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AM BEST'S MONTHLY INSURANCE MAGAZINE

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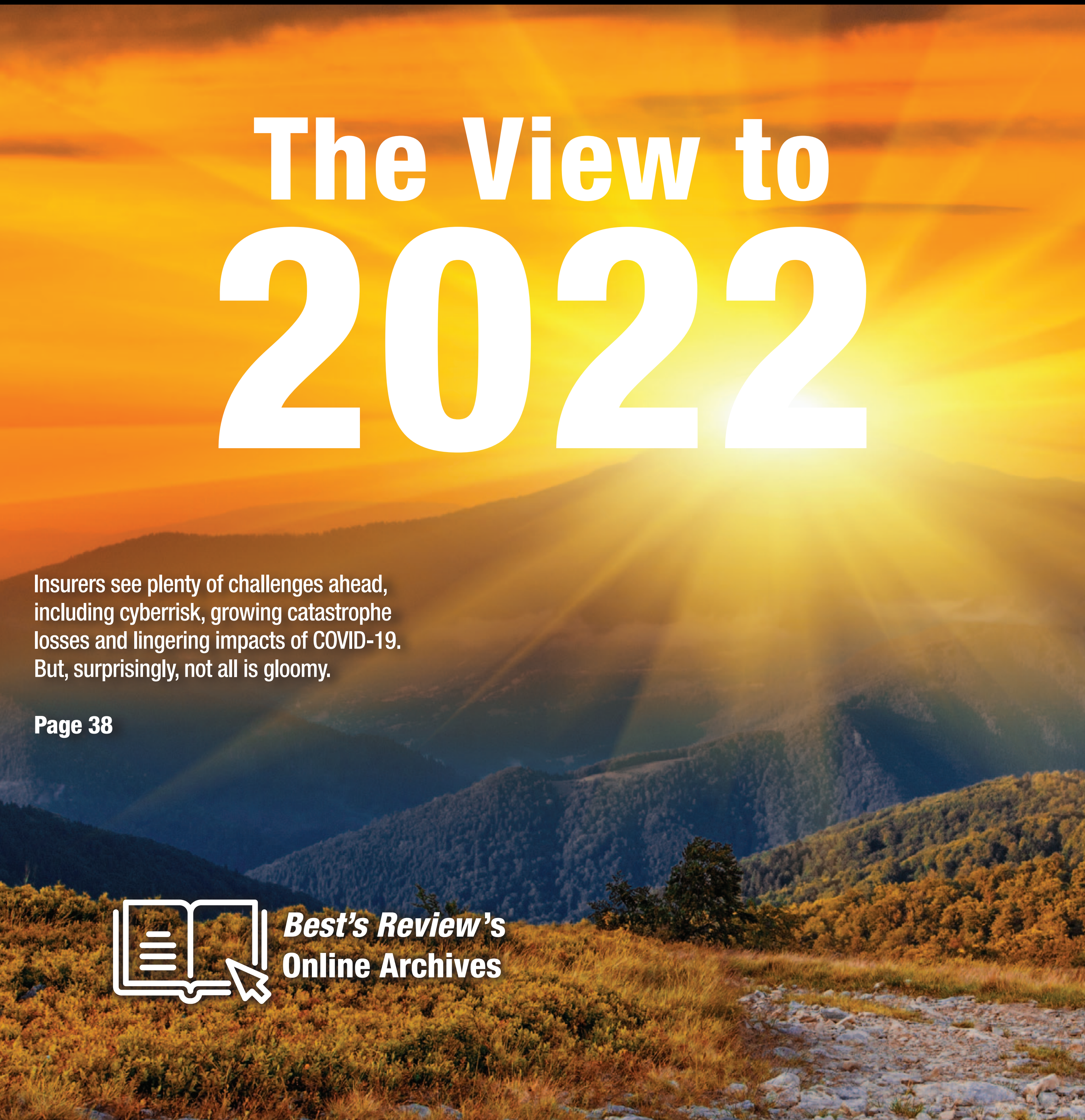
AM BEST'S MONTHLY INSURANCE MAGAZINE



The View to 2022

Insurers see plenty of challenges ahead, including cyberrisk, growing catastrophe losses and lingering impacts of COVID-19. But, surprisingly, not all is gloomy.

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

After Year Two of COVID, Insurers Look Ahead to New Challenges

The December issue also includes *Best's Review's* annual listing of top auditors and actuaries as well as coverage of the marine insurance sector.

As the second year of the pandemic winds down, insurers have weathered a number of storms.

It was a year of COVID-19 legal disputes and COVID-19 losses for life insurers. Other top stories for insurers included losses from natural catastrophes such as Hurricane Ida, winter storms, California wildfires and European flooding; cyberattacks, such as the Solar Winds hack and the ransomware attack on the Colonial Pipeline, also were issues in 2021.

Emerging issues now include port congestion and its subsequent impact on the supply chain, as well as concerns about inflation and what that might mean for investments and claims costs. Cyberrisk, meanwhile, remains an ongoing concern.

In "The View to 2022: Insurers Face New Year With Cautious Optimism," *Best's Review* speaks with industry experts about the key issues for the industry in the coming year.

Eugenie Molyneux, chief risk officer of commercial insurance at Zurich Insurance Group, believes the issues surrounding the pandemic appear to be "more settled" than they were a year ago and vaccines should reduce the risk associated with COVID-19 in the near future.

"It's dependent on whether we see another variant develop and whether that variant is resistant to the vaccine or not," she said. "So for COVID—the jury's out, but at the moment, at least, it feels like that might be dissipating as a source of disruption."

The December issue also features *Best's Review*'s annual listing of the industry's top auditors and actuaries.

The special section also includes an interview with Jennifer L. Gillespie, the president and chair of the Society of Actuaries.

Marine insurance is also a focus in the December issue. December is Goods and Cargo Awareness month and AM Best presents its exclusive ranking of the top U.S. ocean marine, inland marine and fire and allied writers.

In "Clogged Supply Chains Complicate Risk Concerns for Ocean Marine Insurers," *Best's Review* examines the problems facing ocean marine insurers as a result of the backup at the ports as well as the blockage at the Suez Canal earlier this year.

One of the big uncertainties looming for 2022 is inflation as many signs are pointing to its increase.

In "Insurers Confront Inflation for the First Time in Ages," *Best's Review* speaks with industry experts about the potential for inflation to remain a problem in 2022.

In the life insurance sector, *Best's Review* takes a look at a startup called Wysh Life and Health, an independently run subsidiary of Northwestern Mutual Life Insurance Co.

The 2021 edition of AM Best's *Guide to Understanding the Insurance Industry* is available on Amazon. The guide is an easy-to-follow introduction to the insurance industry for students, new employees, prospects and those who would like to learn more about the industry. BR

Patricia Vowinkel
Executive Editor
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The Question:

Insurance claims are sensitive to inflation. If we are entering an inflationary environment, what should insurers do to control claims costs?

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

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Cover design by Angel Negrón

NAIC to Hold Fall Meeting in San Diego

Dec. 1-3: VIRTUAL. Reuters Next, Reuters Events.

Dec. 2: III Joint Industry Forum, Insurance Information Institute, New York City.

Dec. 2: The Future of Embedded Insurance, InsurTech San Francisco, San Francisco.

Dec. 3-4: VIRTUAL. RIMS Risk Forum India, Risk and Insurance Management Society.

Dec. 7: 15th Annual Northeast Benefit, Insurance Industry Charitable Foundation, New York City.

Dec. 8-9: VIRTUAL. Compliance & Legal Sections Annual Meeting 2021, American Council of Life Insurers.

Dec. 8-10: IN PERSON. **Dec. 15-17:** VIRTUAL. DIGIN, Digital Insurance, San Diego.

Dec. 9: VIRTUAL. The Insurance Library's Holiday Open House 2021, The Insurance Library Association of Boston.

Dec. 11-16: IN PERSON. **Dec. 12-16:** VIRTUAL. NAIC Fall Meeting, National Association of Insurance Commissioners, San Diego.

Dec. 12-15: WCI Workers' Compensation Educational Conference, Workers' Compensation Institute Inc., Orlando.

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

December Is Goods and Cargo Awareness Month
Best's Review examines port and supply chain disruptions brought about by the COVID-19 pandemic and the impact that is having on the marine insurance market. Also included are AM Best's rankings of the top U.S. marine and inland marine insurers. Coverage begins on page 48.

Progressive Insurance Names Former 3M Exec to Succeed Retiring Chief Marketing Officer

Also, Aon appoints a new chief executive officer for its Nordic region and Axa U.K. fills chief underwriting officer role.

Progressive Insurance tapped Remi Kent to succeed Jeff Charney as chief marketing officer.

Kent, who began her new duties Nov. 1, will report to Tricia Griffith, Progressive's president and chief executive officer. She also will serve on the Progressive executive leadership team, according to a company statement.

Charney announced in March his intention to retire after 11 years in the role. At the time, the company put his expected retirement date as January 2022, but said the timing would depend on finding a replacement and ensuring a seamless transition.

Remi Kent

During his tenure at Progressive, Charney introduced a variety of humorous campaigns featuring such characters as fictional salesperson Flo, her family, her sidekick Jamie and the rest of the Superstore squad; parenta-life coach Dr. Rick; half-man, half-motorcycle Motaur; stadium-dwelling Baker Mayfield; bumbling NFL line markers Mark & Marcus; Baby-man; Sign Spinner; and parent-leeching Rebel, according to the company.

Kent comes to Progressive from 3M, where she worked for eight years, most recently as senior vice president and global CMO of the consumer business group. In that capacity, she led e-commerce, media, insights and analytics and integrated marketing globally, according to the company.

Kent joined 3M in 2013 as global brand and strategy leader for the consumer business group before taking on the role of global business director for the Post-It and Scotch brands in 2017.

Before joining 3M, she spent 13 years with Procter & Gamble, according to a company statement.

—Staff Report

SiriusPoint Fills New Business Development and Chief Actuary Posts

Bobby Heerasing will join SiriusPoint Ltd.'s senior leadership team in the newly created role of head of international strategic business development, the company said.

Heerasing will be responsible for the strategy and development of SiriusPoint International's growth objectives, managing strategic partnerships with key industry partners and clients and helping to advance the company's position, the company said in a statement.

Bobby Heerasing

He has more than 25 years of experience and joins the company from Asia Capital Re Holdings, where he served as group chief executive officer and was a member of the board. In his three years leading ACR, Heerasing was instrumental in improving the financial performance of the company, SiriusPoint said.

Justin Brenden

Before ACR, he spent 19 years working in the property treaty and casualty treaty reinsurance market at XL Catlin Ltd., serving as underwriting and distribution director, insurance.

In addition, SiriusPoint named Justin Brenden as chief actuary, subject to approval by the Bermuda Department of Immigration.

Brenden will lead the company's actuarial organization, with responsibility for global reserving and aligning pricing to drive to the company's objective of improving underwriting profitability. He will be based in Bermuda, the company said in a statement.

Prior to the merger between Third Point Re and Sirius Group in early 2021, Brenden served as executive vice president, chief reserving actuary at Third Point Re. He joined Third Point Re in its first year of operations and played a significant role in the growth and development of the company. Brenden began his career as an actuarial consultant at Ernst & Young, where he primarily served the reinsurance industry, according to a company statement.

In other company news, Patrick Charles was hired as head of Americas property/casualty insurance.

In his new role, Charles will be responsible for managing and growing the U.S. P/C insurance business, including expansion of key SiriusPoint strategic partnerships and the launch of products and services to support these relationships, according to a company statement.

Charles has more than 20 years of experience in the insurance industry and joins from Zurich Insurance Group, where he held North American leadership roles in underwriting and strategy for the past 10 years. Before Zurich, he spent time at McKinsey & Co., Alliance Bernstein and the St. Paul Cos. He began his career as an actuary, the company said.

Mosaic Names Senior Vice President and Head of Business Development

Bermuda-based international specialty insurer Mosaic appointed innovation strategist Liam Jones as senior vice president and head of business development.


Liam Jones

Jones, based in London, also will serve as a member of the leadership team and will focus on global product innovation and insurtech strategy. He will work to enhance existing coverage and address emerging exposures through the evolution of new products across the firm's specialty lines.

Jones has 15 years of experience in the global specialty underwriting sector and has worked in the Lloyd's, U.S. and Bermuda markets. Previously, he served as head of underwriting strategy for Liberty Specialty Markets, where he also ran the financial lines, health care and special risks divisions. He is a mentor in the Lloyd's Lab incubator and holds advisory board positions at several insurtech companies, according to the company.

Also based in London will be Adam McGrath, who was named Mosaic's senior vice president, head of international war and terrorism, political violence.

McGrath will be responsible for building out the global book of business, while complementing work by the division's North American team. He also will represent Mosaic as a member of the Lloyd's Market Association panel on political violence, according to a company statement.

McGrath joins the company from Axa XL, where he spent eight years expanding its political violence line, and also worked at Hiscox. Prior to underwriting, McGrath served as a broker for Aon's crisis-management division focused on terrorism, according to the company.

Political violence coverage was the first product line launched globally by Mosaic in March, just a month after setting up with headquarters in Bermuda and Lloyd's of London Syndicate 1609. The company currently writes the business from Bermuda, London, and New York, according to a statement.

Mosaic combines Lloyd's Syndicate 1609 with a wholly-owned syndicated capital management agency, enabling the company to identify, source and underwrite business on behalf of itself, along with other trade-capital partners. Its six lines of business launched to date include transactional liability, cyber, political risk, political violence, financial and professional lines, according to a company statement.

Aon Appoints CEO for Nordic Region

Aon plc has named Johan Forsgård as chief executive officer for Aon's Nordic region.


Johan Forsgård

He will join the firm in the fourth quarter of 2022. Allan Karlsen, chief executive officer for Aon Denmark and Nordic chief operating officer, will continue to lead the region along with the Nordic leadership team for the next year.

In his new role, Forsgård will lead the acceleration of Aon's growth strategy, according to a company statement.

Forsgård joins Aon after 16 years with Willis Towers Watson, most recently leading its Nordic region, in addition to holding the position of chief executive officer for Sweden, according to the company.

London Market Group's Interim CEO Takes Up Position Permanently

The board of the London Market Group named Caroline Wagstaff as permanent chief executive officer. Wagstaff has been working in the role on an interim basis for the last six months when she succeeded Clare Lebecq, who left the company.

Caroline Wagstaff

Wagstaff will be "tackling big issues such as cultural change, climate change and technological change in the London market on behalf of our organization and members," Matthew Moore, chairman of the LMG, said in a statement.

Wagstaff has more than 20 years of experience in the London Market. She has depth of expertise in crisis communications, but also works with clients to identify issues and messages and then to communicate them consistently across the right channels, LMG said in March.

Wagstaff has spent the past 25 years in the financial and professional services, including commodity trading, spread-betting, accountancy, money broking, legal services and particularly commercial insurance. She spent five years as head of marketing and communications at Lloyd's.

Axa UK Names Chief Underwriting Officer for Axa Commercial Business

Axa U.K. tapped David Ovenden to succeed David Williams as chief underwriting officer for the Axa commercial business. Ovenden, who joins the company from Willis Towers Watson, will begin his new duties this month.

David Ovenden

Williams will leave at the end of the year after 41 years with Axa in a variety of roles and will pursue non-executive opportunities upon his departure, according to a company statement.

Ovenden, who also will join the commercial executive committee, will be responsible for delivering pricing and underwriting programs and further developing the underwriting strength of the commercial business. He will report to Jon Walker, chief executive officer, Axa commercial, the company said.

At Willis Towers Watson, Ovenden successfully led, developed and grew the pricing and underwriting practice over the last few years. Prior to his move into consulting, he worked for both Aviva and RSA, leading underwriting businesses in the U.K., Canada and across Europe, according to the company.

Canopius Group Appoints Chief Operating Officer, Bolsters Space Team

Canopius Group, a global specialty (re) insurer, hired Kate Roy as chief operating officer. She succeeds Laurie Davison, who left Canopius at the end of October, according to the company

Kate Roy

Roy will transition to her new role in early 2022 and will report to Neil Robertson, deputy chief executive officer, the company said.

Roy has worked in broker and carrier organizations as well as an outsource service provider during her 33-year career, the company said. She joins Canopius from Willis Towers Watson, where, since 2015, she has held the role of COO for Great Britain and Willis Ltd. She also previously held senior positions at American International Group Inc. and Capita Insurance Services, according to the company.

In other company news, Canopius appointed Richard Parker as joint head of space alongside Chris Gibbs and Kelly Bromley as underwriting assistants. These appointments make Canopius' space team one of the largest in the market, according to the company.

Parker has more than 34 years of space insurance experience in international markets. Most recently, he was divisional president of Assure Space LLC, an underwriting agency he founded in 2011. He has held senior roles within the space divisions of Partner Re and Axa.

Bromley has 30 years of business management experience, having spent 22 years in the satellite insurance market, primarily focused on treaty management and technical accounting. She joins from Assure Space, of which she was also a founding member, and held the position of reinsurance treaty manager.

Sompo International Names Former Axa XL Executive as General Counsel

Sompo International Holdings Ltd. named Windy Lawrence to succeed John Del Col as general counsel of Sompo International. Lawrence also will serve on the SI executive leadership team.

Windy Lawrence

Del Col is retiring at the end of the year after almost 20 years with the company. Lawrence will be based in the New York office, according to a company statement.

Lawrence joins Sompo International with 20 years of corporate legal experience, most recently as the head of legal, corporate and strategic transactions with Axa XL, where she worked for 17 years, according to her Linked In profile.

Marsh Taps New CEO for Marsh Commercial

Marsh announced that David Bruce will succeed Anthony Gruppo as chief executive officer of Marsh Commercial, subject to regulatory approval.

David Bruce

Bruce, who also will join Marsh's U.K. and Ireland executive committee, will transition to his new role on Jan. 1, 2022. Gruppo will retire from the industry in early 2022.

In his new role, Bruce will oversee Marsh Commercial's U.K.-wide network of 50 offices, and the Enterprise Centres of Excellence, which provide insurance broking, risk management and employee benefits solutions to individuals and businesses, Marsh said in a statement.

Bruce joined Marsh Commercial in 2018 as chief operating officer. He has more than 30 years of experience and has held a number of senior broking and underwriting roles. Before joining Marsh, he served as chief executive of commercial underwriting at Towergate Insurance and also was previously CEO of insurance intermediary Cullum Capital Ventures and director of distribution, partnerships, at Aviva, according to the company.

Aspen Insurance Names Group CFO

Aspen Insurance Holdings Ltd. appointed Christopher Coleman to succeed Kevin Chidwick as group chief financial officer.

Christopher Coleman

Chidwick is retiring and will leave Aspen at the end of the year, according to the company.

In his new role, Coleman also joined the executive committee.

He most recently was CFO of Third Point Re until its merger with Sirius Group.

Web Traffic: Visits to US Ocean Marine Writers

Berkshire Hathaway leads web analytics provider Semrush's ranking of the top U.S. Ocean Marine Writers based on 2020 direct premiums written.

Source: *www.semrush.com*
Reported traffic for October 2021.

For a full listing of Best's Rankings, please visit *news.ambest.com*.

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COVID-19 Highlights Need for Authenticity as a Key to Marketing Success

Beazley's CMO shares opportunities and challenges created by the pandemic and the need for marketers to build an identity with consumers so they can become familiar with a company's brand.

Amid the disruption caused by COVID-19, the pandemic has highlighted the need for marketers to "be authentic to self," said Georgina Peters-Venzano, chief marketing officer at global specialist insurer Beazley.

Georgina Peters-Venzano

While the pandemic has reinforced the value of clearly defining a company's strategy and values, it's also reiterated to marketers the importance of "getting people to know you so they can differentiate you from others and know why to choose you and stick with you and your brand," she said. "It's also important to ensure there are no gaps between what you say and do. Reputation has to be lived and experienced or otherwise it won't ring true or stand the test of time."

Following is an edited transcript of Peters-Venzano's interview with AM Best TV.

How has COVID-19 created an opportunity for marketers to get more strategic and invest in an authentic brand strategy?

