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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

February 2022 • Volume 123 • Issue 2

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AM BEST'S MONTHLY INSURANCE MAGAZINE

COLLEGE STANDOUTS

Eastern Kentucky University, benefiting from its online program amid COVID-19 shutdowns, was the top vote-getter in the *Best's Review* biennial poll of top risk management and insurance programs. The programs were recognized for their academic rigor as well as soft-skills training.
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***Best's Review*'s Online Archives**

Education in the Time of COVID

The February issue reports on the results of our survey about college risk management and insurance programs and provides a look at annuities and their role in retirement savings.

Best's Review put the question to readers and other members of the insurance industry: Which schools are doing the best job of preparing young people for careers in insurance?

This is the third time the magazine has conducted this survey and each time we've received a tremendous response. Each time, we've also gotten a somewhat different mix of schools moving to the top of the class.

Eastern Kentucky received the most votes from readers this year. But this is not the first time the school has been recognized. It has made the list each time we've done the survey. We should clarify that *Best's Review* does not evaluate the schools and their programs. This is based purely on feedback from readers and people in the industry. Alumni often vote for the school that got them to where they are today. Hiring managers identify schools where they've had success bringing in new recruits.

The results, therefore, very much depend on the views of the industry and those who are most motivated to respond. It does, however, provide a snapshot of the schools that are working hard to educate the next generation of industry professionals.

Schools such as Temple University, Saint Joseph's, St. John's, The Katie School at Illinois State, University of Georgia, Florida State and the University of Wisconsin are well known in the industry and routinely make the list.

February is Insurance Education Awareness Month. In "College Standouts: Survey Provides View of Top College Risk Management and Insurance Programs," *Best's Review* presents the results of our survey and speaks with directors at several of the RMI programs. As the story reveals, the last two years have presented unusual challenges due to the pandemic. *Best's Review* discussed these challenges and what the schools are getting right when it comes to preparing young people.

In "Survey: Colleges Need to Better Prepare Future Insurers for Real World," industry professionals share ideas about how schools can prepare young people for the real world of a career in the insurance industry.

Graduates of RMI programs come to their first jobs in the industry with a solid grounding in insurance terms and concepts. For those who are new to the industry, AM Best's *Guide to Understanding the Insurance Industry* can help.

Best's Review provides an excerpt of the guide in this month's issue.

In the February issue, *Best's Review* also explores developments with annuities.

In "Staid Annuities Get Star Treatment in Movie About the Importance of Guaranteed Retirement Income," *Best's Review* reports on a new film that explores the shortcomings of the current retirement system and the alternative provided by annuities.

The new film *The Baby Boomer Dilemma* had a limited theatrical release late last year. It was scheduled to hit streaming services this month.

This issue also includes AM Best's annual ranking of the world's largest insurers, as measured by assets and by premium. BR

Patricia Vowinkel
Executive Editor
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The Question:

Have any ESG-related considerations affected how you conduct insurance business? Please share an example.

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.

Go to What Readers Say on page 28 to see responses about College Standouts.

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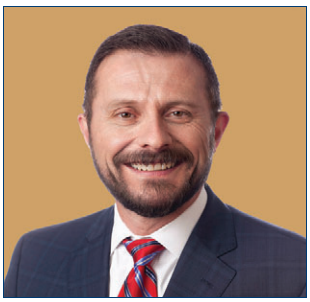
Insurance Advantage

- Delaware takes captive insurance company licensing to a new level that Speeds to Market the licensing process.
- Delaware's conditional certificate of authority means receiving a license to conduct insurance business the same day of submitting the application to do business.
- A conditional certificate of authority removes uncertainty because it provides captive managers and owners date certainty for when they can begin writing insurance business.



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Cover design by Angel Negrón.

Reinsurance Association of America to Meet in Florida

Feb. 1-3: LIC Annual Conference: Vision Forward, LOMA, Orlando, Fla.

Feb. 7-10: Surplus Lines Management, Wholesale & Specialty Insurance Association, Atlanta.

Feb. 9-11: World Captive Forum, Business Insurance, Aventura, Fla.

Feb. 13-16: 2022 Crop Insurance Industry Annual Convention, National Crop Insurance Services, Indian Wells, Calif.

Feb. 22-24: Cat Risk Management 2022, Reinsurance Association of America, Orlando, Fla.

Feb. 24-26: 30th Annual Insurance Coverage Litigation Committee Mid-Year Conference, American Bar Association, Phoenix.

March 6-8: AIFA 2022, Association of Insurance and Financial Analysts, Naples, Fla.

March 6-8: CICA 2022 International Conference, Captive Insurance Companies Association, Tucson, Ariz.

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

February Is Insurance Education Awareness Month
In this day and age, what does it take to educate those seeking a career in the insurance industry and who does it best? In its biennial collegiate survey, *Best's Review* sought recommendations for colleges and universities that offer the most comprehensive risk management and insurance programs. See who topped this year's list—and why. Coverage begins on page 20.

Everest Re Group Extends CEO's Employment Agreement Through 2023

Also, Aon welcomes new chief innovation officer, Lloyd's appoints head of cyber and Aegon names chief risk officer.

Everest Re Group Ltd. and its board of directors have extended the employment agreement of Juan C. Andrade, president and chief executive officer, through the end of 2023 with automatic annual extensions following this term.

Andrade joined Everest Re in September 2019 as chief operating officer and became president and CEO on Jan. 1, 2020.

Juan Andrade

Andrade has almost 30 years of experience in the insurance industry, successfully leading large and complex domestic and international businesses. He has served in executive leadership roles in underwriting, product development and innovation, claims, sales and distribution, strategy development, and general management, according to his company bio. Andrade joined Everest from Chubb, where he was responsible for its general insurance business in more than 50 countries outside of North America.

Before starting his insurance career, Andrade worked in national security and international affairs within the U.S. government's executive branch and the Executive Office of the President, according to his company bio.

—Staff Report

Former Lloyd's CEO Joins Willis Towers Watson's Board of Directors

Willis Towers Watson announced that its board of directors added to its ranks Inga Beale, former chief executive officer of Lloyd's, effective Jan. 1.

Inga Beale

In addition, the board will establish an Operational Transformation Committee, which will count Beale among its initial members. The OT Committee will make recommendations to the full board regarding the oversight of management's initiatives to drive operational efficiencies and help oversee the implementation of the company's operational transformation plan, which aims to achieve $300 million or more of run rate cost savings by the end of 2024, company said.

Besides Beale, other initial members of the OT Committee are Paul Thomas, an existing member of the board of directors; Michael Hammond and Michelle "Shelly" Swanback, who joined the board effective Jan. 1; and Fumbi Chima, who will join the board April 1, the company said.

Beale was the CEO of Lloyd's from 2014 to 2018. Previously, she was CEO of Canopius Group Ltd., with its principal operations at Lloyd's, from 2012 to 2014. Prior to that, from 2008 through 2011, she was global chief underwriting officer and head of mergers & acquisitions, organizational transformation and internal consulting for Zurich Insurance Group. She held the role of group CEO of Swiss reinsurer Converium Ltd. in 2006 and 2007 after having spent 14 years in a variety of international roles for GE Insurance Solutions in both Europe and the United States, according to her bio.

Chima is currently the executive vice president and chief information officer at Boeing Employees' Credit Union, a role she has had since 2020. Hammond is a retired senior executive with experience at several international insurance broking firms. Swanback is currently president, product and platform, of Western Union Co., a role she has held since 2020.

In August, WTW named Carl Hess to succeed John Haley as president effective immediately and as chief executive officer when Haley retired on Jan. 1. He, too, will join the board.

The board's focus on director succession will continue during 2022, leading up to the 2022 annual meeting of shareholders. To reduce the size of the board to nine directors, two other current Willis Towers Watson directors will serve the remainder of their terms through the shareholders' meeting but will not stand for re-election at the shareholders' meeting. At the time of the 2022 shareholders' meeting, the board will be composed of nine directors, five of whom will be new and not on the current Willis Towers Watson Board, and the board will have a new chair, according to the company.

AIG Names EVP-Chief Human Resources Officer, Global Head of Strategy and ESG

American International Group promoted Rose Marie Glazer to executive vice president and chief human resources officer and named Constance Hunter as executive vice president, global head of strategy and environmental, social and governance.

Rose Marie Glazer

Both women will join AIG's executive leadership team and report to Peter Zaffino, president and chief executive officer.

Constance Hunter

Glazer has served as deputy general counsel and corporate secretary at AIG since March 2017, a role in which she has led the securities, capital markets, mergers and acquisitions, corporate governance, real estate, and intellectual property legal teams as well as the sustainability office for AIG. She will continue to serve as chair of the AIG Foundation and oversee AIG's global citizenship team and will remain AIG's corporate secretary until a successor is named, according to the company.

Before joining AIG, Glazer served in multiple leadership roles in the legal affairs team at Siemens AG, including as senior vice president and general counsel – Americas from 2011 to 2017. Prior to her 14-year career at Siemens, Glazer was vice president and general counsel at Telvista and held in-house counsel positions at Allied Riser Communications and American Airlines. She began her legal career as an attorney with the law firm Jones Day in Dallas, according to a company statement.

Hunter joins AIG from KPMG, where she has served as chief economist since 2013 and as a member of the growth and strategy leadership team since 2020. Before that, she served as deputy chief investment officer at Axa Investment Managers, where she helped lead the management of over $500 billion in fixed income assets. She is an expert in macroeconomic and industry analysis and is recognized for being among the first economists to forecast pivotal economic events, including the impacts of COVID-19 on the U.S. and other global economies, the 2007 real estate and credit crisis and the 2001 burst of the dot-com bubble, according to a company statement.

Aon Designates Successor to Retiring Chief Innovation Officer

Jillian Slyfield succeeded Tony Goland as Aon plc chief innovation officer, effective Dec. 1, 2021, and joined the company's executive committee.

Jillian Slyfield

Goland served as an adviser to Greg Case, the company's chief executive officer, until he retired at the end of 2021, having been Aon's chief human resources officer and then its first chief innovation officer. He was previously at McKinsey & Co., where he was a senior partner and spent 30 years advising leading organizations. Goland's leadership of Aon's New Ventures Group, which will now report to Slyfield, has positioned Aon to expand on its position in intellectual property solutions and work to enable public sector partnerships, Aon said in a statement.

Slyfield will build on Aon's innovation at scale strategy to address growing unmet client need around increased volatility, greater access to capital, building resilient workforces and creating net new solutions for clients that do not exist in the market, the broker said. She will report to Case.

Slyfield joined Aon in 2015 and most recently served as Aon's digital economy practice leader, where she addressed digital disruption of traditional industries and the on-demand economy with a focus on mobility as a service, the future of work and platform marketplaces. Prior to joining Aon, Slyfield served as a leading adviser to midsize and global organizations while working for an international brokerage firm and a number of national multirisk insurance companies. At Aon, Slyfield serves on the firm's Global Inclusive Leadership Council and advises several emerging technology businesses, according to a company statement.

Swiss Re Taps Group Chief Digital and Tech Officer, Reorganizes Group Operations

Swiss Re appointed Pravina Ladva as group chief digital and technology officer and a member of the group executive committee. Swiss Re also announced that Anette Bronder, group chief operating officer, will leave the company and the group operations will be reorganized.

Pravina Ladva

Ladva transitioned to her new role on Jan. 1, and all technology-related responsibilities are bundled under her leadership. Corporate real estate & services and communications will report to Group Chief Human Resources Officer Cathy Desquesses, and other functions will report to areas of the organization that align with their mandates, according to the company.

Ladva had been Swiss Re's group digital transformation officer, a role she held since July 2020. Prior to this, she served as chief technology and operations officer for iptiQ, Swiss Re's digital white-label provider of property and casualty and life and health insurance. Before joining Swiss Re in 2017, she held various roles at Barclaycard, including COO digital marketplace and CIO Barclaycard Business Solutions, according to a company statement.

Axa UK Appoints Chief Operating Officer of Commercial Business

Axa U.K. named Ursula Wyman as chief operating officer for the Axa commercial business.

She succeeds Tim Yorke, who left the business at the end of November.

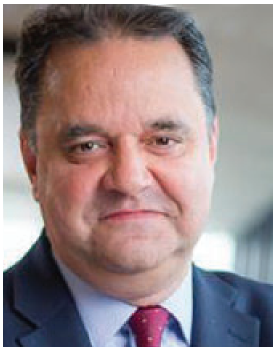
Ursula Wyman

In her new role, Wyman also became a member of the commercial executive committee and is responsible for driving operational progress such as advancing the digital strategy as well as continuing to navigate operational requirements associated with COVID-19. She will report to Jon Walker, chief executive officer, Axa commercial, according to a company statement.

Wyman joins Axa from outside of the insurance industry. She has more than 20 years of experience in telecoms, travel and financial services. Most recently, Wyman led the global group delivery function at IQ-EQ, an investor services group, leading the Shared Services function and driving operational transformation. Prior to this, Wyman held various roles within Expedia Group, directing the global operations teams, developing new support products and taking charge of strategic growth and transformation programs, according to the company.

Lloyd's Designates Head of Cyber

Lloyd's named Neil Arklie as head of cyber, effective last month. Arklie will be driving Lloyd's strategy on cyber, which is a class of focus in the market, according to the company.



