	Indemnity Company of California	004048	NR nr		A- a-	Stable Stable	California
⇅	P	James River Casualty Company *James River Group Holdings, Ltd.*	013985	A a	Negative Negative	A a	Stable Stable	Virginia
⇅	P	James River Insurance Company *James River Group Holdings, Ltd.*	012604	A a	Negative Negative	A a	Stable Stable	Ohio
⇅	P	JRG Reinsurance Company Ltd. *James River Group Holdings, Ltd.*	088623	A a	Negative Negative	A a	Stable Stable	Bermuda
⊕	P	Lebanon Valley Insurance Company *Tuscarora Wayne Mutual Group, Inc.*	000557	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Pennsylvania
New	P	LIO Insurance Company *LIO Holdings Company*	020918	A- a-	Stable Stable			California
⊕	P	MGA Insurance Company, Inc. *State Farm Mutual Automobile Ins Co*	002854	A- a-	Stable Stable	B++ u bbb u	Positive Positive	Texas
⇅	P	Michigan Insurance Company *Donegal Mutual Insurance Company*	012137	A a	Stable Stable	A a	Negative Negative	Michigan
⊕	P	Midwest Family Advantage Insurance Co *Midwest Family Mutual Insurance Company*	020590	A a	Stable Stable	A- a-	Positive Positive	Iowa
⊕	P	Midwest Family Mutual Insurance Company *Midwest Family Mutual Insurance Company*	002327	A a	Stable Stable	A- a-	Positive Positive	Iowa
⇅	P	Mountain States Commercial Insurance Co *Donegal Mutual Insurance Company*	022367	A a	Stable Stable	A a	Negative Negative	New Mexico
⇅	P	Mountain States Indemnity Company *Donegal Mutual Insurance Company*	011694	A a	Stable Stable	A a	Negative Negative	New Mexico
⇥	P	Nations Insurance Company *Nations Holding Company*	013874	NR nr		B bb+	Stable Stable	California
⇅	P	NAU Country Insurance Company *QBE Insurance Group Limited*	011098	A a+	Stable Negative	A a+	Stable Stable	Minnesota
⇅	P	North Pointe Insurance Company *QBE Insurance Group Limited*	000317	A a+	Stable Negative	A a+	Stable Stable	Pennsylvania