The pandemic has sped up some much-needed and much-talked-about advancements and uses in technology. It's also focused the emphasis on brand strategy. Companies have to increasingly define a strategy that takes them from A to B, while also supporting their organizational strategy that helps them achieve that goal. I think disruption from the pandemic has done that. Also, this new world order is making it very clear that we have to think about the whole experience to deliver against that brand strategy so we can provide an authentic brand that people want to be part of.

As marketers accelerated the way they build brand value to connect with customers during the pandemic, did it force them to move from defense to offense?

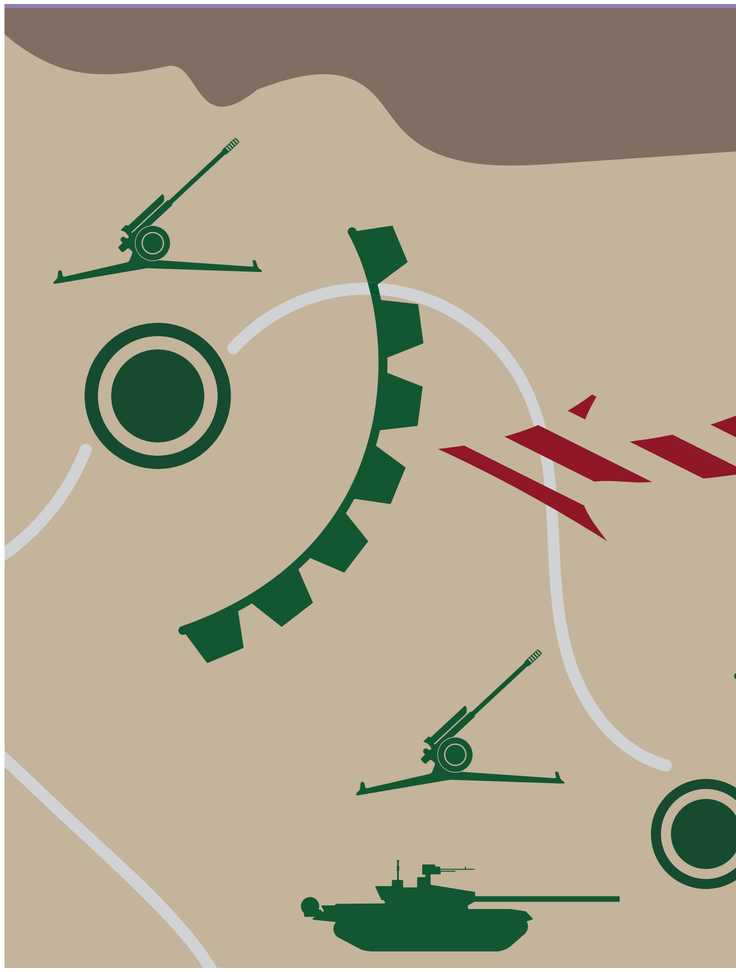
You always need to build a bit of the defensive strategy into your plans because things will change. For example, COVID. You need to be able to pivot or shift and respond to those environments. It shouldn't be blowing everything out of the water. It should be a strong strategy because the strategic direction of the company will not have changed to that point or is unlikely to. For example, I joined Beazley a few days before lockdown. I spent the prior months diligently reading a lot about what I should be doing. I built a 90-day plan and was thinking about getting it out on Day Three. But then the world changed, we all started working from home and the plan never got to see the light of day. I had to go back and execute a somewhat different plan. All the things in my prior plan are probably still there in essence, just the application and the way I went about it had to pivot substantially because of COVID. BR

AM Best TV

Go to *www.bestreview.com* to watch the interview with Georgina Peters-Venzano.

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

Insurers Need Innovative Battle Plan to Address Cyberrisk



The insurance industry needs a new approach and novel solutions to support the cyber market.

By **Tony Kuczinski**

Recently, a colleague asked me to identify the greatest growth areas for the insurance industry and also the greatest concerns. The answers overlap. Cyber is at the top of the list for both opportunities and challenges.

The world is increasingly digitized, automated and interconnected. The use of machine-learning technology and artificial intelligence is ramping up. Cyberattacks impact large companies, small businesses, infrastructure, governments and individuals.

No entity or person is immune. The range of targets is broad—everything from individuals to pipelines to large multinational corporations. These cyberattacks often lead to significant reputational and financial loss.

The technology that has allowed people all over the world to work and connect remotely during the pandemic also has given cybercriminals new avenues for attacks. In addition, "bad actors" are finding vulnerabilities and becoming more sophisticated, often at a much faster rate than cybersecurity experts can find ways to stop them. But we must find solutions. We must remain diligent.

These developments in cyber are radically changing traditional insurance and creating many new fields of risk. At the same time, awareness of cyberrisk has grown and has become a top governance issue for management and independent boards for most companies, driving up demand for solutions. We are now operating in an environment where the need for cyber insurance and the risk of offering cyber insurance are both very high, and this upward trend will likely continue and accelerate.

Increased losses, especially from ransomware, have deeply impacted the global cyber primary and reinsurance markets, leading to rate hardening and capacity limitations.

Some have questioned the viability of offering cyber insurance at all. Cyber is insurable but this dynamic risk requires a new approach and novel solutions.

Effective cyberrisk solutions must go beyond standard insurance products. Insurers must engage with clients and work in close collaboration with them on specific needs. Cyber solutions should

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offer more than "traditional cover" and include services to prevent and cope with attacks, often called pre- and post-event solutions.

Cybersecurity standards will become more robust and risks will become more insurable if these ancillary solutions are geared toward loss prevention and mitigation.

By developing novel and customized solutions, our industry helps businesses and other entities become more resilient against cyberattacks and mitigates the damage in cases where there is an incident.

Cyber requires a specialized expertise due to the dynamic nature of this particular risk. The industry needs to partner with others in the cyber field to share knowledge and develop our own deeper understanding of this rapidly evolving space. These partners might include third parties, vendors and startups identified as leaders in the cyber field.

The utilization of artificial learning and automation also allows the industry to improve its cyber-solution offerings. The insurance industry needs to embrace and invest in these new technologies. Data-based algorithms benefit clients and help optimize many processes in the areas of sales, customer interaction, claims settlement and underwriting.

To successfully operate in the cyber insurance market, insurers must closely assess the field. For example, claims from ransomware attacks have surged, and that's a trend that is likely to continue. These risks can be complex and substantial, and the insurance industry cannot necessarily tackle them on its own.

Some large systemic risks, especially those that are terrorist in nature or politically motivated, may require the insurance industry to work with government to effectively monitor and manage.

While cyber presents significant challenges, they are not insurmountable. Dynamic risks can be mitigated by developing novel solutions. If we build collaborative relationships with clients, partner with public and private experts, and invest in technology, the insurance industry can effectively address this rapidly evolving risk. BR

Are Food and Agriculture the Next Frontier of Climate Change Liability?

Casualty insurance is needed to help manage climate-driven food safety risks and enhance industry resilience.

By **Robert Reville and Adam Grossman**

The impact of climate change on liability insurance may seem remote outside the energy business. In the 20 greenhouse gas emissions cases against commercial defendants in U.S. courts since 2004, only energy defendants were named in all but one.

Given the role of climate change in causing more severe wildfires, a broader definition of climate change liability includes secondary effects, such as the cases in which electric utilities are held liable for wildfires. So far this, too, remains limited to the energy business.

But the conclusion that only energy industry defendants are at risk would be premature. We see the agriculture and food industries as squarely next in line, with elevated risk of both direct and secondary effects litigation.

In the direct litigation, the primary obstacle to the plaintiffs' success has been the U.S. Supreme Court ruling in American Electric Power Co. v. Connecticut that federal regulation, not federal courts, govern the energy industry's pollution. However, a recent *Columbia Journal of Environmental Law* article noted that since the federal Clean Air Act doesn't regulate agriculture, litigation over agriculture's greenhouse gas emissions should be allowed to proceed.

Agriculture is a logical target because it's responsible for as much as one-third of global greenhouse gas emissions. Livestock production alone may contribute 20%. Such litigation, according to the article, would reduce greenhouse gas emissions by challenging industry practices such as concentrated animal feeding operations, which hold thousands of animals in confinement before slaughter, a practice that its critics allege is ecologically unsustainable.

Secondary effects litigation is likely to be an even larger problem. The World Health Organization, in a 2019 report, described how climate change will create significant food safety risks. One example is mycotoxins, which are produced by fungi that contaminate grains or other food. The WHO noted

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that climate-driven elevated humidity, both from more frequent storms and increased temperatures, promotes fungal growth, while increased drought may weaken plants' defenses against fungal contamination, increasing exposure to mycotoxins in food.

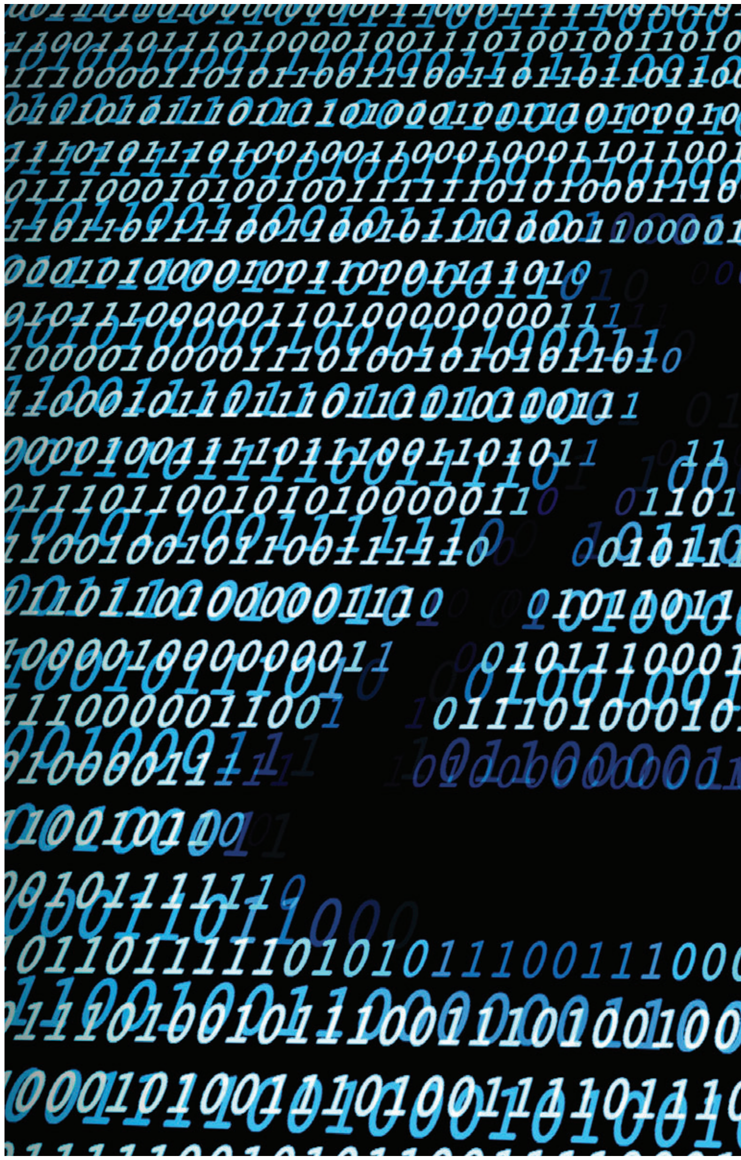
Ingesting mycotoxins can cause acute toxicity, including death. Some mycotoxins in food have recently been linked to cancer, birth defects and endocrine disruption. Mycotoxins sometimes remain in food after processing, so a children's breakfast cereal, for example, could retain a mycotoxin that was present in grains.

Mycotoxin risk is commonly controlled by applying strobilurin fungicides. Unfortunately, scientists are increasingly concerned about the environmental and health impacts of strobilurins. Research suggests they play a role in antimicrobial resistance and may be neurotoxins. Furthermore, like mycotoxins, they do not always break down completely during food processing, leading to exposure in our diets.

This interplay between elevated food safety risk from microbial exposure due to climate change and increased exposure to pesticides to manage that risk is truly the horns of a liability dilemma that the industry will need to solve with its clients.

The food industry faces enormous challenges driven by climate change as it transitions to more sustainable practices and copes with increasing food safety risks. Just as property insurance is a key part of managing natural catastrophe risk from climate change, casualty insurance is needed to help manage climate-driven food safety risks and enhance industry resilience. Underwriting with knowledge of the science behind the risks and appropriate aggregation management also will keep insurance sustainable. BR

As Cybercrimes Continue, Lawsuits for Damages Will Grow



Due to different policy language, it is difficult to identify clear trends and patterns in the law.

By Alan Rutkin

I was recently part of a group of lawyers that was asked to identify the biggest issues now facing the insurance industry and its various vendors. Lawyers identified many issues that insurers must address. But cyber liability stood out as most significant. Why? Three reasons.

First, cyber is an area of liability that is still expanding. The U.S. was hit with 65,000 ransomware attacks last year. The Treasury Department, in a report dated Oct. 15, 2021, stated that ransomware payments in 2021 are on pace to double those made in 2020, with nearly $600 million believed to have been paid in the first six months of 2021.

The federal government, through the U.S. Cyber Command and the National Security Agency, has announced more aggressive efforts to fight ransomware. Congress is considering a bill to increase reporting requirements. But despite the many efforts to fight cybercrime, this problem will surely remain, if not increase, for some time.

With the incidents increasing, we will surely see the suits for damages increasing, with the parameters for responsibility—liability and damages—still evolving. Second, the underwriting challenges are big. Because the underlying facts, liability and damages are still evolving, underwriters are still figuring out where the biggest risks lie. Unlike fires, cars and many other risks, there is no long history of damage data. The loss factor is still new.

Cyber problems also differ from other risks in that a single cyber act could cause extended consequences. A fire typically affects one building, or perhaps a few surrounding buildings. A single cyber virus, on the other hand, could potentially affect millions of computers. This aspect of cyberrisks makes loss projection and underwriting very difficult.

Third, the coverage litigation is in its infancy. There are only about 100 decisions in this area. That sounds like many, but it's really quite few.

Best's Review contributor **Alan Rutkin** is a partner in the law firm Rivkin Radler LLP. He can be reached at *alan.rutkin@rivkin.com.*

Courts have yet to reach a consensus on many key issues. The situation is complicated by variations in insurance policies. This coverage has not yet fallen into one specific mold. Commercial crime policies, for example, offer several endorsements that address cyberrisks, but the precise language of these endorsements varies. Some policyholders have been looking beyond their commercial crime policies for recovery of cyber losses. So, we are seeing a patchwork of decisions.

That said, some common threads have emerged. I've mentioned the acronym "ACAI" in the past because many of the cases concern Act, Cause, Authorization or Injury.

Act: Under crime policies, the issue may be whether there was an act within the policy terms —spoofing, phishing, hacking, etc. Under liability policies, the issue often is whether there was a publication, and if so, who did the publishing?

Cause: Many policies only cover "direct loss" from the use of a computer. But cybercrime often involves a series of steps to complete the criminal scheme. The issue here is, when is a loss direct?

Authorization: Coverage is often limited to cyber losses caused by unauthorized users. Courts typically enforce this restriction, even where the authorized person was deceived.

Injury: Even though the insurance industry tightened the language on this issue, we still see disputes on what injuries are covered.

The ACAI acronym is helpful. But with different policy language, it is difficult to identify clear trends in the law.

So, as cybercrime continues to evolve, the body of insurance coverage also will evolve. And insurers must stay on top of the developing trends. BR

Special Advertising Section

BEST'S REVIEW® ISSUES & ANSWERS:

• Environmental Risk

• CEO Perspective

• Asset Allocation

Industry professionals discuss the current state of the environmental liability market, the future of the reinsurance business and asset allocation strategies.

Interviewed Inside:

Jon Peeples
Philadelphia Insurance Cos.

Marcus Winter
Munich Re US

Ann Bryant
Barings

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

Winning Environment

Jon Peeples, vice president of Environmental, Philadelphia Insurance Cos., said he sees the environmental insurance market going through a change related to climate change and the pandemic. "Because of COVID, the market started to tighten and rates increased, following in the footsteps of the casualty market," he said. Following are excerpts from an interview.

What is the current state of the environmental market?

We're going through some changes. Most of them are positive; some are curtailing the market, getting us toward a hardening market. Generally speaking, there's still more capacity out there with more carriers becoming involved. We're seeing the market continue to grow. However, claims trends and certain factors have impacted the market that we're seeing a restriction in terms. Prices have gone up slightly but not nearly as much as the casualty marketplace. We're seeing a tightening of the terms and conditions that the carriers are offering.

What environmental liability claim trends are you noticing?

We're seeing an increase in claims associated with some of the recent disasters from storms and fires. Where we're seeing increases in claims has to do with flooding, and they're having an impact on buildings. Traditionally, Environmental's coverage of flooding tends to be if a factory or industrial site is flooded—it will spread chemicals, similar to what happened in Houston a few years ago when the flood waters spread chemicals throughout the area. Now we're seeing an increase in claims frequency with indoor issues, such as mold and Legionella being developed. Buildings such as apartment complexes, condos, and office buildings are getting hit with water and flooding, which is causing a high degree of moisture and they're having large outbreaks of mold. The frequency of mold events and Legionella in the water systems of buildings is impacting our marketplace more so than traumatic events such as flooding at a factory or in an industrial location.

How is climate change impacting environmental liability?

We're seeing an increase in frequency and severity of storm events. Conversely, in places like California, it's been getting drier, so we're seeing more fires. These events lead to a greater impact on environmental liability claims. Clients are experiencing more indoor air-quality issues, more impacts associated to fires, where runoff water coming off buildings and streets is causing contamination. I feel that the continual impact that is coming from climate change is increasing our claims frequency and severity which could drive us into a possible hard market in the near future.

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Jon Peeples

Vice President of Environmental, Philadelphia Insurance Cos.

"When it comes to Environmental liability, PHLY has an experienced team that is easily accessible via any of our six offices located throughout the country. "

Go to the Issues & Answers section at *www.bestreview.com* to watch an interview with Jon Peeples.

Risky Business

Marcus Winter, President and Chief Executive Officer of Munich Re US, said that the future of the reinsurance industry is one that will continue to take on both existing and emerging risks. "That's our core business and the new solutions that we are developing will help to transfer our data into insights for our clients," he said. Following are excerpts from an interview.

Munich RE

Marcus Winter
President and Chief Executive Officer
Munich Re US

"Given the changes in our risks we need to focus on sufficient margins in our portfolio as well as a very good alignment of interest between insurers and reinsurers."

Go to the Issues & Answers section at *www.bestreview.com* to watch an interview with Marcus Winter.

What are the key drivers in the U.S. market you're focusing on?

Our whole world seems to be getting more risky at an unprecedented speed. Our business is the transfer of risk. If we weren't concerned about that, we would not be a good reinsurer. We work diligently to understand the risk, assess the risk, weigh the risk, structure it properly and then take it on and work with brokers, with the clients and with the ultimate insureds all along the value chain.

How did those issues translate into the Jan. 1 renewal season?

We have a range of big topics right now that affect the whole industry—insurance-related inflation far beyond the consumer price index, especially in pockets like used cars or labor costs and costs for construction material. Those things cause a lot of uncertainty. Also, regarding the legal system, some of the verdicts that we see show that the social inflation is not over. Beyond that, we are still in an environment with extremely low interest rates, meaning not a significant return on assets. Topping that off, we have both climate change and cybercrime on our plates.

What are you seeing surrounding the cyber market?

The cyber market is one of our big growth opportunities globally. Munich Re is one of the largest providers of cyber insurance capacities and cyber reinsurance capacities. But with rate increase you cannot really address the quality of the portfolio. When you look at traditional insurance covers for homes, for cars, for companies, those risks usually are fairly static. On the cyber side, every day of the week, one change in your software architecture or one new piece of software can significantly change your cyberrisk profile. Therefore the quality assessment of the underlying cyberrisk is a core part of the underwriting process.

When it comes to climate change, what has you most worried about it and how are you addressing it?