Neil Arklie

Arklie was the chair of the IUA Cyber Association and, formerly, a member of the LMA Cyber business panel. He has been a leading figure and a positive spokesperson on cyber for the industry with government and worked on key white papers spanning industry issues, according to a company statement.

Arklie joins the company from Aviva, where he was head of cyber insurance for over three years. Prior to Aviva, Arklie was vice president, financial lines, at Axis Capital. He also spent 13 years at Swiss Re, lastly as cyber and tech manager, and was a senior underwriter at Chubb Insurance Co. of Europe for 10 years, according to his LinkedIn profile.

Allianz Holdings Chief Operations Officer Steps Down

Allianz Holdings said Stephanie Smith, chief operations officer, left the company effective Dec. 31, 2021, to pursue other opportunities. The appointment of Smith's successor will be addressed by Colm Holmes, who joined Allianz Holdings as chief executive officer in December.

Stephanie Smith

Smith joined Allianz Insurance in 2009 as a senior IT manager, moving on to become director, operations, for its retail division. In 2016, she was appointed chief operations officer and joined the management board. More recently, she led Allianz's operational response to the pandemic and has been instrumental in designing Allianz's return-to-office program and new work model, according to a company statement.

Lemonade Taps Former USAA Executive as Chief Claims Officer

Sean Burgess

Lemonade appointed Sean Burgess to succeed Jim Hageman as chief claims officer. Hageman has been Lemonade's chief claims officer since the company was founded nearly seven years ago and became known among customers as the face of "AI Jim." Hageman will leave the company to pursue other opportunities, according to the company.

Burgess will oversee the company's key claims functions across the United States and European Union, and report to Gavin Blair, senior vice president, customer operations, the company said.

Burgess joins Lemonade after more than 25 years at USAA. Most recently, he held the role of chief claims officer at USAA, where he led a high-performing team that built and managed some of the company's digital-first products, including touchless automobile claims experiences, according to a company statement.

Aegon Appoints Chief Risk Officer

Astrid Jäkel

Aegon has named Astrid Jäkel to succeed Allegra van Hövell-Patrizi as chief risk officer as well as a member of the management board of Aegon N.V. Van Hövell-Patrizi was appointed chief executive officer of Aegon the Netherlands in June.

Jäkel will transition to her new role on March 1 and will be responsible for managing Aegon's group risk and actuarial functions, along with maintaining the group's risk management framework and overseeing the risk management capabilities, according to a company statement.

Jäkel joins Aegon from Oliver Wyman, where she was a partner in the European insurance and asset management practice, co-leader of the European insurance financial effectiveness team as well as a member of the board of Oliver Wyman's Swiss subsidiary. Her consulting work has focused on high-impact risk, capital, asset liability and investment management topics. She has worked with European and global insurers on a range of projects to help transform and optimize their risk, finance, and investment capabilities, according to the company.

Pool Re Chief Executive Officer to Step Down

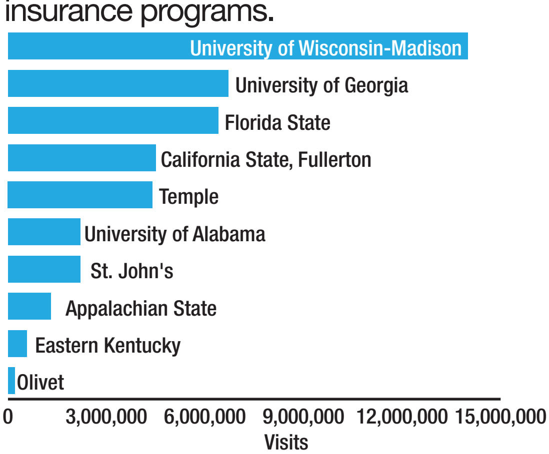
Julian Enoizi

Terrorism reinsurer Pool Re said it has begun to search for a successor to Julian Enoizi, the company's chief executive officer for the past eight years, who is planning to leave the business this spring.

Pool Re has undergone significant development under Enoizi's leadership and has been at the forefront of leading change in global insurance and reinsurance in response to the evolving terrorism threat, according to a company statement. BR

Web Traffic: Visits to College Risk Management and Insurance Sites

University of Wisconsin – Madison leads web analytics provider Semrush's ranking of web traffic to the top colleges in *Best's Review*'s survey of risk management and insurance programs.



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

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

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Risk Management and Insurance Grads Hit the Ground Running

Classroom lessons, internships and support organizations help new insurance employees to be productive from the first day on the job.

By Lance Ewing

Illustration by yuoak/Getty Images

One morning, a mother went into her son's room. "Wake up, son. It's time to go to school!" she said. The son replied, "But Mom, I don't want to go." The mother sighed and said, "Give me two reasons why you don't want to go to school?" The son said, "The teachers and the kids don't like me." The mother replied, "Those are not good reasons to not go to school." The son retorted, "Give me two reasons why I should go to school?" The mother replied, "Well, for one, you are 52 years old and No. 2, you are the principal." Or so the story goes.

The insurance and risk management industry continues to work persistently to attract and encourage new university graduate students to apply for the plethora of insurance and risk management positions that are available. The U.S. Bureau of Labor Statistics reports the risk and finance management field will see a job increase of more than 16% during the next six years.

Higher education institutions are doing a great job of educating not just risk management and insurance (RMI) students, but have added risk management courses into other majors as well. Business, engineering, law and other majors are requiring risk management courses to be taken before students can graduate. However, many times, the RMI graduates lack experience, insurance business acumen and interpersonal workplace communications soft skills.

Yet, what do these new graduates bring to the table? College graduates, specifically RMI graduates, bring an inherent fidelity to their workplace because they have received a taste of the insurance world through their college insurance classes. They are less likely to drop out of their company training classes, and more likely to stay with their employer and, more so, stay in our industry.

The students are also adding their technology talents in the workplace. Brenda Wells, associate professor and director of risk management and insurance at East Carolina University in Greenville, North Carolina, affirms, "New RMI graduates

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bring a fresh perspective on technology. They have been raised on technology and they are fearless with respect to it. They can help "of age" workers adapt to and learn new software, artificial intelligence and innovative technological tools that are continually finding their way into and being developed for the insurance workplace."

RMI graduates are also able to talk the talk and walk the walk. They transfer the language of the industry from school to work. Through their RMI classroom lessons, internships and support organizations (Gamma Iota Sigma, the Spencer Educational Foundation, Risk and Insurance Management Society) the graduates hit the ground running. "Today's RMI students are more resilient and adaptive to change than their predecessors. They also balance competing demands and know how to multitask once they enter the workforce. University RMI programs are partnering with brokerage firms, corporate risk and insurance companies to provide internships that put the classroom learning into action in the real world," according to Dave Wood, who holds the Martin Chair of Insurance in the Jones College of Business at Middle Tennessee State University in Murfreesboro, Tennessee.

Insurers, third-party administrators, brokers and corporate risk management departments seeking to fill open roles rarely go wrong with an RMI graduate joining their teams. For years, many risk and insurance industry veterans opined how they "wandered into the field" and stayed. RMI graduates, on the other hand, have been educated in risk management and insurance. They have strategically chosen this great field and are locking themselves in to making a career of it. BR

The Essential Characteristics of a Great Managing General Agent

Carriers must ensure that their MGA partners are well managed, reliable and financially strong. Perhaps most importantly, carriers must have confidence in the honesty and integrity of an MGA's owners and managers.

by Mario Vitale

Hundreds of new managing general agents have been launched in recent years, offering carriers an array of options to reach new market segments, enter into new lines of business, or benefit from innovative underwriting and distribution technologies. MGAs have been around for more than a century, but in recent years, the MGA business model has soared in popularity: In a March 2021 *Best's Market Segment Report: Delegated Underwriting Authority Enterprises Prove Their Worth Across the Insurance Distribution Model,* AM Best noted a 19% increase in the number of MGAs between 2017 and 2019, with MGAs accounting for $44 billion in written premiums.

MGAs often offer carriers niche underwriting expertise and access to hard-to-reach markets. Some do a better job of servicing clients in specialized market segments. Newer MGAs often

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are incubators for technology-driven products and business processes that accelerate the pace of innovation for established insurance carriers. But MGA-produced business can also negatively impact an insurer's results, sometimes with disastrous consequences. Several high-profile insurance insolvencies during the 1970s and 1980s involved, in part, an overreliance on dodgy MGAs. "The value of [an] MGA as a distribution partner could greatly impact the (re)insurer's financial strength and reputation," notes AM Best in a March 2021 draft report on assessing MGA performance, *Draft: Best's Performance Assessment for Delegated Underwriting Authority Enterprises.*

To ensure viable, long-term MGA relationships, carriers must be thorough in their due diligence and clear as to performance goals and expectations throughout the life cycle of the relationship. Effective underwriting, pricing and reporting controls need to be implemented and maintained. A thorough, fair and well-drafted contract is essential.

Carriers also must ensure that their MGA partners are well-managed, reliable and financially strong. Perhaps most importantly, carriers must have confidence in the honesty and integrity of an MGA's owners and managers.

Factors to Consider

How can a carrier ensure that it does business only with the most competent and trustworthy MGAs? Of course, a long track record of success is the most reliable guide, but many MGAs are comparatively new to the market. To assure that its partners are honest, reliable and capable, carriers should assess the following factors:

Insurance Expertise: Many of the recent crop of MGAs fall into the "insurtech" bucket. These companies often have strong technology skills and innovative business models, but they may be weak in insurance fundamentals. Carriers need to ensure that their partners understand the insurance marketplace, policy forms and coverages, underwriting standards, pricing methodologies, claims management practices, and insurance law and regulation fundamentals.

Financial Strength: Carriers should thoroughly assess the financial strength of their MGA partners. Insufficient working capital is a common cause of failure of young and rapidly growing companies, but mature MGAs also may have financial problems. Financially stressed MGAs may cut corners to save money or be tempted to lower underwriting standards to bolster top-line revenue.

Aligned Interests: MGA relationships are most successful when the carrier and the MGA both benefit from meeting production and underwriting goals and both feel the pain when goals are not met. Contingent commissions, sliding scale commissions and MGA-owned captives are among the ways to align the interests of the carrier and its MGA partners.

Governance and Internal Controls: The long-term viability of carrier relationships often hinges on the quality of an MGA's management and its internal control environment. Effective underwriting controls are essential, and they should be transparent to the carrier. Carriers should also ensure that their MGA partners have robust financial reporting and regulatory compliance controls.

Technological Sophistication: Technology is the core of many new MGA value propositions, but technological sophistication is essential even for more traditional organizations. A strong, flexible technology foundation can help an MGA remain competitive in a rapidly changing market. Additionally, a solid digital backbone supporting the MGA/carrier relationship increases efficiency, reduces potential frictions and enhances transparency. Along with a robust technology infrastructure, an MGA must be able to demonstrate high-quality network security practices so it doesn't pose a security risk to its business partners.

"Secret Sauce:" Every MGA claims to produce revenue and profit that is difficult or expensive for a carrier to generate itself. For example, an MGA may profess in-depth knowledge of a particular market segment and its unique underwriting requirements or claim to leverage new underwriting technologies and data sources more effectively. Sometimes, however, the "secret sauce" isn't so special—the MGA may have overrepresented its capabilities, or evolving technology has blunted its competitive advantage. Without a clear competitive differentiator, an MGA relationship becomes an expensive way to produce business that a carrier's competitors write more efficiently and cost-effectively.

Trust: Trust is an elusive quality, but it is the glue that holds business relationships together. A good MGA relationship needs to adhere to Ronald Reagan's principle of "trust but verify," but no level of verification can overcome mistrust, especially when an MGA can materially impact a carrier's financial performance and reputation.

Carriers must ensure that they are dealing with trustworthy people within their MGA partners. An MGA may be newly formed, but its key stakeholders almost certainly have discoverable histories (and if they don't, that should be a red flag). A carrier should research the reputations of founders and executives, of course, but also principal investors, board members, advisers, and others who may influence the company's conduct. Reputation includes the individual's history of ethical conduct (or lack thereof) and their track record of performance in their various business ventures.

> To ensure viable, long-term MGA relationships, carriers must be thorough in their due diligence and clear as to performance goals and expectations throughout the life cycle of the relationship.

While a lack of longevity can make the MGA market an uncertain place, firms that deserve carriers' trust will be actively working to earn it. By keeping an eye out for MGAs that openly share their policies, processes and procedures and are staffed with cybersecurity veterans to serve their niche client's needs, carriers can feel more confident in the partnership. Trustworthiness can be a difficult quality to judge when faced with so many options and variables, but the right MGA will understand the level of assurance and transparency that carriers need and will be eager to offer it. BR

See AM Best Requests Comments on *Draft Methodology: Best's Performance Assessment for Delegated Underwriting Authority Enterprises*, March 15, 2021, *www.ambest.com/DUAE_PressRelease.*

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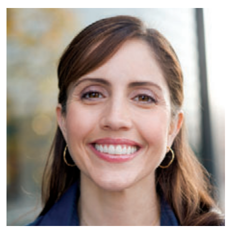

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US Supreme Court Asked to Rule Whether Workers' Comp Covers Medical Marijuana

A Minnesota woman claims years of opioid prescriptions and surgeries failed to help her, and she began paying for medical marijuana out of pocket. Eventually, she sought and won her claim for coverage under the state workers' compensation code.

by Timothy Darragh

Hartford Insurance Group is fighting a Minnesota woman's request to the U.S. Supreme Court to hear her appeal of a state high court decision that federal law prohibits coverage of medical marijuana treatments under the state's workers' compensation law.