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
⊕	P	Northwest G. F. Mutual Insurance Company	000717	B++ bbb+	Positive Positive	B++ bbb	Stable Positive	South Dakota
⇅	P	Peleus Insurance Company *Argo Group International Holdings, Ltd.*	011035	A- a-	Stable Stable	A- a-	Negative Negative	Virginia
⇅	P	Peninsula Indemnity Company *Donegal Mutual Insurance Company*	011039	A a	Stable Stable	A a	Negative Negative	Pennsylvania
⇅	P	Peninsula Insurance Company *Donegal Mutual Insurance Company*	004205	A a	Stable Stable	A a	Negative Negative	Pennsylvania
⇅	P	Praetorian Insurance Company *QBE Insurance Group Limited*	002643	A a+	Stable Negative	A a+	Stable Stable	Pennsylvania
⇅	P	QBE Insurance Corporation *QBE Insurance Group Limited*	002739	A a+	Stable Negative	A a+	Stable Stable	Pennsylvania
⇅	P	QBE Reinsurance Corporation *QBE Insurance Group Limited*	004069	A a+	Stable Negative	A a+	Stable Stable	Pennsylvania
⇅	P	QBE Specialty Insurance Company *QBE Insurance Group Limited*	012562	A a+	Stable Negative	A a+	Stable Stable	North Dakota
⇅	P	Regent Insurance Company *QBE Insurance Group Limited*	002418	A a+	Stable Negative	A a+	Stable Stable	Wisconsin
⇅	P	Rockwood Casualty Insurance Company *Argo Group International Holdings, Ltd.*	002723	A- a-	Stable Stable	A- a-	Negative Negative	Pennsylvania
☑	P	Sirius America Insurance Company *SiriusPoint Ltd.*	002642	A- a-	Stable Stable	A- u a- u	Developing Developing	New York
☑	P	Sirius Bermuda Ins Co Ltd *SiriusPoint Ltd.*	051994	A- a-	Stable Stable	A- u a- u	Developing Developing	Bermuda
☑	P	Sirius Specialty Insurance Corporation *SiriusPoint Ltd.*	020919	A- a-	Stable Stable	A- u a- u	Developing Developing	New Hampshire
⇅	P	Somerset Casualty Insurance Company *Argo Group International Holdings, Ltd.*	012126	A- a-	Stable Stable	A- a-	Negative Negative	Pennsylvania
⇥	P	Southern County Mutual Insurance Company *Berkshire Hathaway Inc.*	003382	NR nr		A- a-	Stable Stable	Texas
⇅	P	Southern Insurance Company of Virginia *Donegal Mutual Insurance Company*	004200	A a	Stable Stable	A a	Negative Negative	Virginia
⇅	P	Southern Mutual Insurance Company *Donegal Mutual Insurance Company*	000850	A a	Stable Stable	A a	Negative Negative	Georgia
⇅	P	Southern Pilot Insurance Company *QBE Insurance Group Limited*	000770	A a+	Stable Negative	A a+	Stable Stable	Wisconsin
⇅	P	Stonewood Insurance Company *James River Group Holdings, Ltd.*	012636	A a	Negative Negative	A a	Stable Stable	North Carolina
⇅	P	Stonington Insurance Company *QBE Insurance Group Limited*	000175	A a+	Stable Negative	A a+	Stable Stable	Pennsylvania
⇥	P	Sutter Insurance Company *Dibill, Inc.*	003623	NR nr		B++ bbb+	Stable Stable	California
⚑	P	The Gray Casualty & Surety Company *Gray & Company, Inc.*	011955	A- u a- u	Developing Developing	A- a-	Stable Stable	Louisiana
☑	P	Third Point Reinsurance (USA) Ltd. *SiriusPoint Ltd.*	093849	A- a-	Stable Stable	A- u a- u	Developing Developing	Bermuda
☑	P	Third Point Reinsurance Company Ltd. *SiriusPoint Ltd.*	091695	A- a-	Stable Stable	A- u a- u	Developing Developing	Bermuda
New	P	Upland Specialty Insurance Company *Pursuit Investors, LP*	020955	A- a-	Stable Stable			Texas
⇅	P	Western Community Insurance Company *Farm Bureau Mutual Insurance Co of Idaho*	002679	A- a-	Stable Stable	A- a-	Negative Negative	Idaho