First of all, I think that the insurance industry in total, this year and in the past years, has done a very good job addressing climate change. We have supported millions of families and businesses to rebuild what they had lost. That's what the industry should do. On the primary insurance side, a broad range of losses have meant an increase in rates and adjustments in coverage. For risks such as wildfire or severe convective storms, we have made significant progress. But events like the winter freeze in Texas earlier this year show that we cannot completely capture all the exposures in smart models. That's not just a topic in the climate change area. We also did not expect that one cargo ship could block the entire Suez Canal, or that one verdict would be in the hundreds of millions for a risk thought maybe to be in the tens of millions. Therefore, we have to expect that unexpected events do occur—on the climate side and beyond. That's why we need to make sure that our models cover the things that can be modeled, and that our margins also cover the things that cannot be modeled.

Anticipating risks early on, driving innovation and delivering solutions closely tailored to our clients' needs is Munich Re's pledge. Learn more at:
https://www.munichre.com/us-non-life/en/solutions/reinsurance.html


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Asset Allocation Strategies

Ann Bryant, Head of the Insurance Solutions Group for Barings, said that when it comes to the strategic asset allocation process, the models are only as good as their inputs. "So you need to take that with a grain of salt," she said. Following are excerpts from an interview.

BARINGS

- A $387 billion global investment management firm
- A subsidiary of MassMutual

Ann Bryant
Head of the Insurance Solutions Group
Barings

"If some liquidity can be given, then strategic asset allocation can enhance yield without sacrificing other components of risk."

Go to the Issues & Answers section at *www.bestreview.com* to watch an interview with Ann Bryant.

Can insurers enhance yield without taking on more risk in their asset allocations?

Yes, they can. I think one key thing there is the definition of risk. If we are talking about volatility, that is one thing. Liquidity is another. Default is a third, it really does depend on your definition there, but we do believe asset allocation can offer investors an opportunity to enhance yield without taking on more default risk. It can also reduce volatility in the process. Often, though, insurers need to sacrifice something, and, if there is room, liquidity.

What are some recent asset allocation strategies that insurers are considering?

When it comes to illiquid private assets, those strategies have been considered for some time, especially by life and annuity writers, and now even by property/casualty—although property/casualty insurers typically require more liquidity. Insurers have been considering commercial mortgage loans, private placements, infrastructure debt,and investment grade type private assets—where they can get diversification in their portfolio and enhance yield, while potentially taking on less risk because the covenants are negotiated privately and can be tighter than with public investments.

Can you explain the strategic asset allocation process, including liquidity and other asset liability management considerations?

Strategic asset allocation (SAA) is a modeling process. Models are only as good as their inputs, so you need to take that with a grain of salt, in some ways. Also, models are meant to be directional. Even so, taking in the information about the liability to develop constraints around risk parameters—such as how much can be in illiquid assets—can help identify an optimal solution. Also, with regard to asset liability management, because most SAA models do not incorporate the liability cashflows directly, you can use duration, convexity, and key rate duration to try to match those cash flows as well as possible to reduce that type of liquidity risk and to be able to have cash flows to pay off the liabilities as needed.

Do solvency rules come into play when considering asset allocation?

Yes, they do. Solvency is a broad term, and I would argue that all of the regulations are about solvency and making sure that insurers are solvent. I think, though, when that specific term is used, it's often thought of with regard to the European regulations, so Solvency II. Then, also, in Bermuda, the solvency rules there. Really, the key difference that that points out between the United States and other parts of the world is that the discount rate includes the yield on assets under a solvency regime. In the U.S., the discount rate tends to be more of a prescribed rate, versus a yield on the assets themselves. In the rest of the world, the yield on the assets themselves is used to calculate the liability, so there is an extra benefit from yield enhancing assets under a solvency regime. That folds into the overall SAA process.

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Top Audit and Actuarial Firms

Ranked by loss reserves.

by *Best's Review* Staff

Best's Review presents its ranking of the top auditors and actuaries.

These rankings focus on independent accountants who audit an insurer's annual financial statements and on third-party actuaries who provide an annual statutory actuarial opinion regarding an insurer's policy and claim reserves. These listings of auditor and actuarial firms include only insurance companies with statements that listed auditors or external actuaries. The insurer population includes U.S. and Canadian companies that file with AM Best.

Unlike the annual statutory audit, for which the insurer must use an independent certified public accountant, the actuarial opinion may be provided by an internal actuary, which is an actuary directly associated with the insurer. The data are derived from individuals or firms in the context of providing an annual audit or actuarial opinion. Many of the individuals or firms listed in the tables are likely to have additional insurance clients for which they perform a variety of other services, but such services are not reflected in this survey's data.

The primary task of audit firms working with insurance companies is to certify the audits of financial statements. That means they must understand statutory-based financial accounting.

(Continued on page 30)

The Auditors and Actuaries Special Section is sponsored by Johnson Lambert.

Best's Review staff can be reached at *bestreviewcomment@ambest.com*.

Hello, Evolution.

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(Continued from page 27)

They also stay abreast of developments among regulatory bodies, particularly the National Association of Insurance Commissioners in the United States, to ensure compliance with current standards.

Rankings for both the auditing and actuarial firms are based on the loss reserves held by their client insurance companies. Again, as described in the methodology, not all insurers are included, and not all client relationships between insurance companies and their auditing and actuarial firms have been reflected.

For property/casualty insurers, loss reserves are the total of loss and loss adjustment expense reserves.

For health insurers, loss reserves are the sum of:

1. Claims unpaid, less reinsurance ceded.
2. Accrued medical incentive pool and bonus amounts.
3. Unpaid claims adjustment expense.
4. Aggregate health policy reserves.
5. Property/casualty unearned premium reserves.
6. Aggregate health claim reserves.

For life insurers, loss reserves are the sum of:

1. Aggregate reserves for life and for accident and health.
2. Liabilities for deposit type contracts.
3. Life policy and contract claims.

Count for each sector (P/C, life and health) includes companies for which an auditor or actuary was listed on the statements of companies designated in that sector, plus where they were listed by other companies that also had reserves of that sector's type. For example, some companies designated as health carriers report P/C loss reserves in addition to health reserves; those companies are included in the count for the P/C sector, in addition to being included in the client count for the health sector. BR

Actuary Firm – 2021 Edition	P/C Loss Reserves (US$000)	P/C Count
PriceWaterhouseCoopers	53,907,868	83
Beneficial Consultants	46,948,502	7
Ernst & Young	43,778,471	97
KPMG	38,187,859	63
Milliman	34,352,411	146
Willis Towers Watson	30,207,178	141
Deloitte	11,985,762	36
TMNA Services	6,434,760	6
Regnier Consulting Group	4,090,366	54
Pinnacle Actuarial Resources	2,826,232	53
Merlinos & Associates	1,881,545	84
Perr & Knight	1,060,543	41
The Actuarial Advantage	936,409	14
Christopher Gross Consulting	936,345	1
Streff Insurance Services	892,129	29
Central Actuarial Solutions	761,350	7
Oliver Wyman	737,246	17
Kufera Consulting	724,042	33
FTI Consulting	711,894	4
Actuarial Advisors	574,412	15
EVP Advisors	513,611	19
Lewis & Ellis	474,697	23
Enstar	473,520	3
LWCC	453,599	1
SG Risk	445,290	9
Constellation	366,320	2

Source: AM Best data and research

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Actuary Firm – 2021 Edition	Life Loss Reserves (US$000)	Life Count
Milliman	23,087,789	20
PriceWaterhouseCoopers	14,633,326	8
Lewis & Ellis	8,128,222	43
Miller & Newberg	7,486,472	22
Allen Bailey & Associates	7,267,694	11
Griffith Ballard & Company	7,251,007	14
Guggenheim Insurance Services	6,145,075	1
Willis Towers Watson	5,838,920	7
RGA Enterprise Services	2,903,825	2
Actuarial Resources Corporation	2,879,059	8
Steimla & Associates	1,269,557	5
Jeffrey D. Miller & Company	1,237,933	1
Rudd and Wisdom	1,148,073	28
Actuarial Management Resources	896,879	7
Deloitte	630,746	3
Hause Actuarial Solutions	556,223	18
Wakely	485,230	2
Bruce & Bruce Company	463,307	1
Bruce & Associates	420,431	1
Agee & Associates	353,397	10
Everence Services	291,690	2
CPS Actuaries	274,948	11
DJOrr Consulting	230,446	1
Davies Insurance Services	170,475	1
KPMG	123,296	1

Source: AM Best data and research

Actuary Firm – 2021 Edition	Health Loss Reserves (US$000)	Health Count
Milliman	5,640,946	105
Ernst & Young	4,584,528	24
Lewis & Ellis	1,955,408	20
Wakely	1,500,286	32
Optum	1,487,945	19
PriceWaterhouseCoopers	1,156,614	9
Oliver Wyman	604,227	13
Deloitte	466,386	11
KPMG	384,417	6
Lake Consulting	352,252	2
Willis Towers Watson	256,352	3
InnovaCare Services Company	212,699	1
Lumeris Healthcare Outcomes	148,367	2
Novarest Actuarial Consulting	134,745	3
Barry, Dunn, McNeil & Parker	113,690	1
The Kilbourne Company	97,070	5
Lucerna Health	59,869	2
CBIZ	57,587	6
RSM US	53,192	2
Lee Benefits Consulting	40,803	3
Aetna Resources	38,720	1
Axene Health Partners	35,919	1
Crooks Actuarial Consulting	34,877	4

Actuary Firm – 2021 Edition (continued)	Health Loss Reserves (US$000)	Health Count
Actuarial Solutions	31,266	2
Mulberry Management	30,453	4

Source: AM Best data and research

Auditor Firm – 2021 Edition	P/C Loss Reserves (US$000)	P/C Count
PricewaterhouseCoopers	219,843,320	259
Ernst & Young	158,165,545	215
Deloitte	157,018,078	139
KPMG	119,436,291	190
Johnson Lambert	12,809,025	132
EisnerAmper	10,537,652	12
RSM	7,811,145	53
Baker Tilly	5,437,439	26
Mazars	5,138,508	38
BDO	3,353,683	34
Crowe	2,764,945	72
BKD	2,682,646	38
Strohm Ballweg	2,278,000	35
Plante Moran	2,199,684	29
Grant Thornton	1,629,884	14
Dixon Hughes Goodman	1,306,114	24
State Auditor General	1,207,723	1
Eide Bailly	1,076,117	7
MCM	667,151	3
Thomas Howell Ferguson	612,631	19
Jaynes, Reitmeier, Boyd & Therrell	529,871	13
JLK Rosenberger	509,849	30
Brown Schultz Sheridan & Fritz	446,908	26
Mountjoy Chilton Medley	435,231	3
KMH	434,902	7

Source: AM Best data and research

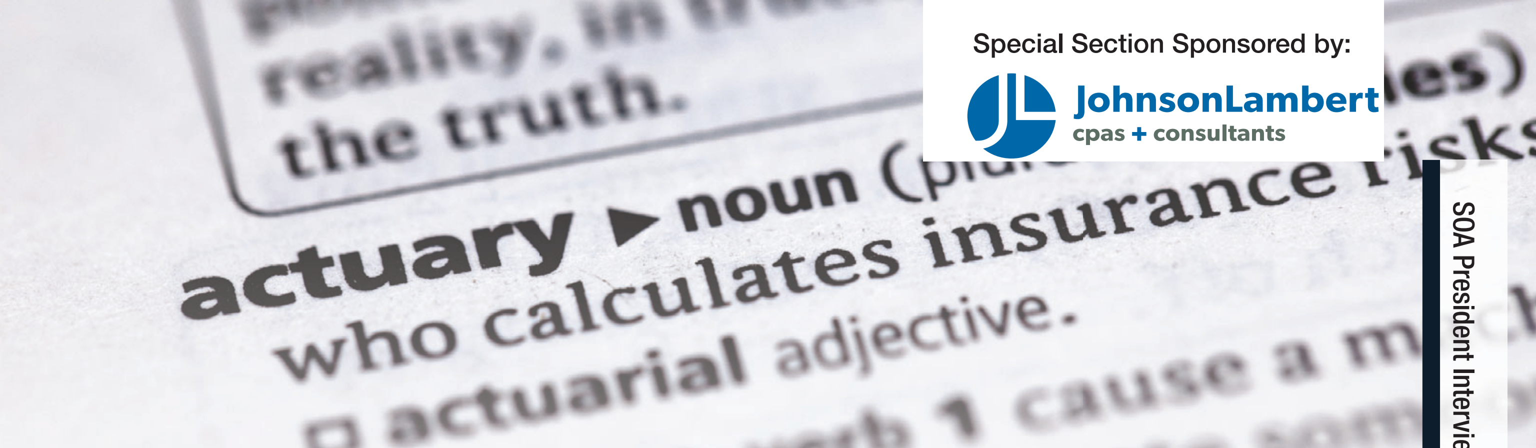
Auditor Firm – 2021 Edition	Life Loss Reserves (US$000)	Life Count
PricewaterhouseCoopers	1,830,727,481	114
KPMG	632,970,081	78
Deloitte	605,787,887	103
Ernst & Young	593,985,461	98
Seward & Monde	24,082,258	1
BKD	16,562,157	19
RSM	8,921,119	16
BDO	8,611,166	10
Johnson Lambert	8,433,083	14
H2R CPA	5,010,790	6
Strohm Ballweg	4,651,233	5
Larson & Company	3,967,322	6
JLK Rosenberger	3,536,533	10
Kerber, Eck & Braeckel	2,908,798	14
EisnerAmper	2,435,574	6
Brown Smith & Wallace	2,362,589	8
Eide Bailly	2,177,469	9
Ginoli & Company	1,163,411	1
Grant Thornton	1,152,051	3

Auditor Firm – 2021 Edition (continued)	Life Loss Reserves (US$000)	Life Count
Dalby, Wendland & Company	1,026,769	1
Hosack, Specht, Muetzel & Wood	952,080	3
Frank J. Baker & Company	891,495	2
Mazars	560,412	2
Lambert Lanza, CPA	556,671	2
Crowe	547,289	2
Williams-Keepers	540,045	2
Baker Tilly	497,528	11

Source: AM Best data and research

Auditor Firm – 2021 Edition	Health Loss Reserves (US$000)	Health Count
Ernst & Young	37,325,678	178
Deloitte	24,067,777	134
PricewaterhouseCoopers	18,820,017	121
KPMG	14,760,452	100
Grant Thornton	3,024,359	21
Baker Tilly	1,399,511	18
RSM	1,078,621	19
Eide Bailly	953,993	14
BKD	930,030	19
Plante Moran	817,410	34
CliftonLarsonAllen	649,355	9
Accuity	579,448	3
Moss Adams	286,275	8
Carr, Riggs & Ingram	207,089	6
Kernutt Stokes	191,904	2
Dixon Hughes Goodman	180,371	2
BDO	165,715	7
Centeno Figueroa & Co.	161,268	1
Wipfli	161,224	8
Marcum	131,848	2
McGee, Hearne & Paiz	116,520	2
Baird, Kurtz & Dobson	69,749	1
Brown Smith & Wallace	66,655	1
MCM	60,229	1
Baker Newman Noyes	60,051	5

Source: AM Best data and research



Society of Actuaries President: Adaptability and Creativity Are Key Skills for Actuaries

Actuaries need to adapt and "get up to speed" with new skills as artificial intelligence and data science present new challenges.

by John Weber

Actuaries, by their very nature, are numbers people. So it should come as no surprise that one of the first things you'll find when you access the Society of Actuaries home page is a number touting how many SOA members there are. It's about 31,000 worldwide, with about 20,000 in the U.S.

With such a large workforce, Jennifer L. Gillespie, who began her one-year term as president and chair of the Society of Actuaries at the end of October, said the industry needs to develop new skills as artificial intelligence, emerging technology and data science present new challenges. Following is an edited transcript of Gillespie's interview with AM Best TV.

You were a health actuary at Blue Cross and Blue Shield of Minnesota. How did that prepare you to become president of SOA?

Well, obviously I was an actuary and then I had leadership roles at Blue Cross. I spent a long time as the vice president of underwriting, which meant that I dealt with a lot of other audiences as well. So I dealt with major national employers, providers, sales people and I think having the opportunity to deal with people with lots of different backgrounds really prepared me well.

You were also a volunteer for the SOA. Will that experience help you in your role as president?

Absolutely. I served on the board for five years, two of those years as secretary/treasurer. I am also a volunteer on the education side. I do a lot of professionalism education for the Society of Actuaries. Then over the course of being on the board, you resource a lot of committees. So I've gotten to have exposure to the whole breadth of what the SOA does.

What are the issues actuaries are facing, especially SOA members?

There are plenty of challenges. Obviously, COVID was a big one for everybody in every industry, but we also have real issues with the amount of artificial intelligence and data science that are coming into our places of employment. So it's really important that actuaries adapt to that and get up to speed with the new skills.

You mentioned COVID. How has the pandemic affected actuaries, and the SOA in particular?

So one of the really big focuses for the Society

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

of Actuaries is the education of actuaries and suddenly we couldn't gather all of our candidates to take an exam, having everyone in one place. That was a very immediate crisis. We were able to work with our testing partner Prometric, who has centers around the world, and find enough seats for people to actually get to them. Some people were delayed in taking exams, but there was some adaptation of exams that hadn't been given in that format before so they could be given there. That was one of our immediate things. We hold conferences—of course, you had to go to virtual conferences and try to make them creative, engaging and all of that. Our board members, we met on Zoom. So just like people were doing in their jobs, we were adapting in all those same ways.

Are there any things that you learned over these past 18 months or so that you'll be implementing at the society when we're on the other side of COVID?

Absolutely. So I mentioned our meetings, our big conferences—we had really high attendance since there are people who can't take the time away or don't like to fly or whatever. It keeps them from going to our conferences in person, but they were very happy to be able to attend virtually.

So I think going forward we will try to have a rich hybrid model so that we can serve both needs. With our education, by using our Prometric testing centers, they have Word and Excel on computers, so we can provide every candidate with the same tools so it's a really level playing field around the world and we can make better use of those tools than when we just had people in a conference room in some office building. I think it will make our exams more relevant and more a level playing field.

On the professionalism education I mentioned, we had to turn that virtual as well. So I participated a lot in small group sessions late in the evening when we did sessions for our candidates in Asia and we will probably have some of that that continues. But people are anxious to get back in person as well. I think offering choices will be one of the things we do.

"I do think being curious and being creative are things that are really important to adapting in the worlds that we work in now."

Jennifer L. Gillespie
Society of Actuaries

Creativity isn't the first adjective that comes to mind when talking about actuarial science, but I've heard you say it's important for actuaries to be creative. How so?

Like you said, it's not one of the first things people think of, but when we get feedback from employers about what skills they need the actuaries to have, adaptability is one of those top things we hear. So if they're going to be building models or working with people that are building models, they need to be creative about how can we do this, how can we do it ethically, how can we use the data appropriately. What other options are there for making something more efficient? So I do think being curious and being creative are things that are really important to adapting in the worlds that we work in now.

I understand you're a figure skating judge. How did that come to be?

It's not because I'm a really good figure skater—that's what everyone thinks first. I'm really a student of the sport. I love the sport of figure skating. I was actually chief referee at a figure skating competition recently. I'm absolutely still volunteering in that way as well.

Is there any correlation between being a figure skating judge and being an actuary or being a figure skating judge and president of the SOA?

Maybe a little bit. In some ways, it's a really nice break from one to the other because they're different. When we judge, we just have to react to what we see; we don't get all the information, we just have to make a decision and that's true for actuaries. We don't always have all the information we want in order to set rates for the future. So some of that ability to make those kind of decisions probably is a shared characteristic.

So what are your goals for your term as SOA president?

Well one of the things that's really important is we often think that when a president comes in they are controlling the agenda for the year and you're only president for a year. You'll be president-elect and then you'll be past-president, but the board sets a strategic plan and really it's the president to help further that plan. It's important to me that we have a wonderfully diverse board that's been elected and I want to make sure that we're hearing all those voices, that we're including the perspectives of people that aren't on the board. It's how we make the decisions that I'm really passionate about. I'm excited to jump in and start working on the strategic plan that the whole board accepted.

