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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

Winds of Change

Derechos, snowstorms and other catastrophes are becoming a growing problem for insurers.

Catastrophe Coverage
Pages 39 – 54

Grain bins damaged by powerful storm in Iowa in August 2020.

***Best's Review's* Online Archives**

Catastrophes Generate Surprise Losses, Damage Renewable Energy Projects

This month's issue also includes coverage of the LIBOR cessation, the outlook for fall events and the role of insurance in future pandemics.

Tornado Alley appears to be widening.

Meteorologists now often include Arkansas, Mississippi, Alabama and the western part of Tennessee in Tornado Alley, which has traditionally ranged from north Texas up to the Dakotas.

That expansion is starting to change the way insurance carriers see those Southeastern states, according to Wes Robinson, national property practice president, Risk Placement Services. He says, "They've been surprised by some of the losses that they've been paying, both in hail and tornado. Most famously, [the tornado] back in March in 2020 in Tennessee. It produced some pretty large, high-profile losses on some large accounts."

Insurers are starting to see losses from catastrophes in places not traditionally known for their big losses. Derechos in Iowa, snowstorms in Texas, hail and tornadoes, floods, wildfires.

Karen Clark has a name for this. The co-founder and CEO of risk-modeling firm Karen Clark & Co. calls this type of catastrophe non-tail, large-loss or "not in the tail of the distribution." Large, non-tail events occur more frequently than catastrophes such as major hurricanes, and sometimes in areas not typically associated with those perils.

As hurricane season gets underway, the June issue of *Best's Review* provides an overview of catastrophe issues facing the industry. "Winds of Change: Derechos, Snowstorms and Other Catastrophes Are Becoming a Growing Problem for Insurers" looks at these non-tail, large-loss catastrophes and their impact on insurers.

"Hail, Wind and Fire: Extreme Weather Drives Up Rates for Renewable Energy Insurance" looks at the effects of extreme weather on the insurance market for these projects.

The COVID-19 pandemic has been a different kind of catastrophe. The global death toll was more than 3 million in mid-May. People have lost their jobs and businesses have closed. Lloyd's of London has estimated that global insurance losses from the pandemic will be on a par with the $144 billion caused by three Atlantic hurricanes in 2017.

Howard Kunreuther and Jason Schupp address concerns of future pandemics in "A Framework to Assess the Role of Insurance in Future Pandemics." Kunreuther is the James G. Dinan Professor Emeritus of Decision Sciences and Public Policy, and co-director of the Risk Management and Decision Processes Center at the Wharton School, University of Pennsylvania. Schupp is the founder and managing member of Centers for Better Insurance.

Asset management is also a focus in the June issue. With LIBOR on its way out, *Best's Review* examines the implications for insurers in "Insurers Scrambling to Switch Benchmarks Used for Setting Short-Term Interest Rates of Investments and Debt."

Best's Review also wraps up its special presentation on environmental, social and governance issues with "Asset Managers See Rising Insurer Interest in Values-Based Investing."

And "Conference Organizers Say Live Events Could Resume in Fall" reviews the potential for a return to in-person meetings.

Lastly, June 28 is National Insurance Awareness Day. It serves as an annual reminder for business owners to review their insurance policies and make sure they have appropriate coverage. BR

Patricia Vowinkel
Executive Editor
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The Question:

What insurance apps have you found particularly helpful and why?

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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WINDS OF CHANGE

In this special section *Best's Review* provides an overview of catastrophe issues facing the industry.


A deeper understanding
of your business.

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NAMIC, InsureTech Connect Asia to Host Hybrid Events

June 2: VIRTUAL. AMICE Biennial Congress, Association of Mutual Insurers and Insurance Cooperatives in Europe.

June 8-10: HYBRID. 2021 Claims Conference, National Association of Mutual Insurance Companies, Orlando, Florida.

June 8-10: VIRTUAL. Meeting of Reinsurance Officials 2021, MORO.

June 14-15: VIRTUAL: Bermuda Captive Conference, Bermuda Business Development Agency.

June 15-17 & 22-24: VIRTUAL. NAIC/NIPR Insurance Summit.

June 16-17: HYBRID. InsureTech Connect Asia, InsureTech Connect, Singapore.

June 16-18: FAIA Annual Convention and Education Symposium, Florida Association of Insurance Agents, Orlando, Florida.

June 22-24: VIRTUAL. IMCA Annual Conference and Gala, Insurance Marketing & Communications Association.

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.*

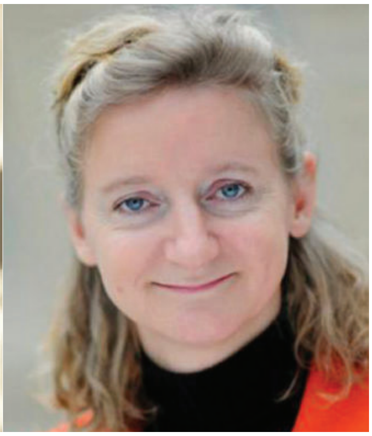
Attending Exhibiting Speaking Hosting Sponsoring Video

June Is Insurance Awareness Month
June 28 has been designated as Insurance Awareness Day. As the Atlantic hurricane season gets underway, business owners should review their insurance policies and make sure they have appropriate coverage. This month's Catastrophe Coverage begins on page 39.

Axa Veteran Breitburd Takes the Reins at Lloyd's Europe as CEO Steps Down

Also, Indiana's longest-serving insurance commissioner leaves, and Gary Gensler is confirmed as head of the Securities and Exchange Commission.

Sonja Rottiers



Amélie Breitburd

Lloyd's has named Amélie Breitburd to succeed Sonja Rottiers as chief executive officer of Lloyd's Europe, subject to regulatory approval.

Rottiers was to step down at the Lloyd's Insurance Co. S.A. General Assembly on June 1. The move coincides with the end of the three-year mandates of both the Nonexecutive Chair Michel Flamée, and Christian Noyer. The new LIC Board members will be announced at a future date, according to a statement.

Breitburd has more than 25 years of international insurance markets experience, including roles at Axa, KPMG and Allianz. She was to join Lloyd's during the second quarter in order to ensure a smooth transition.

According to her Axa Venture Partners bio, Breitburd was most recently regional chief financial officer for the Asia region. Previously, she had been group head of plan, budgets, results & controlling; head of accounting policies; and head of the group corporate actuarial team, group accounting policies and control.

Before joining Axa in 2004, Breitburd worked with KPMG as an external auditor and consultant, and with Allianz France in the internal strategic and organizational audit team.

Rottiers joined Lloyd's in February 2019 as CEO of Lloyd's Brussels, later Lloyd's Europe. Her arrival came shortly after Lloyd's European subsidiary started placing and processing business, and Rottiers aided in establishing Lloyd's European operation in the lead-up and immediate aftermath of the United Kingdom's exit from the EU, according to Lloyd's.

—Staff Report

Joint Venture Movinx Names CEO

Carolin Gabor

Movinx, the 50/50 joint venture between Daimler Insurance Services and Swiss Re, has named Carolin Gabor chief executive officer.

Gabor, based in Berlin, took over in April. The remaining leadership team consists of Chief Financial Officer Andreas Roth and Chief Product Officer Sebastiaan Bongers, according to a company statement.

Gabor will be responsible for the acceleration of the company's expansion plans by cooperating with insurers across the globe, as well as partnering with additional car manufacturers to bring Movinx to even more customers, the company said.

Gabor is an experienced entrepreneur, formerly managing partner of FinLeap, a large fintech ecosystem. Prior to FinLeap, she was CEO of TopTarif.de, a comparison platform, which she restructured and sold to Verivox GmbH. Subsequently, she became CEO of autohaus24.de, where she established additional business models and sold the company to Sixt Leasing AG. Gabor, originally from the banking industry, built a career as a strategy consultant at the Boston Consulting Group (BCG), the company said.

Movinx, launched in October 2020, aims to transform and innovate automotive and mobility insurance with a fully digital business model, focusing on flexible and customer-centric products.

Indiana Insurance Commissioner to Step Down After 10+ Years

Indiana Insurance Commissioner Stephen Robertson, the state's longest-serving commissioner was to step down June 1.

Stephen Robertson

Robertson was appointed commissioner by then-Gov. Mitch Daniels in 2010, reappointed by then-Gov. Mike Pence in 2013, and again by Gov. Eric Holcomb in 2017, according to a statement.

Under Robertson's guidance, the number of insured Indiana residents increased by nearly six percentage points from 2013 to 2019, according to a statement. He also worked with insurance companies to ensure all Indiana counties had at least one insurance company offering individual Affordable Care Act-compliant plans, it said.

Before becoming commissioner, Robertson served in the Title Division as director in 2008, the statement said. Robertson also served as general counsel for the Nebraska Department of Insurance and senior vice president at Conseco Insurance Group, the statement said.

MNK Re Names CEO for Latin America and Caribbean

MNK Re, a specialist Lloyd's insurance and reinsurance broker, has named Nicolas Montoya as CEO, Latin America and Caribbean, and head of MNK Re's operation in Miami, subject to regulatory approval.

Nicolas Montoya

Montoya, who will be based in Miami, had been at BMS as a director of its Miami business for six years. Other roles included director, Latin America, at Howden; Latin American underwriting manager at HCC; and underwriting and operation manager at StateTrust, according to his LinkedIn profile.

Headquartered in London, MNK Re was established in 2009 and is a registered Lloyd's broker. MNK Re currently trades with clients in more than 60 countries and provides bespoke (re)insurance solutions for both traditional and emerging risks.

Key lines of business include financial institutions, cyber, marine, energy, aviation, political and credit risk, liability, agriculture and property, in addition to treaty and analytics. MNK Re also provides parametric solutions for diverse risks such as agriculture, pandemics, weather, credit, travel and marine.

AmMetLife Insurance Berhad Names CEO

AmMetLife Insurance Berhad has named Lee Jiau Jiunn to succeed Ramzi Toubassy as chief executive officer.

Lee Jiau Jiunn

Toubassy left the company to pursue another opportunity, according to a company statement.

Jiunn most recently was CFO of AmMetLife and joined after 14 years with AIA in Malaysia and Taiwan. Previously, he held actuarial roles in the Malaysia and New Zealand insurance sectors, the company said.

AmMetLife is a strategic partnership between AMMB Holdings Berhad and MetLife International Holdings LLC. It offers life assurance and wealth protection solutions distributed through over 200 AmBank and AmMetLife branded branch offices and authorized life insurance agents, according to a company statement.

Axa XL Names Head of Marine, UK and Lloyd's Market, and Global Head of Hull

Axa XL has named Sundeep Khera as head of marine, United Kingdom and Lloyd's market, effective July 1, and global head of hull, effective immediately.

Sundeep Khera

Khera has more than 25 years of experience in the marine industry and is currently head of marine, Asia-Pacific, at Axa XL, based in Singapore. In his new roles he will be responsible for driving strategic, profitable expansion across the United Kingdom and Lloyd's region and the division's global hull books of business. Khera will relocate to London and step down as head of marine, Asia-Pacific, to ensure a smooth handover and transition, according to a company statement.

Khera joined Axa Corporate Solutions in 2013 as a regional manager, Asia, marine and transport risk consulting and was appointed head of marine in 2015. Following the completion of Axa's acquisition of XL Catlin in 2019, Khera was appointed head of marine, Asia-Pacific, according to the company.

He previously worked for five years at Emirates Shipping Line in several senior management roles, including general manager, operations, South East Asia, and vessel planning manager, operations.

Gary Gensler Confirmed as SEC Chairman

Gary Gensler

The Senate has confirmed Gary Gensler as the next head of the U.S. Securities and Exchange Commission.

The vote was 53-45, according to Senate records.

Gensler is a finance expert with experience as a markets regulator during the 2008-09 financial crisis, according to the Associated Press. He had a two-decades-long career as a Wall Street banker. Later, as chairman of the Commodity Futures Trading Commission, Gensler tightened oversight of the $400 trillion worldwide market for complex financial transactions that helped cause the Great Recession, AP said.

Eric Dunning Named Nebraska Insurance Director

Eric Dunning

Eric Dunning, the director of government affairs for Blue Cross and Blue Shield of Nebraska, has been named director of the Nebraska Department of Insurance.

He succeeds Bruce Ramge, who announced his retirement in January after leading the department for 10 years. Ramge was the longest-serving director in the department.

Dunning, who took his post at BCBSN in 2013, spent the prior 15 years providing legal counsel to the department, according to a statement from Gov. Pete Ricketts' office. Before that, Dunning served as an attorney for the Colorado General Assembly, it said.

He also serves on the Health Committee for the Nebraska Chamber of Commerce, and is treasurer of the Nebraskaland Foundation.

Global Specialty Insurer Mosaic Names Co-Chief Executive Officer

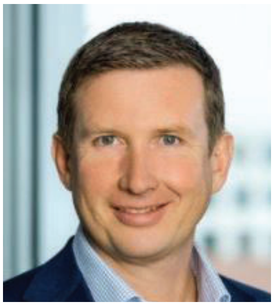
Mark Wheeler

Mosaic Insurance, a global specialty insurer, has named Lloyd's syndicate founder Mark Wheeler as co-CEO.

Wheeler will join Bermuda-based Mitch Blaser as dual leader of the company, which combines Lloyd's Syndicate 1609 with a wholly owned syndicated capital management agency and underwriting hubs in Bermuda, London, the United States and Asia, according to a company statement.

Wheeler has served in a variety of leadership roles, overseeing capital planning, underwriting and distribution during his more than 30 years of industry experience across global markets and product lines. He was the founder of Lloyd's Syndicate 4000 and Pembroke Managing Agency, which was purchased in 2008 by Ironshore, where Blaser was a founding executive. Wheeler served as CEO of Ironshore International, managing creation of high-profile consortia and expansion to 14 countries. He later held executive roles in global client engagement and international markets for Liberty Mutual Group following its 2017 acquisition of Ironshore, according to the company.

Hiscox Europe Names Chief Executive Officer



Robert Dietrich

Hiscox, a specialist global insurer, has named Robert Dietrich to succeed Stephane Flaquet as chief executive officer of Hiscox Europe.

Flaquet was appointed earlier this year to the new role of chief transformation officer.

Dietrich has been with Hiscox for 24 years, having joined as an operations manager for Hiscox Germany from Allianz' trainee program in 1997. He held a variety of underwriting roles across the business before being appointed to managing director of Hiscox Germany in 2006. Dietrich has turned Hiscox Germany into the flagship of Hiscox Europe, with the business more than quadrupling under his leadership, according to a company statement.

Equitable Life Insurance Company of Canada Names Successor to Retiring CEO

Equitable Life Insurance Company of Canada has named Fabien Jeudy to succeed Ronald Beettam as president and CEO.


Fabien Jeudy

Beettam is retiring after 16 years with the company.

Jeudy, who will transition to his new role on July 5, has more than 30 years of experience in the insurance industry. He has led actuarial, finance, risk management, distribution, marketing teams and operational teams in the life and health insurance, wealth management and group benefits markets in Canada, the United States and Asia, according to the company.

In 2017, Jeudy was named CEO of Sun Life Hong Kong Ltd., responsible for life and health individual insurance, group benefits and pension divisions based in Hong Kong. In 2020, he was appointed president, according to a company statement and a bio.

London Market Group Names Interim Chief Executive

London Market Group has named Caroline Wagstaff to succeed Clare Lebecq as interim chief executive.


Caroline Wagstaff

Wagstaff will work on a part-time basis until the end of 2021 and temporarily replace Lebecq, who left the company. Wagstaff also will remain as a director of communications agency Luther Pendragon.

Wagstaff has more than 20 years' experience in the London market. She has particular expertise in crisis communications, but also works with clients to identify issues and messages and then to communicate them consistently across the right channels. Wagstaff has spent the past 25 years in financial and professional services, including commodity trading, spread-betting, accountancy, money broking, legal services and commercial insurance. She spent five years as head of marketing and communications at Lloyd's.

Chord Reinsurance Names Chief Executive Officer

Chord Reinsurance Ltd., a specialty reinsurer, has named Chief Underwriting Officer Tom Meyer to succeed Stefan Long as CEO.


Tom Meyer

Long will transition to executive director ahead of leaving the company in 2022, according to a company statement.

Meyer joined Chord Re at its inception in 2017 as CUO. Previously, he was CUO at Bermuda-based Aspen Insurance Ltd.

Randall & Quilter Co-Founder Retires; New Executive Chairman Takes the Lead

Randall & Quilter Investment Holdings Ltd. has named William Spiegel to succeed Ken Randall as executive chairman.


William Spiegel

Randall, who co-founded R&Q in 1991 with Alan Quilter, retired as both executive chairman and director of the company.

Spiegel joined R&Q from U.S. private equity firm Pine Brook, where he was a managing partner and which he co-founded in 2006. He was responsible for managing Pine Brook's financial services investing activities, according to an earlier company statement.

Propeller Names Chief Executive Officer

Propeller Inc. has named Joseph Perschy as chief executive officer, and Taylor McBride as head of business development for the west territory.


Joseph Perschy

Perschy has almost 30 years of experience in the surety industry and most recently, he was vice president, director of strategic operations, for Argo Surety.

McBride has been in the surety industry for four years, most recently an underwriter at Argo Surety in the west region. BR

We Shouldn't Rush Back to Pre-COVID Office Life

A reader shares his thoughts on how COVID-19 was "an unplanned catalyst of change for those in the office workspace."

The COVID pandemic has been an unplanned catalyst of change for those in the office workspace. It is my opinion that corporate rigidity, traditional management and basic resistance to change have long been the hallmarks of the insurance industry. It's as if no one in top management ever seriously asked what sense it makes to grow larger offices full of good employees who are essentially forced to waste a good part of their workdays commuting. Insane? Few people seemed to think so pre-COVID.

What did the commute give us? A high demand for cars, gas and auto repairs; jammed freeways and a related, diminished quality of life; health challenges of sitting too much and being stressed out. And the loss of precious time with family.

Many businesses were created to serve commuters. And what did COVID give us? An understanding that our highly paid health experts and elected officials had let us all down by failing to be properly prepared for this pandemic, a rash of unconstitutional orders initially aimed at gaining time to confront the largely unknown, forced economic shutdowns, and restriction of personal freedoms of all but those who chose to protest (whether peacefully or violently). Sickness and death of the sort that most of us have only read about, and fortunately never seen. And finally, amazing medical innovations.

The inescapable conclusions are that we will survive, but too many will die. Some of those working from home will miss the social aspect of being in person with their co-workers, but most will thank God and their employer for their new freedom to work from home, or potentially any other location. The big losers will be bars, restaurants and other small businesses that served masses of big city commuters. Pandemics are more common than most realize. Check it out.

When this crisis is over, should we all snap back to the way it used to be? I'd say not if we're smart. To paraphrase *The Six Million Dollar Man*—We have the technology to rebuild them. BR

Anthony Verreos
Verreos Insurance Agency
Brisbane, California

Clarification

A ranking of actuarial firms published in the December 2020 edition of *Best's Review* incorrectly included LWCC. Louisiana Workers Compensation Corp. is an insurer.