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST AND AFRICA								
New	P	Accelerant Insurance Europe Limited *Accelerant Holdings LP*	074605	A- a-	Stable Stable			Belgium
⇅	P	ArgoGlobal SE *Argo Group International Holdings, Ltd.*	091791	A- a-	Stable Stable	A- a-	Negative Negative	Malta
⊕	L	Athora Ireland plc *Athora Holding Ltd.*	077712	A- a-	Stable Stable	B++ bbb+	Stable Stable	Ireland
New	P	Motors Insurance Company Limited *Evergreen Parent, L.P.*	087466	A- a-	Stable Stable	NR nr		United Kingdom
⇅	C	QBE Europe nv/sa *QBE Insurance Group Limited*	071399	A a+	Stable Negative	A a+	Stable Stable	Belgium
⇅	P	QBE UK Limited *QBE Insurance Group Limited*	086126	A a+	Stable Negative	A a+	Stable Stable	United Kingdom
☑	P	Sirius International Ins Corp (publ) *SiriusPoint Ltd.*	086396	A- a-	Stable Stable	A- u a- u	Developing Developing	Sweden
New	P	Starr International Insurance (CH) AG *Starr International Company, Inc.*	074683	A a	Stable Stable			Switzerland
ASIA-PACIFIC								
⇅	P	Guild Insurance Limited *The Pharmacy Guild of Australia*	077834	A- a-	Negative Negative	A- a-	Stable Stable	Australia
AMERICAS								
⇅	P	Armour Secure Insurance S.A. de C.V. *Trebuchet Group Holdings Limited*	091459	B u bb u	Negative Negative	B u bb u	Developing Developing	Mexico
New	P	CRABI, S.A. de C.V. *CRABI, Inc.*	074506	B bb+	Stable Stable	NR nr		Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇅	Argo Group International Holdings, Ltd.	058448	bbb-	Stable	bbb-	Negative	Bermuda
⇅	Argo Group US, Inc.	058324	bbb-	Stable	bbb-	Negative	Delaware
⊕	Athene Holding Ltd.	053043	bbb+	Stable	bbb	Positive	Bermuda
⇅	Donegal Group Inc.	058355	bbb	Stable	bbb	Negative	Delaware
⇅	Global Atlantic (Fin) Company	033520	bbb	Positive	bbb	Stable	Delaware
⇅	Global Atlantic Financial Group Limited	059723	bbb	Positive	bbb	Stable	Bermuda
⇥	Global Atlantic Financial Life Limited	033518	nr		bbb	Stable	Bermuda
⇅	James River Group Holdings, Ltd.	055488	bbb	Negative	bbb	Stable	Bermuda
☑	Sirius International Group, Ltd.	051995	bbb-	Stable	bbb- u	Developing	Bermuda
⇥	Sirius International Ins Group, Ltd.	055654	nr		bbb- u	Developing	Bermuda
☑	SiriusPoint Ltd.	058563	bbb-	Stable	bbb- u	Developing	Bermuda
☑	Third Point Re (USA) Holdings Inc.	033900	bbb-	Stable	bbb- u	Developing	Delaware

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.

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

 Version 121719

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

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

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

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

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

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

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

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

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

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

Corporate Acquisitions, Name Changes and State Actions

Indy Health, Georgia Casualty & Surety among the life/health and property/casualty insurers in the United States that have experienced a corporate change.

LIFE/HEALTH

Name Change

Coefficient Insurance Co. (AMB# 006441), South Carolina. This company changed its name to Granular Insurance Co. on Feb. 2, 2021.

Acquisition & Ownership Change

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 Action

Indy Health Insurance Co. (AMB# 068362), Hot Springs, Ariz. This company was placed in rehabilitation on March 18, 2021.

PROPERTY/CASUALTY

Name Change

Insurors Indemnity Lloyds (AMB# 012570), Waco, Texas. This company converted from a Texas Lloyds company to a stock insurance company and changed its name to Insurors Indemnity Select Insurance Co. on Feb. 9, 2021.

Acquisitions & Ownership Changes

Commonwealth Insurance Company of America (AMB# 011766), Wilmington, Del. This company was acquired by Accelerant US Holdings LLC from BRIT Insurance USA Holdings Inc. on Feb. 5, 2021.

Georgia Casualty & Surety Co. (AMB# 000410), Johns Creek, Ga. This company was acquired as a shell by Builders Mutual Insurance Co. from Columbia Mutual Insurance Co. on Feb. 1, 2021.

Southern County Mutual Insurance Co. (AMB# 003382), Dallas. Effective Jan. 4, 2021, GEICO Corp. acquired Republic Group No. Two Co. Through this acquisition, GEICO Corp. acquired control of the company.

State Action

Bedivere Insurance Co. (AMB# 002196), Pennsylvania. This company was placed into insolvent liquidation on March 11, 2021. BR

‘Difficult Conversations’ About Race at NAIC Meeting

The group will identify diversity, equity and inclusion best practices and address questions over the use of third-party data.

When the National Association of Insurance Commissioners announced the formation of a special committee on race and insurance during the 2020 summer of civil unrest, officials said the proceedings would bring out “difficult conversations” about the industry’s record on issues of race.

Bits and pieces of those conversations made their way into the April 12 NAIC Spring Meeting of the Special Committee on Race in Insurance, as regulators and industry trade representatives revealed sore points—and areas of agreement—that have emerged over recent months.

The dialogue came as NAIC President David Altmaier presented a first draft of proposed 2021 charges for the five workstreams from the committee studying race issues in the NAIC itself, the regulatory community and the property/casualty, life and health insurance sectors. The charges range from identifying diversity, equity and inclusion best practices to questions over third-party data to steps to eliminate barriers to health coverage in communities of color and other disadvantaged groups.