Susan Musta is asking the Supreme Court to hear her appeal of a ruling in favor of Hartford and her former employer, Mendota Heights Dental Center. Musta was a hygienist at the center in 2003 when she hurt her back attempting to catch an elderly patient who was falling, according to her brief to the court.

Years of opioid prescriptions and surgeries failed to help her, it said, and she began paying for medical marijuana out of pocket. Eventually, she sought and won her claim for coverage under the state workers' compensation code. The center and Hartford appealed, and a divided Minnesota Supreme Court ruled that the federal Controlled Substances Act preempted the order requiring coverage for medical marijuana.

Musta's appeal noted that while the Minnesota Supreme Court decision agreed with a ruling by the high court in Maine, supreme courts in New Jersey and New Hampshire came to the opposite conclusion. In the end, the Minnesota Supreme Court said Congress has not acted to make possession of cannabis legal, so the Controlled Substances Act preempted coverage.

In her appeal, Musta's lawyers said the Controlled Substances Act "provides a complex, carefully reticulated scheme of regulation of controlled substances." However, citing the dissent from the Minnesota Supreme Court, they said the act "does not 'purport to regulate insurance practices in any manner.'"

The New York chapter of the National Organization for the Reform of Marijuana Laws and cannabis industry groups from New York joined Musta's U.S. Supreme Court appeal recently. They argued that because of the legal conflict among the states and between the states and the federal government—which labeled cannabis as a dangerous Schedule 1 drug—the court could only resolve the problem by determining the Schedule 1 status to be unenforceable.

An attempt to obtain comment from Hartford was not immediately successful.

Cannabis Market Growth Expected but Federal Laws Remain a Roadblock, an AM Best report released on June 30, found that the cannabis industry would continue to grow, but federal law was a barrier to faster expansion.

In 2018, New Jersey lawmakers debated a bill to require workers' compensation insurers to cover medical marijuana. It did not pass, but the New Jersey Supreme Court in April 2021 said prescribed medical marijuana should be covered by workers' compensation insurance. BR

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


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College Standouts:

Survey Provides View of Top College Risk Management and Insurance Programs

Eastern Kentucky University, benefiting from its online program amid COVID-19 shutdowns, was the top vote-getter in the *Best's Review* biennial poll of top risk management and insurance programs. The programs were recognized for their academic rigor as well as soft-skills training.

by Tom Davis

Teaching interpersonal skills is at the heart of an insurance education, right down to demonstrating the proper way to dine—and even drink—with clients. So while the pandemic was closing classrooms and with colleges still struggling to engage their students as some COVID protocols remain, Eastern Kentucky University has hardly skipped a beat.

EKU doesn't offer an online meal etiquette program, but it has helped faculty develop online courses and provides studio space and green screens for recording lectures. Virtual internships were launched and job postings have been shared. Professional designation reimbursements have been offered for exams that are typically provided to in-person students. "Also, if we are traveling to a location where we know that we have online

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

students, we invite them to meet us for a meal or for coffee," said Lisa A. Gardner, director of the Risk Management & Insurance program at Eastern Kentucky University.

"So, in short, we had this mindset that we were going to try our best to make the experience for our online students as rich as possible."

The "can-do" appeal of the program helped make Eastern Kentucky the top vote-getter in the *Best's Review* 2022 survey of best collegiate RMI programs. The magazine asked carriers, readers and other insurance professionals which RMI programs are doing the best job preparing students for careers in the industry.

Of the 399 votes cast, Eastern Kentucky received 68, or 17%. There were 316 respondents in the survey and they cast a total of 399 votes, with some naming more than one institution as a top school.

This marks the third time *Best's Review* has conducted its biennial survey on RMI programs—the first poll was taken in 2018 and the second in 2020. This year's results continue to show a shift

Key Points

Adaptation: Eastern Kentucky University was hailed for the real-world experience it provides students, from offering a study abroad program and placing students in high-paying jobs and constructive internships to offering top-notch online instruction amid COVID.

Etiquette: Appalachian State University boasts a dining etiquette component of its RMI program, noting that students learn everything from setting the table to how to handle alcohol.

Recruitment: Nearly 80% of the overall responses came from people who are either entirely or partially responsible for hiring employees.

toward a Southeastern regional allegiance.

In the survey, the EKU program was hailed for the real-world experience it provides students, from offering a study abroad program and placing students in well-paying jobs and constructive internships to offering top-notch online instruction. "The program director organizes meetings and career fairs with agents and carriers to promote recruitment of students," said Ashley Hacker, a client service manager at Gallagher Global Brokerage who attended EKU. It certainly helped, Gardner says, that EKU was one of the first colleges to offer a fully online RMI degree program. "We try to make available to our online learners many of the experiences that our face-to-face students have," she said.

Joining the Richmond, Kentucky, school at the top of the survey results were, in descending order: Appalachian State University, Olivet College, Florida State University, University of Wisconsin-Madison

College Risk Management and Insurance Program Survey – 2022 Edition

The 20 schools that garnered the most votes in *Best's Review*'s survey are listed below. More than 300 industry professionals participated in this year's poll. A total of 48 schools received at least one vote.

College	Total
Eastern Kentucky University	68
Appalachian State University	49
Olivet College	42
Florida State University	40
University of Wisconsin-Madison	25
California State University, Fullerton	22
University of Georgia	19
University of Alabama*	18
Temple University	15
St. John's University	9

College	Total
University of North Carolina at Charlotte	7
Illinois State University	7
Baylor University	6
Indiana State University	6
Troy University	5
University of Cincinnati	5
East Carolina University	4
Georgia State University	4
Mississippi State University**	4
Saint Joseph's University	4

Honorable Mentions

The following schools received at least one mention in our survey of readers and industry professionals.

Ball State University	Ferris State University	University of Florida
Butler University	Furman University	University of Illinois
Pennsylvania State University	Gallaudet University	University of Louisiana Monroe
University of South Carolina	Howard University	University of Louisiana at Lafayette
Columbia University	Michigan State University	University of Mississippi
University of Colorado Denver	Missouri State University	University of Pennsylvania
Wisconsin School of Business	Murray State University	University of Texas at Austin
University of St. Thomas	Ohio Dominican University	Western University (Ontario, Canada)
Boston University	California State University, Sacramento	
Drake University	University of Connecticut	

*minor, **concentration

Source: *Best's Review*'s survey of top college risk management and insurance programs

Appalachian State University will have experts come in and have students sit down at a "real table with white linen tablecloth and different forks," and even coach the students on how to network when there's alcohol involved.

David Marlett
Appalachian State University

and California State University, Fullerton.

Notably missing from the results was Middle Tennessee State University, the top vote-getter in *Best's Review's* survey of RMI programs in 2020.

Dave Wood, who holds the Martin Chair of Insurance in the Jones College of Business at Middle Tennessee, told *Best's Review* that "I definitely think we should be in the poll" when informed of the results, saying the school has been "doing the right things" to make sure the college maintained its status as a nationally renowned program for insurance education. Even amid the COVID pandemic, Wood said the school still played an active role in getting students placed in internships and in full-time jobs.

He also said that Middle Tennessee State has awarded $50,000 in scholarships and the school finished second in another competition that rated college programs nationally. "We have struggled like everybody has with student engagement" amid the COVID pandemic, Wood said. "Our enrollment is down in our major. From all my colleagues that I talked to, they say they're experiencing the same thing."

Larger schools largely dominated the Top 20 list. The exception would be Michigan's Olivet College, a top-three performer in the past two surveys, which is located in the city of the same name, 30 miles south of the state capital of Lansing.

But Olivet's results show that smaller schools whose offerings are a fraction of the size of other RMI programs are competing well with the likes of Florida State and other large institutions. Olivet has only about 1,000 students—compared to almost 44,000 at Florida State —but recruiters and industry executives celebrate its ability to prepare and place students for jobs at top insurers.

"Olivet College [provides] opportunities to earn professional designations, requires internships in the industry, [offers] faculty with extensive industry experience, explores current insurance issues and prepares students to attain executive positions through effective interactions with others," said Kim Rathbone, managing partner for the Rathbone Group LLC, which handles the recovery and litigation of subrogation claims throughout the U.S. and Canada.

Appeal to Hiring Managers

Eastern Kentucky, Olivet and Florida State were buoyed by support from those charged with finding the next generation of insurers. Nearly 80% of the overall responses came from people who are either entirely or partially responsible for hiring employees. Ironically, despite leading the overall count, Eastern Kentucky polled low compared to other front-runners in this category in the survey. Seventy percent of EKU voters were hiring managers, compared to 92% of those who voted for Appalachian State and 85% of Olivet voters.

David Marlett, the managing director of the Brantley Risk & Insurance Center at Appalachian State University, said it helps that insurance companies and agencies from across the country advise the college's RMI program, and "when someone comes to Boone, [North Carolina,] it's intentional." The university, nestled in the Blue Ridge Mountains in the northwestern part of the state, is about two hours from a major airport and "given our location, we have recruiters from the Carolinas and Virginia, but they also come from the Northeast, Midwest, Florida, even Arizona," Marlett said.

"We help students find full-time jobs and internships. Our assistant director's primary mission is to connect students with employers," he said.

Real-world experience helps, too. Similar to what other college RMI programs do, Appalachian State will show students the soft skills that help them advance.

Not all of them, however, provide what Appalachian offers: dining and even alcohol etiquette. Marlett said the school will have experts come in and have students sit down at a "real table with white linen tablecloth and different forks." When the school visited Lloyd's in London, one of the school's board members was even "coaching the students on how to network when there's alcohol involved," he said.

"At networking receptions, there is often alcohol," Marlett said, adding that students learn the answer to this question: "'If you choose to drink, what is appropriate for the situation?' You don't get the one with the umbrellas or something complicated," he said. "And have your one go-to grown-up drink. Instead of getting hard liquor

Survey: Colleges Need to Better Prepare Future Insurers for Real World

Recruiters and hiring managers who participated in the 2022 *Best's Review* college survey say an insurance education must focus on what's necessary for a job that requires a personal touch.

They're happy to give new hires on-the-job training. But insurers want would-be professionals to know what they're doing before they even walk through the door.

"Students also need to be exposed to more types of insurance jobs in the industry rather than focusing on underwriting for the carrier side during their time in school: claims adjusting, surety, sales, service, actuary, risk managers, etc.," said Ashley Hacker, a client service manager at Gallagher Global Brokerage. That's the message working professionals delivered when they participated in *Best's Review's* 2022 survey of best college insurance programs, saying schools need to do a better job of getting their students ready for the real world and exposing them to the tricks of the trade.

Morgan Wyman, an account executive with CBI Insurance, said she got solid training from Eastern Kentucky University, which was the top vote-getter in the *Best's Review* poll. But she believes that too many of her colleagues' training is focused on areas that don't involve the practical learning that's necessary for a job that requires a personal touch.

"I believe that the educational materials and lessons are excellent and provide students a solid foundation for their future in insurance," she said. "However, I believe it would be beneficial for the students to learn how the concepts and theories they learn relate to real-world, on-the-job scenarios." Wyman said too many of the materials provided to college students focus on theory but "theories don't always apply if you want to go into claims or sales or something different, so I think they could be doing a better job at that."

"The theories I refer to are those in the CPCU [Chartered Property Casualty Underwriter] courses, which is great," Wyman said. "The CPCU courses pave a clear path for those who want to be more in an underwriting or product development role/career. I think every student should be exposed to these courses, but I think there needs to be more classes that highlight other areas in the industry, such as claims, sales, risk management and loss prevention, etc."

While on the job, Wyman said new insurance professionals should connect to underwriters or somebody in sales or claims "so they're not spending the majority of the first five to six years in their careers figuring out what exactly they every time, mix it up. Get a drink, and then have a couple of tonics or sodas. Nobody's going to know the difference."

Managers acknowledged that students have impressed them during the hiring process when they've been asked about their soft-skills knowledge. "The students are well prepared academically but they also have experience attending industry events, have learned soft skills of how to interview, how to communicate effectively, etc.," said Jeff Haney, president, ECM Solutions, an independent insurance agency in Charlotte, North Carolina.

Right Skills and Alumni Appeal

Both EKU and Appalachian State were buoyed by alumni support, garnering around 62% of their votes from graduates of the school, among the highest rates in the poll. That's compared to Olivet, which got about 50% support. Nearly all of the respondents—whether they were an alumnus or

want to do. I think that our graduates, especially at EKU, graduate with a ton of knowledge and a ton of background that could be beneficial at any job, whether it's the agency or company side," she said.

Trey Boggs, an account representative for State Farm in Kentucky and an EKU graduate, said sales is a big part of the industry, and "educating on specific products gives the knowledge to be able to sell those products better, and help people get what they truly need."

EKU graduate Josh Boone, an agent with the Kentucky Farm Bureau, said more real-life situational content can help better prepare students for the challenges they face on any given day. "Learning what a typical day looks like to work in a particular field or position really helps students understand what direction to go once starting a career," Boone said.

Exposing students to the real world also means providing professional services in the classroom, the survey's respondents said. A number of schools provide training and opportunities for taking professional licensing exams, but Wyman believes more colleges should allow students to take the licensing exam prior to graduating without having to take a 20-hour course. "I just wish I could have been licensed without taking the course while I was still in school. I believe interns would be more attractive to employers if they are licensed. Employers often struggle with legal issues having an unlicensed staff member," she said.