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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Seasons of Change: The Rise of a Corporate Rebrand and a Renewed Partnership

Marsh McLennan has a new look, and AIA Singapore continues its sponsorship of men's soccer for two more seasons.

Addition by Subtraction

Marsh & McLennan Cos. has shed its old moniker and logo for a modernized look the company said better expresses not only who it is, but what it does.

Under its new name—**MARSH McLENNAN**—the company will continue its mission to help clients navigate the shifting landscape for interconnected needs with more comprehensive solutions across its businesses. "Our purpose has never been more important or more relevant, and we make a difference in the moments that matter," the company said.

As part of its rebrand, the broker also refreshed its logo, which is now an abstract infinity symbol that emphasizes the company's 150-year heritage and "conveys our coming together as an enterprise and the infinite possibilities we create for our clients, our colleagues and our company," it said.

The new look also reflects how Marsh McLennan's four businesses—Marsh, Guy Carpenter, Mercer and Oliver Wyman—work in unison to tackle the many challenges faced by individuals and businesses across the world. These difficulties include pandemics, economic crises, climate change, and racial and social injustices. The four businesses will keep their existing names.

Kick-Start

AIA SINGAPORE has scored with the Singapore Premier League, a men's professional association soccer league sanctioned by the Football Association of Singapore.

The company renewed its title sponsorship of the league through the 2022 season, after which time the insurer will have the option to extend its contract for another three years.

AIA became a title sponsor of the league in 2019. As part of the renewed partnership, this season the league will again present the AIA Player of the Month and AIA Young Player of the Month awards to deserving team members.

Photo courtesy of AIA Singapore

COMING TOGETHER: AIA Singapore CEO Wong Sze Keed (left) and Football Association of Singapore President Lim Kia Tong announce the insurer's renewed sponsorship of the Singapore Premier League.

AIA will work with Singapore Premier League players and AIA global ambassadors and partners at match-viewing events, community football clinics and interactive online activities to bolster fan participation.

Wong Sze Keed, CEO of AIA Singapore, said her company is committed to actively supporting its nation in "developing local football talent and engaging and bringing the sport even closer to the community, helping us to deliver on our brand promise of enabling healthier, longer and better lives in Singapore."

The Singapore Premier League kicked off its 26th season in March. BR

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

Next Wave

Four Ways to Tout Insurance Careers and Recruit Talent

Connecting with elementary, high school and higher ed students can help companies find potential employees or at least inspire some to pursue a path in the industry.

By Carly Burnham

Insurance companies and agencies are still facing issues acquiring new talent. We struggle to bring in the next generation. There are myriad reasons for this, and we can analyze them another time. Today, I want to share four opportunities that all insurance professionals have to help attract young people to our industry.

Volunteer

Look for opportunities to work with and mentor students in elementary and high school. Junior Achievement, Big Brothers Big Sisters of America, and Boys & Girls Clubs of America are just a few organizations known for making an important difference in the lives of youth. While you are in these settings, you can make your own impact by first, showing up, and also by talking about the work you do and how you came to do it. Connecting with children one on one allows you to spread the good news about insurance careers while helping them understand that our industry is so much more interesting, fun and relevant than what they might see on TV or in ads.

Do you remember the first time you met a grown-up whose job sounded like something you could do? You could be that adult for someone and change the trajectory of their life.

Go Back to College

There are many insurance organizations geared toward students of higher education. Gamma Iota Sigma, The Spencer Foundation, and the Insurance Careers Movement all help college and university students find entry-level career paths in insurance. These organizations are always looking for people to help plan events, market these events and serve as a liaison between local companies and schools.

Making connections and establishing a solid relationship between your company and a local college can help you be a visible employer. It gives you access to future employees you may otherwise have overlooked, and you wind up marketing your own business in the process. You may even find a

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*.

"Reverse Mentor" who can help you understand the next generation!

Share Your Story Broadly

Personal connections help young people see where they might fit in to insurance. Unfortunately, when most people think of our industry, they think of sales and claims. There is limited understanding of all of the roles within an insurance company. So shout it from the rooftop, or at least quietly talk with friends and neighbors about the actual work you do. Let them in on the secret that insurance is a pretty cool way to earn a living. A great place to share your story is through Insurance Nerds (shameless plug) and our series "Why I Love Insurance." We believe sharing our stories will help others connect to our work and maybe even get inspired to give the industry a try.

Hire Interns and Part-Timers

Many of us stumbled into this industry by accident. I ended up here after taking a part-time office assistant role while I was in college. Others might accept an insurance-related internship until they can find something "better." Whether it's that type of role or something more substantial, it's a great way to get students in the door so their curiosity can be sparked as they learn something real about the work we do.

Insurance continues to have a reputation as an old, conservative industry. Those of us on the inside know the changing landscape is incredibly interesting. But to keep up with the times, we must recruit people who are ready to learn and who bring the perspective of upcoming generations. Connecting with younger individuals early on is a great way to find that talent and help them see the value of pursuing a career in insurance. BR

At Large

Insurers and Government Partners Can Work Together to Facilitate a Green Future

Reducing greenhouse gases and insuring at-risk communities can mitigate climate change.

By **Tony Kuczinski**

The signs are all around us. The impact of climate change on the frequency and severity of natural catastrophes is not a new concern for the insurance industry. However, the combination of recent weather events, shifting social attitudes, new public policy goals and corporate efforts has propelled the issue of climate change to the center of the global stage.

For decades, our industry has contributed crucial insight and scientific data to the study of climate change and its effects, both economic and social. We must take the next step.

What actions can we take, as a society and as an industry, that will lead to meaningful change?

Mitigate Greenhouse Gases

Although individual events cannot be linked directly to climate change, there is scientific consensus that greenhouse gas emissions contribute to the rising temperatures in the atmosphere and oceans. Rising temperatures can lead to more frequent and intense weather events, and also can affect atmospheric dynamics, as patterns of natural air systems such as the jet stream are impacted.

Many global organizations have committed to reducing emissions and limiting global warming in line with the goals of the Paris Agreement. It is critical to strive for the 2 degrees Celsius limit of the Paris Agreement to prevent more expensive and drastic challenges for society. While corporate pledges to reduce carbon emissions in business operations and investments are important, industry alone cannot compel the wholesale changes required to move away from our current energy sources. Governments also must take bold steps, such as implementing a carbon tax or a functioning, global emissions trading system that provides sufficiently strong price incentives for a gradual switch to

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nonfossil forms of energy and transportation.

Close the Insurance Gap

Underserved communities are less likely to buy insurance, which makes them more vulnerable to negative impacts from severe weather events. More widely available insurance coverage for at-risk communities can make it easier for countries and individuals to handle the financial impact of natural disasters. Insurance companies must seek out like-minded partners to develop innovative community-based solutions. Through public-private partnerships, we can raise awareness of the policies needed to reduce the impact of climate change and advance a society that fosters sustainable, resilient communities.

Adapt to Consequences of Global Warming

We have the knowledge to make our homes and commercial structures more resilient to natural hazards, and we need to make those investments. It is also essential that infrastructure, from roads to dams to electric power grids, is resilient to climate change and natural disasters. Strong, resilient infrastructure can help communities recover more quickly from natural disasters. However, vulnerable infrastructure can have devastating impacts on communities, as demonstrated by the recent blackouts and cascading losses due to Winter Storm Uri in Texas. As Congress considers new spending in the United States, enduring resilience should be an essential component of all projects.

The enormity of climate change is daunting, but there is power in partnerships. The actions we take today as a society and as an industry can make a tremendous difference in how we experience and recover from natural catastrophes in the future. BR

Property/Casualty Carriers Invest in Bitcoin Services Company NYDIG

Outgoing TransRe CEO appointed to lead insurance segment.

by Renée Kiriluk-Hill

Bitcoin services company NYDIG said it raised $100 million from partners that include Starr Insurance, Liberty Mutual Insurance and other property/casualty carriers, and launched a global insurance solutions business.

It appointed outgoing TransRe President and Chief Executive Officer Mike Sapnar as global head of insurance solutions. He is tasked with overseeing insurance activities and accelerating Bitcoin-driven innovation in the global property/casualty industry, NYDIG said in a statement.

TransRe previously announced Sapnar's departure, with Ken Brandt, then the TransRe co-president of global underwriting, named president and CEO-elect.

NYDIG appointed Matt Carey, who co-founded and was CEO of online annuity marketplace Blueprint Income, as head of U.S. insurance solutions. He will focus on Bitcoin in the U.S.-based life insurance and annuity sector, NYDIG said. Blueprint recently was acquired by MassMutual, which is also an NYDIG strategic partner, from NYDIG parent Stone Ridge Holdings Group.

The depreciation of fiat money—government-issued currency not backed by a commodity such as gold or silver—"causes inflation in fiat premiums, while collapsing the purchasing power of claims," NYDIG Chairman and Stone Ridge CEO Ross Stevens said in a statement. "We see a brighter Bitcoin-powered future for the billions who depend on the insurance industry every year. … We will be working … to enable new Bitcoin-denominated products for global insureds."

NYDIG offers Bitcoin investment and technology services to insurers, banks, corporations, institutions and high net worth individuals. BR

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

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BEST'S REVIEW®

ISSUES & ANSWERS:

NEW DIRECTIONS IN ASSET MANAGEMENT AND POLICY ADMINISTRATION

Industry experts discuss the state of the municipal bond market post-COVID, investment opportunities in the current low interest rate environment and insurers' ongoing move to digitalization.

Interviewed Inside:

Mark Paris
Invesco

Reed Nuttall
AAM

Kurt Diederich
Finys

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Municipal Bond Considerations Post-COVID

Mark Paris, CIO and Head of Municipal Strategies for Invesco, said the COVID-19 crisis created significant volatility in the municipal bond market at the beginning of the pandemic. One year later, things are moving in a positive direction. "The combination of $1.9 trillion in federal stimulus, with a large chunk of that going to state and local governments, along with COVID-19 vaccines getting to more people, the outcome should continue to be positive for municipal credits," he said. Following are excerpts of an interview.

Invesco

Mark Paris
CIO and Head of Municipal Strategies
Invesco

"The U.S. economy is also poised for a comeback, especially as vaccines become even more widespread."

What is the current state of the municipal bond market?

At the height of the pandemic the picture in munis appeared to be pretty grim, with mandatory lockdowns reducing revenue-generating projects for states and local municipalities. What we now know is that state and local budget projections that were made early in the pandemic proved to be largely overly pessimistic, and many key revenue drivers outperformed those estimates. For example, throughout 2020 states' rainy-day funds remained at elevated levels. After the strain of the 2008 financial crisis, state governments devoted themselves to building reserves in preparation for another unexpected economic crisis. States have been successful in that regard with the current median rainy-day fund balance standing at 8% of state expenditures, which is almost double what it was in 2008.

From a technical perspective the municipal market has benefited from investor optimism regarding the U.S. economy, and widespread perception that taxes might be on the rise. This widespread speculation about the possibility of future tax hikes seemed to enhance the appeal of tax-free income, helping to drive investment inflows into the asset class.

How has the American Rescue Plan impacted near-term municipal fundamentals?

This second round of federal stimulus should further stabilize state finances since $195 billion is earmarked for states. The U.S. economy is also poised for a comeback, especially as vaccines become even more widespread. In addition to stimulus, it is important not to overlook the fact that states and localities can raise taxes, and we think we will see tax increases in 2021. We view the current period as a multiyear budget rebuild, the same way the first few years after the global financial crisis were a time of economic rebuilding.

Do you think a Democrat-led federal government could yield benefits for municipal bonds?

We expect the Biden administration's latest legislative initiatives to benefit the municipal bond market in 2021 and beyond. For example, the American Jobs Plan, better known as Biden's $2 trillion infrastructure bill, involves an accelerated investment over four years, with funding and jobs spread out across every state in the Union. The plan is expected to provide flexible federal investments to state and local government transportation departments, with the goal of providing every American city with 100,000 or more residents with high-quality, zero-emissions public transportation options. We expect the municipal bond market to be one of the various funding vehicles used to finance the expansive infrastructure improvement project. This could be a net positive for state and local government fundamentals, as increased federal funding should lead to higher employment, economic conditions, and tax receipts.

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Investing in Alternatives

Reed Nuttall, Principal and Chief Investment Officer at AAM, said with low interest rates there are ways to add yield through alternative asset classes. For example, he points out that convertible bond issuance last year was at a 20-year high. "There was $110-plus billion issued in 2020 with another $40 billion in the first quarter of this year. That gives us plenty of attractive investment opportunities in this sector." Here are excerpts of his interview.

AAM

Reed Nuttall
Principal and Chief Investment Officer
AAM

"Both history and our models suggest that diversification and being disciplined about adding risks lead to higher returns and more stability. That's our strategy."

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

What strategies does AAM employ to help your clients alleviate the loss of income due to low interest rates?

We focus solely on the insurance industry. As such, we have an eye toward maximizing income for any given level of risk. We're trying to maximize income whether the 10-year Treasury is at 6% or whether it's at 1%. However, what we're seeing down here at 1% is that risk assets tend to be mispriced, as everyone crowds into the same risk in search of yield. We have a disciplined approach to evaluate each client's risk profile and suggest asset classes that improve income within each client's specific profile. We found private placements, commercial mortgage loans, convertible bonds, bank loans, and high yield, all stand out as opportunities in this environment if managed with a focus on risk mitigation.

What value do you find in convertible bonds over just investing in stocks outright?

A portfolio consisting of both common stock and convertible bonds provides a great mix of market upside with some downside protection. A convertible bond has two components, a bond and an option on the stock price. What you're doing is buying exposure to the underlying stock price movement. It comes with a floor on the downside, and that floor is established by the price of the underlying bond. It's this bond component that gives convertibles favorable capital treatment in insurance company portfolios. A properly managed convertible portfolio can provide both the upside of the stock market and the stability of bonds in a capital-efficient way.

How do private placements and mortgage loans contribute to client portfolios?

We've been investing in investment-grade private placements for decades. We found that they offer superior yield and more credit stability than public securities, and they fit well for both P&C and Life portfolios. In March of last year corporate bond spreads significantly widened versus Treasuries and then retraced pretty quickly in the second quarter. Private placements, because of their nature, tend to be less liquid and less volatile than public bonds, yet offer higher yields for similar risks.

What can companies do to limit the negative effect of rising interest rates on their portfolios?

If you have callable bonds in your portfolio, when rates rise, those call options may not get exercised. This causes durations to extend in portfolios with excess call risk. At AAM, we're very disciplined about duration management. What we saw in the first quarter of 2021 is that the duration of mortgage backed securities (MBS) moved from 2.3 to 4.1, so a lot of extension. We stayed away from the MBS sector last year, and it's even less attractive this year. We do find that higher quality bank loans, collateralized loan obligations or CLOs, provide both additional yield and price stability because their coupons reset as interest rates go up and the prices stay around par. Also, some of the strategies that we talked about—being disciplined about your approach to duration, adding yield where you can in a high-quality fashion—have really helped us enhance the income to our clients' portfolios. There's no such thing as a free lunch.

Opportunity Amid Chaos

Kurt Diederich, President and CEO of Finys, said it would be an understatement to say that 2020 was both difficult and challenging for just about everyone. "Despite those challenges, and perhaps as a result of them, we're continuing to put an incredible amount of money into research and development to improve the platforms with a bigger move toward digital," he said. Following are excerpts of an interview.

finys

- Founded in 2001.
- A platform of integrated modules for processing P/C insurance.
- Meeting the needs of the insurers now and into the future.

What are the lessons of 2020?
First and foremost, you want to try to get ahead of the curve. A lot of companies were well positioned for this situation. For those that were, 2020 paid dividends for them. One of my favorite quotes from Sun Tzu is, "In the midst of chaos is also opportunity." An example of that comes from an insurance carrier client who told me they just came off their most profitable year ever.

What, if anything, can or should insurers do in the face of this kind of uncertainty?
It's important that you put yourself in a position to take advantage of the turmoil. Following a process like the OODA loop will help—OODA loop being observe, orient, decide, and act. Having the right systems in place will help in this endeavor. Carriers can focus on bringing more digital channels to their platforms, modernizing their systems, and making sure they can respond.

What can policy admin vendors like Finys be doing to be more effective?
For the insured, they need to be given a better digital experience and offered excellence in call centers for anything that can't be serviced in the digital channels. Agents need to be given the tools to sell more and process less. Finally, for the carriers, give them the information they need to make the right decisions and the systems they need to react quickly in the face of uncertainty. To address that, we're continuing to put an incredible amount of money into research and development to improve the platforms, with a bigger move toward digital.

Kurt Diederich
President and CEO
Finys

"As we move forward, the ability to bring in insurtech technology is going to be a must."

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

Are there things that policyholders might want or expect, especially given their experiences in 2020?
Clearly, I think policyholders desire a touchless experience. They want to be given the ability to self-service. I also think that agents need to transition to what may become the new normal. People are not visiting their agents as much, so online servicing is something carriers need to bring to the table. They should find ways to add value and remain relevant.

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Insurers Scrambling to Switch Benchmarks Used for Setting Short-Term Interest Rates of Investments and Debt

The impending LIBOR cessation has forced a major shift for entities used to the London Interbank Offered Rate, which has been the standard since 1986.

by Terrence Dopp

As the London Interbank Offered Rate (LIBOR) is slowly phased out as a benchmark for short-term interest rates, insurers and other financial institutions are quickly pivoting to using an alternative reference rate.

The rationale behind the 2017 decision to end the benchmark—which is based on short-term rates that major banks charge one another—was that LIBOR is not entirely related to wider financial markets, and there is a potential for manipulation.

According to a March decision by the U.K. Financial Conduct Authority, which is overseeing the transition, LIBOR will be prohibited after Dec. 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen tenors, and the one-week and two-month U.S. dollar tenors. The deadline for remaining U.S. dollar settings is June 30, 2023.

"It takes some pressure off," said George Hansen, senior industry research analyst, AM Best, about the deadline extensions. "But companies can't really stop getting things switched over to a fallback rate."

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

Key Points

Issue: By June 2023—and for many, the end of this year—the London Interbank Offered Rate will no longer be published as a reference interest rate for financial transactions.

Replacement: In steps the Secured Overnight Financing Rate, which boosters contend is a more transparent figure based upon U.S. Treasury lending.

Volume: The Alternative Reference Rates Committee helping to guide the movement estimates more than $200 trillion in U.S. dollar-denominated contracts are outstanding. While most mature before the deadline, some don't, and switching them over will be key.

For many insurers, making the switch means combing through multibillion-dollar portfolios and replacing LIBOR with SOFR, the Secured Overnight Financing Rate. SOFR measures the cost of overnight borrowing of money collateralized by U.S. Treasury instruments.

The LIBOR benchmark can be found throughout the derivatives insurers use as hedges to protect balance sheets, and across any investment such as collateralized loans that involve floating rates. All of those references need to be switched to a replacement, or fallback, rate.

"With lots of insurance products, there are often long-term financial instruments used to underpin them," said David Hetling, marketing director for regulated industries at SDL, a worldwide firm that has seen a brisk business in translating complex international contracts. "In a long period of time, even a very small difference to the rate LIBOR's been set at that underpins those could make a very big difference. So it's a big deal for insurance. Quite a big deal."