In written comments industry trade groups said they have been committed from the start to addressing difficult questions.

For the National Association of Mutual Insurance Companies, the problem has been that too much of the work has been in regulator-only meetings, said Director of Auto and Underwriting Policy Tony Cotto.

In NAMIC’s opinion, he said, the question in a number of the proposed charges is not how to fix a problem, but whether one exists.

—Timothy Darragh

Best’s Insurance Professional Resources

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

Best’s Recommended Insurance Attorneys

Sholes & Miller PLLC
Medical Malpractice Defense, Health Professional License Defense, Health Care Liability, Nursing Home Representation
Fishkill, NY • 845-447-8000

Beckage
Cyber Liability, Cybersecurity and Data Privacy, Internet Law, Data Breach Response
New York, NY • 646-813-9215

Best’s Recommended Insurance Adjusters

Superior Insurance Services
Residential Property Losses, Auto (All Lines), General Liability, Products Liability
Chesnee, SC • 864-592-1900

Geary Claims Service Inc.
Claims Administration, Commercial Property, Property (All Lines), Fire and Allied Lines
Newport News, VA • 757-833-6300

Best’s Recommended Expert Service Providers

LaPorte Consulting LLC
Insurance Agency Operations Consulting, E&O Loss Control Development, Agency Workflow & Procedures Development, Errors and Omissions Audits
Delton, MI • 269-623-8112

Explico Engineering Co.
Biomechanics, Human Factors, Traffic Accident Reconstruction, Fire and Explosion
Novi, MI • 248-731-5197

S-E-A
Biomedical Engineering, Structural Analysis, Structural Failures, Construction Consultants
Columbus, OH • 800-782-6851

For information about these firms and *Best’s Insurance Professional Resources*, visit *http://claimsresource.ambest.com/search/DirectoryCenter.aspx.*

Amid Move Toward More Disclosure of ESG Risks, Insurers Begin to Realign Talent, Structures

AM Best: Increased legislative and regulatory emphasis on climate risk will prompt U.S. insurers and reinsurers to accelerate their ESG efforts.

In a market moving toward greater disclosure of environmental, social and governance risks, carriers are beginning to realign their staff and corporate structures to better respond to regulators and investors seeking data on how insurers approach social responsibility.

"It has brought control points to what otherwise historically has been viewed as just being a good corporate citizen," said Fred Crawford, president and chief operating officer, Aflac Inc. "The analogy I like to use, as a matter of business operations we always have to manage our insurance company to do the right thing. What ESG now does is say, 'Hey, you've got to answer and disclose to constituencies.'"

Other carriers have taken a different path. Allstate last year created the role of chief sustainability officer, the first such position in the company's 90-year history, and appointed former company corporate counsel Susan L. Lees to fill it. Scor SE Chief Financial Officer Ian Kelly said his company plans to diversify its leadership ranks. He said the group's board of directors set a target of 20% female representation on the executive committee in 2021 and 30% by the end of 2025, compared with 10% today, he said. The board also set a target of 27% of women among Scor's most senior partners by the end of 2025, up from 19% today, said Kelly.

In a commentary earlier this year, AM Best said President Joe Biden's decision to rejoin the Paris Agreement, along with an increased legislative and regulatory emphasis on climate risk, will prompt U.S. insurers and reinsurers to accelerate their ESG efforts. BR

—Frank Klimko

Masthead: Backstay

Background illustrations on both mastheads are of HMS Victory. To learn more about The Nelson Collection at Lloyd's, visit *www.ambest.com/nelson*.