Hacker, another EKU grad, recommended that schools improve networking by creating an "accessible Rolodex" of student and alumni contacts in each school to share with other schools. "EKU does already have a Rolodex," she said. "Several school insurance programs are also involved with the Gamma Iota Sigma professional association that may be able to assist in coordinating. I recommend all students join their local chapter since it does provide a wide-scale networking opportunity for students and alumni, but I do think it would be helpful for schools to communicate and have access to all insurance industry contacts outside of GIS as well."

Wyman said an insurance major isn't always very attractive for students. But would-be professionals could develop a passion for the job if they're mentored properly. "Universities that offer a degree in RMI need to figure out how to get students excited about the insurance industry," she said. "From the outside looking in, insurance doesn't seem like it would be a fun and exciting career. But once you're involved, you realize this industry is the exact opposite. It's fun, exciting, competitive and full of amazing people. It is one of the only industries where you get to be hands-on with so many different types of businesses and people."

At Eastern Kentucky University, Wyman said people from the RMI department went to her classes and "explained the program and how great it was." But she said it initially sounded boring. "But then I took one class and the only reason why I really loved it was because of the professors," she said. "The professors from that program were the best out of all the departments in the business school. Very hands-on there, 24/7."

"We had this mindset that we were going to try our best to make the experience for our online students as rich as possible."

Lisa A. Gardner
Eastern Kentucky University

not—said their votes went to colleges that gave themselves, or the people they hired, the "right skills" to work and advance in the industry. Indeed, 77% of the survey respondents answered "yes" to the question, "Are graduates of college insurance and risk management programs coming in with the right skills to succeed?"

One EKU grad, Seth Brock, a State Farm Agency account representative in Kentucky, said the school works hard to develop relationships with people in the insurance industry and gives students the opportunity to get constructive internships and solid job experience. "EKU works as hard as any university in the country at providing students with the tools and opportunities to further their careers in the insurance world once they have graduated," said Brock. "Internships, job fairs, fundraising events—EKU does it all."

Even when those events were canceled because of COVID-19, colleges like Eastern Kentucky say they did their best to fill the gap in "real-world" learning.

EKU touted the fact that it already had an online degree, so the college was well prepared for the 18 months of shutdowns. Even before the pandemic, the school would find opportunities to meet students halfway if they found it difficult to physically attend class on the school campus, Gardner said. For example, a student "could be in Bermuda and enroll in our program and finish a bachelor's degree in RMI without ever leaving their home," Gardner said.

The school's online classes in RMI involve recorded lectures, quizzes, problem sets and exams, all of which are supported by the Blackboard online learning platform, she said. During the worst of COVID, from late March through December 2020, classes were entirely online, taught either asynchronously or synchronously using Zoom. "In spring of 2021, most of our classes were taught this way, but I did teach one class face to face," Gardner said.

Still, with students who clearly preferred face-to-face learning early in the pandemic, the COVID learning experience was different and difficult, Gardner acknowledged. But she believes the school met the challenge. "While we were with a group of students in Bermuda in March 2020, we learned that EKU was going fully online, and that we had just one additional week to prepare for that. It helped a lot to have access to our online classes as a model in thinking through in such a short time frame," she said.

Some students had internship offers rescinded because of COVID. "To help those students advance professionally, the school decided to award professional designation scholarships that helped them afford professional designation study materials and exam fees," she said.

"We had some students take advantage of that and pass designation exams," she said. "None of our spring 2020 grads had offers rescinded, but in some cases, their start dates were moved back."

The school also went ahead with some approved events even before vaccines became available. Amid the pandemic, Gardner said EKU still sought to maintain some of the face-to-face learning experiences while maintaining COVID protocols.

In the fall of 2020, the school still held its Annual Scholarship Fundraiser and Golf Outing, and several students participated as volunteers. "This gave us a chance to do some of that informal mentoring and encourage them to meet industry professionals and talk to them," she said. "Our students rose to the occasion. They seemed happy to be there and meeting people and enjoying the day." BR


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Industry Professionals Share Thoughts on Top RMI Programs

Best's Review received nearly 50 letters from readers and other industry professionals who spoke about the outstanding work being done by risk management and insurance schools, programs and department chairs.

Editor's Note: Several months ago, *Best's Review* asked readers which college risk management programs stand out for their work in preparing young people for a career in insurance. The following is a selection of the responses edited for clarity.

Baylor University has an excellent Risk Management and Insurance major that prepares their students for careers in the insurance industry. The program itself is small but I would consider that one of the top reasons that its students are successful. We are able to know our professors on a deeper level than just student/teacher. There is a true mentorship and discussion about where our industry is going, what areas each of us might better excel in and the ability to learn from professors that still have a very active role in the industry.

I am fortunate, being a double major in supply chain management and risk management, to have built the connections with my RMI professors and fellow classmates. We were afforded the opportunities to travel to any conferences in the RMI field, host lunch-and-learn sessions, bring in guest speakers (some of those guest speakers ending up becoming my current bosses), and allow younger business students the opportunity to join our Gamma Iota Sigma chapter early.

The professors base their teaching on what is currently happening in the market and use real world examples to explain to us what our field is going through and the challenges we face. I commend the Risk Management and Insurance major at Baylor for continually trying to do everything they can for their students and alumni.

Heather Hansen
Underwriter
Middle Market
CNA
Dallas, Texas

Baylor University's Risk Management and Insurance program is outstanding. I attended Baylor from 2002-2006 and graduated with a Risk Management and Insurance degree. During my Baylor years I served as treasurer of Gamma Iota Sigma and earned a scholarship from the Insurance Council of Texas under the guidance of Baylor leaders. Since my time at Baylor I've held executive positions with Liberty Mutual Insurance and The Hartford. I recently took a new leadership role as regional vice president of Iroquois Group supporting independent insurance agents in multiple states, including my home state of Texas. A fulfilling, challenging, and successful career is made possible by Baylor and its teachers in the Risk Management and Insurance program. I had the best experience at Baylor and consider it a blessing to have attended.

The department at Baylor is led by phenomenal professors and lecturers:

Wes Bailey's passion for the insurance industry and for Baylor is seen by his motivation and care in bringing young leaders through the Risk Management and Insurance program and into the industry as professionals. I knew I wanted to create a career in insurance early on while taking Wes's commercial insurance class at Baylor. His experience in the business provides a practical approach to teaching students.

Allen Seward is a highly intelligent individual with a knack for helping students understand both basic and complex concepts.

Jim Garven truly cares about the department and seeing students grow. Jim encouraged me to join and help lead Gamma Iota Sigma at Baylor.

John B. McCaleb, CPCU, CIC, CRM
Regional Vice President
Iroquois Midwest
Iroquois, Texas

Florida State University's Dr. William T. Hold/National Alliance Program in Risk Management not only prepared me for a career in insurance but also provided the tools and resources for me to continue my education and obtain a CIC designation. Their staff is committed to ensuring that students succeed and secure job placement upon graduation.

Kelly Doran (Funck), CRC, CIC
Assistant Vice President
CRC Group
New York, New York

I want to nominate Florida State University's Risk Management & Insurance program as a standout. I was blessed to graduate from the program virtually in 2014.

The program is insurance-company focused and did a fantastic job preparing me for the industry. I was able to promote into a third-party risk management role at a large insurance/banking company in 2013 while attending the program and have leaned on the education throughout my career which has led me to roles with Amazon.com, Deloitte, and my current role (on path for CRO) at Security Service.

The program does a fantastic job on touching multiple risk management functions to include insurance, operational risk, and other programmatic features. The staff is superb, knowledgeable, and extremely accommodating to students. I am extremely grateful to this program for the knowledge I have today and would not be anywhere near where I am today if it wasn't for Florida State University.

Kirby Kleeberg
Vice President of Enterprise Risk Management and Operations Risk
Security Service Federal Credit Union

Florida State University's Dr. William T. Hold/The National Alliance Program in Risk Management offers a combination of technical knowledge from the top level insurance program, world class professors, and the sales program. You end up with the skills and ability to work anywhere in the insurance industry from claims to CEO.

Andrew Celestini, CIC
Vice President - Property
AmWins
Satellite Beach, Florida

Our company has hired a number of risk management graduates over the years and two college risk management programs stand out to me based on the caliber of the individuals we have hired and the preparation they have received via their college studies: Florida State University's Dr. William T. Hold/The National Alliance Program in Risk Management and also Appalachian State University's Risk Management and Insurance program.

David D. Brooks, CPCU, ARM
Chief Risk Officer, North America, SVP, Risk Management
Axa XL, a division of Axa
Hartford, Connecticut

I own an independent insurance agency in Jacksonville, Florida, and was looking for a college graduate to join our firm as a producer. I was aware of the Florida State University program and signed up to join the "Insurance Days" program that gave me the opportunity to interview many students that were near graduating from the program. This was a two-day program that included a formal reception, orientation of the event, and then the interview process. These activities allowed me to meet quite a few students and talk about their futures. I got to know several who later signed up to interview with me. After this event I made offers to three students and one accepted the position with our agency in Jacksonville.

Our hire was well versed in insurance policy contracts and was a quick study in insurance agency operations. Hired as a commercial producer trainee, they spent the next year shadowing the sales producers and learning the position. After that year they began their career in commercial sales armed with all the knowledge to excel as a producer. The fact that we could hire someone with the technical knowledge to perform as a commercial sales producer in such a short period of time was invaluable. Our hire is still a part of our firm and set to be part of the agency perpetuation plan.

It takes a long time to learn the commercial insurance business and the FSU RMI program helps prepare students for a career in the business.

Tim Gaskin
Equity Partner
GHG Insurance, a division of Sihle Insurance Group

I would like to add my highest recommendation for Florida State University's Risk Management and Insurance program. I graduated with a BS degree from FSU in 1974, started in public accounting and left the consultant arena for the insurance industry, where I have been for 37 years. In 2002 I started FSU's online RMI Masters program and graduated in 2004. The RMI department at FSU and its instructors are excellent—and even after 18 years in the industry, I found it to be both enlightening and career enhancing.

David A. Skup
Controller
Sunz Insurance
Bradenton, Florida

I found that Florida State University's Risk Management program did an excellent job in prepping me for my career within insurance. The curriculum was on point and thought provoking. The professors were professional and inspirational. I could not have asked for a better experience!

Daniela Mills, Class of '04
SVP, Practice Leader – General Property
Lockton Cos.
Houston, Texas

The Dr. William T. Hold/The National Alliance Program in Risk Management and Insurance at Florida State University is second to none in providing an academic/industry experience that prepares young graduates for an insurance career.

I had the pleasure of witnessing this phenomenon firsthand while working for the Florida Association of Insurance Agents as its president/CEO for the past 22 years, ending August 2020. Our association worked closely with the FSU RMI program, funding scholarships and encouraging agency/company members to solidify our commitment to one of the few great pipelines of insurance industry talent. At various times, we spoke in classrooms, assisted sales contests, and participated in job fairs, internships and other program activities that encouraged industry participation.

While in my role, I also had the pleasure of serving as a volunteer member of the FSU RMI Executive Council, an assembly of experienced industry professionals that work with faculty/staff to assist with invaluable career guidance and other useful resources. I believe this partnership is a key ingredient to the program's incredible job placement rate, which was almost 100% during my entire term of service. This statistic is even more impressive when you consider the number of RMI declared majors more than doubled over this same period to almost 300 students.

Finally, what makes the FSU RMI program unique is its faculty/staff and the relationship they maintain with young students pursuing an RMI degree. A proactive approach is taken to providing internships, which are available to practically any RMI student who seeks one. Additionally, the program affords numerous opportunities for RMI students to participate in industry meetings and interact with insurance professionals to assist with career guidance. These faculty/staff-led activities only serve to showcase the positive attributes of an FSU RMI program graduate. In turn, the cycle repeats by making industry more supportive/engaged, RMI students better prepared, and the program more prestigious in delivering "career-ready" degrees.

Jeff Grady
Florida Association of Insurance Agents

I would like to recognize the Department of Risk Management/Insurance at the Florida State University College of Business. The undergraduate risk management program has exceptional faculty and offers a curriculum designed to meet the needs of modern risk management and insurance entities. Core courses and electives give the student a broad base of knowledge while offering concentrations in specific areas of interest. In addition to the coursework, the students are regularly exposed to the industry leaders and alumni who work in the field of risk management and insurance through guest lectures, Career Center activities, and Insurance Days placement program for internships and full-time employment. These opportunities to interact with current industry leaders and experts, along with regular interaction between students and the RMI faculty, help set expectations for the modern RMI workplace, prepare the students to be competitive, and provide the tools for a successful career in RMI.

John LaPrade, MS, CPUC, CLU, ChFC, FFSI
State Farm Fire and Casualty Co. Claim Section Manager – Retired
Independent Property and Casualty Claim Consultant and Expert Witness

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The RMI program at Florida State University was exceptional in preparing me for my career in insurance. The faculty was outstanding and very involved from the initial intro into RMI course all the way through to the end with several in-depth group projects. It provided an excellent foundation of knowledge about all lines and aspects of insurance along with encouraging interactive discussions and collaboration with my peers. Also, who can forget Insurance Days—when I was telling friends in other courses of study about this, they had nowhere near the amount of interviews and networking that this event provided! I am proud to be an alumnus of this program and it really has helped me stand out during my career.