At the same time, insurers could see their own debt issuances affected, primarily by floating rate transactions, according to an October Best's Commentary *LIBOR Transition Poses Operational and Legal Challenges for Insurers*.

"Key issues for insurers include the nature of fallback provisions, term structures for new reference rates, market liquidity, capital requirements and consistent supervisory guidance to eliminate cross border issues," the report said.

"It's the longer term structures that are concerning," said Hansen, an author of the commentary.

"With lots of insurance products, there are often long-term financial instruments used to underpin them."

David Hetling
SDL

End of a Run

LIBOR, which was started in 1986, is essentially a composite of what banks are charging to lend. It came to be the leading reference rate used for adjustable-rate securities.

There is at least $200 trillion in U.S. dollar-denominated LIBOR contracts in the financial system, according to estimates released by the Alternative Reference Rates Committee (ARRC), the New York-based panel guiding the change. The ARRC is composed of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York to develop best practices and try to ensure the changeover goes off without hitches, according to its website.

In 2012, a series of investigations found some instances of banks manipulating LIBOR rates to benefit from movements. Soon after, LIBOR came under U.K. regulatory oversight. And in 2017 the decision was made to ultimately stop publishing the benchmark.

Different Views

There are key differences between the two rates in play for U.S. dollar-denominated contracts, explained Chris McAlister, managing director and global head of derivatives at Prudential Financial. McAlister is in charge of global trading in the instruments, as well as one of Prudential's representatives on the ARRC. He made it clear that he isn't a spokesman for the panel.

While LIBOR is a forward-looking term rate, he said, SOFR is an average of the actual daily rates for a period, set in arrears. The three-month LIBOR rate is a snapshot of where the market predicts rates will go, whereas with SOFR for a three-month contract you get a snapshot of the actual daily rates for the previous period. Finding a way to set term rates—along with the operational mechanics of the shift—is the largest open-ended debate.

In addition, SOFR comes packaged with about $1 trillion in daily activity associated with it, while LIBOR never had anything approaching that quantity of transactions to back it up, McAlister said. Also, the new rate isn't based on a credit spread. In both cases, he said insurance companies and lenders with generations of experience working with interest rates are finding ways to address those issues.

"The interesting thing is that if you were to go back and talk about the things people were concerned about from a friction standpoint with moving from LIBOR to SOFR, the market has

"One of the elements about LIBOR, and one of the criticisms of it, is that it's a rate that is largely based on subjective judgment. And there's not a lot of transactions supporting it."

Joe Demetrick
MetLife Investment Management

already evolved," McAlister said. "The market has already moved from this idea of a credit spread to no credit spread involved in the rate."

He said a large insurer such as Prudential has the resources—and after regulators' guidance, the time—to manage the transition in-house. Understandably, this may be more difficult for firms with fewer resources, when trying to rebuild all of the transactions on their own, which he said is one of the reasons why the ARRC's guidance is critical for the LIBOR cessation.

The ARRC estimates about 67% of current dollar-denominated LIBOR exposures are set to mature prior to the June 2023 deadline, but about $74 trillion will remain outstanding. That figure includes legacy contracts without an effective or easy means of replacement, ARRC said.

Playing Catch-Up

Like so much of 2021, the benchmark swap has been a bit of a catch-up game.

"LIBOR's not unique in the respect that it's been derailed a little by the pandemic," said Hetling of SDL.

In a report earlier this year SDL, part of RWS Holdings plc, found that the COVID-19 pandemic disrupted business operations and overshadowed efforts to transition away from LIBOR, which the firm estimates underpins about $400 trillion of contracts globally.

SDL's report looked at so-called tier-one financial institutions across North America, Europe, Middle East and Africa, and the Asia-Pacific regions. Among the findings: More than half, 54%, had experienced disruption by the pandemic and were either behind schedule or requiring assistance to meet deadlines.

And while the change requires 88% of respondents to update reports in multiple languages, 40% had only started doing so in the past year, and there was a need for delaying the switch. It surveyed 60 respondents and found 36 had experienced disruption as a direct result of COVID impact to LIBOR plans.

Another Perspective

Joe Demetrick, managing director, public fixed income and derivatives, MetLife Investment Management, takes a different view of the pandemic's impact on banks and others in the process of shedding financial contracts with LIBOR benchmarks.

March and April of 2020—the early days of COVID-19 lockdowns—just showed the extent of LIBOR's shortcomings as a reference rate, Demetrick said. In that respect, the pandemic actually highlighted the rationale behind the shift, he added.

MetLife is also a member of the ARRC helping to steer the process. Like McAlister, Demetrick made it clear that he doesn't speak for the panel as an entity.

"I don't think it complicated it," he said. "The industry, bottom line, was able to continue to make progress despite COVID. One of the elements about LIBOR, and one of the criticisms of it, is that it's a rate that is largely based on subjective judgment. And there's not a lot of transactions supporting it."

Key to how the process plays out for smaller participants in the market will be clear standards and benchmarks, McAlister said. The industry needs to know how to deploy its resources to proceed, he said.

"Uncertainty doesn't sit well with market participants, especially if they don't feel like they have the resources to deal with the problem," McAlister said. "If you don't know what the spread is going to be, if you don't know what date it's going to end, how do you decide what resources you need and when to get them? More certainty on a lot of these things is helpful." BR

Life Insurance

U.S. Tax Changes Could Make Life Insurance More Popular

Changes to Section 7702 of the IRS tax code allow life insurance policyholders to squirrel away more cash at lower death benefits, effectively transforming policies into retirement vehicles in addition to, or instead of, protection.

by Terrence Dopp

Life insurance and income taxes may not top many people's list of fascinating conversations.

But don't tell that to adviser Zac Majors, who's excited to sit with clients and discuss recent tax code changes that increase the amount of cash that can accumulate in a life insurance policy.

He's so psyched, in fact, he's "grinnin' like a possum eatin' a sweet 'tater," the Texan said, using a southern colloquialism.

"It's not often that you put life insurance with tax code in the same sentence, and the word exciting accompanies it," said Majors, chief executive officer of Centric Advisors LLC. "In this case it did."

The shift was part of the 2021 Consolidated Appropriations Act passed late last year by Congress.

The Act specified new interest rate assumptions, which will allow higher premiums to be paid into life products and still meet the definition of life insurance, according to the Best's Commentary, *U.S. Life Insurance Products to Change in Reaction to New 7702 Rules*.

Historically, two tests determined whether a life insurance contract met the legal definition of "life insurance" under Section 7702 of the IRS tax code.

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

Key Points

Change: The Consolidated Appropriations Act of 2021 lowered the interest rates that had been set in the 1980s to dissuade the use of life insurance policies as savings vehicles.

Effect: In real-world terms, the federal government reduced the ratio of face value to premiums, allowing people to place more money in tax-advantaged life insurance accounts.

Potential: On the negative side of the ledger, the shift could leave intermediaries feeling the pinch of lowered recurring premiums on future policies. On the positive end, people who once were hesitant to buy life insurance as an investment could change their minds, leading to a healthy increase in sales.

These tests related to cash value accumulation and guideline premium/corridor rules, both designed to ensure the contracts were primarily about protection rather than investment. The underlying assumptions were designed in the 1980s.

"The old rate was as high as 6%, which was in line with guaranteed interest rates at the time this law was written in 1984," said George Hansen, senior industry research analyst, AM Best. "As of 2019, nearly 40% of life individual policies have guaranteed interest rates of less than 4%, leaving nearly 60% with guaranteed rates of 4% or more."

For contracts issued in 2021, the new rate for the guideline level test is the greater of 2% or the guaranteed interest rate in the contract. The new

"The most positive effect will be that you get to put more money into a policy. A lot of people who are advisers and high income earners, they're trying to put a good portion of their money into these types of vehicles, and sometimes they're not as concerned with the death benefit."

Zac Majors
Centric Advisors LLC

rate for the guideline single premium test and the cash value accumulation test is the greater of 4% or the contractual guaranteed rate.

Accumulation, Not Protection

Vanilla, traditional death benefit protection may be the first product that pops into mind when thinking of life insurance. Although that coverage was the original intent of the industry, the range of products has shifted to include living benefits.

Last decade, consultants McKinsey & Co. found retirement planning was morphing into a lucrative business segment for carriers. One report stated retirement products generate 75% of operating profits. If insurance were "repositioned" as a way to help families attain financial goals despite premature death of a breadwinner, it would increase life insurance's appeal, the report said.

That gets to the heart of what Majors is hoping will happen as an outgrowth of the 7702 revisions, as consumers will be able to accumulate a greater amount of cash with a lower face value.

Majors said the change will be applied to new policies, and indexed universal life products will likely be the most impacted. Any future permanent life product with a cash accumulation component stands to be impacted, though it's still too early to tell exactly what those effects will be, he added.

"The most positive effect will be that you get to put more money into a policy," he said. "A lot of people who are advisers and high income earners, they're trying to put a good portion of their money into these types of vehicles, and sometimes they're not as concerned with the death benefit."

For Centric and other intermediaries, the reasoning is that giving consumers greater access to tax-advantaged savings is likely to mean increased interest in those types of products. While brokers and advisers may see some tightening in commissions due to lower face values, Majors said, he is optimistic that will be more than offset by higher volumes.

"Absent of changes to the commission structure, if you're cutting the insurance amount in half, then that means the commission follows," said Stefan Dunajewski, chief life actuary with Zurich North America. "There will be an effort to balance that in a way, and it will be interesting to see how commission scales change as a result of this and whether intermediaries are willing to accept their fair share of the costs that this change in rate structure may bring about."

The original intent of Section 7702 was to discourage the use of life insurance as an investment vehicle. Yet for the upper end of the market—people who max out other tax-advantaged accounts and are searching for a place to park more money—that's one of the purposes the policies have served for a long time.

Taxing the Rich

To determine whether policies are deemed tax-free, the new law uses the "insurance interest rate," which changes when the reserved valuation rate changes.

The 7702 changes take effect amid a broader U.S. political climate dominated by the COVID-19 pandemic and a racial reckoning. At the same time, some in Washington want to use tax policy as a means of addressing the growing wealth gap.

About 8% of U.S. adults are millionaires, according to Credit Suisse's *Global Wealth Report 2020*.

At the same time, President Joe Biden has called for raising to 39.6% both the top federal income tax rate and the capital gains tax for the highest earners, according to news reports. The top rate was lowered in 2017 by his predecessor, Donald Trump.

The U.S. Congress is a divided body, so those numbers could be modified up or down—or not at all—during the legislative process. Some say the discussion is a sign that there is an appetite to increase taxes for the first time in recent history.

"This 7702 change plays right into that," Majors said.

Companies are likely to start filing life insurance products with lower guarantees due to the revision, and product pricing will change—particularly compensation—for universal life insurance, AM Best said in the report. Universal life commissions are mostly determined using a target premium on which the full amount is paid, with a lower rate for premiums over the target.

"Target premiums may need to be adjusted due to the higher levels of premium that can be paid into the contract, while still maintaining the favorable tax status," the report said.

Speed of Change

The main surprise for the industry was how quickly the changes unfolded, and the implementation dates. The changes apply to all policies sold after Jan. 1, 2021.

Dunajewski said his company is very active in the high net worth market, where signs point to the changes having the biggest effect. The new regulations won't impact traditional, strictly protection life insurance policies. However, the company has been eyeing whether insurers, clients, intermediaries or a combination will pick up any resulting costs or loss of revenue as companies stand to lose out on excess cost of insurance beyond the policy amounts, Dunajewski said.

"You can really lower the face amount pretty drastically under the new calculation," he said. "I don't think it really introduces any new requirements or fundamentally changes the industry or the products. But it's definitely a shift, and I think the challenge for the industry is being nimble enough to respond appropriately and quickly."

He said Zurich is looking into all of the shift's potential effects, which may include pricing changes, refilings and changes to marketing.

Rosendale, of AM Best, said he doesn't see the revised Section 7702 tax rates creating a new market for insurers. What they do allow companies to do is price existing offerings more effectively. Hansen, also of AM Best, said the other test will come in the market when companies see the results of lower guarantees.

The revised Section 7702 tax rates won't create a new market for insurers. What they do allow companies to do is price existing offerings more effectively.

Thomas Rosendale
AM Best

The long process of bringing new life insurance products to market—and the need for regulatory approval of rate changes—means any responses to the changes are likely in their infancy, and a clear picture isn't yet available.

"Insurers have definitely been challenged now for a while with the low interest rate environment, which continues to put a lot of pressure on investment margins and makes providing long-term benefits more expensive," Dunajewski said. "What they might do is make certain types of products more attractive to customers and that could lead to more demand in these spaces."

Majors had a similar sentiment.

"People are going to want to put more money into something that is tax-advantaged, and this gives them the ability to put more in than they ever have before," he said. "Those people who were on the sidelines because there wasn't enough juice or because they couldn't put enough money in there, are going to start seeing insurance in a better light than they had before." BR

The (Opt) Ins and Outs of Embedded Finance

Piggybacking is an effective way to reduce customer acquisition costs, but picking the right strategy and partner is a critical first step.

by Caribou Honig

When the global financial system imploded in 2008, it marked the beginning of the Great Recession. It also kicked open the door for entrepreneurs to launch a revolution in fintech, with resulting success stories such as Credit Karma, Robinhood and Remitly, to name a few. That revolution expanded into insurance with the rise of insurtech companies.

Yet one of the persistent challenges for these companies, as well as for incumbents, has centered on customer acquisition costs. Whether you're a century-old insurance carrier or an insurtech startup with a clever new product, getting customers can be expensive.

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But it doesn't have to be.

Embedded finance has generated buzz lately as a brilliant solution. Simply put, embedded finance is the distribution of a financial service product through someone else's customer experience. This practice has been described as "the future of financial services" and "one of the most transformative trends in fintech," as well as a "game-changing opportunity." The same holds true in terms of the insurance industry. You cannot hold back the tide on this.

To understand the real opportunity and what is driving the recent excitement, we should peel back the layers of the embedded finance onion.

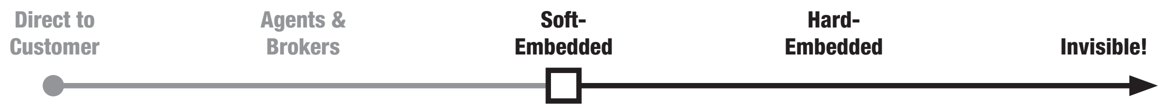
Embedded distribution is best understood as part of a wide spectrum for getting a product to market. On one end—not embedded in any sense of the word—is direct-to-customer. Whether it's through a radio ad promising you can save 15% in 15 minutes or a piece of direct mail offering a balance transfer on your credit card, some great financial services businesses have been built by going direct.

The same can be said for using third parties such as agents, brokers and investment advisers. Not only have long-standing incumbents succeeded through these traditional channels, but many startups have as well. Insurtechs such as Beam Dental and Hippo have grown, at least in part, through brokers.

Soft Embedding

As the chart on page 34 suggests, embedded strategies take partnering with third-party distribution to the next level. The lightest version can be called soft-embedded. As a working definition, think of this as offering a product to another company's customers, often during their purchase experience, where it is explicitly presented as an opt-in for the customer.

Examples abound as this is by far the most common way to embed a product. Car dealerships are long-standing experts: They deftly offer you, the car buyer, the opportunity to finance the purchase and to bolt on an extended warranty. Embedded finance is so deeply ingrained in the automotive



sector that entire businesses such as Dealertrack have grown as enabling middlemen.

Soft embedding gets the product in front of the right prospect at the right time. It drives efficiency around acquisition cost and enables scale. And it's not usually a stretch to convince potential partners.

For insurers, this could mean offering tuition insurance as an option on a university's website, a product warranty as an e-commerce option, or accident insurance as part of renting a pair of skis.

Hard Embedding

By comparison, let's use the term hard-embedded when the offering is presented as an opt-out (i.e., where it is included with the primary purchase by default). The consumer can choose not to take the embedded product, but they must affirmatively take action to do so. One obvious benefit is that this delivers a much higher take rate and scale.

Less obvious, and perhaps a bit more profound, is that hard embedding dramatically mitigates adverse selection. The soft opt-in is vulnerable to adverse selection as customers who believe themselves most at-risk decide to take the offer. If only 10% of consumers opt in, there's a good chance they're among the riskiest to underwrite. The hard-embedded opt-out changes the dynamic: When the product attaches to 80% or more of the customers, the low-risk and high-risk customers are all in one big risk pool. Hard embedding dramatically mitigates adverse selection.

LeaseLock illustrates this well. The company enables landlords to replace the traditional upfront security deposit with a much smaller monthly lease insurance policy. If this were a soft-embedded, opt-in product, it would beg adverse selection: Higher-risk prospective tenants likely would be the ones to opt in. But as a hard-embedded opt-out offering, LeaseLock is brilliant.

> Embedded finance is the distribution of a financial service product through someone else's customer experience.

As the vast majority of tenants stick with the default option of LeaseLock to avoid the security deposit, loss rates fall because adverse selection is nearly eliminated.

Invisible Finance

There are cases where embedded finance goes beyond the opt-in and opt-out. There are situations where an insurance product is so firmly embedded within the primary product that it's mandatory, and the customer has no ability to opt out. Over time it goes beyond embedded finance and becomes invisible finance.

Fittingly, examples of this might be hard to see at first. Yet examples can be found. Go back to the car dealership. The extended warranty is soft-embedded, an option recommended to the purchaser. In contrast the typical three-year bumper-to-bumper warranty is invisible insurance. The customer can't say, "I'm really good with car repairs myself, so I'll sign a waiver on the standard warranty if you take $400 off the sticker price."

Malpractice insurance provides another example. Malpractice insurers distribute their product through medical providers, ultimately for the benefit of the consumer. It's not an option for the patient to say, "If you waive my copay, I promise I won't sue you if this appendectomy goes bad." The underlying cost of malpractice doesn't show up on the medical bill as a separate line item—that's the point; it's invisible—but the patient is paying for it all the same.

Based on these examples, one could wonder if banking is only suitable for the soft embed, while insurance products span the entire range of distribution models. It's a fair question, and likely one that will be answered over the next few years, as embedded finance fulfills its promise to be the future of financial services. BR

Asset Managers See Rising Insurer Interest in Values-Based Investing

The push comes from a wide range of constituencies—the C-suite, shareholders, bondholders, employees, regulators and rating agencies.

by John Weber and Staff

"Some of our clients are interested in exclusionary rules, so certain industries should be kept out of the portfolio."
Vincent J. DeLucia
New England Asset Management

As the environmental, social and governance movement makes inroads into the insurance industry, insurers are turning to investment managers and outside asset management firms with the goal of better aligning their investments with corporate values. Asset managers and industry watchers say that trend is gaining momentum.

"We think of ESG and value-based investing as a journey for an insurer. There are some key components to this. There's education, there's information, and then there's action. In some sense, this is nothing new for the insurance industry," Matt Daly, managing director and head of corporate credit research at Conning, said. "There have been instances of alignment of investment portfolios with their own values for a long time. Think of negative screening for single-issue causes. That would be avoiding sin companies or investments in specific countries that might be considered questionable actors."