AM Best Business & Market Development

Representative	Mobile Phone	Email Address	Office	Area Covered
RATING SERVICES				
Brad Mazur, Managing Director	+1 (908) 268-0763	brad.mazur@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Brendan Tyne, Senior Account Manager	+1 (908) 323-1412	brendan.tyne@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Arthur Snyder IV, Account Manager	+1 (908) 894-8040	arthur.snyderIV@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Daniel Giunta, Account Manager	+1 (908) 455-6249	daniel.giunta@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Nick Charteris-Black, Managing Director	+44 20 7397 0284	nick.charteris-black@ambest.com	London	EMEA
Edem Kuenyehia, Director	+44 20 7397 0280	edem.kuenyehia@ambest.com	London	Sub-Saharan Africa
Riccardo Ciccozzi, Director	+44 20 7397 0309	riccardo.ciccozzi@ambest.com	London	Southern Europe
William Mills, Director	+44 20 7397 0323	william.mills@ambest.com	London	Northern Europe
Róisín Gallagher, Associate Director	+44 20 7397 0261	roisin.gallagher@ambest.com	London	Europe
Carlos De la Torre, Senior Director	+52 55 7903 5420	carlos.delatorre@ambest.com	Mexico City	Latin America
Midori Honda, Director	+52 55 1102 2720	midori.honda@ambest.com	Mexico City	Latin America
Scott Ryrie, Managing Director	+65 9636 3678	scott.ryrie@ambest.com	Singapore	AP & US Territories (AS, GU & MP)
Jillian Toh, Senior Analyst	+65 6303 5011	jillian.toh@ambest.com	Singapore	Oceania; Southeast Asia & US Territories (AS, GU & MP)
Steven Fan, Director	+852 2827 3410	steven.fan@ambest.com	Hong Kong	East Asia
Vasilis Katsipis, General Manager	+971 4375 2782	vasilis.katsipis@ambest.com	Dubai	MENA; South & Central Asia

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Chris Pini, Senior Director	+1 (908) 295-5637	christopher.pini@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Bryan Martyn, Director	+44 20 7397 0292	bryan.martyn@ambest.com	London	AP; EMEA; UK & US Territories (AS, GU & MP)

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Brian McGoldrick, Senior Account Manager	+1 (908) 894-9552	brian.mcgoldrick@ambest.com	USA (IL)	CAN (Western Provinces); USA (Western Region)

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Doug Doremus, Associate Director	+1 (908) 229-9965	doug.doremus@ambest.com	USA (NJ)	Non-US; USA & US Territories (PR & VI)
Rich Petri, Account Representative	+1 (908) 872-5174	rich.petri@ambest.com	USA (NJ)	Non-US; USA & US Territories (PR & VI)
Heather Prasch, Associate	+1 (908) 947-5429	heather.prasch@ambest.com	USA (NJ)	USA (Western Region)
Lori Sadukas, Associate	+1 (908) 255-8991	lori.sadukas@ambest.com	USA (NJ)	USA (Eastern Region)

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Maryrose Paar, Director	+1 (908) 894-8039	maryrose.paar@ambest.com	USA (PA)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Kellie Bodmer, Senior Account Manager	+1 (908) 328-6098	kellie.bodmer@ambest.com	USA (NJ)	BMU & USA (NY)
Jay Eihausen, Senior Account Manager	+1 (908) 894-9587	jay.eihausen@ambest.com	USA (IL)	USA (Mid-Western Region)
Debbie Giordano, Account Manager	+1 (908) 335-0938	debbie.giordano@ambest.com	USA (PA)	USA (Mid-Atlantic Region)
Danny Heffernan, Senior Account Manager	+1 (908) 894-9560	christopher.heffernan@ambest.com	USA (GA)	CAR; USA (South Central Region) & US Territories (PR & VI)
Sue Kjaer, Senior Account Manager	+1 (908) 894-9557	sue.kjaer@ambest.com	USA (MA)	USA (New England Region)
Mark Kuhlman, Senior Account Manager	+1 (908) 894-9561	mark.kuhlman@ambest.com	USA (TX)	USA (Western Region & TX)
Patrick McCahill, Account Manager	+1 (908) 268-0765	patrick.mccahill@ambest.com	USA (NJ)	USA (South Atlantic Region & NY)
Alan F. Pacer, Senior Account Manager	+1 (908) 894-9589	alan.pacer@ambest.com	USA (IL)	USA (IL)
Jennifer Rudy, Account Manager	+1 (732) 266-8644	jennifer.rudy@ambest.com	USA (MI)	CAN & USA (North Central Region)
Brian Schlesinger, Associate Director	+1 (908) 894-9586	brian.schlesinger@ambest.com	USA (NJ)	BMU; CAR; USA (Eastern Region) & US Territories (PR & VI)
Aidan Porter, Account Manager	+44 20 7397 0295	aidan.porter@ambest.com	London	AP; EMEA & US Territories (AS; GU & MP)
Darren Hewitt, Account Representative	+44 20 7397 0303	darren.hewitt@ambest.com	London	AP; EMEA & US Territories (AS; GU & MP)