John Robinson is the president-elect and he comes to that position recently retiring as an actuary from the Minnesota Department of Commerce. Is there some requirement that SOA presidents have to have a Minnesota connection?

Yes, and one of our other folks that was a candidate the last two years is also in Minnesota. So I do suggest if you want to be successful in the election that you move to Minnesota. BR

AM Best TV

Go to *www.bestreview.com* to watch the interview with Jennifer L. Gillespie.

The View to 2022: Insurers Face New Year With Cautious Optimism

Insurers see plenty of challenges ahead, including cyberrisk, growing catastrophe losses and lingering impacts of COVID-19. But, surprisingly, not all is gloomy.

by Tom Davis

"Stormy" may be an appropriate metaphor to use for an insurance industry that's potentially facing an increasing number of perils heading into 2022. But the forecast may not be as gloomy as you may think, industry leaders and analysts say.

Tom Davis is managing editor. He can be reached at *tom.davis@ambest.com.*

As the market appears ready to manage the effects of the COVID-19 pandemic, insurers and analysts believe the industry is better prepared to face the escalating risks—particularly in property and casualty—that will likely continue to challenge it next year. AM Best analysts said the industry overall is "well capitalized" to support these challenges, although some market segments may face a new-normal level of pressures.

"Personal auto insurers are already experiencing a return to pre-COVID frequency levels while facing higher loss costs," said Michelle Baurkot, director at AM Best.

"Dealing with risk" has become the operative phrase for insurers as the costs and impacts of cyberattacks and natural catastrophes reach new heights. Insurers looking to mitigate exposure and build resilience have found opportunities in two areas heading into 2022: technology and public-private partnerships.

Key Points

Escalating Risks: The industry says it's better prepared to face the escalating risks—particularly in property and casualty—that will likely continue to challenge it next year.

Dealing With Risk: "Dealing with risk" has become the operative phrase for insurers as the costs and impacts of cyberattacks and natural catastrophes reach new heights.

Rising Costs: A deep winter freeze, hailstorms and wildfires contributed to insured natural catastrophe losses of $40 billion in the first half of 2021, according to the Swiss Re Institute. That figure is above the previous 10-year average of $33 billion and the second highest on record for a first half after 2011.

"It's hard to argue that risk is doing anything but increasing around the world as we go into 2022. The more risk lurking around corners, the more need and opportunity for the insurance industry."
Caribou Honig
InsureTech Connect

Caribou Honig, chairman and co-founder of InsureTech Connect and a partner at SemperVirens Venture Capital, pitched insurtechs, automated technology and big data as forces that can help the industry ease through tough waters over the next year.

"It's hard to argue that risk is doing anything but increasing around the world as we go into 2022. The more risk lurking around corners, the more need and opportunity for the insurance industry," Honig said. "There is a lot of reason for optimism if, but only if, insurance providers can price and manage the risk well."

Impact on Rates

Like other insurers, Keith Wolfe, president of U.S. Property & Casualty at Swiss Re, said he characterizes his outlook as "cautiously optimistic" as he sees primary rates adjusting for real risk across almost all classes of business.

Baurkot said "many auto writers experienced premium declines in 2020 as they chose to return premiums to policyholders at the peak of lockdown during the pandemic to reflect lower miles driven." She also said homeowners writers, who have been pushing higher rates to offset catastrophe losses and increased reinsurance pricing, took a pause in 2020 "being mindful of the economic uncertainty and financial distress facing many policyholders."

"In 2021, both lines are experiencing premium increases, largely through rate as primary carriers focus on rate more accurately matching risk," she said. "We've seen everything in the last two to three years—hurricanes, wildfires, hail events, winter storms and more significant wind events."

"Primary insurance companies are saying we need to have more rate for these risks to reflect the exposure of near-term events," she added.

On the reinsurance side, Baurkot said, primary companies "are facing escalating reinsurance costs, even in non-cat areas."

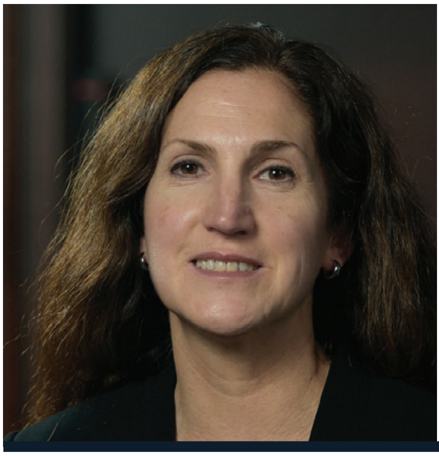
"It becomes more challenged depending on the state-specific exposures and recent storm activity," she said.

Wolfe acknowledges there are looming questions involving the impact of secondary perils particularly in states that have been hit the hardest by natural catastrophes, such as Louisiana and California, where floods and wildfires, respectively, continue to present a threat.

"Is that promising rate momentum actually enough for some of the trends on the loss-cost side that have been changing over time?" he said. "If you use the example of secondary perils in the catastrophe market, that is clearly something that has become a much bigger issue over the last five years than it had ever been prior to that based on the data we have analyzed."

Jennifer Marshall, director at AM Best, also said that on the casualty side, claims inflation and social inflation are driving up claims frequency and severity.

"As a result, commercial lines insurers are increasing rate level, substantially in some lines, to bring pricing more in line with loss costs," she said. "In combination with the improvement in economic activity over 2020, which is increasing commercial exposures, we expect to see an increase in the top line in 2021."



“We’ve seen everything in the last two to three years—hurricanes, wildfires, hail events, winter storms and more significant wind events.”

Michelle Baurkot
AM Best

Emerging from COVID

Wolfe said it’s been a “pleasant surprise” that the COVID-19 pandemic—from a property and casualty standpoint—has not been as difficult as expected for the insurance industry. One reason why, Wolfe said, is that the contract language in the U.S. market “is exceptionally clear in most cases as to what’s covered and what’s not related to something like a pandemic.”

“In the U.S. market, it was the SARS events in the early 2000s which precipitated a lot of better contract clarity,” he said. “Although [those earlier events] obviously didn’t reach global pandemic scale, I think it opened the eyes of a lot of people of what was possible.”

Eugenie Molyneux, chief risk officer of commercial insurance at Zurich Insurance Group, believes the issues surrounding the pandemic also appear to be “more settled” than they were a year ago and vaccines should reduce the risk associated with COVID-19 in the near future.

“It’s dependent on whether we see another variant develop and whether that variant is resistant to the vaccine or not,” she said. “So for COVID—the jury’s out, but at the moment, at least, it feels like that might be dissipating as a source of disruption.”

During the pandemic, life insurers attracted more customers who were coming to grips with their own mortality, according to Alison Salka, senior vice president and head of research at the Life Insurance and Market Research Association, or LIMRA. With this in mind, the industry connected with underserved markets it had long desired to reach, she said.

“The pandemic basically made more people aware of mortality than ever before because it was right there and we have all this research that shows that, again, people who had COVID—younger people, Blacks and Hispanics, all of whom were hit hard by the pandemic—said they’re more likely to buy life insurance,” Salka said.

Growing Threat of Cyberattacks

One area that could benefit from a “better understanding” in 2022 is cyber insurance, insurers and analysts say. The industry has struggled to get its hands around the increasing threat of ransomware, and Wolfe sees some troubling signs and even some lingering confusion—unlike with COVID—in what’s covered and what’s not.

Cyber premiums have more than doubled since 2016, rising from $1.3 billion to $2.7 billion last year for U.S. insurers that filed National Association of Insurance Commissioners statutory filings, according to Fred Eslami, associate director at AM Best.

Since May 1, there have been at least 53 “significant” international cyber incidents, including the Colonial Pipeline attack that impacted the oil industry and caused a spike in gas prices, according to the Center for Strategic and International Studies. In all of 2015, there were 35 incidents, according to the report.

The AXA Future Risks Report 2021, which ranked the emerging risks as seen by a panel of experts, cited cyberrisk as the second-biggest concern in the industry because of the acceleration and the “explosion” in the number of cyberattacks. The panel also believes that public authorities are not prepared for cyberrisks.

“Cyber is probably the fastest-changing risk we have. It can literally change day to day and hour to hour depending on what types of threats

“Cyber is probably the fastest-changing risk we have. It can literally change day to day and hour to hour depending on what types of threats are out there.”

Keith Wolfe
Swiss Re

are out there,” Wolfe said. “And I do truly believe it’s very difficult for our industry, the insurance and reinsurance space, to be able to adjust our response and our products at a pace that can keep track with the true threats in that space.”

Joshua Motta, chief executive officer and co-founder of Coalition, said cyber will continue to be an increasingly severe risk in 2022 “because our dependency on technology seems to only be growing each and every day.”

“Technological risk is probably the single-greatest risk that the insurance industry has to figure out how to address, and it’s really a fundamental shift in the industry,” he said “Because if you think about it, historically, insurance was really about insuring things that were tangible.”

Honig said cyberrisk is “pervasive” and, whether it’s government or a person or a carrier, “someone will bear the cost when bad things happen. I think the key is [ensuring] clarity up front, before large-scale loss events, as to what is covered and by whom.”

“That means using plain language that the insured is honestly likely to understand,” he said.

Cyber is where Wolfe and others see the most—if not the best—opportunities for public-private partnerships over the next year, requiring, as he put it, “some sort of collaboration with governments.” Large federal governments, Wolfe said, “are the only ones that have the real intelligence and pace that’s necessary to understand how to assess that risk properly.”

“We’re a huge proponent of public-private partnerships here at Swiss Re. We run a unit globally called ‘Public Sector Solutions’ that focuses part of their efforts in this space,” Wolfe said.

Honig said if a government can serve as a backstop for carriers, “the quid pro quo for that backstop should be explicit and proportional to risk.”

Wolfe said public-private collaboration has helped his company in areas where there have been “emerging risk classes” in countries “that may not have really spent time thinking about how to use the insurance risk transfer mechanism” as a way to address natural catastrophes.

Climate Change and Catastrophes Loom Large

The escalating costs associated with climate change—including both natural and man-made catastrophes—also remain “concerning” for insurers going into 2022, Wolfe said.

A deep winter freeze, hailstorms and wildfires contributed to insured natural catastrophe losses of $40 billion in the first half of 2021, according to the Swiss Re Institute. That figure is above the previous 10-year average of $33 billion and the second highest on record for a first half after 2011, when major earthquakes in Japan and New Zealand pushed the six-month total to $104 billion.

Man-made disasters triggered another estimated $2 billion of insured losses in the first half this year, less than usual and likely reflecting their reduced likelihood amid COVID-19 restrictions, according to a news release from the institute.

While he considers Swiss Re as a leader in the industry in recognizing the worsening effects of climate change, Wolfe said the picture may be more complex than it appears. He said the wildfires in California have been burning at a faster pace than ever in terms of acreage consumed. But the number of structures destroyed, he said, has not hit the levels of 2017 and 2018, when property damage reached its peak.

Marshall said catastrophe loss trends also are contributing to increased pricing. More frequent and higher-intensity events, and an increasing number of risks located in catastrophe-prone areas, are key drivers of higher rates for commercial property coverages. Increasing reinsurance costs are also a factor in price increases in the primary market for both casualty and property coverages.

Wolfe said insurers play an important role in education about emerging risks such as climate change and "the most proactive ones lean into loss prevention and mitigation efforts." Regulatory changes are also an option for reducing risk associated with climate change, he said, "but usually an expensive one in the end as it is funded by tax dollars." Public-private partnerships, however, can be very effective ways "to bring the power of the insurance sector together with government strengths," he said.

"Government support is well placed when the open market cannot address the challenge at hand on its own—as we have seen with business interruptions from the pandemic and may see soon in cyberthreats," Wolfe said.

Molyneux also believes technology can play a key role in dealing with the perils of climate change and assessing the damages caused by incidents such as flooding. "Now you have the possibility to fly drones over areas, before they become reachable, to see the damage," she said.

Economic Opportunity and Challenges

Insurers are becoming more optimistic about the growing economy providing a base of support as the industry addresses its challenges. Wolfe said he has seen some "pretty positive" indicators in terms of GDP growth and, essentially, "a pretty robust recovery" in the United States. He hopes that base of support, however, helps the industry wade through the biggest challenges facing the economy right now: inflation and supply chain problems.

Wolfe said supply chain issues in the U.S. have created a demand "crunch," causing price spikes in labor and materials used in restoring property impacted by catastrophic events. "When you talk about property in that [insurance] space, we have seen a significant spike in the costs related to repairing or restoring property damage in incidents that have occurred this year," he said. The shortage of chips in the auto sector, Wolfe said, also is creating a pinch on some of the auto lines.

"There are incidents of inflated costs, longer times for people to have rental vehicles or some other type of transportation available to them while waiting for a vehicle to arrive," he said.

Regardless of that, Honig said capital should continue to flow into the industry where innovation and risk management intersect. "I'm optimistic for capital to flow to the best of insurance and insurtech alike," he said. "Technology is a tool, nothing more and nothing less. As with any tool, it's all about having the right one for the job.

"We have recently reached the point where an insurer can arrange a full set of technologies in their tool belt," he said.

Effective hiring also will open up opportunities for the industry, insurers say. Getting good, talented people who are skilled in analyzing data is becoming more important than ever, Molyneux said, noting the industry is focused on trying to actually generate more insights from the data in assessing risk.

"That's probably where technology can also help," she said. "I think there's no doubt that data analytics is a skill set that the industry is looking for, for the obvious reason that we're looking to drive more insights out of the data. So there's no doubt that that's a skill set."

Honig said insurance companies must recognize they are not competing among themselves for the best talent. Rather, they are competing with top consulting firms, banks, "tech titans" and "a hundred thousand startups for the best of the best," he said. "To oversimplify, it's no longer about recruiting the best actuary graduating each year. It's about recruiting the best data scientist graduating each year."

To that end, Honig says he's seeing positive trends in the insurance job market. Not only has the sector become more welcoming to potential hires who may have technological skills, Honig said, but it's also become much more appealing to the best and the brightest.

"There's a saying that 'we wanted flying cars and all we got was social media,'" he said. "Well, at least some great entrepreneurs and data scientists are working to provide insurance for the flying cars of the future." BR

Insurers Confront Inflation for the First Time in Ages

Inflation across the economy could eat into investment margins that have dropped incrementally for the past decade from low interest rates. The open question is: Just how long could it be?

by Terrence Dopp

The dreaded "I" word is creeping up as a real concern for insurers after decades in the rearview mirror.

The largest unknown for life insurers, and the broader economy, is whether the period of global inflation is a temporary blip that disappears following a once-in-a-generation health crisis, or will it linger?

Numbers tell the story.

The Consumer Price Index for All Urban Consumers tracked by the U.S. Bureau of Labor Statistics rose 6.2% before seasonal adjustments for the year ended in October—the highest in more than three decades. In October alone, it was 0.9% higher. Going a step further, food and shelter combined were more than half of the increase, with food alone rising 0.9% in October. The energy index increased 4.8% over the monthly period and 30% over the preceding 12 months, the BLS said.

"Inflation is already hitting the consumer and corporations, and if it continues to grow or persist unabated, it's going to impact retail spending, consumption and, ultimately, the credit markets as a last order of impact," said Anthony McSwieney, a senior financial analyst with AM Best. "When it hits credit, it hits insurers' balance sheets." In

Key Points

Rising: Inflation was up 6.2% in the 12 months ended in October, marking the highest increase in decades.

Falling: Investment returns on life and health insurers' portfolios dropped slightly in the decade since 2011, leaving the prospect that inflation could eat up any gains.

Question: Timing. Will it be a blip as the world shrugs off the COVID-19 pandemic and lingering issues, or is it a pattern that may hold for a while?

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“Spreads are at extremes. We have seen them this low before, but there are things in the macroenvironment that we’ve never seen before in our lives.”

Alton Cogert
Strategic Asset Alliance

other words, inflation at the extremes could eat away at investment returns at the same time it pushes up the value of claims paid. For life insurers, this comes at a time when they find the mixed blessings of the highest sales since 1983 at midyear, as well as years of tightening spreads due to low interest rates.

Rising Pools

The total U.S. life/health industry’s admitted assets at the six-month point of 2021 were up 3.7% over the previous year’s period to $8.45 trillion, according to a 2021 Best’s Rankings report. Another set of AM Best data, which runs from 2011 through 2020, shows a competing issue: In all, investment returns were smaller at the end of the period than when it started. In 2011, the industry had a cumulative pretax investment return of 5.8% and gross yield of 5.53%. By 2020, despite some annual fluctuations, the trend line saw those figures drop to 4.7% and 4.5%, respectively.

In 2020, the highest-performing asset class was common stock with a return of 6.2% followed by contract loans and premium notes at 5.92%. On the other end was predictably cash and short-term investments with a 1.07% return, and other classes fell somewhere between them.

At Prudential Financial Inc., Chief Investment Officer Timothy Schmidt said credit, alternative assets and the commercial mortgage portfolios all outperformed expectations. Fiscal and monetary measures implemented by Congress and the Federal Reserve during the pandemic prompted “confidence and liquidity” that pushed equities higher and spreads tighter, he said. Schmidt said low Treasury rates mean all-in yields remain a challenge for insurers broadly, but the company doesn’t anticipate any significant reallocation for its portfolio.

Long Term?

Prudential of America Group led the list of U.S. life/health insurers with the largest total of admitted assets at $687.64 billion, up 1% through the first six months of 2021, according to AM Best data.

“Currently the most pressing issue is the debate on the transitory nature of inflation—specifically, how deep and prolonged it will be and whether it, or the Federal Open Market Committee’s (FOMC) response to it, will derail the global economic reopening,” Schmidt said in an email.

Other issues on the horizon include the evolution of environmental, social and governance-based investing, known simply as ESG, and the decarbonization of the economy. Both will challenge asset owners to balance those priorities with attaining the investment returns expected by investors, Schmidt said.

He said Prudential’s diversification also will be a positive for the company in that it has exposures to asset classes that outperform in inflationary environments, Schmidt said.

Concerns over the impact of inflation go beyond just Prudential. Inflation is a concern everywhere, and one that has several facets that go beyond just investments.

In Europe, German commercial line affiliates of Munich Re and Hannover Re both cited inflation as a factor—along with COVID-19 and recent catastrophe losses—in what they expect to be a hardening reinsurance market. The eurozone saw a recent inflationary rise, which Munich Re said has the potential to cause higher claims costs at the same time interest-rate levels remained virtually unchanged. “Taken together, these two factors are

> "Inflation is already hitting the consumer and corporations ... and, ultimately, the credit markets as a last order of impact. When it hits credit, it hits insurers' balance sheets."

Anthony McSwieney
AM Best

producing an upward pressure when it comes to insurance prices," Munich Re said.

The economic effects of inflation could go beyond numbers in a ledger.

On the brokerage side of the industry, Brown & Brown Inc. Chief Financial Officer R. Andrew Watts said consumer behavior carries the most risk for his company in an inflationary environment. Recently, during a quarterly earnings presentation, Watts said that, in isolation, there's a case for inflation to be viewed positively for a company like Brown & Brown. Yet it also could prompt customers to cut costs.

"The one thing that is a variable that happens is how the buyer of insurance modifies how they think about their total cost of insurance," Watts said. "If their costs are going up, etc., and they're trying to manage their way through, they may evaluate their deductibles, their aggregates, etc., inside of this. So there's just—there's always a lot of moving factors just to kind of keep in mind."

Slowing Growth

While signs are mixed, not everything points to a pattern of sustained high inflation.

U.S. gross domestic product growth slowed to 2% in the third quarter as a combination of supply chain issues and the delta variant of the coronavirus cooled economic reopening. Excluding food and energy prices, the personal consumption expenditures index from the U.S. Bureau of Economic Analysis increased 4.5% in the third quarter, a moderation from the previous one. The question is whether this softening of inflation will pick up steam as the supply chain issues that have bedeviled retailers begin to subside and economic activity nears pre-pandemic levels.