"Some of our clients are interested in exclusionary rules, so certain industries should be kept out of the portfolio. Companies involved in tobacco, firearms, gambling, for instance," Vincent J. DeLucia, chief investment officer, New England Asset Management (NEAM), said. "We are seeing some mandates moving toward having a certain percentage involved in green bonds or sustainable bonds, things of that nature."

Many factors are involved in the actual incorporation of ESG principles into operations.

"Incorporation really depends on the type of investments that you're running," DeLucia said.

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AM Best TV

View all four episodes of "The Greening of Insurance Asset Management" at *www.bestreview.com/greening*.

"If you are marketing and running a fund that is focused on ESG parameters, then you certainly have to bring your own thoughts and opinions to the game and implement those in your strategy. … If you manage separately managed accounts, as many managers do for insurance clients, you're dealing with many, many different sets of client guidelines and many sets of regulatory regimes. In that instance each client really needs to come up with their own assessment or feeling on the importance of ESG and which parameters are important to them."

"We think of ESG as nonfinancial information that can materially impact the company. This includes the fundamental assessment, general risk awareness and security valuations," Daly said. "We integrate ESG in the analytic process. This allows for a more holistic investment decision-making. The goal of integrating ESG factors is to provide better risk return characteristics for a portfolio and ultimately to enhance investment results. Aside from integration, there are many other ways to consider ESG. … Things like negative or positive screening or impact investing. That would be basically using capital to make a social or an environmental difference."

The push for values-based investing is coming from very different constituencies, Daly said. "This ranges from the C-suite to shareholders, bondholders, employees, customer suppliers, and certainly, to regulators and rating agencies."

Still, not everyone agrees whether and how ESG activity can be measured and reported.

Stewart Foley, founder of Insurance AUM and editor-in-chief of *Insurance AUM Journal*, said when people are asked if they support ESG, "Everybody says 'Absolutely.' What that means varies.

"With regard to ESG scoring, there are data providers who are offering that service," Foley said. "There are others who think that a score is false precision and that you need to look deeper into the investment itself. At the end of the day, it's how do you quantify your ESG, the ESG exposure in your portfolio?"

Each industry will have a different set of metrics, DeLucia said. On the environmental side, he said: "Things like greenhouse gas emissions can be measured as a percentage of revenue or as a percentage of profits, for example. Carbon intensity, water intensity etc., those are things that really are dependent on a company's industry."

"We think of ESG as nonfinancial information that can materially impact the company. This includes the fundamental assessment, general risk awareness, and security valuations."

Matt Daly
Conning

For social and governance metrics, measurable aspects of ESG incorporation include diversity on the board, diversity of the workforce and wage gaps between executives and employees, he said. "Some companies are better at reporting than others. It does appear that that's the direction we're going to go down, so reporting should become more consistent and more detailed over time," DeLucia added.

"We assign our own proprietary ESG risk factor ratings for every company or issuer in our coverage universe," Daly said. "Are the ESG risk factors strong, average or weak, and then how does that influence our assessment of the company? Does it influence fundamentals positively or negatively? It has to start with reliable, relevant information and data. This can come from companies themselves, third-party data providers, and we're seeing it now more from rating agencies."

"The SEC announced that they're going to be looking at climate-related disclosures of companies. Revisiting guidance that they'd put out back in 2010."

Chris Fowle
Principles for Responsible Investment

"There are data providers who are offering [ESG scoring]. There are others who think that a score is false precision and that you need to look deeper into the investment itself."

Stewart Foley
Insurance AUM

One emerging risk for investors is stranded assets, Daly said.

"Let's start with defining what a stranded asset is," he said. "It relates to assets that lose value due to changes associated with energy transition. That's a risk directly associated with a transition toward a lower carbon economy. There could be regulatory changes or demand shift on the preference side. The fossil fuel industry and those reliant on fossil fuels as inputs, they're the ones most at risk here. There are definitely some real-life examples of this. Coal-related investments or power plants, as well as crude-related infrastructure, things like drilling rigs that are sitting idle now. This is a little bit of a different twist, but an interesting example to consider, just in light of energy transition risk and the reduction of value, recent charges big oil companies have taken."

"Probably the closest example to the possibility of stranded assets at this point is coal," DeLucia said. "A lot of restructuring, a lot of bankruptcies in that industry. There are some questions to whether or not the coal reserves are actually worth what they say they are on the books. The bankruptcy in that space I think is indicative of the problems there."

One element on the horizon is greater pressure from regulators and lawmakers.

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

"There's no secret that the U.S. has lagged Europe in this area," Daly said, "but we're seeing much more significant action now on our domestic front. That gap is going to narrow." BR

Winds of Change

June marks the beginning of hurricane season, and in this special section *Best's Review* provides an overview of catastrophe issues facing the industry.

"Winds of Change: Derechos, Snowstorms and Other Catastrophes Are Becoming a Growing Problem for Insurers" looks at non-tail, large-loss catastrophes and their impact on insurers.

"Hail, Wind and Fire: Extreme Weather Drives Up Rates for Renewable Energy Insurance" reports on how extreme weather is impacting the insurance market for renewable energy projects.

Businesses and governments are emerging from the effects of COVID-19 and are searching for tools to manage a future pandemic. "A Framework to Assess the Role of Insurance in Future Pandemics" presents a practical plan to provide financial assistance to individuals and firms impacted by business interruption and other potential losses from the risks of contagions and other catastrophes.

"Guy Carpenter: Community-Based Catastrophe Insurance Can Close Protection Gap" reports how this innovative cover can help local governments provide affordable policies to residents. BR

Contents

Winds of Change:

Derechos, Snowstorms and Other Catastrophes Are Becoming a Growing Problem for Insurers

This year's deep freeze in Texas and last year's derecho in the Midwest have gotten insurers talking about and moving toward better modeling, risk selection and pricing.

by Lori Chordas

Just hours after a derecho touched down in Iowa last August, First Maxfield Mutual President Randy Druvenga was in a whirlwind of his own. From his office in Denver, Iowa, about 68 miles from Cedar Rapids—where the derecho did considerable damage, Druvenga began contacting the company's reinsurers and agency force and assembled staff, adjusters and contractors on the ground. He and his team were prioritizing claims, utilizing estimating software and satellite images to assess property damages, and finding temporary homes for displaced members and livestock.

First Maxfield only writes in the state, so many clients were affected, with one member's house a total loss after a two-story barn from across the road blew off its foundation and into their home. Cell towers were knocked down by powerful winds and "COVID-19 hanging over our heads," added Druvenga, made it difficult to reach some policyholders and get into homes where others were quarantining.

In February, as a historic deep freeze pummeled the southern U.S., Arrowhead Insurance Risk Managers Executive Vice President and Chief Underwriting Officer Niels Seebeck was on the phone with a Texas customer who was standing in his 40-degree kitchen. "I told him to hang up the

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Getty Images/Scott Olson

CHICAGO: A police officer stands guard following unrest on the city's West Side moments before a derecho hits the area on Aug. 10, 2020. The storm, with wind gusts close to 100 mph, downed trees and power lines as it moved through the city and suburbs.

Key Points

Weather Alert: In 2020, insurers were hit with $76 billion in global losses from natural catastrophes, a 40% rise from the prior year, according to Swiss Re.

Coming Into Focus: A growing number of catastrophes do not look or act like the long-tail tropical storms and hurricanes that traditionally account for the largest insurance losses.

Taking Cover: Stricter building codes and improved communication with policyholders and other stakeholders are two ways insurers are preparing to weather these growing types of storms.

phone and turn off his pipes before they froze. He didn't know to do that or to winterize his home because storms like these are rare events in that part of the state."

While derechos, or straight-line thunderstorm wind events, are fairly common in the Midwest, last year's 14-hour event was an anomaly in that it spread across thousands of square miles in multiple states, pounded highly-populated Iowa cities including Des Moines and Cedar Rapids and damaged millions of acres of crops in the nation's Corn Belt, leaving insurers with roughly $7.5 billion of unexpected losses, according to Aon.

The February winter weather outbreak disrupted businesses and supply chains and left many homeowners in Texas with burst water pipes, damaged roofs and widespread power outages sparked by a crippled electric grid. The extreme weather, which hit the Lone Star State particularly hard, unveiled infrastructure inefficiencies in areas not often hit by severe winter storms, prompting insurers such as the Alpharetta, Georgia-based Arrowhead to scramble to help unprepared insureds.

These deadly events are examples of a growing type of catastrophe, one that Karen Clark & Co. co-founder and CEO Karen Clark calls "non-tail, large-loss" or "not in the tail of the distribution." Unlike a rare event—think, a one-in-100-year hurricane that could cause losses exceeding $100 billion—large-loss, non-tail events occur more frequently and sometimes in areas not typically associated with those perils.

While non-tail calamities don't cause single event losses large enough to make it into the tail of the loss distribution, Clark said, "collectively, on an annual aggregated basis, insurers now are paying out about twice as much for those events than the long-run expected annual average for hurricanes."

Last year's derecho is now the single costliest thunderstorm cluster event on record, according to Aon's *Weather, Climate & Catastrophe Insight* 2020 Annual Report. Druvenga, who also sits on the board of Grinnell Mutual in Iowa, noted the storm was five times larger than any other single event in Grinnell's history.

Industry reports say the financial toll exceeded that of nine of last year's record 10 U.S. landfalling hurricanes and tropical storms.

While claims from this year's winter weather outbreak continue to roll in, industry analyses suggest the final insured losses could settle between $12 billion and $15 billion.

First-quarter earnings announcements also offer a glimpse into the event's wrath. In April, Allstate Corp., the second-largest homeowners writer in Texas, announced it incurred estimated gross catastrophe losses of $1.3 billion from the event, while Everest Re Group Ltd. reported a nearly $203 million loss to its reinsurance segment and another $47 million to its insurance segment.

Such numbers are unusual in what is typically a benign first quarter for significant cat losses, according to a Best's Commentary, *Potential Record Catastrophe Losses for Texas Insurers Due to Winter Storm Uri*. But some industry experts are now seeing a shift and expect costly non-tail catastrophes throughout the year to become the norm.

Modeling Changing Risks

Druvenga said the derecho "literally blew some of the models right out of the water due to its severity, enormity and uniqueness." Iowa State University meteorology professor Bill Gallus said in an interview with a Des Moines TV station that most models failed to provide forecasters with a hint as to the impending line of intense storms.

However, just weeks before this year's winter storm in Texas struck, Karen Clark & Co. released the first version of its winter storm model, which estimated the likelihood of an impending $20 billion winter storm loss event—more than six times the yearly average for that peril, Clark said. She added that this year's storm is characteristic of a non-tail, large-loss catastrophe that "was in our model before the event occurred."

"From what our models show, that type of arctic air outbreak winter storm is now likely a one-in-75 loss event," Clark said. "The main thing for insurers is that they don't want any surprises or to be looking in the rearview mirror and have to make model adjustments after a loss."

Risk levels are changing, "and what was once a one-in-100-year event might now be considered a one-in-75-year or a one-in-50-year event today," noted Steve Bowen, a meteorologist and head of catastrophe insight at Aon. More insurers are now being forced "to think outside the box about events that may not previously have been on the radar or those we assumed would never be plausible in our lifetime," he added.

Insurers are trying to get a better handle on those exposures, and "seeking more usable, modelable risk data to help us do that," Seebeck said. "Having extremely robust information will help determine our position and allow us to analyze it to make our portfolios accurate. Today, that's probably one of the most critical things the industry is focused on, and it's something we take great pride in our ability to do."

Druvenga said Grinnell Mutual plans to recalculate prediction models for catastrophic weather, while First Maxfield Mutual will hire additional staff to handle the rise of non-tail catastrophes.

"If we're going to put insurance policies in place, we need to be able to service them at the time of loss. Our industry will continue to plan for future events. It's the right thing to do. The worst thing we can all do is sit back and hope that another event like last year's derecho doesn't happen again," he said.

On the Storm Front

Texas is no stranger to cold weather events, but the intensity, scale and staggering losses of this year's winter weather outbreak—caused by a rare weakened polar jet stream—made it anything but typical. Many fear this is a warning of things to come, as changing weather patterns continue to unfold, creating non-tail events that could threaten the bottom line for insurers.

Last year's derecho was one of 416 global natural catastrophes that in 2020 collectively generated $268 billion in economic losses—8% more than the average annual losses of this century, according to Aon.

The good news, said NAMIC Senior Vice President Neil Alldredge, is that insurers and reinsurers are well capitalized to weather those storms. Less promising, Clark noted, is that total loss amounts from weather events—including non-tail, large-loss events—will likely continue to climb each year. That's because changing weather patterns are exacerbating risks such as rising populations in hazard-prone areas and increasing global wealth, and largely driving those costly losses. In areas like the southwestern U.S., climbing temperatures and drier air are creating more droughts and wildfires, while rising sea levels and increased evaporation are causing a spike in inland flooding in other locales.

These kinds of changes, Alldredge said, are fueling more intense storms, widening their geographic reach and, in turn, driving up claims.

That was the case in February in Texas, where Waco set a record for "the most consecutive hours under freezing, or 32 degrees, at about 205 hours, or about eight-and-a-half days," Marc Marcella, a principal scientist at AIR Worldwide, told AM Best TV.

The majority of losses from this year's winter storm in Texas fell to commercial carriers, Clark said. Smaller insurers and those writing exclusively in the Lone Star State also were hard-hit, according to Best's Commentary.

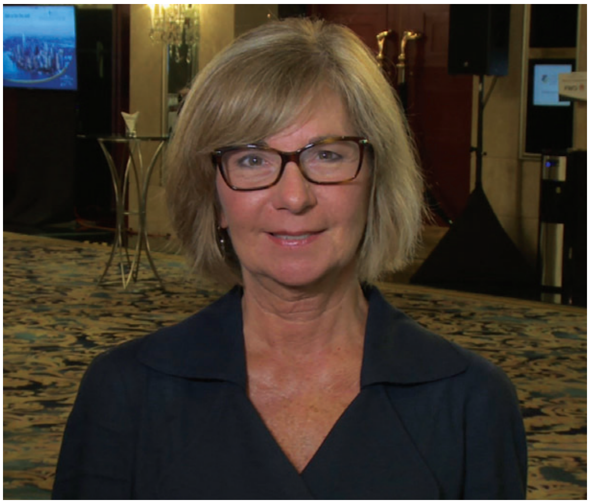
These events have highlighted problems currently being discussed by insurers and government officials. For example, the winter storm made clear that building codes have not kept pace with changing weather patterns, and many home- and business-owners failed to winterize in areas typically known for mild winters. The Texas power grid could not handle the rapid surge in usage caused by temperatures colder than those in parts of Siberia.

Last year's derecho also highlighted infrastructure inefficiencies after winds in excess of 140 mph damaged nearly every building in Cedar Rapids—a city "not necessarily built with hurricane-strength winds in mind," said Aon's Bowen.

Also underscored, he said, was the need for more communication to insureds and other stakeholders prior, during and after an event.

"One of the top things we discover in our post-event surveys is that many of those affected by these events are often unaware of the full range of risk or surprised at the level of impact at their individual property location," Bowen said.

To help with this are products such as PURE360 Risk Management Consultation, which offers a detailed inspection of policyholders' homes and assesses their vulnerability to risk, and the PURE Situation Room, which preemptively offers relevant advice and assistance, proactively monitors severe weather events and deploys resources to mitigate or prevent damage to PURE members' property, said Jason Metzger, PURE's senior vice president and head of risk management and service operations.



"From what our models show, that type of arctic air outbreak winter storm [in Texas] is now likely a one-in-75 loss event."

Karen Clark
Karen Clark & Co.

Tools like those, along with pre- and post-event mitigation efforts, Alldredge said, create opportunities for insurers "to shine from a customer service perspective as they to work with their insureds."

Alldredge noted he sees more discussions within the industry around building code changes, retrofitting practices such as enhanced insulation for water pipes, and ways to incentivize smart construction.

NAMIC has been working with groups such as the BuildStrong Coalition to support creation of federal financial incentives for states that adopt and enforce statewide building codes.

Weathering the Storm

Intense, damaging non-tail catastrophes have widened their reach across parts of the U.S. in recent years. In 2016, a deadly wildfire in Gatlinburg, Tennessee, caused millions in losses, and states such as Texas remain in the bullseye of inland flooding disasters. In Houston alone, 32%, or 186,481, of properties are now at risk for flooding, according to First Street Foundation's 2020 *National Flood Risk Assessment Report*.

“One of the top things we discover in our post-event surveys is that many of those affected by these events are often unaware of the full range of risk or surprised at the level of impact at their individual property location.”

Steve Bowen
Aon

Throughout the nation, floods are increasing in supposedly low-risk areas. Over the past 10 years, 36% of flood claims paid by the Federal Emergency Management Agency were for properties outside the so-called 100-year flood zone, according to Scientific American’s website.

While Aon’s Bowen pins that growing threat largely on climate change, he also points to urbanization, new construction, and terrain and land use changes that “make it more difficult for runoff from soil to absorb excess precipitation.”

Last year, insurers were hit with $76 billion in global losses from natural catastrophes, up 40% from the prior year, according to Swiss Re’s sigma estimates. Most of those losses, it said, came from secondary perils including severe convective storms and wildfire.

Now the rise of those calamities—many of which fit the bill of non-tail, large-loss events—are sparking new conversations, including about how to classify them.

“Over the last 10 years, secondary perils like drought, severe convective storms and now winter weather, when aggregated together are reaching hurricane or higher levels and are becoming the predominant drivers of annual industry losses,” Bowen said. “That’s now causing us to question whether we should even be calling them secondary perils anymore.”

Conversations like those also are forcing insurers to reevaluate how they price those risks. Alldredge expects if “new trends emerge, and places in the country represent a higher level of risk than before,” that could drive pricing adjustments in the sector.

“At the end of the day, insurers are in the business to sell insurance, and they’ll find ways to get the pricing points they need,” he said. “So far signs aren’t pointing to limited availability in the market, so insurers will instead be focused on getting the rate to match the risk.”

David Blades, associate director of industry research and analytics at AM Best, told AM Best TV that while one-off events like this year’s winter storm in Texas may cause insurers “to trust the decisions that they made, the reinsurance they have in place, their risk appetite, their risk selection discipline,” he doesn’t expect them to significantly change how they approach their businesses. But if those “severity-type loss events” occur at a more-rapid rate, he said, it could force some insurers to take a step back and reconsider how they’ll handle their operations.

The Road Ahead

While changing weather patterns, population shifts and increasing property values suggest even more large, non-tail catastrophes coming from Mother Nature, insurers are battening down the proverbial hatches in preparation for their arrival and the losses they are sure to bring.

Clark said her firm accounts for climate change and evolving exposures such as non-tail, large-loss perils in its models, “and doesn’t rely on historical data to do that.” However, some industry experts say not all catastrophe models have kept pace with the changing landscape, and they are now calling for updates to those models.