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James McMyne, Senior Account Manager	+1 (908) 399-1550	james.mcmyne@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)
Barry Finan, Account Manager	+1 (908) 300-7343	barry.finan@ambest.com	USA (NJ)	BMU; CAN; CAR; USA & US Territories (PR & VI)

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Brenda Nickel, Supervisor	+1 (201) 572-3070	brenda.nickel@ambest.com	USA (NJ)	USA & US Territories (PR & VI)

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High Honors: The Insurance Library Names Quincy Mutual CEO Its Insurance Professional of the Year

K. Douglas Briggs discusses the prestigious award and how the Library's mission continues in the face of the COVID-19 pandemic.

by Lori Chordas

Over the past 14 months, nearly every corner of the insurance industry has felt some effects of COVID-19. The Insurance Library—the only independent insurance library in the U.S. focused solely on risk management and insurance information—is no exception.

SERVING THE INDUSTRY: The Insurance Library opened its doors in 1887 to provide literature, information services and education to the local insurance community, but over the years it has broadened its reach nationally.

Photo courtesy of The Insurance Library

The Boston-based library was forced to close its physical doors, but it has used online, virtual and other means to continue its mission of providing research, education and engagement services for the insurance and risk management community, said Insurance Library Executive Director Paul Tetrault. "We've been pretty active, even before the pandemic, in offering webinars as a major component of our educational programming," he said. "Then, after some weeks, we were given permission by the Division of Insurance in Massachusetts to offer the classes that would have been on-site in a virtual format, and still be able to offer continuing education credits."

Tetrault has worked alongside Library staff and board members, including Quincy Mutual Group Chairman and CEO K. Douglas Briggs, to continue fulfilling the Library's mission despite challenges created by social distancing and lockdowns. This year the Library has named Briggs its Insurance Professional of the Year—an annual honor that recognizes leadership and qualities that engender understanding of and respect for the risk management and insurance industry.

Briggs is "a great servant leader in the insurance community," Tetrault told AM Best TV. A third-generation insurance professional, Briggs left his accounting job at Coopers & Lybrand Certified Public Accountants in 1985 to join Quincy Mutual—one of the oldest mutual insurers in the nation. He earned a Bachelor of Science degree in engineering from Cornell University in Ithaca, New York, and an MBA in accounting from Babson College in Wellesley, Massachusetts. Briggs joined the Library's board of trustees in 2000 and served as its president from 2007 to 2009.

If this were a typical year, about 500 people would meet in Boston to honor Briggs in person. Instead, the celebration will be virtual, on May 14.

Briggs said he is honored to receive the prestigious award and to be a part of the Library. As he reflected recently on his 36 years in insurance, he noted a number of changes in the industry, particularly around technology. "The business is much more technical today, whether it's analytics or artificial intelligence," he said. "In 1985 we barely had computers in front of us. Today, we have all sorts of technology that's critically important."

But technology has not supplanted one aspect of the industry that continues to stand the test of time, he said. "Insurance is still a great people business," said Briggs, "and there is a lot of interaction with many nice people." BR

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

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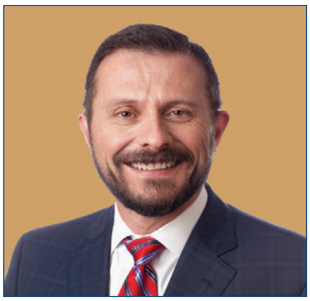

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