AM Best Director Rosemarie Mirabella said inflation may prove to be a pick-and-choose phenomenon in terms of what issues persist and which aspects abate in a relatively short time frame. For instance, those costs pushed higher by supply chain issues could recede as the backlogs clear. Higher costs to businesses and consumers prompted by increasing wages, though, could remain an issue longer term, she said.

"Inflation's been pretty modest every year I believe from 2011 to 2019 pretty much," she said. "[The current uptick in inflation] is not good, but the question is whether this is sustainable."

Alton Cogert, president and chief executive officer of Strategic Asset Alliance, said he doesn't see too much of a fundamental shift in how companies invest their money. Portfolios remain a mix of traditional investments such as corporate fixed income, real estate, bonds and equities. What has changed is the movement toward private equity in the recent past as well as so-called alternative investments such as private debt and direct mortgages to hunt for yield. Going forward, he anticipates smaller and midlevel insurers will move increasingly into that space.

On the positive side for insurers, Cogert said he doesn't see any great jump in credit impingements or corporate defaults happening soon. However, he said the current investment environment is "unique" because COVID-19 lingers, the U.S. is experiencing a record $29 trillion debt and climate change presents both opportunity and peril.

"Spreads are at extremes. We have seen them this low before," said Cogert, whose company advises insurers on their asset management plans. "But there are things in the macroenvironment that we've never seen before in our lives." BR


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Clogged Supply Chains Complicate Risk Concerns for Ocean Marine Insurers

Insurers worry about increases in volume and speed, bodily injury possibilities and a higher frequency of losses from container or cargo damage within ports.

by David Pilla

Key Points

The Situation: Stymied ports, cargo losses and jammed transportation networks are challenging ocean marine writers.

Troubles: Supply chain problems have led to the aggregated exposure of vessels waiting to get into port and the increase of cargo port accumulation at the terminals.

The Inflation Factor: Rising cargo and materials costs are impacting the ocean marine insurance business.

Ocean marine insurers are in choppy waters with supply chain problems arising from clogged ports, frozen transportation networks and cargo-loss events as the COVID-19 effect overwhelms commerce after having dried it up.

"One issue that's arisen as a result of supply chain problems is the aggregated exposure of vessels waiting to get into port and the increase of cargo port accumulation at the terminals," said Tom Nasso, head of ocean marine, Ascot Group. "Port and terminal business and the amount of throughput coming in and stored has created some bottlenecks."

Nasso said insurers worry about increases in volume and speed, including which trucks are coming in, bodily injury possibilities and a higher frequency of losses from container or cargo damage within the port.

"Being able to underwrite the changing valuations at a single location and monitor this when the bottleneck occurs is increasingly more difficult," he said. Ascot came into the U.S. ocean marine market in 2019, said Nasso. The company didn't have any U.S. legacy issues when it started building out the foundational portfolio so it was able to accomplish its build-out according to the strategy it laid out from the beginning, he said.

According to AM Best's ranking of the top U.S. ocean marine insurers based on 2020 direct premiums written, Ascot moved up to No. 18 from No. 26 as 2020 DPW rose 113.6% from the previous year. Tokio Marine moved to No. 5 from No. 6 in the ranking as DPW rose 27.1%. Liberty Mutual rose to No. 11 from No. 15 as DPW rose 21.2%.

The value of DPW for the total U.S. ocean marine industry increased 5.8% to $4.17 billion in 2020, according to a Best's Rankings report.

Port accumulation concerns marine insurers

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

DELIVERY BACKUP: Shipping containers pile up in the harbor in Long Beach, California. Ocean marine insurers are concerned about the increase of cargo port accumulation at terminals.

most right now, as cargo sits in congested ports in the United States for long periods, said Ralph A. Salce, vice president, ocean marine, Tokio Marine America. Accumulation risk can be expensive as several policies together can generate huge numbers, he said.

Global trade collapsed for about 90 days in 2020 due to COVID-19, with nothing at the ports because very little was coming in, said Salce. Now, there are durable goods sitting in ports that can't be moved because there isn't enough intermodal transportation to get them out quickly enough, he said.

The strain on the global supply chain has changed over the past 12 months as an effect of the pandemic, said Alex Berisha, U.S. marine cargo manager, Liberty Mutual. As the economy started opening up, that led the shipping industry to try to make up for lost time and the market is seeing a strain now with a backlog of vessels, he said.

Salce noted that for ocean cargo policies, Tokio Marine doesn't pay for delay or loss of market, but the insured does. For insurers, the products that make it to port during this supply chain disruption create another problem as people try to rush through as much product as they can with the same infrastructure. It creates room for human error that can lead to cargo losses, said Salce. "Our concern is what kind of steps are not being taken because speed is so important right now," he said.

Severe weather and labor shortages in the U.S. ports are part of the problem, said Berisha. "You see record backlogs, particularly in California," he said. "Vessels can't get into port because of the long lines. Vessels that are in port are taking longer to get the containers off because of staff shortages."

Inflation Challenges

General and social inflation also are having an impact, said Nasso. "When you have major loss events like Hurricane Ida, you have a large number of vessels that may need to be repaired," he said. "Inflation is increasing the cost of labor, materials and the time it takes for the repair to happen. Social inflation is also affecting the marine liability risk as well."

Sean Dalton, executive vice president and

"One issue that's arisen as a result of supply chain problems is the aggregated exposure of vessels waiting to get into port and the increase of cargo port accumulation at the terminals. Port and terminal business and the amount of throughput coming in and stored has created some bottlenecks."

Tom Nasso
Ascot Group

head of marine, North America, Munich Re US, said insured values are increasing as a result of inflation, demand and increasing freight costs, with container freight rates at record levels.

Toward the beginning of the year, the industry saw a number of losses on the West Coast with containers going overboard due to heavy weather, said Berisha, noting insurance buyers were probably having more goods on board than they normally would and shippers decided to press through some heavy weather. By the end of February, the marine cargo industry had seen more container overboard losses than they had in the entire previous year, he said.

Now there is a lack of available vessel capacity and a shortage of containers, Berisha said. There have been delays in providing containers and getting them back to where they can be loaded for various reasons, including staff shortages and lack of available trucking. The industry has seen losses related to Ida, partly because inventories were higher than normal due to supply chain disruptions and therefore impacted by storm surges, said Berisha.

With a normal supply chain, theft is one of the insurer's biggest concerns, said Salce. But with the current supply chain problem, ships are being delayed before they get to port. Nothing will happen to the cargo if it's sitting on a vessel. Once it's off the vessel there's a lot of push to get it to its final destination, he said. Once it is moving, there's less chance of theft.

The Suez Canal blockage by the cargo ship Ever Given was a high-profile, highly publicized event that also led to costly supply chain issues, said Berisha. The blockage was a little over 20 days but it probably added a 120- to 150-day delay for that channel. It held up trade valued at $9 billion per day or $400 million per hour according to Lloyd's List, he said.

Lars Lange, secretary general, International Union of Marine Insurance, said the port explosion two years ago in Beirut, Lebanon, was another incident that demonstrated the ways supply chains can be disrupted. Natural catastrophes, record cargo vessel fires, container overboard losses, wreck removal and social inflation are all increasing losses for marine insurers and reinsurers, said Dalton. "Every year or two over the past 15 years, we experience another unprecedented marine loss," he said.

The Reinsurance Factor

Marine reinsurance premiums are increasing, and on a risk-adjusted view, rates are increasing, said Dalton. The biggest drivers have been an increase in underlying subject premium and changes in the underlying business. "Reinsurers are addressing loss-affected and underpriced business, while buyers are evaluating structures to make sure they fit their needs," he said. "Marine reinsurers are part of larger property and casualty (re)insurance companies. As such, they are impacted by their results, and are expected to perform well and consistently improve their business."

Reinsurers in marine are keen to know about cyber exposure in all lines, including marine, said Nasso. "They're also still watching communicable disease coverage and, in general, terms and conditions. I think they also find the portfolio mix you write important, whether it's being separated between liability, cargo, hull and protection and indemnity." BR

Photo by Qian Weizhong/VCG via Getty Images

Rough Seas Ahead: Disruption to the Global Supply Chain Could Continue to Challenge Insurers for Some Time

COVID-19 has created bottlenecks in ports and disrupted supply chains, thereby creating challenges for marine insurers and reiterating the need for communication and building close relationships with suppliers.

by Lori Chordas

SUPPLIES ON THE WAY: Container ships wait to enter and unload at the Port of Long Beach, California, in October.

As COVID-19 continues to weigh heavily on the economy, it's also impacting many areas of the shipping and freight industries. Port congestion, supply shortages and labor scarcity are just a few of the many challenges caused by current disruption to the global supply chain.

As insurers, manufacturers, suppliers and others ponder when there may be an end in sight to the crisis, some recent reports paint a bleak picture with the anticipation of supply chain issues becoming a long-term challenge that will likely continue well into the new year and possibly into 2023.

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As companies wade through the tides, it's imperative that they understand their potential exposures and know where their cargo resides, said Andrew Kinsey, formerly senior marine consultant for Allianz Global Corporate & Specialty who is now with Liberty Mutual.

"It's a rather trite phrase, but one that we continue to fall back on: Cargo at rest is cargo at risk," he said.

Kinsey spoke with AM Best TV about how the pandemic is disrupting ports and supply chains, creating volatility and capacity issues and bringing about challenges for the marine insurance market.

Following is an edited transcript of the interview.

"I believe the key to all of this is communication. Understand what your clients have and start that regular conversation."
Andrew Kinsey
Marine Consultant

How is the pandemic causing constraints on capacity and major congestion at ports throughout the United States?

The pandemic continues to impact the entire supply chain. It's not just U.S. It's, of course, all the ships anchored off our coast right now that are a stark reminder of it.

It wasn't that long ago that all these ships were sitting laid up in the second quarter and third quarter of 2020 when the supply chain was idle. It continues to impact overall. The thing about the vessel sitting off the coast—those boxes aren't getting back into the supply chain, too, because at the end of the day, container shipping uses a reusable container.

That's what a TEU, or a 20-foot equivalent unit, is. It's a reusable container that needs to be put back into the supply chain. It's an overall loop.

What is causing much of this disruption?

It's a fascinating overall global impact, because it goes back to the root of how our supply chain is currently developed.

This supply chain was developed for cost savings and just-in-time delivery. It was not predicated around robustness or survivability and it's not a one-size-fits-all.

If you're looking at what challenges there are, it's the overall structure of it. The Achilles' heel right now is the single-source procurement model that many people are following.

How is the increasing use of megaships straining port infrastructure and further complicating supply chains?

As I've said in the past, the ultra-large container vessel is an economy of scale for the ocean shipper. It's not an economy of scale or savings for the rest of the supply chain. What's happening with these ultra-large container vessels is you're limiting the availability of locations to discharge.

You need the ports with the cranes, air draft as well as depth. As soon as you start to limit your options, or when those options start to drop off the board, it creates serious congestion problems.

According to reports, global supply chain delays and congestion in ports like Los Angeles and Long Beach in California are causing concerns for the upcoming holiday seasons and have some of the largest U.S. retailers like Walmart and Target now starting to charter their own cargo ships to import goods. Are there opportunities or perhaps risks for the insurance market to come about from that?

Yes, there are. The first thing is that while it sounds like a great idea, the availability of tonnage to charter right now is severely limited and it's expensive.

In addition, just because you get the ship, doesn't mean that you have the infrastructure, the crew, or the shore-side support staff to support that.

You have to man them and manage them, not just load them. They still have yet to identify how this is going to help on the discharge. Just because you get the boxes on board, how and where are you going to discharge those?

From a marine insurance standpoint, any time you change or adjust the normal course of transit, it's a concern.

Speaking of marine insurance, what will all this disruption to the global supply chain mean for the market?

I can tell you, personally, it's led to a lot more phone calls and late-night meetings because we have to identify what our insureds are experiencing. The insureds have to then take a long, hard look at their supply chain.

They have to know where their suppliers are getting their supplies in order to identify and try to get ahead of these disruptions, which will continue.

There's no magic bullet. Just because we decide to open terminals for 24/7 operations in the U.S., that's just going to then change that stressor to the trucking, the railroad, or the warehousing capabilities.

It's going to be a long and bumpy road until this evens itself out.

What will this all mean for insurance claims?

Any time that we modify or adjust the normal course of transit, we have additional exposures for both cargo and hull.

It's not just the cargo that's at risk. As you start to change what the vessel does or where it calls, these are increased potentials for adverse reaction.

We all need to get on board and understand what's going on. The key to that is communication.

What can companies do to mitigate the risk of supply chain disruption in the current climate, and how can they prepare for a heightened period of disruption?

First, the key is that the companies need to understand what their current supply chain is and how it's predicated. What are its weak links in it?

Also, identify your suppliers and work toward making a more robust model. After that, when you can bolster those risk areas, then you can make it more efficient in that you are more resilient.

Another key to this is knowing where your cargo is. Understand where your cargo is currently underway and where it's residing. From the standpoint of risk, we're better off having it be on container ships waiting to discharge than to be waiting on a roadside or in an unsecured warehouse location after discharge.

Finally, follow up.

The key to all of this is that it's a constantly changing landscape. Just because it was this way last week, it doesn't mean it will be this way the following week. Have a plan A and a plan B, and then understand that those plans will change.

What can insurers do to help their clients?

I believe the key to all of this is communication. Understand what your clients have and start that regular conversation.

One of our most successful tools in supporting our insureds is regular meetings. Have those meetings, start them up when things are going well, not just when things go wrong.

If you get more people involved and you help to identify potential weak points, you can bolster them before you get a failure.

President Biden recently outlined steps that his administration will be taking alongside some ports and retailers to help alleviate supply chain issues, including longer port hours and moving more products during off-peak hours. Are there any insurance implications to come about from those efforts?

There's the potential because we need to make sure that when that cargo is getting to that last mile that it has secure locations to stay. Cargo theft is something that continues to be a concern, as is lost cargo.

As we start to work outside normal hours and outside normal protocols, we have to make sure we have the same supports, the same checks and balances in place as during normal operations.

When might we see challenges to the global supply chain start to improve, and do you see disruption getting worse before it gets better?

Yes, I do. We've been very fortunate right now in that it's been a rather benign hurricane season. We continue to have the challenges of a worsening global weather scenario, including last year when we had a very bad season for lost containers in North Pacific transits.

We have to look at it holistically, and also look at the overall supply chain. Until we start to get a more robust model of that supply chain, we will continue to have disruptions. BR

AM Best TV

Go to *www.bestreview.com* to watch the interview with Andrew Kinsey.

Best's Rankings

Top 25 U.S. Ocean Marine Writers – 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

2020 Rank	2019 Rank	Company / Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%) 2020	Market Share (%) 2019	Market Share (%) 2018	Adjusted Loss Ratios 2020	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	% of Company Premiums
1	1	Amer Intl Group	018540	$626,517	4.2	15.0	15.2	16.1	37.4	29.6	26.1	4.6
2	2	Berkshire Hathaway Ins	000811	354,030	11.2	8.5	8.1	8.3	81.5	68.3	79.4	0.8
3	3	Travelers Group	018674	294,127	8.6	7.1	6.9	7.1	50.4	54.3	40.0	1.0
4	4	Chubb INA Group	018498	265,605	-0.7	6.4	6.8	5.8	20.3	36.2	29.3	1.1
5	6	Tokio Marine US PC Group	018733	255,358	27.1	6.1	5.1	4.0	62.4	56.0	40.6	2.8
6	5	Starr Intl Group	018756	255,182	10.0	6.1	5.9	5.4	78.7	91.7	108.8	6.7
7	7	Hartford Ins Group	000048	170,221	-6.2	4.1	4.6	5.3	93.9	86.3	47.2	1.4
8	12	Great Amer P & C Ins Group	004835	153,234	29.8	3.7	3.0	3.2	48.6	54.5	55.9	2.3
9	9	CNA Ins Cos	018313	150,142	8.9	3.6	3.5	3.6	60.2	59.9	14.8	1.3
10	11	Intact US Ins Group	018458	141,735	11.4	3.4	3.2	3.5	59.5	45.4	65.1	10.4
11	15	Liberty Mutual Ins Cos	000060	132,962	21.2	3.2	2.8	2.7	56.7	66.3	49.6	0.4
12	10	Markel Corp Group	018468	125,147	-6.9	3.0	3.4	3.6	40.1	60.1	65.6	2.1
13	8	Allianz US PC Ins Companies	018429	105,485	-37.5	2.5	4.3	4.8	75.3	93.4	67.2	2.1
14	14	XL Reins America Group	018557	99,453	-10.5	2.4	2.8	3.7	71.9	72.2	78.6	1.4
15	16	Zurich Ins US PC Group	018549	99,364	8.5	2.4	2.3	2.3	47.9	57.4	66.0	0.7
16	13	Amer Steamship Owners Mut P & I Assn	000161	92,445	-20.0	2.2	2.9	2.4	49.7	48.5	46.9	100.0
17	17	Sompo Hldgs US Group	018878	73,160	1.1	1.8	1.8	1.9	59.1	66.8	114.0	1.4
18	26	Ascot Ins U.S. Group	018915	65,730	113.6	1.6	0.8	0.0	57.8	39.7	0.0	25.9
19	18	Farmers Ins Group	000032	61,056	5.9	1.5	1.5	1.6	69.2	72.1	79.0	0.3
20	19	Hanover Ins Group Prop & Cas Cos	004861	53,102	12.2	1.3	1.2	1.4	32.7	31.4	48.3	1.0
21	37	Nationwide Group	005987	51,260	374.1	1.2	0.3	0.4	77.0	68.2	81.6	0.3
22	22	RLI Group	003883	42,395	6.4	1.0	1.0	0.9	44.1	53.9	57.9	3.8
23	30	Argo Group	004019	41,946	52.0	1.0	0.7	0.5	38.2	46.4	47.3	2.1
24	20	HDI/Talanx US PC Group	018907	41,794	-8.2	1.0	1.2	1.3	24.6	85.2	21.4	6.2
25	25	ProSight Specialty Group	000419	41,225	9.8	1.0	1.0	1.0	28.8	37.8	72.2	5.0
		Top 25 Writers		**$3,792,675**	**5.2**	**90.9**	**91.4**	**92.7**	**55.3**	**57.4**	**51.7**	**1.3**
		Total U.S. P/C Industry		**$4,171,853**	**5.8**	**100.0**	**100.0**	**100.0**	**55.0**	**58.4**	**52.6**	**0.6**

Note: Data for some companies in this report has been received from the NAIC.
Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; data as of: Oct. 1, 2021

Best's Rankings

Top 25 U.S. Inland Marine Writers – 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