Clark said she expects the rising threat of costly non-tail calamities to force insurers to reevaluate how they price and manage the risk. But the good news, she added, is that the financial effects will not be solvency-threatening for most carriers. “However, they do cause much pain from year to year,” she said. “And we’re now seeing more of them.” BR

Hail, Wind and Fire: Extreme Weather Drives Up Rates for Renewable Energy Insurance

Insurers also are increasing deductibles and placing sublimits in policies.

by Marie Suszynski

As homeowners and commercial property insurance markets reel from an uptick in natural catastrophes and extreme weather, renewable energy projects such as solar and wind farms also are feeling the heat.

Marie Suszynski is a writer for *Best's Review*. She can be reached at *bestreviewcomment@ambest.com.*

Hurricanes, hailstorms, intense thunderstorms and widespread wildfires can result in cracked solar panels or damaged wind turbines. Accordingly, premiums and deductibles have been on the rise, and insurers have tightened terms and conditions of their policies.

Members of the insurance industry say the correction was needed after a decade of a soft

"If you have 30% of your modules damaged, you'll see less revenue from that project."

Michael Cosgrave
Renewable Guard Insurance Brokers

market with prices too low for profitability, especially as damage from weather events became more severe.

In the past, the insurance industry underestimated what a weather catastrophe could do to solar and wind farms, which are growing at a substantial rate every year, said Jamie Markos, U.S. renewable energy practice leader, Willis Towers Watson.

In 2017, Hurricane Maria destroyed all of the recently added solar panels on a solar farm in Puerto Rico, which produced 40% of the island's solar-produced electricity, according to a 2021 report from GCube, one of the largest underwriters of renewable energy.

In 2019, a hailstorm damaged 400,000 panels of a Texas solar farm and resulted in $70 million to $80 million in losses, GCube's report said.

Tornadoes have damaged rows of solar panels in New Jersey, Minnesota and Virginia. Wildfires have affected wind turbines in California.

"We're seeing weather events in parts of North America where we shouldn't be seeing those weather events," said Fraser McLachlan, chief executive officer of GCube. The industry has seen tornadoes in California, hail in parts of the United States that traditionally don't suffer from hail, and flooding in places where it shouldn't flood, according to analytics.

Willis Towers Watson's *2021 Renewable Energy Market Review* reported losses in 2020 ranged from more-frequent $1 million to $5 million events to one that could reach $30 million. Hail, wildfire, construction issues and problems with wind turbine generators contributed to recent losses.

Hail is particularly damaging to solar farms. When hail hits a solar panel, the damage isn't always seen instantly, said Michael Cosgrave, principal, Renewable Guard Insurance Brokers, which specializes in property insurance for renewable energy. Microcracks can occur, and they can propagate throughout the panel over a period of time.

In addition, a solar module expands and contracts as it heats and cools, which can cause microcracks to become larger. Over time, the panel degrades and doesn't produce electricity at an optimized level, he said.

"If you have 30% of your modules damaged, you'll see less revenue from that project," he said.

A 2019 hail claim from a solar farm in Texas scared the market because of the size of the loss: $80 million, said Michael Perron, head of power, United States, Willis Towers Watson. The damage from the actual hailstorm wasn't huge but the equipment around the solar panels had to be replaced, which increased the size of the loss. Since then, insurers have been more careful about their exposure to hail and other storms.

Ice and snow also can damage wind turbines not made to withstand freezing temperatures. In northern states and Canada, the turbines are equipped with de-icing technology and built-in heating. However, in Texas, the turbines weren't winterized. Still, even when extreme cold weather moved into the state in February, the Solar Energy Industries Association reported that electricity output for renewables dropped only 1% between Feb. 13 and Feb. 16, while the output from thermal power plants went down 25%, Cosgrave said.

Wind turbines also can be vulnerable to lightning because of their height and the fact they're often the tallest structure in the area, said Carol Stark, U.S. Renewable Energy Practice leader for Aon.

“We went out and said to our clients: ‘We have two choices. We can carry on the way we’re going and see more and more people exit the renewable insurance industry, or we can start making corrections to the book.’”

Fraser McLachlan
GCube

Rates on the Rise

The insurance industry has responded to the higher claims with premium increases. Rates for renewable energy projects have increased every quarter for the last 14 quarters, in part because of natural catastrophes and extreme weather events, Cosgrave said.

Six to eight years ago, when property rates in renewable energy were in a soft market, rates were as low as 10 cents per $100 of insured value, he said. Today, they’re potentially in the range of 30 cents per $100 of insured value—and significantly higher in catastrophe-prone states such as Texas and Florida.

Despite news reports that renewable energy projects are experiencing rate increases as high as 400%, Perron said most renewable energy clients aren’t seeing spikes that high, although it’s possible in certain pockets of the market. Some clients are seeing 40% increases, but most rate increases are much lower, he said.

Premium increases after significant events occur in almost every class of business, said John Andre, managing director, AM Best. Just as homeowners in coastal states will see increases after a hurricane, loss-affected businesses will experience rate increases.

Insurers also are raising deductibles and placing sublimits in policies. Sublimits set a maximum coverage for perils and have been expanded to include “soft cat” perils, which can include convective storms, hail, lightning and wildfires, Stark said.

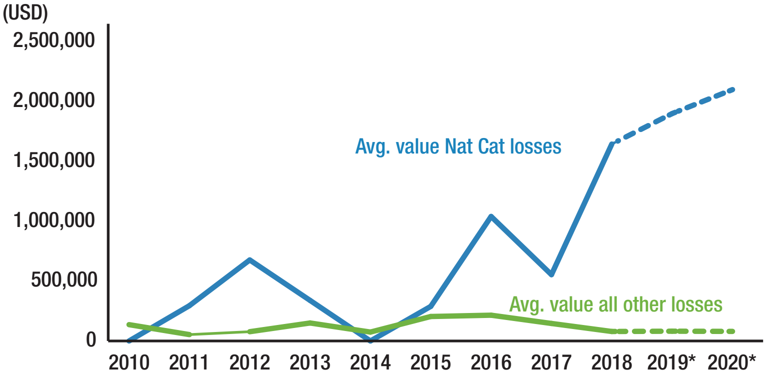
For example, if a solar farm with an asset value of $100 million has a claim not related to a weather event, the loss would be covered at $100 million. But if hail is sublimited, and there is a hail event, the insurer pays the sublimit, which is often only a portion of the asset value, such as $10 million or $15 million, after the deductible is met.

McLachlan’s company set out in 2018 to make a “reset of the benchmark” after a decade of what McLachlan said had become an incredibly soft market as more companies entered the space.

But when natural catastrophes and extreme weather events led to increasingly frequent and higher losses, some insurers exited or curtailed their appetite for the space. According to Willis Towers Watson’s review, Lloyd’s syndicate Pioneer and CNA recently closed their specialty functions. Others, such as RSA and AIG, exited regional underwriting.

“We went out and said to our clients: ‘We have two choices. We can carry on the way we’re going

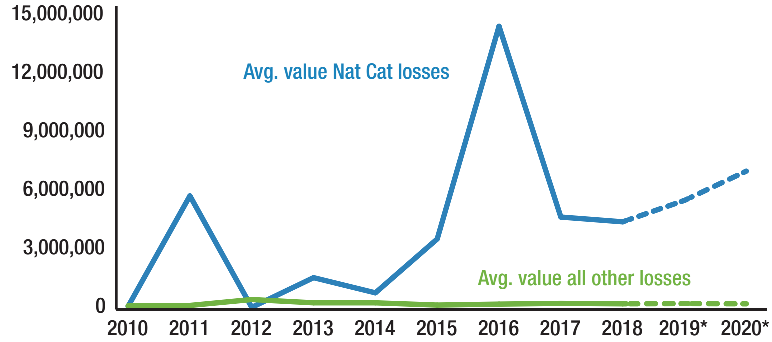
Average Value of Nat Cat and Extreme Weather Solar Losses vs. All Other Losses



*Projected figures for 2019 and 2020: As claims are still being resolved for these years, these figures represent projected industry data for 2019-2020 based on current trends and known losses in the market.
Source: GCube

Average Value of Nat Cat and Extreme Weather Wind Losses vs. All Other Wind Losses

(USD)



*Projected figures for 2019 and 2020: As claims are still being resolved for these years, these figures represent projected industry data for 2019-2020 based on current trends and known losses in the market.
Source: GCube

and see more and more people exit the renewable insurance industry, or we can start making corrections to the book,'" McLachlan said.

Changes went beyond rates and deductibles. In the past, insurers took on 100% of a project's risk, but today they may take only part of the risk. Currently, McLachlan said, GCube may take on 5% to 50% of the risk of a project.

GCube and others also made changes to the terms and conditions of policies. In the soft market, insurance contracts took on the risk of manufacturers, contractors and subcontractors of renewable energy projects. McLachlan said GCube retracted from the market during that time because the terms weren't sustainable.

Less insurance capacity means renewable energy projects are having a harder time getting financing. Finance contracts require a conservative amount of insurance before approval. As a result, some renewable energy projects aren't being built, Perron said.

One way the market is responding to the changes in coverage is through parametric hail insurance. Long used for named windstorms and hurricanes, parametric insurance pays out after a measurable weather event occurs. Renewable Guard created a parametric hail insurance program that's triggered when a solar farm is hit with hail two inches in diameter or bigger, measured by 3D radar.

In developing the coverage, modules were shot with hail guns to test for damage, Cosgrave said. "The threshold is at a small enough diameter to make sure the policy triggers when hail is big enough to cause damage," he said.

Parametric insurance covers the insured's deductible while supplementing their traditional hail insurance sublimit. Coverage can be blanketed across three or more solar project sites with $30 million of limits available. Renewable Guard is positioning its parametric hail insurance program as a replacement to traditional excess hail.

Parametric hail insurance can be an alternative to covering some of the soft cat perils and can bridge the gap between the sublimits or provide a coverage for losses within the deductible. Parametric solutions are provided by a number of carriers, including Swiss Re, Axa XL, Munich Re, and others, Stark said. More and more clients are showing interest in parametric insurance.

The future of the market depends in large part on the weather in 2021. Hurricanes rocked the market in 2017, hail came crashing down in 2019, and wildfires ripped through large swaths of the United States in 2020.

"What will this year look like?" Perron asked. "My sense is we're starting to see some initial responses from carriers showing they're being a little more malleable than the last six months."

The more favorable market for insurers also is attracting new carriers to the space.

Axis Insurance, the specialty insurance business segment of Axis Capital Holdings Ltd., announced in January that it was expanding its global renewable energy business in Spain, Portugal and Latin America. Last year, Aegis said its renewable energy insurance initiative for property and casualty lines of business has grown to a portfolio of nearly $40 million in 2020.

New entrants could drive rates and deductibles back down a little, Perron said.

However, McLachlan said insurance rates have room to rise another 20% to 25% to get to where they need to be. BR

Catastrophes

A Framework to Assess the Role of Insurance in Future Pandemics

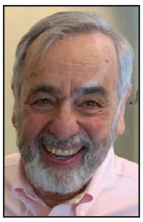
Insurers must establish a dialogue with policymakers to manage the risks of impending contagions.

by Howard Kunreuther and Jason Schupp

As businesses, nonprofits and local governments recover from the economic ravages of COVID-19, they are looking for tools to manage the risk of a future pandemic. This article introduces a practical framework that policymakers, insurance companies and other stakeholders can use to evaluate program design options and meaningful roles for the insurance industry and the public sector in providing financial assistance to individuals and firms impacted by business interruption (BI) and other potential losses from future pandemics.

We characterize the following three options for the property/casualty industry in managing the risk of future pandemics in the United States:

Status Quo (SQ) To date, there has been loose coordination of public and private responses to pandemic losses. SQ contemplates a similar loose coordination of private insurance with


Kunreuther


Schupp

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other financial services and the public sector in responding to BI and other losses (e.g., workers' compensation, liability, surety and event cancellation) during future pandemics.

Service Provider (SP) This option contemplates a nonrisk-bearing role for the property/casualty insurance industry whereby insurers provide underwriting expertise, marketing of pandemic risk-related products, and claims payment administration on a fee-for-service basis with respect to pandemic-related losses. The entire cost of pandemic-related claims would be publicly financed.

Service and Risk (SR) In addition to relying on the property/casualty insurance industry to act as a service provider, this option expands its role to include committing capital to cover a specified layer or other defined element of losses from a future pandemic. SR contemplates that insurers would price pandemic risk coverage in a manner that sends economic signals encouraging mitigation and other loss reduction measures without imperiling the financial viability of the insurance industry.

The following three guiding principles are proposed for evaluating the above options:

Principle 1: Charging risk-based premiums to the extent possible. Premiums that reflect risk from future pandemics provide businesses with clear signals as to the nature of the hazards they face and, to the extent feasible, encourage organizations to engage in cost-effective mitigation measures to reduce their vulnerability and their insurance costs.

Principle 2: Dealing with fairness and affordability issues. Any special treatment given to businesses that cannot afford risk-based insurance premiums should come from public funding and not through insurance premium subsidies.

Principle 3: Developing risk management strategies ex ante. In advance of a pandemic, the public sector can develop well-enforced regulations and standards to reduce losses and deaths from a future pandemic.

The following three practical steps should be considered in facilitating a dialogue among insurers and other interested parties, such as regulators, legislators and businesses, regarding the potential role of the industry in assisting businesses, nonprofits and the public sector in managing the risk of future pandemics:

Define a pandemic relief strategy. The dialogue among stakeholders should first define the relief to be delivered during a pandemic, including the recovery period.

Evaluate, improve or set aside existing COVID-19 pandemic relief programs. Consider which programs developed or deployed during the COVID-19 response should stay in place for future pandemics, should be improved or should be abandoned.

Pinpoint the role insurance can play in the pandemic relief strategy. The dialogue among stakeholders can focus on exploring and debating the potential to expand the role of the insurance industry as part of a private-public partnership for addressing future pandemic risks.

The proposed framework and guiding principles are designed to promote and guide a productive dialogue on appropriate roles for the insurance industry and public sector in addressing losses from future pandemics and potentially other catastrophic risks. The importance and opportunity to address this issue now, while it is still high on everyone's agenda, cannot be overemphasized.

For more details on the framework see the Wharton Risk Center Issue Brief, *Framework for Evaluating Role of Insurance in Managing Risk of Future Pandemics. (https://riskcenter.wharton.upenn.edu/framework-for-evaluating-the-role-of-insurance-in-managing-risk-of-future-pandemics/)* BR

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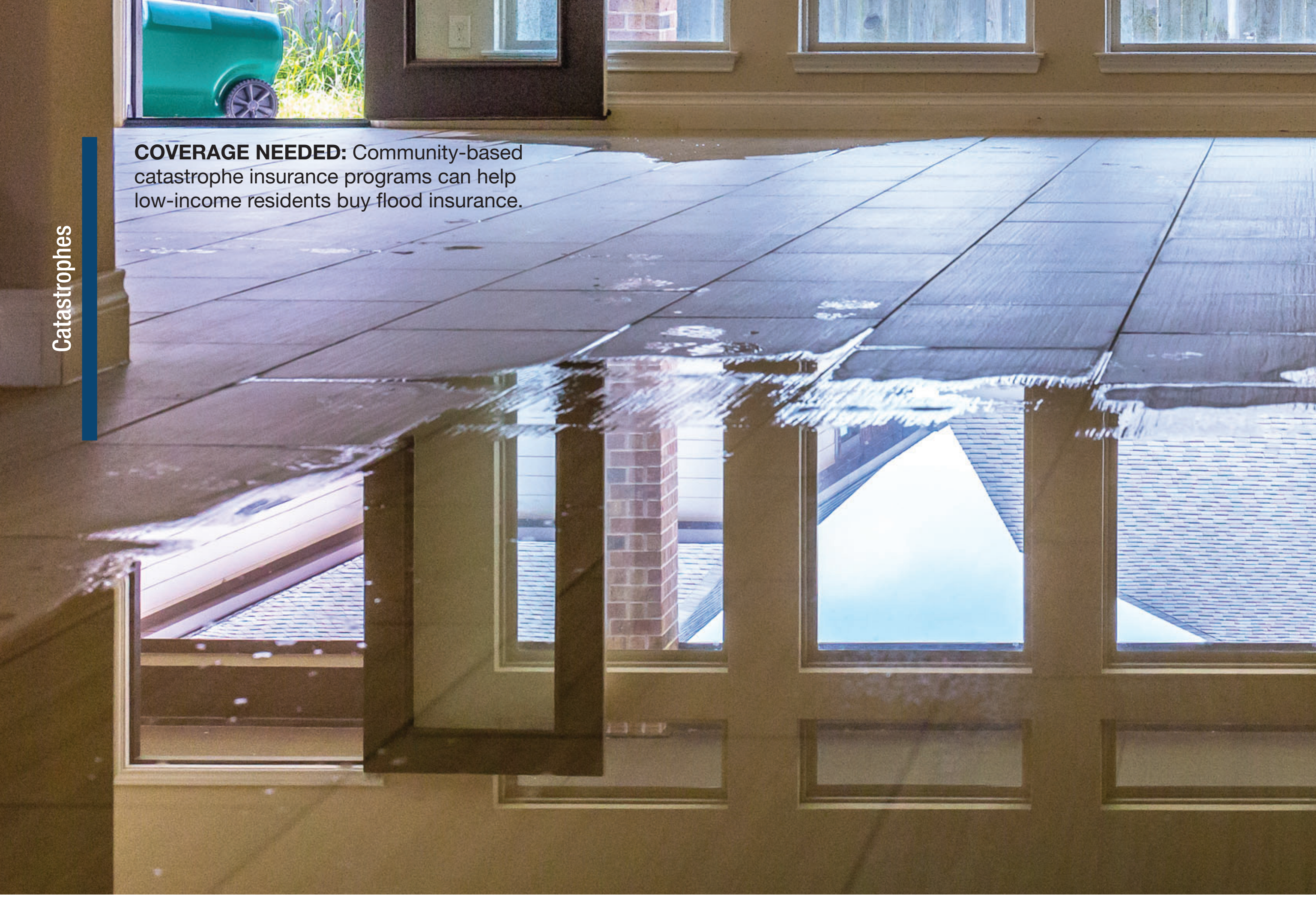


COVERAGE NEEDED: Community-based catastrophe insurance programs can help low-income residents buy flood insurance.

Guy Carpenter: Community-Based Catastrophe Insurance Can Close Protection Gap

Andy Read, public sector practice vice president, also said this innovative cover can help local governments provide affordable policies to residents.

by John Weber

Insurance plays a critical role in the recovery from disasters, as many households and small businesses don't have sufficient savings to fund repair and rebuilding on their own. Disaster aid can be insufficient and delayed, leaving victims struggling and with uncertain prospects.

That's where community-based catastrophe insurance, or CBCI, comes in. Andy Read, vice president of the public sector practice for Guy Carpenter, spoke with AM Best TV about a recent Guy Carpenter report on this topic. Following is an edited transcript of the interview.

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

Can you explain this concept of CBCI?

Community-based catastrophe insurance, or CBCI, is essentially when any governmental or quasi-governmental entity arranges insurance, either for or on behalf of its residents or a portion of its residents.

In many cases, this is done in partnership with a private insurance carrier in the market or a reinsurer to bring capacity in.