Kevin Scott, AINS, BS-RMI
Commercial Marketing Manager
Heritage Insurance Co.
Clearwater, Florida

Please accept my response as support and affirmation of the tremendous work Florida State University's Insurance and Risk Management program continues to perform on behalf of college students seeking careers in the insurance industry. Working in conjunction with the National Alliance for Insurance Education and Research through the William T. Hold insurance program, FSU continues to identify, educate and develop the next generation of insurance professionals. From insurance and risk management coursework to internships to facilitating hiring connections, FSU and the Hold partnership has provided students the learning forum and environment to develop and grow their knowledge and careers for the past 10 years.

Having participated as a board member, it's been a pleasure to see firsthand how important, impactful and successful the relationship has been and I look forward to seeing how many lives will be positively affected in the years to come. I'm aware of no other partnership that has done so much for college students and the insurance industry at such a high level for so many years.

Darryl Coleman, President
Coleman Search Group

I saw in the August 2021 issue the question asking which RMI program stands out for its work in preparing young people for a career in insurance. I can speak from personal experience as an alumnus and as an insurance professional who is tasked with hiring young talent that the Florida State University's Dr. William T. Hold/The National Alliance Program in Risk Management is top on my list. Between the course work, professional skills training and networking opportunity the RMI department at FSU is second to none.

Joe Neeley
Property Broker, AVP
RT Specialty
Houston, Texas

You asked "which college risk management and insurance programs stand out for their work in preparing young people for a career in insurance?"

The answer is Ohio Dominican University in Columbus, Ohio. The university partners with Encova Insurance and an independent agency to provide part-time employment during the school year and internships in the summer. These internships expose the students to all facets and areas of insurance and lead to a job offer going into the senior year.

ODU is located in insurance-heavy Columbus, Ohio. They understand and appreciate the need for new talent to enter an industry that is flush with retirements.

Grady Campbell
EVP, Commercial Lines & Life
Encova Insurance

My alma mater, Ball State University in Muncie, Indiana, has an outstanding Risk Management and Insurance major under the direction of Dr. Stephen Avila, as well as an outstanding Actuarial Science major of which I am a proud 1979 graduate (albeit now a recovering actuary).

Ball State has a unique Center for Actuarial Science, Insurance, and Risk Management.

See more at *www.bsu.edu*.

Kevin Marti, FSA, CLU, ChFC
President and CEO
Gleaner Life Insurance Society
Adrian, Michigan BR


COMING SOON
PG
BRIEF LANGUAGE
THE BABY BOOMER
DILEMMA
AN EXPOSÉ OF AMERICA'S RETIREMENT EXPERIMENT
A FILM BY DOUG ORCHARD FILMS, LLC EXECUTIVE PRODUCER NAVI DOWTY EXECUTIVE PRODUCER THOMAS GIER EXECUTIVE PRODUCER ALAN KIFER EXECUTIVE PRODUCER SHAWN LAPPI EXECUTIVE PRODUCER STEVE LARSEN
EXECUTIVE PRODUCER ANDREW LAVENZIANO EXECUTIVE PRODUCER SUSAN LOOMER EXECUTIVE PRODUCER MITCH LYONS EXECUTIVE PRODUCER REVAE STUART EXECUTIVE PRODUCER EDWARD C. VOSGANIAN
EXECUTIVE PRODUCER DARRIN WORTHINGTON EXECUTIVE PRODUCER DAVE BJORKLUND SPECIAL APPEARANCE BY ABE MILLS SPECIAL APPEARANCE BY RACHEL MILLS WRITTEN AND DIRECTED BY DOUG ORCHARD

Staid Annuities Get Star Treatment in Movie About the Importance of Guaranteed Retirement Income

The Baby Boomer Dilemma, a new documentary film by Doug Orchard, examines the role annuities play in retirement portfolios to guard against "haircuts" to traditional pensions or Social Security, as well as potential volatility in defined contribution plans.

by Terrence Dopp

Ever ponder exactly what it means for filmmakers to have their movies obtain a rating from the Motion Picture Association? Probably not.

But for documentarian Doug Orchard, that was a key question for his new film *The Baby Boomer Dilemma*, which explores shortcomings in the current retirement system and the role of annuities within portfolios. Securing the film's PG rating meant it could be shown in theaters, but he said it also carried another component—an imprimatur from the MPA that the film wasn't just an infomercial or long-form sales pitch for a financial product.

In fact, it's the first movie about annuities to be rated by the MPA. The film's website describes the movie as "an exposé of America's retirement experiment." It had a limited theatrical release late last year and is scheduled to hit major streaming services this month.

"I had a model in my mind going in, and my model for the framework of this film was I wanted to do a deep dive into pensions, I wanted to do a deep dive into Social Security, I wanted to do a whole deep dive into the deferred comp plans—which is where most people put their money—and then I wanted to do a deep dive into annuities," Orchard said. "What I wanted to look at was what the guarantee is and who's the guarantor of that guarantee and how healthy are they."

Throughout the film, Orchard takes an in-depth look at both public and private pensions, the rise of 401(k) retirement plans, Social Security and annuities. The latter is presented in the last half of the film as a means of preserving a guaranteed income stream to guard against an unexpected loss in retirement accounts or reductions to pension or Social Security benefits that may be instituted if those funds become too depleted.

Interspersed with traditional documentary footage and interviews are fictional scenes featuring Abe Mills, an actor and a singer with the band Jericho Road, his wife, Rachel Mills, and their children playing the family of a Florida driving instructor whose plans are muddied when the market drops two months before his planned retirement.

Experts interviewed for the movie include Nobel Prize-winning economists Robert C. Merton of the Massachusetts Institute of Technology and William F. Sharpe of Stanford University. Other notable names include Olivia S. Mitchell of the Wharton School of the University of Pennsylvania and executive director of the Pension Research Council; Brigitte C. Madrian, dean, Marriott School of Management at Brigham

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Young University; and David F. Babbel, a Wharton School professor and Goldman Sachs alum.

Government figures include David M. Walker, who served as U.S. comptroller general from 1998 to 2008, a former Social Security trustee and former acting executive director of the Pension Benefit Guaranty Corp.; U.S. Rep. Mike Gallagher, a Republican from Wisconsin who has introduced the Time to Rescue United States' Trusts Act to establish committees tasked with drafting legislation to strengthen federal trust funds on the brink of insolvency; and Eric Cioppa, the 2019 president of the National Association of Insurance Commissioners and Maine insurance commissioner at the time the movie was filmed.

It also features industry experts like Ted Benna, referred to as the "father of the 401(k)"; Edward Siedle a former Securities and Exchange Commission attorney who pioneered forensic pension audits; Sheryl Moore, chairwoman and founder of Wink Inc., as well as the industry's competitive intelligence expert and fact-checker; and Tom Hegna, host of *Don't Worry, Retire Happy!* on PBS.

The Film's Background

Orchard is a documentarian who has directed seven films including *The Power of Zero*, about the national debt, and *Fasting,* a film that delves into intermittent fasting as a dietary practice. He said the topic of health has always fascinated him along with a focus on national debt that is touched upon in several of his movies.

For *The Baby Boomer Dilemma,* he chose a novel funding technique. Put off by a past attempt at crowdfunding a project through Indiegogo, this time he took a different path. He sold 13 executive producer slots for $15,000 each and a subsequent round of contributing producers slots for $10,000 each. To avoid any ties to the backers, real or imagined, he had two people handle the money and didn't learn the names of those who had donated until the movie was done and credits were being made. In all, the film raised about $310,000, he said.

The film began as a germ of an idea Orchard had while working on another documentary called *M&A* that has yet to be released. "It's people outside of the industry really, primarily, that are in the movie," he said. "None of us had a financial tie to the industry. We really don't care how that film ended up. It really was objective."

"I had a model in my mind going in, and my model for the framework of this film was I wanted to do a deep dive into pensions, I wanted to do a deep dive into Social Security, I wanted to do a whole deep dive into the deferred comp plans—which is where most people put their money—and then I wanted to do a deep dive into annuities."

Doug Orchard
Documentarian

Orchard said the movie was a look in part at both what the retirement guarantee is and who is backing that pledge. He cited news accounts of pension deficits in public systems in places like California and Illinois, as well as looming deficits for Social Security for sparking his interest and prompting the movie.

Ultimately, he said the health of those systems was what interested him. "That's what I felt like would ultimately be most interesting, because that's the part I don't hear anyone talk about," he said. "What happens when it doesn't happen?" BR

Annuity Providers See Growth Opportunity in US Retirement Plan Changes

Retirement planning in the U.S. has focused for many on defined contribution plans and accumulation with little discussion of how to secure guaranteed income through annuities as part of workers' 401(k) accounts. With that about to change, the annuity industry sees a big opportunity on the horizon.

by Terrence Dopp

When people review their 401(k) or 403(b) retirement plans this year, they might have a new investment option: using some of their money to purchase income annuities. And that may prove to be a growth opportunity for the industry, which is already posting strong results in the past year.

While the option is still in its infancy, federal changes and growing adoption by those who run defined contribution plans may benefit the staid annuity industry as the long-term contracts—and the guaranteed income they offer—become more widely available to Americans. Where the two products had traditionally been seen as separate, the move could make them options within one overall plan.

"As these products evolve, I think there's an

Key Points

Liability: Traditionally, retirement plan sponsors were resistant to including annuities as an option embedded in defined contribution plans amid legal uncertainty. That issue was cleared up with changes in the 2019 SECURE Act.

Shift: For the industry, the move will mean employees throughout America have a new market to purchase annuity contracts through their plans. It also may open up the so-called middle market, which hadn't been tapped by financial advisers.

Beginning: Starting this year, 401(k) providers including BlackRock and Fidelity have announced plans to offer guaranteed income products, and more could follow.

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"Given the current economic and demographic environment, a large-scale unique opportunity is up for grabs for the life and annuity space, and many carriers have teamed up as an industry to tackle this opportunity."

Bruno Caron
AM Best

opportunity to meld them both," said Martin Powell, head of annuity distribution, CUNA Mutual Group. "Most annuities are sold through financial advisers who are rolling over 401(k) plans, or getting peoples' buyouts. Now here's an opportunity before they get to the stage of rolling over, they are going to have an opportunity to make buy-in decisions on ensuring longevity of their retirement plans."

Projections of the potential size of the pool of money are premature as the total number of players in the burgeoning space and level of adoption aren't clear by any means. Powell used a simple example: His company—a $4 billion-plus, 85-year-old provider of financial services to credit unions and their customers—was the third outfit to sell the registered index-linked annuities that are now among the fastest-growing segment of the industry. Financial institutions chase success, he said.

Large Pot

As of June 30, 2021, Americans held an estimated $7.3 trillion in assets in 401(k) accounts alone, which accounted for almost a fifth of the $37.2 trillion U.S. retirement market, according to the Investment Company Institute, which has been tracking DC plan participant activity since 2008. The 401(k) figure is more than double the $3.1 trillion cited for 2011.

Defined contribution plans allow participants to accumulate wealth tax-free, generally with an employer match, and invest it with the hope of retiring on a large pile of money based on savings and good performance. There is a caveat, however: There are no guarantees and a nosedive in the market can derail retirement plans.

The plans have largely replaced the traditional private pension funds offered to workers during the latter half of the 20th century. The defining feature of those plans, known as defined benefits plans, is certainty of income in retirement.

An annuity at the most basic level is a contract between an individual or married couple and a life insurer. While there may be many flavors they take on, the essential premise of income annuities is that the purchaser surrenders control over the pot of money and in return secures a guaranteed stream of income for either a set time period or for the duration of their life—much like a pension.

For annuities providers, the change could be akin to life insurers boosting their sales to record levels in the past year largely on the backs of smaller policies sold online. Both allow the industry to grow by getting down into the so-called middle market and customers they traditionally weren't able to tap. "They might have $10,000 or $15,000 and they might not feel like they're not deserving of financial advice from a financial adviser, and as we know a lot of the marketplace is focused on people who have $500,000 or more from a net investable asset perspective," Powell said of this new market. "So this gives the person below that who's accumulating wealth the opportunity to get more access to financial planning."

Shifting Seas

It's not that the sale of guaranteed income contracts was ever outright prohibited within a defined contribution plan. It was more of a black hole where absent legal provisions authorizing and regulating them led to them never really being embraced as a component. But Section 204 of the SECURE Act passed in 2019 created a safe harbor provision for defined contribution plan sponsors, “As these products evolve, I think there’s an opportunity to meld them both.”

Martin Powell
CUNA Mutual Group

or fiduciaries, concerning the purchase of annuities within the retirement plans. Specifically, the law cleared up that unknown by adding a first-ever safe harbor to the Employee Retirement Income Security Act of 1974, known simply as ERISA, which governs private pensions and defined contribution plans.

The law included requirements that the sponsor must conduct an analysis when selecting insurers for lifetime income contracts that considers, among other things, the insurers’ capability to meet the contract and whether the costs and fees involved in securing the lifetime income are in line with the benefits. The fiduciary must obtain written representations from the insurer that it is licensed to sell the contracts, has operated for the preceding seven years with a certificate of authority from state regulators that hasn’t been suspended, meets reserving requirements, and isn’t operating under an order of supervision, rehabilitation or liquidation.