2020 Rank	2019 Rank	Company / Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%) 2020	Market Share (%) 2019	Market Share (%) 2018	Adjusted Loss Ratios 2020	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	% of Company Premiums
1	1	Liberty Mutual Ins Cos	000060	$3,867,057	2.2	14.9	14.3	14.4	73.4	66.8	62.9	10.7
2	2	CNA Ins Cos	018313	3,526,965	-0.1	13.6	13.3	15.1	66.8	58.0	51.0	30.0
3	4	Chubb INA Group	018498	1,528,335	12.9	5.9	5.1	5.2	79.7	50.7	53.0	6.3
4	3	Amer Intl Group	018540	1,105,107	-32.8	4.3	6.2	6.6	39.2	41.6	11.7	8.2
5	7	Assurant P&C Group	018523	1,046,305	-10.7	4.0	4.4	3.2	33.5	40.4	54.3	12.6
6	6	FM Global Group	018502	982,971	-17.2	3.8	4.5	4.5	79.2	32.9	46.3	19.1
7	8	Nationwide Group	005987	957,525	11.0	3.7	3.3	3.1	69.5	64.7	63.1	5.2
8	5	Allianz US PC Ins Companies	018429	842,580	-33.2	3.3	4.8	4.5	108.3	41.9	42.1	16.7
9	10	Zurich Ins US PC Group	018549	758,015	10.4	2.9	2.6	2.7	37.5	28.8	35.6	5.6
10	9	Travelers Group	018674	750,870	-1.2	2.9	2.9	3.0	51.0	48.2	51.5	2.6
11	11	State Farm Group	000088	678,162	4.7	2.6	2.5	2.6	44.9	42.6	42.1	1.0
12	12	Progressive Ins Group	000780	565,775	17.6	2.2	1.8	1.7	50.5	42.2	52.1	1.3
13	14	XL Reins America Group	018557	480,226	18.0	1.9	1.5	1.5	63.2	63.9	79.1	6.8
14	17	Amer Pet Ins Co	013860	458,559	36.3	1.8	1.3	1.1	65.7	65.2	64.9	100.0
15	15	Great Amer P & C Ins Group	004835	380,415	7.2	1.5	1.3	1.3	40.3	34.8	38.5	5.7
16	16	Markel Corp Group	018468	365,833	4.5	1.4	1.3	1.2	47.3	48.1	44.3	6.0
17	13	Fairfax Financial (USA) Group	003116	307,149	-26.7	1.2	1.6	1.5	66.4	61.6	64.2	4.1
18	20	USAA Group	004080	301,863	-0.3	1.2	1.2	1.2	25.2	29.9	44.2	1.2
19	18	Old Republic Ins Group	000734	298,455	-6.3	1.2	1.2	1.4	30.6	31.2	38.1	6.2
20	21	Hanover Ins Group Prop & Cas Cos	004861	288,022	4.6	1.1	1.0	1.0	41.0	46.5	50.0	5.6
21	22	Hartford Ins Group	000048	248,078	-7.8	1.0	1.0	1.0	49.5	58.8	56.2	2.0
22	28	IAT Ins Group	018567	238,186	15.6	0.9	0.8	0.7	18.9	14.4	17.9	16.0
23	25	Jewelers Mutual Ins Group	018905	233,976	7.3	0.9	0.8	0.8	30.1	40.2	34.4	88.9
24	23	Fortegra P&C Group	018686	229,025	-7.5	0.9	0.9	0.9	11.6	6.8	10.1	29.8
25	34	OH Indemnity Co	004813	224,854	42.2	0.9	0.6	0.6	51.0	51.5	39.2	56.1
		Top 25 Writers		**$20,664,308**	**-3.4**	**79.6**	**80.9**	**81.4**	**61.1**	**50.6**	**48.8**	**5.9**
		Total U.S. P/C Industry		**$25,947,205**	**-1.9**	**100.0**	**100.0**	**100.0**	**63.8**	**49.0**	**47.3**	**3.6**

Note: Data for some companies in this report has been received from the NAIC.
Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; data as of: Oct. 1, 2021

Best's Rankings

Top 25 U.S. Fire and Allied Writers – 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

2020 Rank	2019 Rank	Company / Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%) 2020	Market Share (%) 2019	Market Share (%) 2018	Adjusted Loss Ratios 2020	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	% of Company Premiums
1	1	Zurich Ins US PC Group	018549	$3,894,179	13.9	7.3	7.2	7.2	113.7	84.3	80.2	28.6
2	2	Chubb INA Group	018498	3,328,448	7.0	6.2	6.5	6.7	83.9	59.9	64.8	13.8
3	4	FM Global Group	018502	3,264,053	31.7	6.1	5.2	4.7	48.5	50.9	134.8	63.6
4	3	Sompo Hldgs US Group	018878	2,857,365	13.8	5.4	5.3	5.3	105.4	104.2	76.4	53.2
5	5	Amer Intl Group	018540	2,640,526	10.6	4.9	5.0	5.5	85.1	64.5	70.9	19.6
6	6	QBE North America Ins Group	005658	2,191,351	16.4	4.1	4.0	4.0	93.3	92.0	58.4	46.3
7	8	Travelers Group	018674	1,791,018	11.7	3.4	3.4	3.3	40.3	57.9	67.8	6.2
8	7	Assurant P&C Group	018523	1,697,363	-0.8	3.2	3.6	3.9	34.0	39.9	52.0	20.4
9	9	Liberty Mutual Ins Cos	000060	1,345,725	3.7	2.5	2.7	2.9	65.2	48.9	34.1	3.7
10	10	Farmers Ins Group	000032	1,292,219	6.1	2.4	2.6	2.6	50.1	44.1	48.6	5.5
11	19	Berkshire Hathaway Ins	000811	1,120,091	37.2	2.1	1.7	1.5	55.6	50.3	67.1	2.4
12	11	Great Amer P & C Ins Group	004835	1,059,894	-0.7	2.0	2.2	2.4	67.3	83.5	55.6	15.8
13	16	Allianz US PC Ins Companies	018429	1,019,101	22.1	1.9	1.8	1.4	81.4	50.6	94.8	20.2
14	12	XL Reins America Group	018557	1,017,381	14.3	1.9	1.9	1.5	107.7	84.8	85.0	14.5
15	13	Fairfax Financial (USA) Group	003116	1,008,731	15.2	1.9	1.8	1.5	94.7	68.7	108.3	13.5
16	17	Tokio Marine US PC Group	018733	918,856	10.6	1.7	1.8	2.1	74.0	91.6	75.9	10.0
17	15	USAA Group	004080	877,720	4.6	1.6	1.8	1.8	49.7	53.2	80.1	3.6
18	18	CA Earthquake Authority	012534	843,756	2.8	1.6	1.7	1.8	-0.3	0.0	0.0	100.0
19	14	FMH Ins Group	018171	826,256	-3.0	1.6	1.8	1.8	77.9	101.9	64.8	98.2
20	20	Wright National Flood Insurance Company	012582	728,109	4.5	1.4	1.5	1.4	25.4	48.9	11.6	100.0
21	21	Swiss Reins Group	003262	716,510	12.6	1.3	1.3	1.1	70.6	82.1	67.7	31.7
22	26	Starr Intl Group	018756	714,518	55.3	1.3	1.0	0.7	70.5	74.5	65.4	18.7
23	24	Alleghany Corp Group	018640	656,393	23.8	1.2	1.1	0.9	70.1	36.2	55.7	30.1
24	22	Selective Ins Group	003926	640,082	8.1	1.2	1.2	1.3	53.4	43.2	57.8	20.0
25	23	Nationwide Group	005987	627,716	7.6	1.2	1.2	1.3	67.8	41.5	86.7	3.4
		Top 25 Writers		**$37,077,361**	**12.5**	**69.4**	**69.3**	**68.9**	**73.8**	**67.5**	**71.0**	**12.3**
		Total U.S. P/C Industry		**$53,425,229**	**12.3**	**100.0**	**100.0**	**100.0**	**69.1**	**61.5**	**69.9**	**7.3**

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

Source: BESTLINK — State/Line (P/C Lines) - P/C, US; data as of: Oct. 1, 2021

Best's Rankings

U.S. Fire and Allied Lines — Top Writers by State, Canada and U.S. Territories — 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

State	2020 Rank	2019 Rank	No of Cos	Direct Premiums Written	% of Grand Total	% Change in Premiums	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	31	31	447	$609,963	1.1	13.1	167.0	4.1	75.9	24.1	Chubb INA Group	6.8	Zurich Ins US PC Group	6.4
AK	46	46	251	148,746	0.3	15.8	46.5	0.5	66.9	33.1	Allianz US PC Ins Companies	14.2	Western Natl Ins Group	11.2
AZ	35	35	470	496,583	0.9	15.4	55.4	1.2	72.1	27.9	Great Amer P & C Ins Group	8.1	Zurich Ins US PC Group	7.7
AR	32	32	435	553,014	1.0	8.9	119.6	1.3	67.0	33.0	Farm Bureau Mutual Ins Co of Arkansas	9.7	Amer Intl Group	8.2
CA	1	1	471	6,206,768	11.6	18.7	45.5	1.4	76.2	23.8	CA Earthquake Authority	13.6	Zurich Ins US PC Group	6.8
CO	27	26	447	753,554	1.4	14.4	72.5	0.8	72.5	27.5	Zurich Ins US PC Group	8.7	Chubb INA Group	8.5
CT	39	39	412	394,920	0.7	12.5	53.9	2.0	70.0	30.0	FM Global Group	9.1	Assurant P&C Group	6.8
DE	52	50	365	94,120	0.2	-5.0	38.0	1.2	80.7	19.3	Zurich Ins US PC Group	15.4	Selective Ins Group	9.8
DC	50	53	315	108,486	0.2	32.8	41.8	2.2	75.4	24.6	FM Global Group	14.8	Travelers Group	14.0
FL	2	2	468	5,826,177	10.9	14.3	48.3	3.2	90.6	9.4	Assurant P&C Group	7.6	Citizens Property Ins Corporation	7.4
GA	12	18	513	1,073,504	2.0	14.5	88.9	1.9	73.9	26.1	Sompo Hldgs US Group	9.1	FM Global Group	7.2
HI	41	40	245	288,373	0.5	12.4	16.8	1.3	90.3	9.7	Tokio Marine US PC Group	14.5	Amer Intl Group	7.2
ID	44	44	396	221,788	0.4	18.2	63.5	0.9	80.9	19.1	Chubb INA Group	17.4	QBE North America Ins Group	14.7
IL	5	5	530	1,800,376	3.4	10.4	53.8	1.3	78.3	21.7	Zurich Ins US PC Group	9.5	Great Amer P & C Ins Group	8.5
IN	20	20	490	963,673	1.8	8.5	36.8	0.7	81.3	18.7	Sompo Hldgs US Group	8.6	Zurich Ins US PC Group	6.7
IA	14	9	429	1,073,031	2.0	2.4	151.3	1.1	89.9	10.1	Chubb INA Group	15.0	FMH Ins Group	13.7
KS	17	11	435	1,058,814	2.0	4.0	28.8	0.7	86.3	13.7	Zurich Ins US PC Group	14.8	Chubb INA Group	10.5
KY	33	33	458	539,423	1.0	10.8	44.0	1.2	73.6	26.4	Zurich Ins US PC Group	10.8	FM Global Group	10.2
LA	8	8	411	1,280,550	2.4	7.1	260.0	5.7	77.0	23.0	Wright National Flood Insurance Company	7.1	Sompo Hldgs US Group	5.3
ME	49	49	345	123,303	0.2	12.9	26.5	0.2	64.2	35.8	FM Global Group	12.4	Chubb INA Group	7.2
MD	37	36	439	462,070	0.9	11.9	46.5	1.0	73.0	27.0	Travelers Group	8.9	FM Global Group	8.8
MA	25	25	416	781,512	1.5	11.5	63.9	2.5	75.4	24.6	FM Global Group	9.9	Travelers Group	6.1
MI	24	24	441	800,045	1.5	10.4	63.6	1.3	78.1	21.9	Zurich Ins US PC Group	8.6	Auto-Owners Ins Group	7.5
MN	7	7	442	1,361,873	2.5	7.9	78.1	0.7	89.9	10.1	Zurich Ins US PC Group	17.1	Sompo Hldgs US Group	9.2
MS	34	34	419	529,529	1.0	11.6	87.0	1.7	74.2	25.8	Sompo Hldgs US Group	21.0	FM Global Group	5.8
MO	15	15	466	1,064,863	2.0	9.3	53.1	0.8	74.8	25.3	Chubb INA Group	15.8	Zurich Ins US PC Group	7.1
MT	43	42	364	265,793	0.5	10.5	55.1	0.5	83.3	16.7	Chubb INA Group	22.6	QBE North America Ins Group	21.4
NE	18	16	408	982,326	1.8	3.1	77.3	0.1	92.3	7.7	Zurich Ins US PC Group	19.1	QBE North America Ins Group	15.8
NV	40	41	410	321,671	0.6	27.3	81.0	1.7	67.5	32.5	FM Global Group	10.7	QBE North America Ins Group	9.6
NH	51	52	360	94,814	0.2	13.3	21.7	0.5	67.5	32.5	FM Global Group	9.4	Zurich Ins US PC Group	8.3
NJ	13	14	447	1,073,066	2.0	9.9	43.7	1.5	79.4	20.6	Assurant P&C Group	8.4	Selective Ins Group	8.0
NM	45	45	388	219,745	0.4	23.6	75.2	0.4	73.2	26.8	Sompo Hldgs US Group	14.4	Amer Intl Group	10.8
NY	4	4	519	2,235,395	4.2	16.6	62.5	2.2	77.8	22.3	Travelers Group	8.1	FM Global Group	8.1
NC	9	13	474	1,121,018	2.1	14.3	59.8	1.2	75.4	24.6	Zurich Ins US PC Group	9.4	FM Global Group	5.7
ND	16	10	356	1,058,884	2.0	1.5	114.0	0.1	93.8	6.2	QBE North America Ins Group	24.3	Chubb INA Group	21.7
OH	10	12	512	1,110,789	2.1	9.2	53.5	1.3	80.6	19.4	Zurich Ins US PC Group	10.3	FM Global Group	7.8
OK	30	30	423	642,335	1.2	3.1	60.2	2.3	68.8	31.2	Sompo Hldgs US Group	8.6	Zurich Ins US PC Group	7.6
OR	36	38	423	476,519	0.9	18.7	87.8	1.1	65.8	34.2	FM Global Group	8.0	Liberty Mutual Ins Cos	7.5
PA	11	17	564	1,090,239	2.0	15.0	62.3	1.7	74.1	25.9	FM Global Group	9.4	Travelers Group	7.5
RI	48	48	341	129,481	0.2	16.9	29.6	1.0	72.2	27.8	FM Global Group	8.8	Assurant P&C Group	6.4
SC	21	22	462	887,114	1.7	19.0	59.3	2.1	69.8	30.2	Berkshire Hathaway Ins	13.3	Chubb INA Group	7.6
SD	26	21	376	760,199	1.4	-0.7	81.0	0.2	94.6	5.4	Chubb INA Group	27.7	Sompo Hldgs US Group	12.6
TN	23	23	496	820,892	1.5	11.8	174.2	2.6	65.1	35.0	FM Global Group	9.0	TN Farmers Ins Cos	7.3
TX	3	3	536	5,640,341	10.6	12.3	70.7	1.2	80.5	19.6	Sompo Hldgs US Group	10.0	Germania Mutual Group	5.6
UT	42	43	412	278,901	0.5	21.5	110.2	1.6	63.1	36.9	FM Global Group	11.4	Assurant P&C Group	7.6
VT	53	51	335	92,685	0.2	8.2	30.8	-1.5	50.1	49.9	Queen City Assur, Inc.	29.7	Allianz US PC Ins Companies	11.8
VA	29	29	476	703,279	1.3	11.8	47.6	1.2	71.1	28.9	USAA Group	9.9	Zurich Ins US PC Group	9.6
WA	19	19	439	978,502	1.8	9.0	51.0	0.9	69.3	30.7	Chubb INA Group	9.0	Zurich Ins US PC Group	7.8
WV	47	47	363	135,317	0.3	7.7	35.9	1.7	70.9	29.1	Amer Natl Prop & Cas Group	6.8	FM Global Group	6.1
WI	28	28	458	736,125	1.4	15.1	49.1	0.9	85.2	14.8	Zurich Ins US PC Group	11.3	QBE North America Ins Group	8.4
WY	54	54	346	86,077	0.2	13.8	72.2	1.0	70.1	29.9	FM Global Group	10.0	Amer Intl Group	8.7
Amer. Samoa	58	58	4	241	0.0	999.9	20.9	-3.1	99.9	0.1	Tokio Marine US PC Group	99.9	FM Global Group	0.1
Guam	56	56	39	52,995	0.1	11.0	4.0	-1.3	99.8	0.2	DB Ins US Group	42.7	Aioi Nissay Dowa Ins Co Ltd. GUO	14.3
Puerto Rico	38	37	88	434,416	0.8	7.9	66.7	3.9	86.2	13.8	MAPFRE North America Group	28.1	Amer Intl Group	10.9
U.S. Virgin Is.	55	55	53	62,011	0.1	8.3	-38.1	6.0	93.7	6.3	Underwriters at Lloyd's, London (VI)	71.7	Guardian Ins Group	6.8
Canada	22	27	47	831,766	1.6	26.8	29.4	0.7	39.6	60.4	FM Global Group	40.9	Allianz US PC Ins Companies	15.2
Other	6	6	83	1,482,823	2.8	12.7	73.3	1.0	74.5	25.5	Fairfax Financial (USA) Group	40.4	Chubb INA Group	17.0
N. Mariana Is.	57	57	11	4,412	0.0	0.7	-15.8	-0.6	99.9	0.1	First Net Ins Co	56.8	DB Ins US Group	36.9
Grand Total			**1,308**	**$53,425,229**	**100.0**	**12.3**	**69.2**	**1.6**	**78.8**	**21.2**	**Zurich Ins US PC Group**	**7.3**	**Chubb INA Group**	**6.2**

Note: Data for some companies in this report has been received from the NAIC.
Ratios of 999.9 and -99.9 are maximum and minimum values, respectively.
1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.
Source: BESTLINK — State/Line (P/C Lines) - P/C, US; data as of: Oct. 1, 2021

Upstart Wysh Looks to Break Into the World of Life Insurance With a Focus on Flexibility and Usefulness

Founder Alex Matjanec hopes customers embrace the idea of life insurance tied to a changing set of obligations and life events rather than a set dollar amount.

by Terrence Dopp

Alex Matjanec, founder and head of Purpose & Vision at Wyshbox, is hoping a combination of flexibility and practical utility is what sets the newly launched life insurer apart from its more traditional peers.

As he sees it, the historical model works something like this: A customer buys a policy, then proceeds to make fixed monthly payments on a static contract for the full term of that policy. The agreement stays in force at that level.

But the approach taken by Matjanec's company, Wysh Life and Health Insurance Co., differs slightly: Customers compile a list of "wyshes"—think paying off a mortgage or replacing income—and the coverage is tailored to those costs. As items are added or subtracted throughout a person's life, wyshes can be added or taken away, adjusting the face value of that policy through a seamless process Matjanec hopes creates the vaunted "utility" aspect.

In that sense, he said he's hoping to make life insurance more like a credit card protection policy that gets adjusted as spending and debt limits move up and down. Customers of Wysh—the name was chosen for its hopeful tones and the spelling is a branding effort—will know they have the right level

Key Points

Company: Operating as Wyshbox, the independent subsidiary of Northwestern Mutual sells term life targeted to an audience that is younger and less tradition-minded than historical life insurance consumers.

Flexibility: The new player allows its customers to more easily modify policies and offers more opportunity to do that without starting a new policy or incurring additional fees.

Digital Age: Founder Alex Matjanec, who describes himself as a serial entrepreneur, envisions the insurer along the lines of financial trading apps such as Stash Invest, which integrate more into the lives of users.

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

"Your life is changing, so you should only pay for what you need. That's why we made it easy to adjust your coverage up or down. Nothing's fixed in my life. Why should this product be that way?"

Alex Matjanec
Wysh Life and Health Insurance Co.

of coverage through the company's method of selling life insurance, Matjanec said.

"If I'm buying coverage for my mortgage and credit cards, the No. 1 thing people are covering when they're buying with us, and a month later I've paid off my mortgage—now I'm overinsured," he said. "What am I doing with that coverage? Do I add new wyshes or do I easily lower my coverage and pay less?"

At 38, Matjanec describes himself as a serial entrepreneur.

He says he spent the past decade in the fintech world. His credits include being one of the founders of MyBankTracker.com, which he called the Expedia of banks. He also was a founder of AD:60, a mobile app and development firm that counted Stash Invest, which allows users to buy and sell fractional shares, and other products including a music service sold to Google and ACE Portal among the projects it worked on. Wysh, which grew from 27 to 55 employees during the COVID-19 pandemic, began selling policies in 10 U.S. states on Sept. 8. The company is an independently run subsidiary of Northwestern Mutual Life Insurance Co. Despite its status as a subsidiary, Matjanec said the two companies won't share employees and the prime interplay between them is a Northwestern presence on the Wysh board.

Matjanec said he identified that structure immediately as a way to break into the capital-intensive life insurance industry without the need to seek out constant rounds of funding.

Concierges

Another way in which the company differs from its more established peers is its use of "wysh granters."