What exactly are the benefits of CBCI?

First, let's start with setting the context for communities. Many are facing really pronounced protection gaps. Studies continually show that 70% of natural catastrophe losses go uninsured globally. There's a widespread reliance on federal relief after disaster.

On top of that, many communities are facing increasing volatility from climate change. Community-based catastrophe insurance can be a tool for communities to get ahead of that post-disaster relief, drive up insurance in the local community, and be more resilient and prepared for disasters.

It can help a community better understand and communicate risk. It can help a community deliver targeted financial assistance. Perhaps most significantly, it can help [a community] to prioritize mitigation investments and decisions therein.

Have we seen examples of CBCI in the U.S.?

Here in the U.S., there have been several attempts to date which are fundamentally aligned with some of the structures that we lay out in our CBCI concept paper.

For example, a community leveraging its tax relationship to provide a credit or a reimbursement for the purchase of an insurance policy for those in need or in high-risk areas. There's even a pilot project ongoing, where a state is looking at buying National Flood Insurance Program policies for low-income flood-affected [residents]. That's pretty interesting.

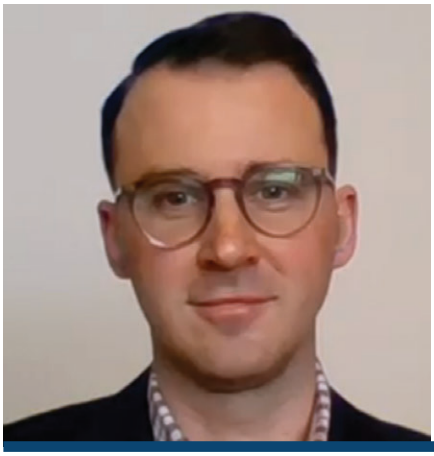
There have been a number of conversations and some concepts that have been implemented. Some of the structures laid out would be novel.

We believe there are real opportunities right now for private risk managers and communities to partner to implement these programs and make an impact.

How would a community go about implementing a CBCI program?

Fundamentally, it starts with defining the need, engaging stakeholders and looking at the existing authorities to act within the community.

Private sector expertise can come in and help a community analyze the risk and structure and design a solution therein to help them move forward. There's a spectrum of solutions at



"Community-based catastrophe insurance can be a tool for communities to get ahead of that post-disaster relief, drive up insurance in the local community, and be more resilient and prepared for disasters."

Andy Read
Guy Carpenter

play, and the road map to implementation isn't necessarily sequential.

These steps can be revisited as the process continues. You can reengage with stakeholders as you understand better the risk and look at tailoring that structure to meet specific needs. We think that in many cases, communities have existing authorities that they can use to push these programs forward.

What does all this mean for communities that are facing increasing risk?

To start, they can better quantify changes to their risk. They can better understand and communicate their risk, and it allows them to adapt. We see a strong value proposition for this to help communities with climate adaptation strategies.

As communities more directly impacted by climate change start to experience challenges with financials, or costs, or access of capital, we see a CBCI program as a promising tool to help them protect their "balance sheet" and buy down those risk exposures and be more resilient in the long term.

How does this all tie in with national-level policy?

For years, there have been dialogues about how to reduce federal disaster relief expenses or better balance them across state, local, individual and federal [resources]. As those conversations have played out, a few years ago the Disaster Recovery Reform Act was passed, which authorizes the Building Resilient Infrastructure and Communities program that FEMA [Federal Emergency Management Agency] is now implementing.

What that does is it tries to shift the spending forward ahead of disasters. It takes 6% of obligated disaster funding in a given year and puts it in an account for pre-disaster mitigation the following year.

Congress is taking steps to reduce post-disaster spending and drive up mitigation, which is very meaningful for communities. We see real opportunity for communities to engage in a CBCI program that's completely aligned with the intent of that program to improve their capability.

We think that this complements quite well with what the federal policy trends are currently moving toward and it, importantly, is a tool for communities.

Any thoughts on where CBCI might be headed?

We hope it's headed for widespread discussion and adoption. It would be great to see a number of communities leveraging partnerships with private risk carriers to engage new segments of the market, potentially, and bring new consumers to the insurance market with innovative and new products.

That said, we think there is a space for traditional products that industry is already very familiar with, to work hand in hand with communities to apply here. BR

AM Best TV

Go to *bestreview.com* to watch the interview with Andy Read.

Conference Organizers Say Live Events Could Resume in Fall

Many industry leaders welcome a return to in-person networking and in some cases, international travel to meetings.

by Renée Kiriluk-Hill

Organizers are using COVID-19 lessons learned last year to improve and expand industry events that remain largely virtual or hybrid, although nearly all fall events could return to live gatherings.

While vaccinations are becoming more widely available, few events will be live-only in the coming months because of continued uncertainty and travel restrictions imposed by governments and employers, organizers said.

Historically, few conferences are held in the summer. This spring, virtual and hybrid events dominate, with a number of live events rescheduled for later in the year or reformatted weeks prior to the gathering.

So far, most scheduled fall events are planned as face to face. These include the Vision Ottawa 2021 RIMS Canada Conference, Oct. 4-7; Baden-Baden Reinsurance Meeting in Germany, Oct. 17-21; and the National Association of Insurance Commissioners Fall Meeting, Dec. 13-16 in San Diego. The National Conference of Insurance Legislators plans to hold an in-person Summer Meeting, July 14-17 in Boston.

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

“Last year, we were all thrown in the deep end,” when the pandemic forced event closures globally, said Crista Hassett, the National Association of Mutual Insurance Companies vice president of education and events. “We’ve learned a lot.” NAMIC is offering shorter sessions, with content-heavy snippets and more time to interact with the presenter and other participants. It will use this format at various events, including the Sept. 19-22 annual conference planned online and from Nashville, Tennessee.

She said she welcomes hybrid events because they’re more inclusive. Employees with personal or professional conflicts—including tighter corporate travel budgets—can learn and interact remotely.

“We’re on our computers all day, at home, in the same environment,” said Hassett. That makes prerecorded video presentations uninviting, regardless of importance or interest, she added.

The mutual association has a full events schedule this year with no fully live events, although it worked with hotel partners to move five hybrid events to the latter part of the year.

‘Two Conferences at Once’

At the live portion of a hybrid event, Hassett said, measures such as social distancing will still be in place.

The Vermont Captive Insurance Association learned a flawless, professional hybrid event doubles the work behind the scenes, said President Richard Smith. “It’s like two conferences at once.”

On a positive note, concerns about unreliable event connectivity to home offices with varying providers and speeds were unfounded. “We marveled at how well the conference came off” in the summer of 2020, he said. “It wasn’t easy, but it worked. We converted all of our educational sessions to virtual sessions with live question and answer.”

The VCIA knew it had to decide on a format for this year’s event by the end of 2020, Smith said, because of agreements it would have had to make for hotel and meeting space for a summer 2021 event that could draw 1,100 people.

Nine months into pandemic shutdowns, he said, the association’s members and board, as well as state officials, weighed in and said it could work, but there was still a long list of contingencies. The decision was made to hold a virtual event Aug. 10-12.

Organizing virtual sessions has been easier than moving the strong networking and attention-grabbing swag of the exhibit hall online, organizers say.

The VCIA offered a template for a “cool exhibit booth” last summer, but it drew little traffic. In conjunction with The Matrix Group, this year the VCIA will offer a “solutions lab” instead. It asked captive owners and service provider members what challenges the segment faces—such as difficulty accessing affordable reinsurance—and exhibitors will show how they might help.

The captive group will push the virtual connection with Zoom breakout rooms and lounges participants can “walk through and see who it at a table and join in,” akin to a live event, said Smith. Attendees also will be invited to the virtual “speak-easy.” It’s BYOB, but no one has to drive home, he noted.

The U.S. Centers for Disease Control and Prevention on April 20 warned that COVID-19 cases, hospitalizations and deaths are “extremely high” across the United States and recommended avoiding events and gatherings. The CDC listed factors that can increase the likelihood of contracting and spreading the virus at large events,

"Last year, we were all thrown in the deep end," when the pandemic forced event closures globally. "We've learned a lot."

Crista Hassett
National Association of Mutual Insurance Companies

such as exposure during travel, indoor settings and the length of the events, along with the number and behavior of attendees, and proximity to others.

"Consider the level of risk when deciding to host an event," the CDC cautioned on its website.

CDC, Local Guidelines at Play

Lance Ewing, vice president of Enterprise Risk Management & Operations for the San Manuel Band of Mission Indians, called event attendance caveat emptor, noting venues are referring potential visitors to the CDC for guidance. The CDC may be "top dog," he said, but some states are pushing back on its guidelines and opening more broadly.

In Vermont, Smith said, his state's governor and COVID-19 legislative committee built trust with constituents through their handling of the pandemic, distributing science-based information and stressing the need to work together. He thinks that took pressure off event organizers.

Some states, Ewing said, could "fight tooth and

Schedule of Popular Insurance Events
Status of select insurance industry conferences and meetings, 2021:

DATES	NAME	ORGANIZATION	TYPE	LOCATION
June 8-10	Claims Conference	NAMIC	Hybrid	Orlando, Florida
June 14-15	Bermuda Captive Conference	Bermuda Business Development Agency	Virtual	
June 15-16	InsurTech Summit	InsurTech Insights	Live	New York
June 16-17	InsureTech Connect Asia	InsureTech Connect	Hybrid	Singapore
June 28-30	Global Insurance Symposium	GIS	Hybrid	Des Moines, Iowa
July 14-17	NCOIL Summer Meeting	NCOIL	Live	Boston
July 21-23	Commercial Lines Seminar	NAMIC	Hybrid	Chicago
Aug. 8-11	Refocus Conference	ACLI	CANCELED	Las Vegas
Aug. 10-12	VCIA 2021 Conference	Vermont Captive Insurance Association	Virtual	
Aug. 29-Sept. 1	IASA Xchange	IASA	Hybrid	New Orleans
Sept. 11-16	Les Rendez-vous de Septembre	Les Rendez-vous de Septembre	CANCELED	Monte Carlo, Monaco
Sept. 19-22	NAMIC Annual Conference	NAMIC	Hybrid	Nashville, Tennessee
Oct. 2-5	Insurance Leadership Forum	Council of Insurance Agents & Brokers	Hybrid	Colorado Springs, Colorado
Oct. 4-6	InsureTech Connect	InsureTech Connect	Hybrid	Las Vegas
Oct. 17-21	Baden-Baden Reinsurance Meeting	Baden-Baden Kur & Tourismus	Live	Germany
Nov. 8-10	PLUS Conference	PLUS	Live	Dallas
Nov. 16-19	WSIA Marketplace	WSIA	Live	San Diego
Nov. 17-20	NCOIL Fall Meeting	NCOIL	Live	Scottsdale, Arizona

Source: Event hosts

“Everyone is Zoomed out. Through a risk-management lens, a certain percentage won’t ever go back, so we’ll have hybrid-virtual events in a different way. This has shaken up the conference industry as a whole.”

Lance Ewing
San Manuel Band of Mission Indians

nail to keep” live event money flowing, and others could become regional meeting hot spots. Other states enacted, and could again institute, quarantine requirements, which would prohibit event attendance from out of state.

And when an event normally attracts an international crowd, or is held in another country, shutdowns or border restrictions may have an effect. “You’re at the mercy, in some ways, of what a country will or will not allow,” Ewing said.

In fact, Les Rendez-Vous de Septembre in Monte Carlo briefly opened registration recently, but then decided to cancel its Sept. 11-16 event.

If a live event is permitted in a given location, Ewing said, event organizers could follow the money, poring over contracts to learn the cost of rescheduling with convention centers, hotels, catering, entertainment and transportation companies.

Hosts of large events may have signed terms as much as five years earlier, Ewing said. This far along in the pandemic, cancellation policies have changed. “Getting out may not be easy.”

On April 20, Johns Hopkins University of Medicine recorded nearly 68,000 new COVID-19 cases, a rising number that brought the United States total to more than 31.7 million confirmed cases and nearly 568,000 deaths.

Insurtech Insights learned to turn on a dime last year, moving a March 2020 event forward a year with the same sponsors and lineup, said Chief Commercial Officer Bradley Collins.

This year, it plans live events, including one in New York in June and another in London at the start of September. He said Insights Europe is the largest European insurtech gathering.

Insurtech Insights transitioned to a digital media business during the pandemic, but believes conferences should be live, not hybrid. It offers weekly webinars on claims, underwriting, digital transformation and more. Over the past year, it tripled its workforce from six to 22.

The webinars pull a steady global audience, a permanent, sustainable product that educates the industry, said Collins. “But they can’t replace networking” at physical events.

“There’s no substitute for a face-to-face handshake in the insurance industry; it’s how the industry was founded,” he offered. “We will have 100% in-person events when we can do it safely. I look forward to seeing everyone in person.”

Ewing said he understands the desire by event planners to return to live events.

“Everyone is Zoomed out,” he said. “However, there are some caveats. Through a risk-management lens, a certain percentage won’t ever go back, so we’ll have hybrid-virtual events in a different way. This has shaken up the conference industry as a whole.”

The decision to attend or not to attend may be personal or employer-driven. Travel could ebb and surge—or require a vaccination passport—as the virus gathers fresh steam on variants, said Ewing. “It’s not like you flip a light switch and 5,000 people gather at a conference in Las Vegas.”

He predicts hybrid events will remain a viable option as employers weigh the benefits of costly in-person appearances with time- and dollar-efficient virtual attendance.

NAMIC plans to continue hybrid events well past the pandemic’s end, Hassett said.

After all, she added, the industry is just adopting digital connections that have always been a part of living, from schoolwork through meeting partners, for millennial and younger employees. “They already connected with each other digitally.” BR

New Trinidad & Tobago Insurance Rules Finally Implemented in 2021

New rules take effect a decade after they were proposed.

This is an excerpt from the Best's Commentary *New Trinidad & Tobago Insurance Rules Finally Implemented in 2021*. The entire report can be accessed at *www.ambest.com*.

With the proclamation by President Paula-Mae Weekes of Trinidad & Tobago, the Insurance (Amendment) Act of 2020 (which incorporates the Insurance Act of 2018) became law effective Jan. 1, 2021.

This legislation has been long in the making and undergone several revisions. The initial draft legislation, which emerged as far back as 2011, was extensively deliberated and subsequently amended. The 2020 Act's precursor, The Insurance Bill of 2016, was eventually passed unanimously by the Trinidad & Tobago House of Representatives on Feb. 16, 2018, and was sent to its Senate for debate and approval.

The Association of Trinidad and Tobago Insurance Companies (ATTIC) has endorsed the 2020 version, which aims to protect the interests of policyholders, strengthen corporate governance, raise the standards of professionalism within the industry, and improve accountability.

Key elements addressed by the 2020 Act include capitalization, corporate governance, internal controls and regulatory oversight.

Capital Requirements

The 2020 Act addresses the minimum capital requirements that insurance companies domiciled in Trinidad & Tobago must maintain. The required minimum stated capital for all companies is TT$15 million (US$2.2 million). Companies must also maintain a minimum regulatory capital ratio of 150%. This is a significant increase over previous requirements. Under the old regulations, life insurance companies carrying on long-term business were required to have share capital of TT$3 million, while insurance companies writing short-term insurance business (general insurers) were required to have capital of TT$1 million. The 2020 Act sets a five-year transition period for existing insurance companies to meet the required guidelines, which will moderate the impact of the increased capital requirements.

Corporate Governance and Internal Controls

Among a number of key provisions of the 2020 Act are guidelines to strengthen internal controls, risk and capital management, and corporate governance. Companies are now required to have an audit committee comprised of members of the board of directors. CEOs and CFOs must acknowledge the responsibility of the directors and officers of the company relative to preparing financial statements, maintaining adequate internal controls, and complying with legal and statutory requirements. The 2020 Act also requires the board of directors to establish formal policies and procedures to address related-party transactions. These stipulations of the 2020 Act aim to restrict excessive risk-taking and promote good governance and sound risk management practices by a company's board of directors and management.

Central Bank of Trinidad & Tobago (CBTT)

The 2020 Act grants much wider regulatory powers to the CBTT, which is charged with regulatory oversight of the Trinidad & Tobago insurance industry. Significant among these is the authority to address market conduct issues. The 2020 Act includes provisions for CBTT to revoke an insurer's registration depending upon the severity of the infraction. The CBTT may intervene in an insurer's operations when its capital ratio falls to 70% or lower. Furthermore, the 2020 Act institutes a comprehensive catalog of punitive fines and penalties for misconduct by insurance companies and their intermediaries.

According to the CBTT, the major enhancements to the insurance legislation will improve corporate governance for policyholder protection, stipulate stronger supervisory powers and tools for the Central Bank, provide greater safeguards for policyholders' funds, preserve the integrity and soundness of the financial sector, and improve standards of market conduct to ensure greater transparency in marketing and selling insurance products.

Looking Ahead

Despite the five-year transition period permitted under the 2020 Act for companies to address capital requirements and minimum regulatory capital ratios, some insurance stakeholders believe that the more stringent measures may stress the balance sheets and test the ability of some companies to enhance capitalization, which could ultimately see them become acquisition targets.

AM Best believes that the 2020 Act will not be impactful for rated Trinidad & Tobago-domiciled insurers. These companies maintain capitalization levels well in excess of the minimum threshold required under the 2020 Act, and have already implemented enterprise risk management programs that appropriately address corporate governance and internal controls. BR

Best's Rankings

Largest 30 Caribbean Insurers 2019 Ranked by Gross Premiums Written

(US$ thousands)

Rank	AMB #	Company	Country of Domicile	Gross Premiums Written	Capital & Surplus
1	073838	Manufacturers Life Reinsurance Ltd.	Barbados	4,525,761	722,334
2	057453	IAT Reinsurance Co. Ltd.	Cayman Islands	1,897,647	1,157,361
3	090222	RGA Atlantic Reinsurance Co. Ltd.	Barbados	1,686,136	1,511,266
4	086956	Royal Bank of Canada Insurance Co. Ltd.	Cayman Islands	1,668,021	1,066,491
5	056952	TD Reinsurance (Barbados) Inc.	Barbados	1,572,347	181,115
6	087118	Guardian Holdings Ltd.	Trinidad and Tobago	956,721	599,192
7	086569	Sagicor Life Inc.	Barbados	830,589	1,564,555
8	046431	Global Indemnity Ltd.	Cayman Islands	636,861	726,809
9	055430	Greenlight Capital Re Ltd.	Cayman Islands	523,977	477,183
10	057051	Scotia Insurance (Barbados) Ltd.	Barbados	501,353	173,426
11	072561	CIBC Reinsurance Co. Ltd. (1)	Barbados	484,266	125,320
12	056229	BMO Reinsurance Ltd.	Barbados	475,758	232,604
13	072139	Knight Insurance Co. Ltd.	Cayman Islands	404,354	757,630
14	055019	Raffles Insurance Ltd.	Cayman Islands	314,279	309,996
15	087832	Seguros Universal S.A.	Dominican Republic	304,694	89,760
16	052818	Atlas Financial Holdings Inc. (1)	Cayman Islands	286,614	5,699
17	085496	Energy Insurance Mutual Ltd.	Barbados	286,016	1,152,971
18	086037	London Life and Casualty Reinsurance Corp.	Barbados	261,750	426,300
19	086911	Best Meridian International Insurance Co. SPC	Cayman Islands	258,559	67,111
20	091083	Barents Re Reinsurance Co. Inc.	Cayman Islands	232,315	493,316
21	095145	Scotia Reinsurance Ltd.	Barbados	227,365	64,305
22	071369	Humano Seguros S.A.	Dominican Republic	213,305	46,494
23	052640	Nagico Holdings Ltd.	Anguilla	209,391	80,336
24	093077	Ocean International Reinsurance Co. Ltd.	Barbados	209,293	41,745
25	075015	Fortegra Indemnity Insurance Co. Ltd.	Turks and Caicos	171,051	85,131
26	092870	Seguros Banreservas S.A.	Dominican Republic	169,928	89,352
27	086916	Massy United Insurance Ltd.	Barbados	167,957	70,278
28	084257	Mapfre BHD Compania de Seguros S.A.	Dominican Republic	163,806	74,142
29	075491	INRECO International Reinsurance Co.	Cayman Islands	163,456	275,796
30	087007	Bahamas First Holdings Ltd.	Bahamas	160,629	62,327

(1) Data based on 2018. Data for 2019 not available at time of publishing.
Source: BESTLINK

AM Best: Rise in Litigation Complicates Improving Directors and Officers Market

The sector's profitability has been particularly hit from lawsuits related to the COVID-19 pandemic and social issues, said Sridhar Manyem, director, industry research and analytics, AM Best.

by David Pilla

Directors and officers professional liability underwriters have seen strong rate increases over the past three years after a long soft market, but the sector is "still not completely out of the woods" in terms of profitability, an AM Best analyst said.