If a fiduciary meets the legal requirements, it is not liable for any losses if the insurer fails to satisfy the contract for any reason.

Bruno Caron, associate director with AM Best, said the need for lifetime income products and solutions is high and has the potential to become a significant component of retirement planning. No other product has the ability to redistribute principal optimally and generate income for the unknown period of time of retirement. People often consider the size of their accounts and their personal wealth absent of a true reckoning of how much that wealth translates into income for the rest of their life because it is a major unknown.

“The income side of the coin is as important as the asset part when it comes to retirement planning; lifetime income is the suite of products that help retirees achieve an appropriate equilibrium given the many unknowns they face,” he said. “Given the current economic and demographic environment, a large-scale unique opportunity is up for grabs for the life and annuity space, and many carriers have teamed up as an industry to tackle this opportunity.”

The numbers are big, if still a little imprecise.

In October, financial giant BlackRock announced that five large plan sponsors, who represent $7.5 billion in target date investments, had elected to work with the firm to bring its LifePath Paycheck product as the default investment option in their employee retirement plans. The annuities are issued through Brighthouse Financial and Equitable, the company said.

In announcing the deal, BlackRock said it expects initial plan adoption in 2022 and it will provide the option for guaranteed lifetime income to 120,000 U.S.-based 401(k) plan participants.

Fidelity Investments, which has nearly 8 million people on its workplace savings platform nearing retirement age, said in November that its Guaranteed Income Direct retirement income product will allow individuals to convert a portion of 401(k) or 403(b) savings into an annuity with the aim of providing predictable income. The program is expected to launch to select clients in the first half of this year, with broad availability late in 2022, Fidelity said.

Powell said he expects peoples’ interest in the product to blossom given a base desire for steady income, and that stands to broaden the base. “That’s why they work on a salary in this country,” he said. “They like the guarantee of knowing what level of income they have.” BR

Fixed Annuities Remain Biggest Seller Amid Push for Guaranteed Income

As a whole, the annuities industry sold $191.4 billion across segments during the period, marking a 19.1% increase from 2020, according to LIMRA data.

by Terrence Dopp

Fixed annuities topped sales across all industry categories for the first three quarters of 2021 with $98.1 billion for the period, an increase of 10% from the prior year, industry tracker LIMRA said.

That figure was enough to put it ahead of the $93.3 billion in all variable annuities categories for the first nine months of 2021. The annuities industry as a whole sold $191.4 billion across segments during the period, marking a 19.1% increase from 2020, according to the LIMRA data.

American International Group topped LIMRA's ranking of companies selling the most fixed annuities through the first nine months of 2021 and was second highest across total annuities sales. The company reported sales of $8.03 billion worth of fixed annuities over the period and total sales of $14.1 billion.

"We're pretty excited about that," said Bryan Pinsky, president, individual retirement at AIG, of the LIMRA data. "There are a lot of things driving that, but first and foremost is a continued

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opportunity than investing in a traditional fixed annuity, a CD or typical bonds today."

AM Best on Dec. 7 moved its outlook on the U.S. life and annuities industry to stable from negative. In a *Best's Market Segment Report: Market Segment Outlook: US Life/Annuity* announcing the decision, analysts cited record levels of capitalization, strong liquidity and limited credit losses due to robust sales and other factors. The outlook had been deemed negative since the beginning of the COVID-19 pandemic amid industry uncertainty.

Year-to-date traditional variable annuities sales rose 17% to $65 billion, LIMRA found. Sales of fee-based variable annuities were $3.6 billion for the nine-month period, up 60%, and the third quarter of 2021 marked the first time LIMRA found four consecutive quarters of billion dollar-plus sales for the category. Sales of registered index-linked annuities, among the newest and hottest offerings to hit the market, were $28.4 billion in the first three quarters of the year, 81% higher than the previous year. The category allows purchasers to capture some of the upside of the equities market while buffering the downside potential.

Sales of fixed indexed annuities were $47.1 billion in the first nine months, a 14% gain from the previous year, and fixed-rate deferred annuity sales fell by 27% in the third quarter from a year earlier but totaled $42.1 billion, or 10% higher, for the first nine months of 2021.

Income annuities—both immediate and deferred—faced a tough period in the first nine months of 2021 as interest rates hovered near historical lows. Immediate income annuity sales fell 6% to $4.4 billion and deferred income annuity sales were $1.4 billion, 16% higher than in the same period of 2020. Annuities are the only product that offers guaranteed lifetime income to guard against longevity risk, Pinsky said. Advisers are telling their clients to examine other sources of guaranteed income such as Social Security and pensions to determine if there is a potential income gap.

"If so, they oftentimes will turn to an annuity product to cover that income gap," he said. "Obviously, life spans are getting longer and most clients are going to live decades into retirement. There's just a need for people to have that level of certainty and comfort." BR

recognition by financial professionals of the value annuities can play as the foundation of an individual client's retirement portfolio."

Pinsky said in some cases advisers are using annuities as a means of supplementing, or even replacing a portion of, traditional fixed-income investments due to the pressures of low interest rates. "Many of them have started to turn to indexed annuities as a fixed-income alternative because those offerings tend to provide protection as well as a little bit more yield upside opportunity," Pinsky said. "They have a little bit more yield

Regulation

Insurance Restructuring Options Take a Giant Leap Forward

Allstate Insurance Co. filed the first division plans in Illinois, and their subsequent approval was a significant step forward for the insurance industry to expand the application of restructuring mechanisms.

by Luann Petrellis

On March 19, 2021, in a landmark transaction, the Illinois director of insurance approved eight plans of division filed by Allstate Insurance Co. to restructure its insurance operations. This undertaking is the first of its kind and represents a significant step forward for the insurance industry to expand the application of restructuring mechanisms. Allstate's extensive due diligence and the rigorous review by the Illinois Department of Insurance went above and beyond the statutory requirements to ensure the success of this unprecedented transaction and to adequately protect policyholders and claimants.

Since 2000, the EU, U.K. and other advanced jurisdictions have allowed insurers and reinsurers to restructure business operations and achieve legal finality using an insurance restructuring mechanism known as the Part VII transfer. Until recently, the U.S. had no similar mechanism and the insurance market was restricted to using sale, reinsurance or loss portfolio transfers to effect a transfer or restructuring of business operations. Beginning in 2015, certain states passed insurance restructuring laws similar to the Part VII transfer that have opened the door for insurers to restructure their operations more efficiently and effectively.

On Nov. 27, 2018, Illinois adopted a promising new insurance restructuring mechanism in the form of a "business division" amendment to the state's insurance code known as the IL Division Law. The law is applicable to any domestic stock entity transacting any of the kinds of insurance permitted under the Illinois insurance code and permits a domestic company to divide into two or more resulting companies pursuant to a "plan of division" that must be approved by the director.

The IL Division Law enables insurers to allocate assets and liabilities for a host of purposes, including exiting one line of business to focus on another, promoting efficiency and effectiveness in managing legacy or in-force policies, and enabling more efficient capital allocation within an insurance group. Insurers are now able to restructure their business and operations into separate insurers, either for operational efficiencies or for sale to a third party. Other states such as Connecticut, Iowa, Michigan, Colorado and Georgia have passed similar laws.

Best's Review contributor **Luann Petrellis** is an independent consultant who drafted legislation in Rhode Island and Oklahoma that provides for insurance business transfers and also assisted in drafting the NCOIL IBT model law. She can be reached at *lpetrellis@outlook.com*.

The IL Division Law enables insurers to allocate assets and liabilities for a host of purposes, including exiting one line of business to focus on another, promoting efficiency and effectiveness in managing legacy or in-force policies, and enabling more efficient capital allocation within an insurance group.

The Allstate Division–a Landmark Transaction

On Feb. 2, 2021, pursuant to the IL Division Law, Allstate Insurance Co. filed the first plans of division with the Illinois Department of Insurance. The plans involved eight insurance company subsidiaries under the Allstate, Esurance and Encompass brands (known as the "dividing companies"), with each filing a plan of division with the director.

The eight plans of division allocated certain portions of each company's inactive Michigan automobile insurance business to eight new insurance companies created in the division process ("new companies"). Once the divisions were approved, the allocated liabilities and assets became the obligations of the new companies by operation of law and were no longer the responsibility of the dividing companies. Ultimately, the eight new companies merged into three newly formed Illinois domestic insurers pursuant to the Illinois Merger Law, so that there was one surviving insurer for each of the Allstate, Esurance and Encompass brands (the merger companies).

The chart on page 42 shows the key steps of Allstate's division transactions.

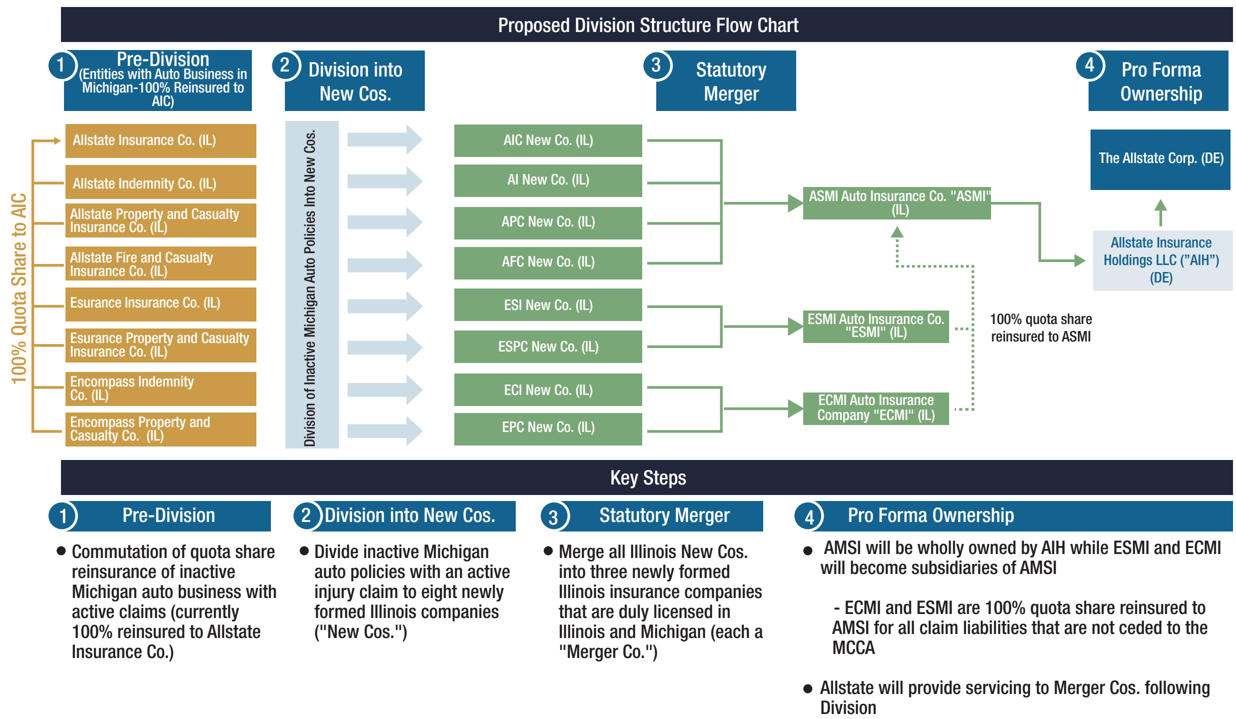
Allstate's division transaction involved both financial and operational considerations and is a good example of how this restructuring mechanism can achieve administrative, operational and capital efficiencies. The stated purpose of Allstate's plans of division was to allow the dividing companies to more efficiently allocate capital between Allstate's inactive Michigan auto business and its active Michigan auto business, thereby improving Allstate's competitiveness in the Michigan automobile insurance market while maintaining sufficient reserves and capital and its high level of service for all policyholders and claimants.

Keys to Success

Allstate's early engagement with the department and extensive pre-planning for this restructuring transaction were key to the success of this transaction. Allstate worked closely with the department providing detailed information regarding the business to be divided, the assets to be allocated to support the business, how the companies were to be capitalized, and how policyholder considerations were to be addressed.

Because of my extensive experience in restructuring legislation, well in advance of the filing of plans of division, I was engaged by the department as project manager for the Allstate division transactions. In addition to a project manager, the department engaged legal counsel to represent the department at the hearing and actuarial experts to support its financial review. All parties worked together to complete the project and obtain necessary approvals within Allstate's requested timeline.

The department's rigorous review focused on policyholder and claimant protection and prudent financial analyses. The key areas considered under the financial evaluation scope included:



Source: Allstate Division presentation, Illinois Department of Insurance

- Capital adequacy
- Loss reserves
- Financial modeling and projections

Allstate conducted its own internal analysis to determine the capital adequacy of the merger companies. Allstate used several tools and methodologies, including Allstate's estimate of required capital using Best's Capital Adequacy Ratio framework; the NAIC risk-based capital ratio; and a peer company review.

Transparency also was important to the successful execution of the transaction. Although not required by the IL Division Law, Allstate requested a public hearing and provided notice to various stakeholders, including policyholders and claimants. The public hearing provided the opportunity for any person to submit a comment or intervene in the proceedings.

Any interested person was able to attend the hearing via a Zoom link. No party filed an objection to the transactions that were ultimately approved by the director based on the hearing officer's findings of fact and conclusions of law.