They function almost as "death concierges" that can help guide a beneficiary through the often complex maze of settling estates. That mortgage that was one of a policyholder's "wyshes?" The granter can help the beneficiary go about paying it off as well as any other items that need to be paid. Or of course a beneficiary can just take the lump sum.

While such a tailored service might prove impractical or costly in the higher frequency property/casualty market, he said it is much more realistic in life insurance and will be handled by the Wyshbox customer service team.

"We already have a high-touch service support team where you can get us on chat, get us on the phone or get us on email," Matjanec said. "The team that is supporting this initiative was already there and the frequency of claims even over our five- and 10-year projections didn't cause any issues. If it does become a problem, that means we're being very successful."

Either way, he said the flexibility and utility are front and center in both the ability to modify coverage and granters.

"What we really tried to focus on was how we make this utility and came across needs-based life insurance," he said. "It's a concept that's been around forever. It's how agents today sell life insurance. But no one focused on digitizing it, and when we thought about building our brand that was where Wyshbox came to life."

First Rating

AM Best issued its inaugural rating of Wysh Life and Health Insurance Co. in July with a Financial Strength Rating of A- (Excellent), citing its "balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management."

The rating determination also reflected the company's plan to make a capital investment to keep an appropriate level of risk-adjusted capital.

"The company plans to grow through a direct-to-consumer business model for its term life business, without the need for broker or agent interactions as part of the closing process," the ratings report said. "The business model is to focus on originating term life products to a marketplace that does not have the need or desire to purchase insurance through traditional channels."

About 102 million people in the U.S. have a so-called protection gap, according to industry tracker LIMRA. That gap can range from the 73 million who need more insurance to the 29 million who lack it completely. The group, and life insurers as a whole, have made closing this gap both a societal function and a business model.

LIMRA also has found an increase in direct-to-consumer, digital sales of life insurance in the past year. The group has cited technological issues exposed by COVID-19, which it said include legacy systems, "siloed" operations and the need to modernize.

While facts like these can seem daunting, they also motivate people like Matjanec.

His company plans to target younger, middle-market consumers with policies that can balloon and contract as life and financial needs change. The initial target is people ages 18 to 45, and because the focus is on getting through to retirement, coverage can only go up to age 65 with terms that run from two to 45 years.

Another new facet will be the "Keep Rates Young" program, which he said will allow people to retain the rate they signed up at provided there are no emerging health threats. If a customer needs to increase their policy by $100,000 a decade after signing up, they can do so without being underwritten at a higher rate provided no mitigating health issues have cropped up.

"Your life is changing, so you should only pay for what you need. That's why we made it easy to adjust your coverage up or down," he said. "Nothing's fixed in my life. Why should this product be that way?"

Wyshbox isn't alone in trying to crack into the life insurance market.

In the past year, Dayforward and Texas-based Bestow entered the space, betting that new companies with a technology-based approach to offering life insurance would prosper. All three may take different approaches and vary in nuance, but the common factor is a belief that the market has room for a company that is more responsive to changing economic patterns and is more closely integrated into the lives of its customer base.

Learning to keep the floor from falling out and how to operate amid the COVID-19 pandemic marked 2020 for the life insurance industry. This year has been about how to thrive and how to retain the momentum as the world starts to emerge from the darkest days of lockdowns and shuttered businesses.

And technology, from direct digital sales to new underwriting tools, has been a constant in both of those scenarios.

Prudential Financial Inc. increased its use of digital tools such as fluidless underwriting and expanded products such as its SimplyTerm life offering. MetLife Inc. hastened a pilot program with accelerated underwriting and migrated the application process for one of its life products in China onto social media platforms in two weeks as it doubled down on technology as the business model.

The typical model is for technology-focused startups to enter the insurance industry in lines like health and property/casualty rather than life and annuity because those policies typically reset every year so they can be more forgiving.

The rise of insurtechs in all markets can be seen in managing general agency and property/casualty carrier Hippo Enterprises, which recently acquired Spinnaker Insurance Co. to become both a standard MGA and a risk-assuming carrier. Think of Root Inc. or Lemonade Inc., two insurtechs with successful public offerings in other parts of the insurance world. In Root's case, the auto-focused carrier in December 2020 said it had more than $1.2 billion in new capital after completing an IPO and concurrent private placement in October 2020. Just last month, Lemonade agreed to acquire Metromile Inc. in a stock deal valued at $500 million.

Matjanec said Wysh currently is looking into expanding its offerings, but to date the heavy capitalization required for annuities has made that a heavy lift. The guiding principle of any business decision will be whether new tools and products create a connection with customers.

When first sizing up life insurance for its potential to accept new entrants, Matjanec said he noticed the industry—and insurance more broadly—was solely "transactional." In response, he said the company will strive to become ingrained in peoples' lives on a deeper level to avoid the negative reactions that have spurred some to shy away from purchasing coverage.

"There's always a tangible piece to it," he said. BR

AM Best: US Title Insurance Premium Saw Sizable Growth in 2020 Despite COVID-19

Looking forward, housing demand will remain strong, but not at the same pace seen in the last 12 to 18 months.

by Lori Chordas

While the COVID-19 pandemic had a limiting impact on many sectors of the economy, for the title industry it has been nothing short of a boom.

Historically low borrowing rates, a rising housing market, elevated demand and an explosion of loan refinancing activity have spurred substantial growth not seen by title insurers in recent memory, according to the *Best's Market Segment Report: Robust Housing Market Drives Historic Title Performance*. Kourtnie Beckwith, financial analyst, and Ann Modica, associate director, both of AM Best, discussed the report with AM Best TV.

Following is an edited transcript of the interview.

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

The housing market has been red-hot. Can it sustain itself at these levels?

Modica: The housing market has been on quite a tear this year, really since the third quarter of last year, as demand for homes far outpaced the supply. This resulted in record pricing appreciation in some areas, but we believe the rate of appreciation is unsustainable over the long-to-medium term, and we expect this to moderate over time.

I'm just going to take a little quick look at what caused the pricing appreciation. Housing supply not keeping up with demand really dates

AM Best TV

Go to *www.bestreview.com* to watch the interview with Kourtnie Beckwith and Ann Modica.

“AM Best believes that the entrance of smaller regional or even insurtechs like Doma still need some time to be seen in terms of their acceptability and their effectiveness, and we intend to follow this closely and report back later.”

Kourtnie Beckwith
AM Best

back prior to COVID, but the pandemic just really exacerbated it.

Demand for housing increased during the pandemic for a variety of reasons, including the desire to move away from populated areas, the need for more space, as people were working from home, schooling from home, and, obviously, the lower mortgage rates made the cost of borrowing for a home even cheaper.

All these factors added to the existing demand that was out there prior to COVID. During the same time, as demand was increasing, supply was being limited due to lower new construction and people not listing their existing homes.

Looking forward, we believe that housing demand will remain strong, but not at the same pace we’ve seen in the last year, year and a half. We have seen signs of this moderating as pricing begins to decelerate in some areas, and more inventory becomes available.

Did the pandemic have any impact on title insurers’ upfront costs?

Beckwith: Title insurance undoubtedly has heavy upfront costs, which benefits both the policyholder and title insurers. They incur a substantial cost because of personnel expenses, the cost to service, abstractors and attorneys, coupled with the involvement of highly specialized title agents.

However, because of all the mitigation that takes [place] upfront prior to policy issuance, title insurance does experience very low loss ratios. As for your question, during the pandemic, the upfront cost has remained relatively flat, or slightly higher, due to volume, and that’s because of premiums.

In general, you could say that title insurance indirectly benefited from the pandemic, as we are in a low interest rate environment, and then home buyers decided to relocate out of some of their major cities.

When the current homeowners looked to refinance, they were able to refinance at lower rates to take advantage of things such as a reduced term, some home projects, renovations that they always wanted to complete, as well as consolidating debt, amongst other things.

With title insurance, the revenues are a little bit higher when it comes to home loan originations, simply because they’re based off of the home value, compared to refinancing, which usually there’s some equity in those loans, and the loans have a lower amount.

Are there any areas of concern for the housing market? For example, are first-time home buyers being left behind?

Modica: Affordability is definitely a concern, particularly for the first-home buyers, and this is being driven by the lack of inventory and a drive—the run-up in prices. While builders have started to increase production to meet demand, we still have supply chain bottlenecks, goods shortages and increasing construction costs.

That has really limited the pace of new construction growth. Goods like lumber have moderated and returned to pre-pandemic levels, but we’ve seen other pricing pressures for other materials persist, particularly for labor. There are a lot of construction jobs currently open.

I’ll just mention one other concern, and that’s the expected increase in mortgage rates will also affect home affordability. The Federal Reserve has started to signal that they will start to pull back on

"Looking forward, we believe that housing demand will remain strong, but not at the same pace we've seen in the last year, year and a half."

Ann Modica
AM Best

some of their extraordinary monetary support that it implemented last year.

In March of 2020, they cut the fed funds rate by 150 basis points, and they also started buying about $40 billion a month of mortgage-backed securities in order to provide liquidity, and this also helps keep mortgage rates low.

Many believe that the Fed will start to taper purchases, probably sometime in the beginning of next year, and then after that, they'll start to gradually increase the fed funds rate if and when the economy continues to improve, and these actions will drive mortgage rates higher.

The title insurance market is noticeably top-heavy. Is there room for new entrants or smaller players?

Beckwith: As you know, title insurance is, in fact, top-heavy. We are used to the coined term, the Big Four, which include Fidelity National, First American, Old Republic and Stewart.

They've dominated the industry since 2011, but we've seen that they lost some of that market share to some of the smaller players and new entrants over that same time. There are customers who choose to do business with the regional carriers, and so that's how some of the smaller title insurers and new entrants are able to gain some of that momentum.

Also, in the past couple of years, we've seen the entry of Doma, which was founded in 2016. Doma specializes in digitizing and streamlining the closing process. Actually, in March of 2021, they did enter a definitive business competition agreement with Capitol Investment Corp. to bring intelligence technology platform to the public for residential real estate.

AM Best believes that the entrance of smaller regional or even insurtechs like Doma still need some time to be seen in terms of their acceptability and their effectiveness, and we intend to follow this closely and report back later. BR

Best's Rankings

Largest U.S. Title Insurers – 2021 Edition

Ranked by 2020 gross premiums written.
(US$ thousands)

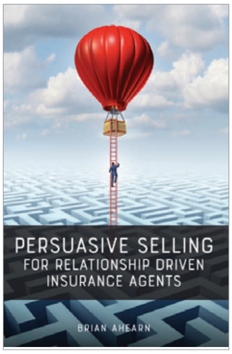
Rank	AMB #	Company	Gross Premiums Written	Capital & Surplus
1	018526	Fidelity National Title Group (G)	6,334,233	1,698,882
2	018363	First American Title Insurance Group (G)	4,348,830	1,525,909
3	018390	Old Republic Title Insurance Group (G)	2,894,533	647,747
4	018628	Stewart Title Group (G)	1,818,169	794,749
5	050113	Investors Title Company Group (G)	205,762	130,078

Source: BESTLINK

Author Details How Psychology Can Help Agents Assist Clients, Boost Sales

Brian Ahearn's book also talks about how to deal with different personality types.

Persuasive Selling for Relationship Driven Insurance Agents



Consumer behavior is powerful, and when insurance agents have a better understanding about how consumers act and communicate, that insight makes it easier for customers to say "yes" to a sale, according to Brian Ahearn, chief influence officer at Influence People LLC, in his latest book, *Persuasive Selling for Relationship Driven Insurance Agents*.

Selling success also comes from building relationships with different types of people. In his book, Ahearn introduces the "D-E-A-L" model, or what he describes as driver, expressive, amiable and logical personality types. He said when agents comprehend the psychology behind the traits of each, they can use different practices to interact with and meet the needs of a wide array of audiences. Following is an edited transcript of an interview with AM Best TV.

What are the keys to success when it comes to selling insurance?

At a high level, sales starts with building relationships, dealing with any concerns that a client has and then, hopefully, closing the sale. The book looks at eight steps in the selling process. A key to selling is understanding how people think and behave and being willing to change how you interact with consumers.

What do agents need to do to make it easier for people to say "yes" to them in an ethical manner?

Persuasion is more than changing hearts and minds. Ultimately, we are looking to change behavior. People often won't do something unless you communicate it to them, so how you communicate can make all the difference in the world. Research has discovered seven universal principles of persuasion and that when you tap into them ethically and correctly, it makes it easier for people to say "yes" to you. For example, we naturally follow the lead of somebody we look at as having superior wisdom or expertise. The problem is often somebody doesn't know what your expertise is. There may be an opportunity in a very natural, conversational way to put that out there.

What can people take away from the book?

I hope they'll recognize that ethical influence is a skill that's critical for their professional success. Because it's a skill, it can be learned, practiced and perfected. There are certain skills that we don't possess or we may never acquire, but this skill of influence isn't like that. It's just the choice, 'Will I learn what the research has to say? Will I begin to practice by putting it into play, and will I look to perfect it?' We need to ask, 'What went well? How can I refine my conversations so I become more effective?' The goal is not just for agents to sell more insurance, but to help their customers. By helping their customers the right way, agents will end up selling more insurance. BR

—Lori Chordas

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

AM Best TV

Go to *www.bestreview.com* to watch the interview with Brian Ahearn.

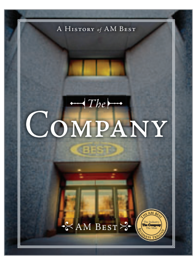
AM Best Trilogy

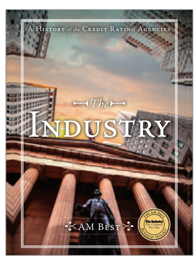
AM Best details the history of AM Best, the history of credit rating agencies, and the life of Alfred M. Best.

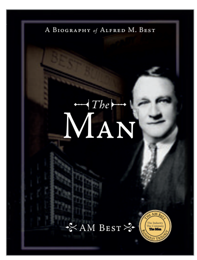
The Company—A History of AM Best

The Industry—A History of Credit Rating Agencies

The Man—A Biography of Alfred M. Best







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available at amazon

App Looks to Help Unite Global Risk Management Community

Risk managers now have a web-based app that can deliver insight into the field, professionals say.

RIMS App

The risk management community needs to establish a global network that can tap into their collective knowledge, professionals say. That's why a web-based app is now available to help risk professionals share their best ideas and practices.

The Risk and Insurance Management Society, otherwise known as RIMS, says it's launched an app to further unite the world's risk management community and deliver the most cutting-edge knowledge and insight in the field. Following is an edited transcript of an interview with Morgan O'Rourke, editor-in-chief of *Risk Management* magazine and RIMS director of publications.

What inspired you to launch the app?

Just before the pandemic hit, we had a focus group with some RIMS members, some staff and board members and we were talking about this thing. Then, all of a sudden, the pandemic happened, and it shifted things into gear. We realized we do need to have more resources for people to access when they are not at their desks or in their offices or anything like that.

How does the app work?

You can also listen to our podcasts. You can peruse our risk knowledge, which is our database of all our white papers. There are a few select papers you can download and take a look. You can access our community, which we call Opis, which is an online bulletin board.

How does this app assist in terms of risk management and mitigation?

The most important part is giving people multiple touch points, depending on what their preference is, to give them the information, to help their companies and to do their jobs well.

How have users responded?

The app launched about a couple months ago, so we're building our user base. So far, there's been some strong interest. People pick up on it and start integrating it into their daily informational lives, if you will, especially as we start to get back into in-person events.

How does this app support an employer's or a business's approach or an event organizer's approach toward risk management?

Knowledge is the key here. In order for everybody to be able to do their jobs well, they need all the information that they can—whether it's the news stories that we might offer or whether it's the access to events that we have. Getting all the information, having that information available [is important]. I'm beating that same drum, but I think that's the most important part. BR

—Tom Davis

AM Best TV

Go to *www.bestreview.com* to watch the interview with Morgan O'Rourke.

Tom Davis is managing editor. He can be reached at *tom.davis@ambest.com.*

Top Global Insurance Brokers Ranking Holds *Best's Review's* Top Spot for Four Straight Months

Other trending content includes features on insurtechs, cyberattacks and the post-pandemic return to work.

Trending: *Best's Review*


Global Brokers

1. Top Global Insurance Brokers - 2021 Edition
2. The Billion-Dollar Question: What's the Allure of Investing in Insurtechs?
3. Cyberattacks: Insurers Defend Against Ransomware
4. Taking a Leap: Life Insurers Attract New Agents Seeking to Make Career Moves
5. The Evolution of Work: Our Post-Pandemic Return to the Office

Trending: BestWire $


Jim Donelon

1. Louisiana Commissioner: State Farm's Opposition to Ida Order is 'Unconscionable'
2. University Seeks $63.1 Million From FM Global for COVID-19 Business Interruption Losses
3. Insurance Industry Loses 800 Jobs in August, Is Fifth Consecutive Month of Jobs Decline
4. Update: Travelers Seeks Personal Auto Rate Hikes in 40 States as Claims Severity and Frequency Rise
5. Washington Insurance Commissioner, APCIA Continue Sparring Over Credit Scoring Order

Trending: AM Best Webinars


Surplus Lines

1. State of the Surplus Lines Market
2. AM Best's Reinsurance Market Briefing - Rendez-Vous de Septembre
3. Insurance Defense 101: What Insurers Need From Today's Counsel
4. How Active Risk Management Drives Better Insurance Underwriting
5. AM Best's Briefing: Global Reinsurance Market Perspectives

Trending: AM Best TV - News Coverage


Vaccine Mandates

1. Travelers: EPL Claims Over Vaccine Mandates on the Rise
2. Everest Re: Demand Plus Exposure Growth Creates Opportunity for Reinsurers, Insurers
3. AM Best's Briefing: Global Reinsurance Market Perspectives
4. Swiss Re: US Life Insurance Protection Gap at $25 Trillion
5. IICF: Insurance Industry Steps Up Charitable Giving, Volunteerism During Pandemic

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These were the top trending items from Aug. 23-Oct. 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 Reports on P/C, Life/Annuity Financial Results and Personal Cyber

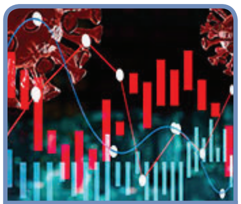
Other trending research includes reports on reinsurance, surplus lines and workers' compensation.

Trending: Best's Special Reports

Property/Casualty

1. First Look: Six-Month 2021 Property/Casualty Financial Results $
2. First Look: Six-Month 2021 Life/Annuity Financial Results $
3. Personal Cyber Insurance Moves Beyond Identity Theft $
4. Risk-Adjusted Capitalization Continues to Increase for Life/Health Industry $
5. Public Equity Markets a Capital Lifeline for Three Early Stage Health Insurers $

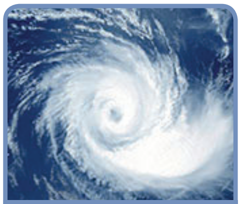
Trending: Market Segment Reports



Reinsurance

1. Global Reinsurance Outlook Remains Stable in a More Uncertain World
2. COVID-19 Forges a Double-Edged Sword for US Property/Casualty Mutuals $
3. Expanding Opportunities Boost Surplus Lines Growth and Spur Improved Operating Profits $
4. Mutual Life Insurers Gain M&A Momentum While Pivoting for the Pandemic $
5. Workers' Compensation Still Outpacing Other Lines $

Trending: Best's Commentary



Hurricane Ida

1. Hurricane Ida Losses Manageable for the Insurance Industry
2. Thailand Insurers Offer Innovative Vaccine Allergy Product, but Underwriting Risks Remain
3. More Generous: European Commission Proposes Solvency II Review Rules
4. Boy Scouts of America Dispute Reveals Myriad Social Inflation Concerns
5. HSBC's Acquisition of AXA Singapore Highlights Singapore Life Insurance Growth Prospects

Trending: AM Best TV - Research Coverage

Reinsurance

1. Munich Re Takes Top Spot on List of World's 50 Largest Reinsurers
2. Sept. 11 Terrorist Attacks Changed the World's Perception of Risk
3. Boy Scouts of America Legal Dispute Poses Obstacles for Insurers, Including Social Inflation
4. Stable Outlook Maintained for Reinsurers
5. Mutual Insurers Weathered Pandemic Better Than Expected

These were the top trending research and commentary reports from Aug. 23 to Oct. 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.*

Auto Insurance Experts Examine Market Trends and Their Effects on Carriers

Professionals also discuss how commercial insurance carriers can provide effective cybersecurity while delivering an exceptional customer experience.