At issue is the rise in litigation related to the pandemic and social issues, said Sridhar Manyem, director, industry research and analytics, AM Best. His comments came during the virtual RIMS Live 2021 conference, where he led an online session called "D&O Insurance: Coping with Increased Litigation in the #MeToo and Black Lives Matter Era."

Manyem said while D&O rates are hardening and moving in the right direction, the direct effects of the pandemic appeared in lawsuits showing companies had misrepresented claims in industries such as life sciences, cruise ship operations and health care. He said insurers could see even more COVID-related litigation from businesses experiencing distress once the security provided by forbearance and government aid wears off. Even so, he added, insurers may be facing less such litigation than some had expected.

Increased Underwriting Complexity

Manyem's presentation addressed pricing and claims trends, current changes such as litigation financing, and increased underwriting complexity as it relates to claims and loss adjustment expenses.

He acknowledged reports that state the D&O market is hard with new capital entering, but he explained that AM Best doesn't think that is quite the case, as the rating agency defines a hard market as one that is able to meet or exceed its cost of capital.

Another aspect of professional liability risk that has been prominent "for quite some time now" is social inflation, Manyem said. AM Best defines social inflation as an increase in loss costs due to increased litigation, a broader interpretation of insurance contracts in favor of plaintiffs, larger punitive damages because of jury demographics, and increased negative sentiments toward corporations that have resulted in jury awards, he said.

This problem can be exacerbated for D&O insurers by litigation funding and development of asset-backed securities for litigation-financed receivables. This kind of financing could cause increased frequency and severity of litigation, in part because the financing can be "patient and persistent," he added.

In Australia and in some U.S. states, governments are looking to impose some sort of supervision over these kinds of litigation financing, said Manyem.

Impacts of Sexual Harassment, Discrimination

Also driving litigation are the #MeToo movement, a heightened focus on diversity

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

The most notable aspect of the current D&O market is 2020 written premiums, which are up significantly compared with the four years prior to 2019.

Sridhar Manyem
AM Best

issues, and Black Lives Matter, Manyem said. As a result, insurers are closely watching the policies of covered companies, he said.

Directors and officers also must face "protracted and agonizing legal processes" due to disparaging behavior, which causes reputational damage as well as increased litigation severity, he said.

When the National Association of Insurance Commissioners announced last summer its formation of a special committee on race in insurance, officials warned the proceedings would elicit "difficult conversations" about the industry's record on race. Bits and pieces of those conversations made their way into the NAIC Spring Meeting of the Special Committee on Race in Insurance, as regulators and industry representatives revealed sore points—and areas of agreement—that have emerged over recent months.

Corporations that publicly touted diversity but "failed to walk the walk" are facing more litigation, Manyem said, in addition to being targeted because of specific events.

"These trends are here to stay because they are getting codified in legislation," Manyem said.

D&O insurers also are facing more cyber exposure due to a rise in cyber breaches and ransomware attacks, particularly with so many people working from home, said Manyem. Some of these issues may not be limited to cyber policies and could therefore spill over into D&O coverage, he said.

For example, government edicts such as the European Union's General Data Protection Regulation and California's Consumer Privacy Act shift more responsibility for breaches to company directors and officers, Manyem said.

Written Premium on the Rise

The most notable aspect of the current D&O market is 2020 written premiums, which are up significantly compared with the four years prior to 2019, said Manyem. That soft market was due to a variety of factors, including a ready supply of capacity, a reinsurance market where property catastrophe prices were low, and reinsurers looking for diversifying risks, he said.

In 2020, rates increased 38%, more than double the 17% increase in 2019, he said.

The D&O industry loss ratio remains high, but the number of securities class actions fell in 2020, giving the industry some hope, said Manyem. He said severity of litigation settlements still remains higher than the long-term average. And defense costs remain high.

Still, "among the gloom and doom," he said, the market is tightening on the supply side.

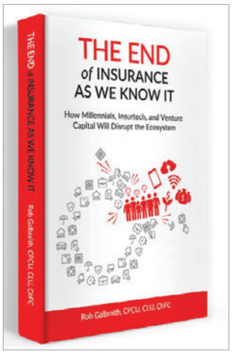
Since 2004—disregarding strong rate increases over the past three years—prices mostly fell in a soft market known for its long-tail development, causing consternation among underwriters, said Manyem.

The premium increases appear to be from rate increases and strategic portfolio movements rather than exposure, said Manyem, who is head of AM Best's industry research team. His responsibilities include publishing the global credit rating agency's perspectives on insurance industry trends and their possible implications to Best's Credit Ratings, according to AM Best. BR

Author Finds New Technologies, Startups ‘Amazing’ and Full of Possibilities

Rob Galbraith’s book also addresses changing customer expectations and the demands of a millennial workforce.

The End of Insurance as We Know It: How Millennials, Insurtech, and Venture Capital Will Disrupt the Ecosystem



Rob Galbraith is a self-professed “insurance nerd” who’s been in the industry for more than 20 years, primarily on the carrier side. Over time, particularly the past five years, he learned of new technologies and startups that were “amazing,” he said. “The possibilities blew me away.”

This prompted him to write a book about how millennials, new technology and venture capital are poised to disrupt the insurance industry. Following is an edited transcript of an interview with AM Best TV.

What do you hope people take from the book?

It’s important for us to recognize that, yes, insurance is different and unique in many respects from other industries, but that doesn’t mean that it can’t be disrupted.

In the book, you talk about green whales. Can you tell us what they are?

I use this term for a lot of the core systems modernization projects or digital transformations that many organizations have gone about. Organizations are having to make heavy investments that, perhaps, should have been made earlier. These projects can run over budget and take more time than expected. They are quickly being surpassed by new technologies such as cloud computing and artificial intelligence.

Organizations need to be very realistic about the time frames and cost involved. They also have to be able to change course midstream if new technologies, providers, others come out that may ultimately be a better choice for that organization.

How do you see blockchain impacting the industry?

I think the real promise is in managing various parties of an insurance transaction. Car repair shops, medical providers and others that need to access some, but not all, of the information and be able to interact in various ways.

If these [interactions] are able to securely and seamlessly be a blockchain, I think that holds huge promise, particularly in helping to drive expense ratios down to make insurance more affordable.

How do you see the industry evolving?

I think the fact that we are very much a data-driven industry, an industry based on algorithms and perfect for our computing age, is very advantageous to us. At the same time, risk and exposures are not going away.

There will be a need for new products and new innovations. You’re going to see a move to be more customer-focused than product-focused. Hopefully we do a lot more personalization. BR

—Meg Green

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

AM Best TV

Go to *bestreview.com* to watch the interview with Rob Galbraith.

App Helps Resolve Personal Injury Claims Efficiently, Without Going to Court

PainWorth researches relevant case law to find comparable judgments, said CEO and co-founder Mike Zouhri.

PainWorth Personal Injury App

How do you measure someone's pain and suffering in a personal injury case? There's an app for that.

The PainWorth app—available only at *painworth.com*—uses technology to find similar personal injury losses, which leads to faster negotiations and settlements without going to court, said Mike Zouhri, CEO and co-founder of PainWorth. Following is an edited transcript of an interview with Zouhri, who shared the personal story behind the app.

What does the PainWorth app do?

The PainWorth app helps claimants directly understand how to manage and ultimately negotiate and settle their personal injury case without the need for expensive middlemen.

What inspired you to launch the app?

In 2019 I was hit by a drunk driver. After several months of hard recovery and processing injuries that will last the rest of my life, I ended up with a personal injury case. After I called the numbers from billboards and radio jingles, I learned that many of the professionals were a little bit exploitative and made me feel like it was impossible to get a fair resolution without their services, which is just not true.

How does the app work?

The app works by allowing somebody to specify the types of damages, including bodily injury, they've incurred. The app then takes that information and researches relevant case law and judgments and court decisions … to statistically determine what would happen in the event of proceeding to a court. What would a judgment effectively be?

Once those numbers are known, both parties can mediate or negotiate outside the court system, which saves everybody time and money.

Who uses the app?

The app is currently used by both professionals and claimants. We have helped process over $61 million in claims. The app has only been around about 12 months.

You're based in Canada, but you recently had an acquisition, and you're looking to expand in the U.S. Can you tell us about that?

About 15% to 20% of our users are from the continental United States [but] the app is built for Canadian law and Canadian jurisdiction. We have people who are desperately trying to solve this problem and avoid litigation and frustration, but we weren't serving them.

We found this great company out of California that had a very similar mission. We decided to integrate them into our platform. That means their technology and their team.

We're working on a first jurisdictional launch for the state of Arizona and then expanding to neighboring states. BR

—Meg Green

AM Best TV

Go to *bestreview.com* to watch the interview with Mike Zouhri.

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

Top Content Includes Features on Working Remotely and Mitigating Property Claims With Better Roofs

Other trending content includes the insurance impact of the Suez Canal blockage and a webinar on the importance of data quality.

Trending: *Best's Review*

1. Insurers Cozy Up to Remote Work and Reduced Office Space
2. Top Global Insurance Brokers
3. The Pandemic Has Accelerated the Pace of Digital Transformation and Product Innovation in Insurance
4. On High Alert: Rising Risks of PFAS Claims and Litigation Capture New Attention
5. COVID-19 a Year Later: Life Insurers Forced Into Digital, Operations Growth in Survival Bid

Trending: BestWire $

1. Bedivere Insurance Co. to Be Liquidated as Financials Deteriorate
2. Observers: Hartford Acquisition Would Boost Chubb Across Key Segments
3. Grounding of Cargo Ship in Suez Canal Could Have Far-Reaching Insurance Impact
4. 'Difficult Conversations' About Race Aired at NAIC Meeting
5. Hartford Financial Is Reviewing Unsolicited Offer from Chubb

Trending: AM Best Webinars

1. What the Hail? For Home Insurers, Getting the Roof Right Has Never Been More Important
2. On the Record: The Importance of Recorded Statements in Insurance Claims
3. Data Quality Matters: How Insurers Are Benefiting From Optimal Processes and Accurate Analysis
4. How Insurers Are Turning the Lessons of COVID Into Tomorrow's Business Advantage
5. How Insurers Are Harnessing Legacy and New Data to Drive Business

Trending: AM Best TV - News Coverage

1. Archipelago CEO: Insurance Industry 'Spends Too Much Time Talking With Itself'
2. Argo: Automation Can Speed Complex Commercial Business Underwriting
3. NAIC President: COVID-19, Cyber, Long-Term Care Top 2021 Insurance Agenda
4. The Push for Responsible Investing
5. Quincy Mutual CEO: Insurance Is Still a 'People Business'

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

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

$ Payment or subscription required.

Trending Research Includes a Report on Delegated Underwriting Authority Enterprises

AM Best also comments on P/C and Life/Annuity industries as well as insurer defined benefit plans and the insurance markets in Mexico and Trinidad & Tobago.

Trending: Best's Special Reports

1. US P/C Insurers Perform Well Despite COVID-19 $
2. P/C Rating Affirmations Continue to Dominate Despite COVID-19 Pandemic $
3. Manageable COVID Costs, Delayed Care Improve Health Insurers' Profits $
4. London and Bermuda Attract Capital as Insurance Market Conditions Improve
5. Low Interest Rates Leading to Sharp Decline in Insurer Defined Benefit Plans $

Trending: Best's Market Segment Reports

1. Delegated Underwriting Authority Enterprises Prove Their Worth Across the Insurance Distribution Model $
2. US Life/Annuity Industry Weathers the Pandemic Well in 2020 $
3. ILS Market Endures Elevated Catastrophe Activity and Global Pandemic in 2020 $
4. P/C Industry Maintains Strong Capital in the Face of 2020 Challenges $
5. Market Segment Outlook: Global Non-Life Reinsurance

Trending: Best's Commentary

1. US Life Insurance Products to Change in Reaction to New 7702 Tax Rules
2. Mexico Insurance Industry's Capitalization Remains Sound Amid Changes in Investment Credit Quality
3. Budget Highlights the Growing Contribution of Insurance Premium Tax to UK Finances
4. New Trinidad & Tobago Insurance Rules Finally Implemented in 2021
5. P/C Insurers Return Nearly $13 Billion in Premiums as COVID-19 Reduces Exposure

Trending: AM Best TV - Research Coverage

1. AM Best: Insurer Defined Benefit Plans Face Ongoing Low Interest Rate Pressure
2. AM Best: 'Resilient' Title Insurance Outlook Revised to Stable
3. AM Best: Lower Auto Claims Offset Higher Cat Losses for P/C Industry in 2020
4. AM Best: Health Insurers Brace for 2021 Challenges
5. AM Best: Despite Investment Challenges, Mexico's Insurers' Capitalization Remains Sound

These were the top trending research and commentary reports from February 23-April 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.*

How to Minimize Difficulty and Better Understand Regulatory Filing Responsibilities

Professionals also discuss flood risk and how a better set of data tools is necessary for commercial underwriters to compete effectively.

Streaming Live

Best Practices of Today's Insurance Regulatory Filing Pros

This webinar is not about software and platforms, but core functions, how to minimize difficulty and better understand insurance regulatory filing. Topics include scheduling, organizing, working with stakeholders and keeping up with requirements.

Tuesday, June 8, 2 p.m. ET

Bridging the Troubled Water Protection Gap: How New Data, Tools Enable Better Insurance Flood Coverage

Experts discuss the increase in severity of flood as well as solutions and what the industry can do to spur consumers to purchase the coverage. **Sponsored by Munich Re**

Tuesday, June 15, 2 p.m. ET

On Demand

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**

State of the Medical Professional Liability Market

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

Using New Data to Classify, Describe and Select Commercial Businesses

To compete effectively, underwriters need a better set of data tools that can provide dynamic answers to their biggest questions. **Sponsored by Carpe Data**

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.

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**

Webinar Highlights

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

Traditional methods of managing roof risk based on age and on-site inspections are no longer good enough. Therefore, the industry is mobilizing around new technologies and data aimed at addressing this critical problem. **Sponsored by LexisNexis Risk Solutions** BR

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

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

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

To Read the Magazine Online
Go to *www.bestreview.com.*

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For information about how to follow AM Best on social media, go to *www.ambest.com/socialmedia*.

III: Retrofitting Buildings to Withstand Earthquakes Can Save Lives and Reduce Claims

Also, industry professionals discuss venture capital in insurtech and how most HVAC claims can be settled via repair instead of replacement.

On Demand

Insurance Information Institute: Earthquake Retrofitting Saves Lives, Reduces Losses

The U.S. has learned from Japan that retrofitting buildings to withstand earthquakes can save lives and reduce losses, said Janet Ruiz, strategic communications director, III.

Janet Ruiz

HVAC Investigators: Most HVAC Claims Are Repairable, Not Total Losses

About 75% of HVAC insurance claims can be handled by repairing the system without replacing it, said Jay Dykstra, technical education manager, HVAC Investigators.

Jay Dykstra

Avanta Ventures: Venture Capital Looking to Increase Insurtech Investments in 2021

Venture capital has "pent-up demand" for insurtech investments, said Sanjiv Parikh, managing partner, Avanta Ventures.

Sanjiv Parikh

Allianz: Large Container Ships Raise Risk for Insurers

Large container ships like the Ever Given, which blocked the Suez Canal for six days, raise challenges for insurers, said Andrew Kinsey, a maritime risk consultant for Allianz.

Andrew Kinsey

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

Pandemic Affecting Consumer Perception, Sales of Life Insurance

Also, AM Best Audio explores the inland marine market.

Pandemic Transforms Life Insurance Transactions

Jonathan Roomer, co-founder of YuLife, explains that the pandemic has changed the way consumers view life insurance and is impacting sales along the way.

Allianz: Inland Marine Hard Market May Be Reaching Peak

"I think we are at the top of the hard market" for inland marine, said Rich Soja, global head, Inland Marine, Allianz Global Corporate and Specialty. BR

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

In Other News ...

A roundup of news from publishers around the globe. Access to some sites may require registration or subscription.

Insurance Post
www.postonline.co.uk

Editor's Comment: We are not in the same boat

Global Reinsurance
www.globalreinsurance.com

Briefing: Why FCA-hit aggregators will likely squeeze insurers harder

Kiplinger
www.kiplinger.com

RV Insurance: Everything You Must Know

Insurance & Investment Journal
insurance-portal.ca

Consultation launched on capital and liquidity expectations for insurers

National Underwriter/PropertyCasualty 360
www.propertycasualty360.com

5 ways risk professionals can become even more indispensable

Insurance Day
insuranceday.maritimeintelligence.informa.com

London market 'must not get complacent after Covid'

Risk & Insurance
www.riskandinsurance.com

My Oven's on Google Maps. What's Risk Management's Response?