The Allstate division transactions were achieved by Allstate and the Illinois Department of Insurance working together with their consultants and representatives to put forth a transaction structure that allowed Allstate to accomplish its corporate objectives and better position itself for the future while ensuring that the interests of policyholders and claimants were properly protected.

The Allstate division transactions mark the beginning of what industry specialists believe is a new era in restructuring options available to insurance companies to more efficiently restructure their business to achieve capital, operational and administrative efficiencies.

While there may be differences in the division process depending on the specific proposed transaction, the Allstate division provides a solid framework for the division process in Illinois and other states with similar division legislation. BR

Best's Rankings

World's Largest Insurers — 2022 Edition: China Insurers, US Health Writers Show Gains in AM Best's Ranking

Allianz ranked No. 1 based on 2020 net nonbanking assets while UnitedHealth Group ranked No. 1 based on 2020 net premiums written.

by David Pilla

Two major Chinese insurers saw big gains in AM Best's top 25 list of world's largest insurers, ranked by nonbanking assets, as U.S. health insurers dominated AM Best's top list when ranked by 2020 net premiums.

Based on net premiums written, U.S.-based health insurer Centene Corp. rose to fourth place from 10th as NPW rose 49.7%. "Centene completed its acquisition of WellCare Health Plans in January 2020, which resulted in a significant increase in premiums and members year over year," said Sally Rosen, senior director, AM Best. "This combined with membership growth were the drivers of the year-over-year growth."

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U.S.-based UnitedHealth Group Inc. retained the top spot, with $201.49 billion in NPW, a 6.2% increase. China-based Ping An stayed at No. 2, with $118.75 billion, up just 0.1%.

Other insurers with double-digit NPW increases—all U.S. health insurers—were Humana Inc., up 17.9% as it moved to No. 11 from No. 12 in the ranking; Health Care Service Corp. Group, moving to No. 19 from No. 25 as NPW rose 12.1%; and Anthem Inc. with NPW up 11.6% as it rose to No. 5 from No. 6.

In addition to rate increases, premium growth has largely been driven by membership gains in government programs such as Medicaid managed care and Medicare Advantage, said Rosen. "Medicare Advantage is driven by the growing number of individuals eligible for Medicare and selecting

Medicare Advantage," said Rosen. She said Medicaid managed care growth was driven by increases in the number of individuals eligible for Medicaid due to the economic impacts of COVID-19 combined with states not terminating Medicaid members.

"The Families First Coronavirus [Response] Act [passed in March 2020] provided additional federal funding for states for Medicaid, a joint federal/state funded program, during the period of the public health emergency," said Rosen. "In order to receive the extra funding, states are required to retain members and not allowed to perform re-determinations of eligibility. As a result, states have added new members but did not dis-enroll existing members."

France-based Axa S.A. decreased furthest among the top 10, falling 8.7% to seventh from third place in terms of NPW for the Paris-based international multiple-line group.

NPW declines were seen in two Japanese life insurers in 2020.

Nippon Life Insurance Co. fell to No. 18 from No. 15 and Dai-ichi Life Holdings Inc. fell to No. 22 from No. 19.

"The domestic new business sales of major Japanese life insurers, which typically involve considerable face-to-face interactions, have been under pressure mainly due to the country's state of emergency over the COVID-19 pandemic," said Christie Lee, senior director, analytics, AM Best. "However, AM Best expects new business sales to recover gradually as insurers adopt digital

Best's Rankings

World's Largest Insurance Companies—2022 Edition

Ranked by 2020 net nonbanking assets.

2020 Asset Rank	2019 Asset Rank	AMB#	Company Name	Country of Domicile	2020 Net Nonbanking Assets USD (000)	% Change*
1	1	085014	Allianz SE	Germany	1,261,940,234	4.90
2	3	085085	AXA S.A.	France	950,598,568	2.77
3	2	058182	Prudential Financial, Inc.	United States	940,722,000	4.93
4	8	086446	Ping An Ins (Group) Co of China Ltd	China	883,921,884	16.49
5	4	058334	Berkshire Hathaway Inc.	United States	873,729,000	6.85
6	6	058175	MetLife, Inc.	United States	795,146,000	7.38
7	5	090826	Nippon Life Insurance Company	Japan	776,720,328	6.88
8	10	052446	China Life Insurance (Group) Company	China	776,376,157	12.15
9	7	086120	Legal & General Group Plc	United Kingdom	774,781,625	1.75
10	11	066866	Manulife Financial Corporation	Canada	688,785,058	8.80
11	13	085124	Assicurazioni Generali S.p.A.	Italy	669,121,764	5.86
12	12	085909	Aviva plc	United Kingdom	651,607,417	4.31
13	9	095689	Japan Post Insurance Co., Ltd.	Japan	636,812,794	-2.08
14	16	058702	American International Group, Inc.	United States	586,481,000	11.70
15	14	046417	Dai-ichi Life Holdings, Inc.	Japan	577,106,514	5.97
16	17	085244	Aegon N.V.	Netherlands	546,475,851	0.98
17	18	086056	CNP Assurances	France	543,616,259	0.49
18	19	093310	Crédit Agricole Assurances	France	536,783,775	2.71
19	15	090906	National Mut Ins Fed Agricultural Coop	Japan	531,654,523	1.47
20	21	085485	Life Insurance Corporation of India	India	520,495,238	18.99
21	20	085925	Prudential plc	United Kingdom	516,097,000	13.62
22	26	050910	Great-West Lifeco Inc.	Canada	469,823,376	33.10
23	22	050457	Zurich Insurance Group Ltd	Switzerland	439,299,000	8.55
24	23	090828	Meiji Yasuda Life Insurance Company	Japan	417,243,955	7.89
25	24	061691	New York Life Insurance Company	United States	414,250,000	11.46

* Percent change is based upon local currency.

Source: BESTLINK Best's Financial Suite - Global; data as of Dec. 13, 2021.

initiatives and online tools to mitigate the impact of reduced face-to-face sales activity."

Companies in this year's top 25 for NPW that were not on the list a year ago include Germany-based HDI V.a.G. at No. 21, U.S.-based Liberty Mutual Holding Co. Inc. at No. 24 and U.S.-based Progressive Corp. at No. 25.

Net Nonbanking Assets

Ranked by assets, the top 25 saw big gains from two China-based insurers. Ping An Insurance (Group) Company of China Ltd. rose to fourth place from eighth as its nonbanking assets grew 16.5%. China Life Insurance (Group) Co. Ltd. advanced to No. 8 from No. 10 as nonbanking assets rose 12.2%.

Allianz SE stayed at No. 1 in assets, with $1.26 trillion, while Axa SA rose from No. 3 to No. 2.

Among companies that saw a decline in ranking position, Nippon Life Insurance Co. fell to seventh from fifth place even as nonbanking assets rose 6.9%. Japan's National Mutual Insurance Federation of Agricultural Cooperatives fell to No. 19 from No. 15 as assets rose 1.5% and Japan Post Insurance Co. Ltd. fell to No. 13 from No. 9.

"Chinese companies' big asset gains were partially driven by the appreciation of the renminbi in 2020," said Lee. "Over the year, the renminbi appreciated by approximately 6% against the U.S. dollar."

One company on the list that was not there last year is Canada-based Great-West Lifeco Inc. at No. 22, with a 33.1% rise in assets. BR

Best's Rankings

World's Largest Insurance Companies—2022 Edition

Ranked by 2020 net premiums written.

2020 Premium Rank	2019 Premum Rank	AMB#	Company Name	Country of Domicile	2020 Net Premiums Written USD (000)	% Change*
1	1	058106	UnitedHealth Group Incorporated [1]	United States	201,478,000	6.21
2	2	086446	Ping An Ins (Group) Co of China Ltd	China	118,754,056	0.14
3	4	052446	China Life Insurance (Group) Company	China	111,156,155	6.20
4	10	051149	Centene Corporation [1]	United States	107,370,000	49.72
5	6	058180	Anthem, Inc.	United States	105,726,000	11.61
6	5	070936	Kaiser Foundation Group of Health Plans [2]	United States	102,933,365	5.85
7	3	085085	AXA S.A.	France	101,308,605	-8.68
8	7	085014	Allianz SE	Germany	93,645,846	-1.47
9	8	085320	People's Ins Co (Group) of China Ltd	China	79,573,492	-0.14
10	9	085124	Assicurazioni Generali S.p.A.	Italy	79,193,720	-2.74
11	12	058052	Humana Inc. [1]	United States	74,186,000	17.85
12	11	020013	State Farm Group [2]	United States	71,116,271	0.19
13	13	058334	Berkshire Hathaway Inc.	United States	64,901,000	3.33
14	14	086577	Munich Reinsurance Company	Germany	64,294,456	7.24
15	16	070080	CVS Health Corp Group	United States	56,701,017	8.99
16	17	085485	Life Insurance Corporation of India	India	55,008,395	6.27
17	18	090598	China Pacific Insurance (Group) Co Ltd	China	51,701,496	3.74
18	15	090826	Nippon Life Insurance Company	Japan	46,283,351	-9.22
19	25	069154	Health Care Service Corporation Group	United States	44,910,745	12.13
20	21	090906	National Mut Ins Fed Agricultural Coop	Japan	44,140,813	5.95
21	29	085068	HDI V.a.G.	Germany	43,481,675	3.87
22	19	046417	Dai-ichi Life Holdings, Inc.	Japan	42,927,009	-3.17
23	22	058175	MetLife, Inc.	United States	42,034,000	-0.48
24	26	051114	Liberty Mutual Holding Company Inc.	United States	40,624,000	2.03
25	30	058454	Progressive Corporation	United States	40,568,700	7.96

* Percent change is based upon local currency. [1] Premiums shown are earned premiums. [2] AM Best consolidation; U.S. companies only.
Source: BESTLINK Best's Financial Suite - Global; data as of Dec. 13, 2021.

AM Best: New Infrastructure Law Expected to Boost US Surety Market

The recently enacted $1.2 trillion Infrastructure Investment and Jobs Act is expected to generate large investments in the transportation and energy sectors and result in more business opportunities for surety companies.

Editor's Note: The following is an excerpt from the *Best's Market Segment Report: New Infrastructure Law Expected to Boost US Surety Market.* Go to *www.ambest.com* to access the full report.

The U.S. surety insurance market has enjoyed an extended period of premium growth and strong operating performance, including calendar year 2020, despite challenges due to the COVID-19 pandemic. Entering 2020, the market had been experiencing its longest expansionary period, with direct premiums written growing almost $2.0 billion since the end of 2012 and net profits peaking at almost $2.3 billion in 2019. The economic recovery from the pandemic, coupled with a strong U.S. construction industry, allowed surety underwriters to maintain their profitability in 2020. The market has attracted new entrants, further softening already competitive market conditions. Significant excess capacity is available to meet demand, which should allow the heightened competitive environment to persist.

However, lingering economic stress and other challenges attributable to the pandemic have created uncertainty for surety underwriters. The pandemic has significantly challenged the construction industry, as supply chain disruptions have limited the availability and raised the cost of construction materials. Government-imposed workplace restrictions have forced employers to adjust how they use labor. Contractors have incorporated price escalation provisions in their contracts to address ongoing supply chain concerns and offset volatility in the cost of materials. AM Best believes that the adverse effects of the pandemic on construction contracts and project costs should be manageable, but this could change in the event of severe outbreaks of the pandemic.