Streaming Live

Auto Insurance Benchmarking

This complimentary AM Best Webinar is sponsored by LexisNexis Risk Solutions.

Wednesday, Dec. 8, 2 p.m. ET

AM Best's 2022 US Market Outlook Briefing—Key Factors to Consider

Senior AM Best analytical staff members will address key factors driving rating trends including interest rates, hardening pricing environment, the post-pandemic economic recovery, rising litigation costs and capacity. Outlooks for such segments as health, life and annuity, personal lines, commercial lines and reinsurance will be discussed.

Thursday, Dec. 9, 2 p.m. ET

On Demand

How Next-Gen Telematics and Vehicle Build Data Are Driving Better Risk Assessment for Auto Insurers

Vehicle technology has changed a lot over the last few years with big developments in telematics and advanced driver-assistance systems. What are the key differences between the two and how can their data insights be optimized for the auto insurance use case? Panelists discuss how telematics data from connected vehicles and vehicle build information from ADAS can work together to provide more power to predict driving risk. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

IMCA/AM Best Marketing Leader Lunch with Marsh McLennan Agency's Steven Handmaker

Steven Handmaker, chief marketing officer at Marsh McLennan Agency, discusses brand, reputation, leadership and the challenges in leading marketing for a $2 billion brokerage operation. **This was a joint presentation of the Insurance Marketing & Communications Association and AM Best.**

Take the Risk Out of Commercial Insurance Business While Elevating the Consumer Experience

Commercial insurance carriers must focus on protecting their customers' data and keeping their assets secure from identity fraud and cybercrime. However, balancing the need for an effective security strategy with the need to elevate customer experience in a digital world can be confusing. Insurance experts explore how an effective identity authentication and verification strategy can provide the protection required, while exceeding customer expectations. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

AM Best's 2022 Mexico, Panama, Colombia, Argentina & Costa Rica Market Outlook Briefing

AM Best analysts address economic and regulatory challenges and opportunities in the region, as well as shifting market dynamics and varying prospects for each of these key insurance markets. Participants cover how these numerous factors are translated into AM Best outlooks for the various lines of business in each country. This event was held in Spanish. BR

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

Guy Carpenter Executive: MGA Market Remains Strong Despite COVID-19 Pandemic

Professionals also discuss cyberrisk, vaccine incentives and the technological transformation of the insurance industry.

On Demand

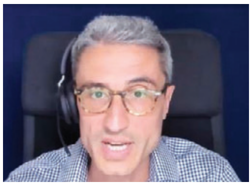
Guy Carpenter: MGA Market Growth Nearly Doubled Over Past Decade

"We did not see really any sort of slowdown in terms of MGAs and their access to business and distribution throughout the pandemic," said Michael Jameson, president, GC Access, Guy Carpenter.

Michael Jameson

Beazley: US Executives Feel Better Prepared to Handle Cyberrisk Than Their UK Counterparts

In general, "business leaders feel quite resilient and prepared for these risks," said Raf Sanchez, global head of cyber services, Beazley, referencing a new study.



Raf Sanchez

Skan's Misra: Insurers Have Evolved 10 Years Technologically in the Last Year and a Half

Pressure to utilize advancing technology and the availability of artificial intelligence and machine learning are driving the technological transformation, said Avinash Misra, chief executive officer and co-founder of Skan.ai, a process intelligence company.

Avinash Misra

Healthcare Advisor's Ali: Money Talks When It Comes to Getting Vaccinated

Dr. Noor Ali, owner of Dr. Noor Healthcare Advisor, discusses the findings of a recent survey that found 67% of respondents making over $125,000 per year would be incentivized by money to get a COVID-19 vaccination.

Dr. Noor Ali

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

TransUnion Executive VP: New Study Highlights Boost in Auto Insurance Shopping

Also, AM Best Audio explores how a 'digital-first approach' is changing the world of insurance.

2021 Sees Resurgence in Auto Insurance Shopping

Mark McElroy, executive vice president and head of TransUnion's insurance business, discusses the findings of a new study and explains what's driving auto insurance shopping trends amid a lingering pandemic.

Next-Gen IT Strategic Initiatives Transforming Insurance Industry

Paul Acevedo, executive vice president and chief information officer at CSAA Insurance Group, explains how a "digital-first approach" is changing many aspects of the insurance industry, including product design. BR

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

This edition lists all Credit Rating actions that occurred between Oct. 1 and Oct. 31, 2021. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH								
Rating Affirmation	L	American Memorial Life Insurance Company CUNA Mutual Holding Company	006942	A- a-	Stable Stable	A- u a- u	Developing Developing	South Dakota
Rating Affirmation	L	Assurant Life of Canada CUNA Mutual Holding Company	066882	A- a-	Stable Stable	A- u a- u	Developing Developing	Ontario
Upgrade	L	Life Insurance Company of North America New York Life Insurance Company	006645	A++ aaa	Stable Stable	A++ aa+	Stable Stable	Pennsylvania
Downgrade	H	Moda Health Plan, Inc. Oregon Dental Service	011437	B+ u bbb- u	Negative Negative	B++ bbb	Stable Stable	Oregon
Upgrade	H	New York Life Group Insurance Co of NY New York Life Insurance Company	006538	A++ aaa	Stable Stable	A++ aa+	Stable Stable	New York
Downgrade	H	Oregon Dental Service Oregon Dental Service	064364	B+ u bbb- u	Negative Negative	B++ bbb+	Stable Stable	Oregon
Rating Affirmation	L	Union Security Insurance Company CUNA Mutual Holding Company	007232	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	Kansas
Outlook Change	L	Zurich American Life Insurance Company Zurich Insurance Group Ltd	006225	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
AMERICAS PROPERTY/CASUALTY								
Outlook Change	P	American Guarantee and Liability Ins Co Zurich Insurance Group Ltd	002562	A+ aa-	Stable Positive	A+ aa-	Stable Stable	New York
Outlook Change	P	American Zurich Insurance Company Zurich Insurance Group Ltd	002743	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Under Review	P	AmFed Advantage Insurance Company AmFed Holding Company LLC	023415	A- u a- u	Positive Positive	A- a-	Positive Positive	Mississippi
Under Review	P	AmFed Casualty Insurance Company AmFed Holding Company LLC	012698	A- u a- u	Positive Positive	A- a-	Positive Positive	Mississippi
Under Review	P	AmFed National Insurance Company AmFed Holding Company LLC	012499	A- u a- u	Positive Positive	A- a-	Positive Positive	Mississippi
Upgrade	P	Aventus Insurance Company Southwest Frontier LP	010826	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Texas
Rating Withdrawal	P	Aviva Insurance Company of Canada Aviva plc	085748	NR nr		A a+	Positive Positive	Ontario
Rating Withdrawal	P	Boston Indemnity Company, Inc.	004657	NR nr		A- u a- u	Developing Developing	South Dakota
Outlook Change	P	Colonial American Casualty & Surety Co Zurich Insurance Group Ltd	003739	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Upgrade	P	Columbia Lloyds Insurance Company Columbia Lloyds Insurance Company	011069	A- a-	Stable Stable	B++ bbb+	Positive Positive	Texas
Upgrade	P	Concert Insurance Company Concert Group Holdings, Inc.	010574	A- a-	Stable Stable	B+ u bbb- u	Positive Positive	Illinois
Rating Withdrawal	P	Elite Insurance Company Aviva plc	085742	NR nr		A a+	Positive Positive	Ontario
Outlook Change	P	Empire Fire and Marine Insurance Company Zurich Insurance Group Ltd	002147	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Outlook Change	P	Empire Indemnity Insurance Company Zurich Insurance Group Ltd	002148	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Oklahoma
Upgrade	P	Farmers Mutual Insurance Co of Michigan	001765	C++ b+	Stable Stable	C++ b	Stable Stable	Michigan

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)								
Outlook Change	P	Fidelity and Deposit Company of Maryland Zurich Insurance Group Ltd	000387	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Outlook Change	P	Florida Farm Bureau Casualty Ins Co Southern Casualty Holding Company	003590	A- a-	Negative Negative	A- a-	Stable Stable	Florida
Outlook Change	P	Florida Farm Bureau General Insurance Co Southern Casualty Holding Company	011337	A- a-	Negative Negative	A- a-	Stable Stable	Florida
Downgrade	P	Independent Mutual Fire Insurance Co	002758	B++ bbb+	Stable Negative	A- a-	Stable Stable	Illinois
Outlook Change	P	Journey Insurance Company United Insurance Holdings Corp.	020596	A- a-	Negative Negative	A- a-	Stable Stable	Florida
Upgrade	P	MDOW Insurance Company Columbia Lloyds Insurance Company	013583	A- a-	Stable Stable	B++ bbb+	Positive Positive	Texas
Initial Rating	P	Orion Indemnity Company Mercury General Corporation	000980	A a+	Stable Stable	NR nr		California
Upgrade	P	Peace Hills General Insurance Company Samson Cree Nation	086955	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Alberta
Rating Withdrawal	P	Pilot Insurance Company Aviva plc	085779	NR nr		A a+	Positive Positive	Ontario
Initial Rating	P	Richmond National Insurance Company Richmond National Group, Inc.	020965	A- a-	Stable Stable			New Hampshire
Outlook Change	P	Rural Community Insurance Company Zurich Insurance Group Ltd	002647	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Minnesota
Rating Withdrawal	P	S&Y Insurance Company Aviva plc	066504	NR nr		A a+	Positive Positive	Ontario
Rating Withdrawal	P	Scottish & York Insurance Company Ltd Aviva plc	085788	NR nr		A a+	Positive Positive	Ontario
Outlook Change	P	Steadfast Insurance Company Zurich Insurance Group Ltd	003557	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Outlook Change	P	Tokio Marine Pacific Insurance Limited Tokio Marine Holdings, Inc.	012553	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Guam
Outlook Change	P	Tower Bonding and Surety Company	012250	B- bb-	Stable Stable	B- bb-	Negative Negative	Puerto Rico
Rating Withdrawal	P	Traders General Insurance Company Aviva plc	085795	NR nr		A a+	Positive Positive	Ontario
Outlook Change	P	Universal Underwriters Insurance Company Zurich Insurance Group Ltd	002297	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Outlook Change	P	Universal Underwriters of Texas Ins Co Zurich Insurance Group Ltd	002818	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Rating Affirmation	P	Watford Insurance Company Greysbridge Holdings Ltd.	022937	A- a-	Stable Stable	A- u a- u	Negative Negative	New Jersey
Rating Affirmation	P	Watford Re Ltd. Greysbridge Holdings Ltd.	022019	A- a-	Stable Stable	A- u a- u	Negative Negative	Bermuda
Rating Affirmation	P	Watford Specialty Insurance Company Greysbridge Holdings Ltd.	022488	A- a-	Stable Stable	A- u a- u	Negative Negative	New Jersey
Outlook Change	P	Western Pacific Mutual Ins Co, A RRG	011238	A- a-	Negative Negative	A- a-	Stable Stable	Colorado
Outlook Change	P	Zurich American Insurance Co of Illinois Zurich Insurance Group Ltd	003565	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Illinois
Outlook Change	P	Zurich American Insurance Company Zurich Insurance Group Ltd	002563	A+ aa-	Stable Positive	A+ aa-	Stable Stable	New York
EUROPE, MIDDLE EAST & AFRICA								
Outlook Change	P	Abarca - Companhia de Seguros, S.A.	095277	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Portugal
Initial Rating	C	Abu Dhabi National Insurance Co PJSC	085825	A a	Stable Stable	NR nr		United Arab Emirates

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST & AFRICA (CONTINUED)								
Outlook Change	C	Abu Dhabi National Takaful Company PSC	090708	A- a-	Stable Stable	A- a-	Positive Positive	United Arab Emirates
Initial Rating	P	Al Fujairah National Insurance Co PJSC	090711	B++ bbb	Stable Stable	NR nr		United Arab Emirates
Initial Rating	C	AXA Insurance (Gulf) B.S.C.(c) Gulf Insurance Group K.S.C.P.	090814	A a	Stable Stable	NR nr		Bahrain
Initial Rating	P	Convex Europe S.A. Convex Group Limited	074790	A- a-	Positive Positive			Luxembourg
Initial Rating	P	Convex Guernsey Limited Convex Group Limited	074789	A- a-	Positive Positive			Guernsey
Rating Affirmation	C	Gulf Insurance and Reins Co KSC (Closed) Gulf Insurance Group K.S.C.P.	090950	A a	Stable Stable	A u a u	Developing Developing	Kuwait
Rating Affirmation	C	Gulf Insurance Group K.S.C.P. Gulf Insurance Group K.S.C.P.	090842	A a	Stable Stable	A u a u	Developing Developing	Kuwait
Rating Withdrawal	P	Humboldt Re Limited OCM Luxembourg Marco Holdings S.à.r.l.	094441	NR nr		A- u a- u	Negative Negative	Guernsey
Outlook Change	P	Kot Insurance Company AG Petroleos Mexicanos	090728	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Switzerland
Rating Withdrawal	C	Ocaso, S.A. Seguros y Reaseguros Ocaso, S.A. Seguros y Reaseguros	085823	NR nr		A a+	Stable Stable	Spain
Initial Rating	P	SI Insurance (Europe), SA SOMPO Holdings, Inc.	071641	A+ aa-	Stable Stable	NR nr		Luxembourg
Outlook Change	P	SNIC Insurance B.S.C. (c) E.A. Juffali & Brothers	091539	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Bahrain
Rating Affirmation	P	Watford Insurance Company Europe Ltd Greysbridge Holdings Ltd.	022489	A- a-	Stable Stable	A- u a- u	Negative Negative	Gibraltar
Outlook Change	P	Zurich Insurance Company Limited Zurich Insurance Group Ltd	085095	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Switzerland
Outlook Change	P	Zurich Insurance plc Zurich Insurance Group Ltd	085661	A+ aa-	Stable Positive	A+ aa-	Stable Stable	Ireland
ASIA-PACIFIC								
Under Review	L	Cigna Life Insurance New Zealand Limited Cigna Corporation	086363	A u a u	Positive Positive	A a	Stable Stable	New Zealand
Upgrade	P	Petrolimex Insurance Corp.	090845	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	Vietnam
Outlook Change	P	Tune Protect Re Ltd. Tune Protect Group Berhad	092785	B++ bbb	Stable Stable	B++ bbb	Negative Negative	Malaysia
AMERICAS								
Initial Rating	C	Seguros e Inversiones, S.A. Inversiones Imperia El Salvador SA de CV	089450	B++ bbb+	Stable Stable			El Salvador
Rating Withdrawal	P	XL Seguros México, S.A. de C.V. AXA S.A.	078108	NR nr		B++ u bbb+ u	Negative Negative	Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
Initial Rating	Jackson Financial Inc.	055931	bbb	Stable			Delaware
Rating Affirmation	Watford Holdings Ltd.	033289	bbb-	Stable	bbb- u	Negative	Bermuda
Outlook Change	Zurich Insurance Group Ltd	050457	a	Positive	a	Stable	Switzerland

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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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.

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

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 Version 121719

Merger, Acquisitions, Name and Ownership Changes and State Action

Transamerica Pacific, Sirius Specialty and Boston Indemnity are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

LIFE/HEALTH

Merger

Transamerica Pacific Insurance Co. Ltd. (AMB# 073344), Honolulu. This company merged with and into Ironwood Re Corp. on Jan. 1, 2021.

Acquisitions & Ownership Changes

Allstate Life Insurance Company of New York (AMB# 007291), Hauppauge, N.Y. This company was acquired by Wilton Reassurance Co. from Allstate Life Insurance Co. on Oct. 1, 2021.

Intramerica Life Insurance Co. (AMB# 006572), Hauppauge, N.Y. This company was acquired by Wilton Reassurance Co. from Allstate Financial Insurance Holdings Corp. on Oct. 1, 2021.

PROPERTY/CASUALTY

Name Changes

Metropolitan Lloyds Insurance Company of Texas (AMB# 011417), Dallas. This company changed its name to Farmers Lloyds Insurance Company of Texas on Sept. 28, 2021.

Sirius America Insurance Co. (AMB# 002642), New York City. This company changed its name to SiriusPoint America Insurance Co. on July 8, 2021.

Sirius Specialty Insurance Corp. (AMB# 020919), Hanover, N.H. This company changed its name to SiriusPoint Specialty Insurance Corp. on July 23, 2021.

Acquisitions & Ownership Changes

Boston Indemnity Co. Inc. (AMB# 004657), Sioux Falls, S.D. This company was sold as a shell by Skyward Specialty Insurance Group Inc. to Ascot Group Ltd. on Oct. 4, 2021.

Providence Washington Insurance Co. (AMB# 002411), Warwick, R.I. This company was sold as a shell by Enstar Group Ltd. to Everspan Insurance Co., a subsidiary of Ambac Financial Group Inc., on Oct. 1, 2021.

State Action

Hospitality Risk Retention Group Inc. (AMB# 023088), Barre, Vt. This company was placed into insolvent liquidation on April 8, 2021. BR

MASTHEAD BACKSTAY

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Does Insurance Cause Some People to Lie? Behavioral Economics Has the Remedy

Some 24% of consumers think it's acceptable to pad an insurance claim—at least one insurer is fighting back with a new business model.

by John Weber

By understanding and applying the principles of behavioral economics, insurance companies can increase customer satisfaction and ultimately increase profitability, according to a recent study from Celent. Andrew Schwartz, an analyst at Celent and the author of the study, *Applying Behavioral Economics to Insurance*, discussed the findings with AM Best Audio. Following is an edited transcript of the interview.

Andrew Schwartz

What is behavioral economics?

The central message of behavioral economics is that humans do not always make rational choices that will maximize utility and that we're often motivated by things like heuristics, which are rules of thumbs and biases. However, many of these irrational choices are quite predictable through the application of behavioral economics.

Your study examines why insurance causes some people to lie. Why does it?

The very premise of insurance goes against our present bias heuristic, which means that we tend to value short-term gains. When someone pays a premium and a loss doesn't occur, they might perceive the insurance as an unwise investment because there's no tangible return. As a result, the policyholder may become resentful because they view their insurance policy as a monthly sunk cost rather than as a mitigation tool.

Above all, there is an adversarial business model, because the carrier and the policyholder both are unsatisfied and they think that the other one's goals are not aligned with theirs. Obviously, for the policyholder, the goal is to pay a policy and quickly become indemnified and made whole in a time of need. For the insurance company, the incentive, and it's not necessarily an evil one, is the perception of the policyholder to probably maximize profitability.

That misalignment leads to some people rationalizing cheating and potentially padding a legitimate claim because they feel like they aren't given the value that they're needed. An interesting statistic was that 24% of respondents in an Insurance Research Council poll said that they thought it was acceptable to pad an insurance claim by a small amount to make up for deductibles that they're required to pay.

Are insurers buying into the concept of behavioral economics?

Lemonade has coined themselves a behavioral economics carrier. They have tried to remove the misaligned carrier-policyholder dynamic by changing the fundamental business model. They tell the policyholder that they retain a flat 25% of premiums to cover expenses, 15% is used to cover reinsurance, and the remaining 60% is set aside to settle claims. Their excess profits are donated to a preselected charity, known as their giveback prop. The policyholder can choose from 34 nonprofits, select the one where they want to earmark their excess premium.

That's going to incentivize a more honest claim because the policyholder's cheating the charity of their choosing if they've had a claim. Now if you look at the actual process, it's clear that what Lemonade is doing also is improving the customer experience and reducing fraud. BR

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

AM Best Audio

Go to *www.bestreview.com* to listen to the interview with Andrew Schwartz.


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