Insurance Insider
www.insuranceinsider.com

Lloyd's to open Manchester tech hub and retain underwriting room 'critical mass'

The Royal Gazette
www.royalgazette.com

BEDC expands support for businesses impacted by Covid-19 restrictions

Insurance Journal
www.insurancejournal.com

Insurers Have Not Embraced Cryptocurrency Craze

Thompson's World Insurance News
thompsonsnews.com

Pay-as-you-go cover gains popularity

The Insurer
www.theinsurer.com

Arch expects $180mn-$190mn Q1 cat bill driven by winter storm reinsurance losses

Emerging Risks
https://emergingrisks.co.uk/

Bermuda launches climate risk finance initiative

Reinsurance News
www.reinsurancene.ws

Will there ever be an oversupply of cyber capacity, asks Gallagher Re white paper

Canadian Underwriter
www.canadianunderwriter.ca/

Inside the merger of Highcourt and Breckles

Publications and sites listed are participants in AM Best's Preferred Publisher Program.
(*www.ambest.com/sales/preferredpublisher*)

This edition lists all Credit Rating actions that occurred between April 1 and April 30, 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	Allstate Life Insurance Co of New York The Allstate Corporation	007291	A u a+ u	Positive Positive	A a+	Stable Negative	New York
⇥	L	Atlanta Life Insurance Company* Alonzo F. & Norris B. Herndon Foundation	006130	NR nr		C ccc+	Stable Negative	Georgia
☑	H	ConnectiCare, Inc. EmblemHealth, Inc.	068517	C+ b-	Negative Negative	C+ u b- u	Negative Negative	Connecticut
☑	H	EmblemHealth Insurance Company EmblemHealth, Inc.	008034	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
☑	H	EmblemHealth Plan, Inc. EmblemHealth, Inc.	064601	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
⇅	L	EquiTrust Life Insurance Company June Bug Lifetime Trust	060315	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Illinois
☑	H	Health Ins Plan of Greater New York EmblemHealth, Inc.	068985	C+ b-	Negative Negative	C+ u b- u	Negative Negative	New York
⚑	L	Intramerica Life Insurance Company The Allstate Corporation	006572	B++ u bbb+ u	Positive Positive	B++ bbb+	Stable Stable	New York
⊕	L	Investors Heritage Life Insurance Co Aquarian Investors Heritage Holdings LLC	006580	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Kentucky
⇥	L	Landmark Life Insurance Company Jarvis Family Limited Partnership	068055	NR nr		B bb+	Stable Stable	Texas
⚑	H	LifeMap Assurance Company Cambia Health Solutions, Inc.	009345	A- u a- u	Developing Developing	A- a-	Stable Stable	Oregon
⚑	H	MII Life Insurance, Incorporated Aware Integrated, Inc.	009495	B++ u bbb+ u	Negative Negative	B++ bbb+	Stable Negative	Minnesota
⇅	L	National Security Insurance Company National Security Group, Inc.	006802	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Alabama
⊕	L	New Era Life Insurance Co of the Midwest New Era Enterprises, Inc.	007148	B++ bbb+	Positive Positive	B++ bbb	Stable Positive	Texas
⊕	L	New Era Life Insurance Company New Era Enterprises, Inc.	007087	B++ bbb+	Positive Positive	B++ bbb	Stable Positive	Texas
⊕	H	Philadelphia American Life Insurance Co New Era Enterprises, Inc.	009166	B++ bbb+	Positive Positive	B++ bbb	Stable Positive	Texas
⚑	L	Standard Security Life Ins Co of NY Geneve Holdings, Inc.	007075	A- u a- u	Positive Positive	A- a-	Stable Stable	New York
⇥	L	Western Life Assurance Company	066802	NR nr		A a	Stable Stable	Alberta
		AMERICAS PROPERTY/CASUALTY						
New	P	7710 Insurance Company Trean Insurance Group, Inc.	022502	A a	Stable Stable	NR nr		South Carolina
⊕	T	American Guaranty Title Insurance Co Old Republic International Corporation	011833	A+ aa-	Stable Stable	A a+	Stable Stable	Oklahoma
⚑	P	American Hallmark Insurance Co of Texas Hallmark Financial Services, Inc.	001728	A- u a- u	Developing Developing	A- a-	Negative Negative	Texas
⇅	P	Aspen American Insurance Company Highlands Bermuda Holdco, Ltd.	014149	A a	Stable Stable	A a	Negative Negative	Texas
⇅	P	Aspen Bermuda Limited Highlands Bermuda Holdco, Ltd.	083210	A a	Stable Stable	A a	Negative Negative	Bermuda

*Ratings were downgraded to C/ccc+ from C+/b- on April 7, 2021. Ratings were withdrawn on April 7, 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	Aspen Insurance Holdings Limited Highlands Bermuda Holdco, Ltd.	051148	bbb	Stable	bbb	Negative	Bermuda
⇅	P	Aspen Specialty Insurance Company Highlands Bermuda Holdco, Ltd.	012630	A a	Stable Stable	A a	Negative Negative	North Dakota
New	P	AXA XL Reinsurance Ltd AXA S.A.	074684	A+ aa-	Stable Stable			Bermuda
⊕	P	BlueShore Insurance Company Ernest C. Garcia II	000381	A- a-	Stable Stable	B++ bbb+	Stable Stable	Texas
⊕	P	Builders Mutual Insurance Company Builders Mutual Insurance Company	012057	A a+	Stable Stable	A a	Stable Positive	North Carolina
⊕	P	Builders Premier Insurance Company Builders Mutual Insurance Company	013868	A a+	Stable Stable	A a	Stable Positive	North Carolina
⇅	P	Coastal Select Insurance Company GeoVera Investment Group, Ltd.	012042	A a	Negative Negative	A a	Stable Stable	California
⊕	P	Community Mutual Insurance Company Union Mutual Fire Insurance Company	011047	A a	Stable Stable	A- a-	Positive Positive	New York
⇅	P	Convex Re Limited Convex Group Limited	071498	A- a-	Positive Positive	A- a-	Stable Stable	Bermuda
⇅	P	Echelon Insurance CAA Club Group	087031	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Ontario
⊕	P	Farmers Fire Insurance Company	003059	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Pennsylvania
⇅	P	GeoVera Insurance Company GeoVera Investment Group, Ltd.	012075	A a	Negative Negative	A a	Stable Stable	California
⇅	P	GeoVera Specialty Insurance Company GeoVera Investment Group, Ltd.	011678	A a	Negative Negative	A a	Stable Stable	Delaware
⇥	P	Guarantee Company of North America	085021	NR nr		A+ aa-	Stable Stable	Ontario
⚑	P	Hallmark County Mutual Insurance Company Hallmark Financial Services, Inc.	010445	A- u a- u	Developing Developing	A- a-	Negative Negative	Texas
⚑	P	Hallmark Insurance Company Hallmark Financial Services, Inc.	010612	A- u a- u	Developing Developing	A- a-	Negative Negative	Arizona
⚑	P	Hallmark National Insurance Company Hallmark Financial Services, Inc.	014154	A- u a- u	Developing Developing	A- a-	Negative Negative	Arizona
⚑	P	Hallmark Specialty Insurance Company Hallmark Financial Services, Inc.	010838	A- u a- u	Developing Developing	A- a-	Negative Negative	Oklahoma
New	P	Hospitals Insurance Company, Inc. Doctors Company, An Interinsurance Exch	000157	A- a-	Stable Stable	NR nr		New York
⇥	P	Intact Assurance agricole inc.	086334	NR nr		A+ aa-	Stable Stable	Quebec
⇅	P	Juniata Mutual Insurance Company	004717	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Pennsylvania
⚑	P	Lancer Indemnity Company Lancer Financial Group, Inc.	002596	A- u a- u	Developing Developing	A- a-	Stable Stable	New York
⚑	P	Lancer Insurance Company Lancer Financial Group, Inc.	002641	A- u a- u	Developing Developing	A- a-	Stable Stable	Illinois
⚑	P	Lancer Insurance Company of New Jersey Lancer Financial Group, Inc.	014364	A- u a- u	Developing Developing	A- a-	Stable Stable	New Jersey
⇥	P	National Fire and Indemnity Exchange	003245	NR nr		B++ bbb	Negative Negative	Missouri
⇅	P	National Security Fire and Casualty Co National Security Group, Inc.	000687	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Alabama
⊕	P	New England Guaranty Insurance Co, Inc. Union Mutual Fire Insurance Company	002527	A a	Stable Stable	A- a-	Positive Positive	Vermont

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)								
⊕	T	Old Republic National Title Insurance Co Old Republic International Corporation	011924	A+ aa-	Stable Stable	A a+	Stable Stable	Florida
⇅	P	Omega One Insurance Company, Inc. National Security Group, Inc.	011413	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Alabama
⊕	P	Privilege Underwriters Reciprocal Exch Tokio Marine Holdings, Inc.	013816	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
⇅	P	Providence Mutual Fire Insurance Company	000787	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Rhode Island
⊕	P	PURE Insurance Company Tokio Marine Holdings, Inc.	013929	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
⚑	P	StarStone National Insurance Company Core Specialty Insurance Holdings, Inc.	002512	A- u a- u	Developing Developing	A- a-	Stable Stable	Delaware
⚑	P	StarStone Specialty Insurance Company Core Specialty Insurance Holdings, Inc.	011432	A- u a- u	Developing Developing	A- a-	Stable Stable	Delaware
—	P	Tower Hill Prime Insurance Company Shively Family	012359	B++ bbb	Negative Negative	B++ bbb+	Stable Negative	Florida
⊕	P	Union Mutual Fire Insurance Company Union Mutual Fire Insurance Company	002528	A a	Stable Stable	A- a-	Positive Positive	Vermont
EUROPE, MIDDLE EAST & AFRICA								
⇅	P	Aspen Insurance UK Limited Highlands Bermuda Holdco, Ltd.	084806	A a	Stable Stable	A a	Negative Negative	United Kingdom
⇅	P	Convex Insurance UK Limited Convex Group Limited	071499	A- a-	Positive Positive	A- a-	Stable Stable	United Kingdom
—	P	Qatar General Insurance & Reins Co QPSC Qatar General Insurance & Reins Co QPSC	085452	B++ bbb	Negative Negative	B++ bbb+	Stable Negative	Qatar
⊕	C	Qatar Islamic Insurance Group Q.P.S.C.	078631	A- a-	Stable Stable	B++ bbb+	Positive Positive	Qatar
⇥	P	Swiss Re Portfolio Partners S.A. Swiss Re Ltd	093824	NR nr		A+ aa	Stable Negative	Luxembourg
ASIA-PACIFIC								
—	L	Lifetime Income Limited Retirement Income Group Limited	094359	B- u bb- u	Negative Negative	B u bb u	Negative Negative	New Zealand
⚑	P	Singapore Reinsurance Corporation Ltd	085224	A- u a- u	Developing Developing	A- a-	Negative Negative	Singapore
⇅	P	Tugu Insurance Company Limited PT Pertamina (Persero)	085637	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Hong Kong
AMERICAS								
⇥	C	BMO Reinsurance Limited Bank of Montreal	056229	NR nr		A a+	Stable Stable	Barbados
⇅	P	GeoVera Reinsurance, Ltd. GeoVera Investment Group, Ltd.	093520	A a	Negative Negative	A a	Stable Stable	Cayman Islands
☑	C	Insurance Corp of Barbados Limited Paynes Bay Finance Inc.	086555	B++ bbb+	Stable Stable	B++ u bbb+ u	Developing Developing	Barbados

Holding Companies

Rating Action	Company Name	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
⚑	Hallmark Financial Services, Inc.	051075	bbb- u	Developing	bbb-	Negative	Nevada
⇅	National Security Group, Inc.	058428	bb	Negative	bb	Stable	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.

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

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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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 Version 121719

Name Changes, Mergers and Acquisitions, and State Action

GuideOne and Cigna Life among the U.S. insurers that saw a corporate change.

LIFE/HEALTH

Name Change

Cigna Life Insurance Company of New York (AMB# 006538), New York. This company changed its name to New York Life Group Insurance Company of NY on March 10, 2021.

PROPERTY/CASUALTY

Merger

The Guarantee Company of North America (AMB# 085021), Toronto. This company amalgamated into Intact Insurance Co. on April 1, 2021.

Name Changes

GuideOne Mutual Insurance Co. (AMB# 002404), West Des Moines, Iowa. This company converted from a mutual to a stock insurance company and changed its name to GuideOne Insurance Co. as part of a reorganization to a mutual holding company on April 1, 2021.

GuideOne Specialty Mutual Insurance Co. (AMB# 002403), West Des Moines, Iowa. This company converted from a mutual to a stock insurance company and changed its name to GuideOne Specialty Insurance Co. as part of a reorganization to a mutual holding company on April 1, 2021.

Acquisitions & Ownership Changes

American Access Casualty Co. (AMB# 012428), Downers Grove, Ill. This company was acquired by Kemper Corp. on April 1, 2021.

Homeowners of America Insurance Co. (AMB# 013125), Irving, Texas. This company's parent, Homeowners of America Holding Corp., was acquired by Porch Group Inc. on April 5, 2021.

Metropolitan Property and Casualty Insurance Co. (AMB# 004675), Warwick, R.I. This company and certain subsidiaries were acquired by the Farmers Exchanges and Farmers Group Inc. from MetLife Inc. on April 7, 2021.

State Action

American Capital Assurance Corp. (AMB# 013307), Florida. This company was placed into insolvent liquidation on April 14, 2021. BR

Property Insurers in Florida Are Pulling Back and Hiking Rates as Litigation Costs Surge

Carriers say Florida laws are tilted in trial lawyers' favor, despite attorney fee limits in the 2019 reform of its Assignment of Benefits law.

Florida property insurance companies are pulling out all the stops—raising rates, leaving markets, trimming risks they'll cover and joining criminal investigations—to stop the financial bleeding they say is being driven by a surge of lawsuits.

It's no secret insurers covering Florida's homeowners markets have been taking a beating in recent years, but a deeper look shows financial losses that began in 2016 have accelerated.

"People are raising rates as fast as they can," said Locke Burt, chairman and chief executive officer of Security First Insurance, the 10th-largest homeowners insurer in Florida, according to BestLink. "The rate increases are significant, and they are going to continue until people make money."

Insurers say Florida laws are tilted in trial lawyers' favor, despite attorney fee limits in the 2019 reform of its Assignment of Benefits law. They also say certain law firms allegedly worked with unscrupulous contractors, enabling them to file thousands of homeowners lawsuits a year.

With the Office of Insurance Regulation understaffed and working remotely, Burt said, insurers are raising prices faster by filing more use-and-file, rather than file-and-use, rates.

While some single rate hikes stand out, such as the 31.1% for Southern Fidelity Insurance and 26.2% for Capitol Preferred Insurance in December, other firms are coming back to the OIR multiple times a year with smaller increases. But when considered cumulatively, they hit the 40% range, Burt said.

One of them is Burt's company, Security First. "Our average customer is paying $600 more, which is a 40% increase over last year," he said.

The jump in insurance costs is a blow to homeowners, who already were paying the second-highest homeowners rates in the United States as of 2018, according to the Insurance Information Institute. Companies also are pulling back from coastal and high-litigation areas, dropping policies of properties with claims histories—Burt said Security First has dropped about 20,000 policies this year—and become more cautious about what risks they will take. "Most companies won't write a shingled roof over 10 years (old)," Burt said.

First-quarter 2021 earnings reports for some companies provided the latest evidence of an ongoing crunch.

FedNat reported trimming 43,000 policies, or 17.9% of its Florida homeowners policies, in the quarter as part of a strategic exposure reduction. UPC Insurance strengthened its reserves for unpaid loss and loss adjustment expenses on prior accident years by $30 million, it said in April.

"We anticipated the unfavorable trend of litigated homeowners claims in Florida continuing in 2021, but the actual number of new lawsuits filed during the first quarter was extremely disappointing and requires us to re-estimate our ultimate loss liabilities due to the overall increase in loss severity," said Brad Martz, president and chief financial officer, in a statement.

At Brown & Brown, President and CEO J. Powell Brown said: "One of the most challenging areas right now is excess and surplus personal lines in Florida, California and the Gulf states, which are seeing continued reduction in carrier appetite due to wildfires, weather events and increases in litigated claims over the past few years.

"We believe the reduction in personal lines capacity in catastrophe areas will continue through at least 2021," Brown said.

Anticipated higher rates will be welcomed with rate renewals later this year, but "structural issues in Florida continue to be a concern," said Kevin O'Donnell, president and CEO of Renaissance Re. Domestic insurers in Florida have not performed well and continue to show poor operating results, a trend he said is likely to continue.

At about the same time companies released those earnings reports, came two extraordinary numbers—the first an estimate of 2020 Florida property/casualty losses from Guy Carpenter in which underwriting losses more than doubled to $1.58 billion, it said.

Also, in a National Association of Insurance Commissioners Market Conduct Annual Statement data call, the Office of Insurance Regulation found Florida accounted for 8.16% of all homeowners claims, but 76.4% of all homeowners lawsuits opened against insurance companies in the United States. BR

—Timothy Darragh

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

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Professional Sports Teams Move Off the Field and Into the Courtroom Over COVID-19 Claims

Lost revenue caused by pandemic-related shutdowns has sparked a rise in litigation against insurers over the failure to pay for business interruption losses.

by Lori Chordas

On March 11, 2020, the NBA announced during a game between the Oklahoma City Thunder and Utah Jazz that it was suspending the remainder of its season due to COVID-19 after Jazz center Rudy Gobert tested positive for the virus. Soon, leagues in nearly every sport followed suit, postponing or canceling competitions in arenas and stadiums around the world. Even when games resumed several months later, many were played in front of few or no spectators. COVID-19 robbed sports organizations of billions of dollars in lost ticket and merchandise sales, sponsorships, TV broadcasts and naming rights.

That financial hit prompted several teams to shift some of their focus off the field and into the courtroom. Earlier this year, the NBA's Los Angeles Lakers and the NFL's Philadelphia Eagles joined the roster of teams suing their property insurers over the denial of business interruption claims related to the pandemic.

In March, the Lakers sued Chubb subsidiary Federal Insurance Co. for allegedly issuing blanket denials of claims incurred by the COVID-19 shutdown and the closure of the Staples Center. Several days later, the Philadelphia Eagles Limited Partnership filed a suit in the Philadelphia Commonwealth Court against Factory Mutual Insurance Co., alleging the insurer failed to provide coverage on its all-risk policy.

Insurers, however, are fighting back on those and similar allegations, stating their policies are largely intended only for physical damages and not for losses stemming from a viral outbreak such as COVID-19.

So far there have been few, if any, payouts, said Robert E. Wallace Jr., a partner at Thompson Coburn LLP. But as insurers await verdicts or settlements, he said, the lawsuits already have raised issues and sparked discussions among insurers and other stakeholders about more-specific policy exclusions related to pandemics.

The Eagles' complaint said team officials expected coverage after it shut down its stadium, Lincoln Financial Field, in response to the pandemic. The suit asked the court to order Factory Mutual to cover all of the team's losses, attorneys' fees and other costs, noting the team paid top dollar for "best-in-class" coverage and expected that Factory Mutual would cover up to $1 billion in losses. But the insurer said it would pay only for claims under its "Communicable Disease Response" and "Interruption by Communicable Disease" coverages.

In the Lakers suit, team officials claimed they paid a premium of $145,052 for an all-risk policy with no exclusion for viruses and said they expected "Chubb would provide the coverage it had promised." But instead, the suit said, Chubb "curtly" dismissed the Lakers' claim with a form letter and without conducting any investigation of the facts. The insurer said the virus did not cause the direct physical loss or damage required under the contract, according to the suit.

Wallace expects more cases could soon arise, continuing to spark conversations and much-needed changes, including policy exclusions that would no longer have "everyone guessing whether these events are covered or not." BR

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