The recently enacted $1.2 trillion Infrastructure Investment and Jobs Act (IIJA) is expected to generate large investments in the transportation and energy sectors and result in more business opportunities for surety companies. The new law includes $550 billion in new spending (above baseline levels, with existing program funding likely to be increased) on infrastructure over the next five years and billions more to promote environmental and social investments such as clean energy technologies. Key provisions include plans to repair 20,000 miles of roads and 10 of the country's most economically important bridges, as well as an expansion of the nation's freight and

Best's Rankings

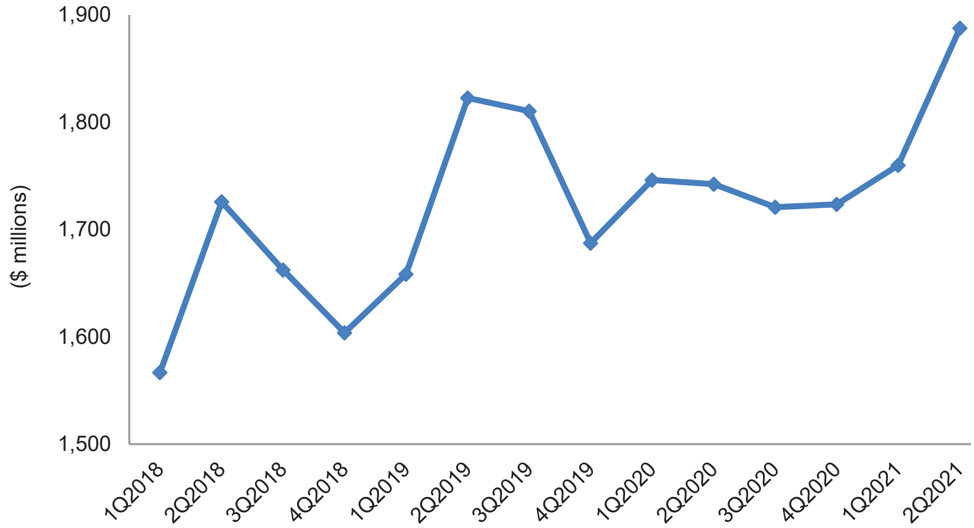
Largest 30 Surety Insurers – 2022 Edition

Ranked by 2020 market share.
(US$ thousands)

Rank	Company	AMB#	2020 Direct Premiums Written ($000)	Market Share (DPW) (%)
1	Liberty Mutual Insurance Companies (G)	000060	918,719	13.25
2	Travelers Group (G)	018674	908,250	13.10
3	Zurich Insurance US PC Group (G)	018549	549,759	7.93
4	CNA Insurance Companies (G)	018313	507,160	7.32
5	Chubb INA Group (G)	018498	373,920	5.39
6	Tokio Marine US PC Group (G)	018733	290,444	4.19
7	Hartford Insurance Group (G)	000048	225,649	3.25
8	Intact US Insurance Group (G)	018458	184,373	2.66
9	Fairfax Financial (USA) Group (G)	003116	181,297	2.62
10	IAT Insurance Group (G)	018567	163,211	2.35
11	Argo Group (G)	004019	156,751	2.26
12	Sompo Holdings US Group (G)	018878	146,569	2.11
13	Swiss Reinsurance Group (G)	003262	139,133	2.01
14	Merchants Bonding Co (Mutual) Group (G)	018618	131,079	1.89
15	Markel Corporation Group (G)	018468	128,926	1.86
16	Great American P & C Insurance Group (G)	004835	128,311	1.85
17	Arch Insurance Group (G)	018484	116,079	1.67
18	RLI Group (G)	003883	114,903	1.66
19	W. R. Berkley Insurance Group (G)	018252	96,176	1.39
20	Berkshire Hathaway Insurance Group (G)	000811	91,957	1.33
21	Old Republic Insurance Group (G)	000734	82,136	1.18
22	Westfield Group (G)	000730	75,488	1.09
23	Nationwide Group (G)	005987	72,542	1.05
24	Hanover Ins Group Prop & Cas Cos (G)	004861	71,693	1.03
25	The Cincinnati Insurance Companies (G)	004294	63,415	0.91
26	Aspen US Insurance Group (G)	018783	58,669	0.85
27	Indemnity National Insurance Company	013137	56,718	0.82
28	Alleghany Corporation Group (G)	018640	56,527	0.82
29	Everest Re U.S. Group (G)	005696	48,212	0.70
30	LD Investments Group (G)	018948	38,180	0.55

Note: Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK

US Surety — Quarterly DPW



Source: BESTLINK

passenger rail network, including the construction of new rail corridors and transit lines in underserved areas. The IIJA also calls for broadband internet access to expand to rural areas and sizable investments to protect against droughts, floods and other weather-related challenges.

Public Construction Expenditures Finally Poised to Supplement Growth in Private Outlays

Over the past decade, private-sector projects have dominated total construction spending; public construction spending has averaged about $300 billion annually, mostly at the state or local level. Private-sector spending averaged approximately $810 billion from 2010-2020, reaching a peak of $1.1 trillion in 2020. The influx of over $500 billion in new IIJA-related federal spending, spread over several years, will bring a significant increase in public-sector spending to supplement the growing annual expenditures on private construction projects, boosting overall construction spending.

Inflationary pressure is becoming a greater concern and will likely be a driving force behind total dollars spent on construction projects. Construction costs for labor and materials have been rising at a pace not seen in 30 years. New construction projects generated under the IIJA may be more expensive than similar projects undertaken even a year earlier.

After the financial crisis of 2008, surety premium continued to drop until 2012. Beginning with 2013, annual surety premiums rose steadily until the pandemic hit the United States in 2020. The decline in 2020, however, was muted—down less than 1%. Surety premium growth tends to follow trends in construction spending. Annual expenditures on construction projects have risen since 2012, driving commensurate growth for surety premiums. Through the first half of 2021, surety DPW was up by 4.7% over the same period in 2020, after falling modestly during the second half of 2020. Once the IIJA takes effect, the projected increase in spending on public construction projects could significantly boost total construction spending, likely adding to projected surety premium down the road.

However, projects might not proceed as quickly as hoped, especially as inflation leads to significant cost overruns. On Dec. 2, Congress averted a government shutdown by passing a stopgap bill to extend government funding through Feb. 18, 2022; the bill was signed into law by President Joe Biden on Dec. 3. Any government shutdown thereafter would halt infrastructure projects. Supply chain disruptions also could lead to project delays or, in extreme cases, contractor bankruptcies. Additionally, new COVID variants may lead to re-imposed travel restrictions and internal lockdowns.

Labor pressures exist as well. The workforce is aging and fewer younger workers are taking jobs in construction. New vaccine mandates could lead to more workers staying home. Contractors may find hiring and retaining employees more difficult. These factors could delay expected construction growth so the impact of the IIJA may be muted over the near term. BR

Insurance: Financial Protection From Risks

Insurers protect people against loss and risk, both of which play a large part in everybody's lives.

Insurance protects against the financial risks that are present at all stages of people's lives and businesses. Insurers protect against loss—of a car, a house, even a life—and pay the policyholder or designee a benefit in the event of that loss. Those who suffer the loss present a claim and request payment under the insurance coverage terms, which are outlined in a policy. Insurers typically cannot replace the item lost but can provide financial compensation to address the economic hardship caused by a loss.

All aspects of life include exposure to risk. Individuals and businesses are presented with a choice: accept the consequences of a possible loss, or seek insurance coverage in the event of a loss, reducing the exposure to risk. Those who don't procure insurance coverage are responsible for the full loss. Those who obtain coverage succeed in "transferring the risk" to another organization, typically an insurance company.

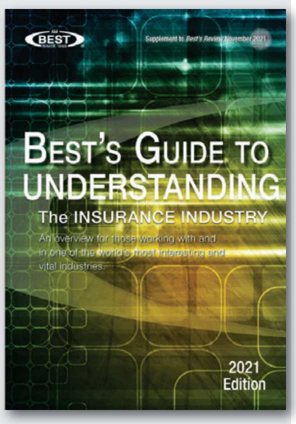
Purchasing insurance is the most common risk transfer mechanism for the majority of people and organizations. The money paid from the insured is known as the premium. In return, the insurer agrees to pay a designated benefit in the event of the agreed-upon loss.

By the Numbers

Insurance takes advantage of concepts known as risk pooling and the law of large numbers. Many policyholders pay a relatively small amount in premiums to protect themselves against a possible larger loss. When a sufficient number of insureds make that same choice, the funds available to pay claims increase and the chances of any single person or group exhausting the available funds grow smaller.

In risk pooling, insurers can accept a diverse and large number of risks, so long as many people participate in the insurance process, and the insured risks are individually unpredictable and infrequent. Although an insurer may accept risks from a large number of people, only a small portion of those are likely to suffer an insured financial loss during the period of insurance coverage. Risk pooling allows insurers to pay claims to the few from the funds of the many.

EDITOR'S NOTE: This article is an excerpt from the 2021 edition of *Best's Guide to Understanding the Insurance Industry.* 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. It is available on Amazon.



What insurers sell is protection against economic loss. These losses are outlined in contracts or documents known as insurance policies. Insurers that cover life and health usually do not cover property or liability, which is the domain of property/casualty insurers.

Life and health insurers cover three general areas:

- Protection against premature death.
- Protection against poor health or unexpected medical costs.
- Protection against outliving one's financial resources.

Nonlife insurers, known as the property/casualty sector in the United States and Canada, in general offer two basic forms of coverage:

- Property insurance provides protection against most risks to tangible property occurring as the result of collision, fire, flood, earthquake, theft or other perils.
- Casualty, or liability, insurance is broader than property and is often coverage of an individual or organization for negligent acts or omissions.

A well-known form of casualty insurance, auto liability coverage, protects drivers in the event they are found to be at fault in an accident.

A driver found to be at fault may be responsible for medical expenses, repairs and restitution to other people involved in the incident.

How Insurers Make Money

Insurance companies primarily make money in two ways: from investments and by generating an underwriting profit—that is, collecting premium that exceeds insured losses and related expenses.

It all begins with underwriting. Insurers, whether life or nonlife, must assess the risk and gauge the likelihood of claims and the value of those claims.

Insurance companies invest assets that are set aside to pay claims brought by policyholders. The interval between the time the insurer receives the premium and the time a claim against that policy is made is known as the "float."

If an insurer has predominantly short-term obligations, asset portfolios should be relatively liquid in nature (i.e., publicly traded bonds, commercial paper and cash).

If the needs are long term, a portfolio containing fixed-income securities, such as bonds and mortgage loans, may also include preferred and common stocks, real estate and a variety of alternative asset classes.

Life insurers also establish separate accounts for nonguaranteed insurance products, such as variable life insurance or annuities, which provide for investment decisions by policyholders.

Property/casualty insurers traditionally have been more conservative with the asset side of their balance sheets, primarily due to the high levels of risk on the liability side. For example, catastrophe losses can wipe out years of accumulated premiums in some lines.

In the end, the insurer builds up a diversified portfolio of financial assets that will eventually be used to pay off any future claims brought by policyholders.

The global recession of the previous decade hurt nearly all aspects of the insurance industry, as many companies experienced declining revenues and investment losses. Companies that were trading riskier instruments such as credit default swaps suffered most severely.

Few winners emerged. However, the mutual insurance sector managed to remain somewhat unscathed by the downturn. Meanwhile, a chronic low interest rate environment limited the ability of life and other insurers to benefit from fixed investments such as bonds. That may be changing, depending on economic conditions that could spur higher inflation.

The Economics of Insurance

More than 2,603 single property/casualty companies and 752 single life/health insurance companies are included in AM Best's files for the United States and Canada. AM Best's global database includes information on more than 10,812 insurance companies worldwide. Insurers pay claims in property, liability, life, health, annuity, reinsurance and other forms of coverage. In the United States alone, the broader insurance industry provides employment to 2.8 million people.

Insurance organizations play a vital role in the U.S. and other economies. They protect individuals and businesses from financial loss. Money they receive as premiums is invested in the economy. Protection from financial loss provides a sense of security to individuals and businesses, which are freer to pursue business and personal opportunities with less worry about financial devastation. Businesses can afford to purchase real estate and equipment, to hire more employees and fund travel and expansion.

Premiums collected from insureds, often known as policyholders, are invested by insurance organizations until they are paid out. Investor Warren Buffett has famously championed the value of "float"—funds held by insurance companies until they must be paid—as an important source of investment capital. However, insurers must be cautious and risk-averse with the majority of their investments, both to satisfy regulators' demands and to be able at any moment to pay claims.

Insurance companies are large holders of bonds, particularly those issued by corporations and similar sources. They invest small portions of their available funds in stocks. Life insurers have traditionally played larger roles in real estate investments, although a portion of those investments has shifted from direct ownership of commercial properties to more liquid investments in real estate investment trusts and the like. Insurers have also funded mortgages for commercial borrowers and developers, who in turn use the money to build commercial centers, shopping centers, apartments, warehouses and houses.

The insurance industry is part of the larger financial services industry, which includes banks, brokerages, mutual funds, credit unions, trust companies, pension funds and similar organizations. Traditional barriers between industries have disappeared in part. Mutual funds can be sold by insurance companies and banks. Equities brokers handle cash management accounts. Banks have become active sellers of life insurance and annuities and other insurance products. Insurers themselves have developed products that include savings, protection and investment elements.

How Insurance Is Sold

Insurance is sold through a variety of channels, including face to face by insurance agents and brokers, over the internet, through the mail, by phone, in workplace programs and through associations and affinity groups.

Insurance agents generally represent the insurance company. Insurance brokers usually represent the insured client but can sometimes act as an insurance agent.

The insurance agent (or producer) can be a key component in the underwriting process by taking the role of intermediary.

Unlike the underwriter, the agent is positioned to meet with the applicant, ask pertinent questions and gauge responses. Information gathered from the interview may become the basis the underwriter uses in decision making. As a benefit to the consumer, many agents—called independent agents—represent several insurance companies, and may have a better view of each company's risk-selection threshold.

A "captive" or "tied" agent works primarily with a single insurer or a group of insurers, and may receive business leads or some sort of special preference for having that relationship. The insurer often offers benefits, such as health coverage, marketing support and training to the captive agent.

Generally speaking, insurance companies with a captive agent force also may see better policyholder retention. For starters, independent agents are less likely to follow policyholders from one state to another when they move; many independent agents are not licensed in multiple states. Larger insurance organizations may have the resources to track and follow an insured, and they may alert a new agent in the area to where the policyholder has moved.

In addition to agents, the following channels are used to get the business of insurance done:

Brokers: These producers do not necessarily work for an insurance company. Instead, the broker will place policies for clients with the carrier offering the most appropriate rate and coverage terms. The broker is rewarded by the carrier, often at a rate that differs than that paid to the carrier's agents.

Managing General Agents: These individuals or organizations are granted the authority by an insurer to perform a wide array of functions that can include placing business and issuing policies.

Agents are paid commissions based on the value and type of products they sell. Some insurers pay brokers additional compensation based on how the business performs.

Direct Sales: Direct selling of insurance to consumers through mail, internet or telephone solicitations has exploded in recent years. Insurance companies can bypass commissions by removing the agent from the transaction, although marketing and other associated costs can offset the savings.

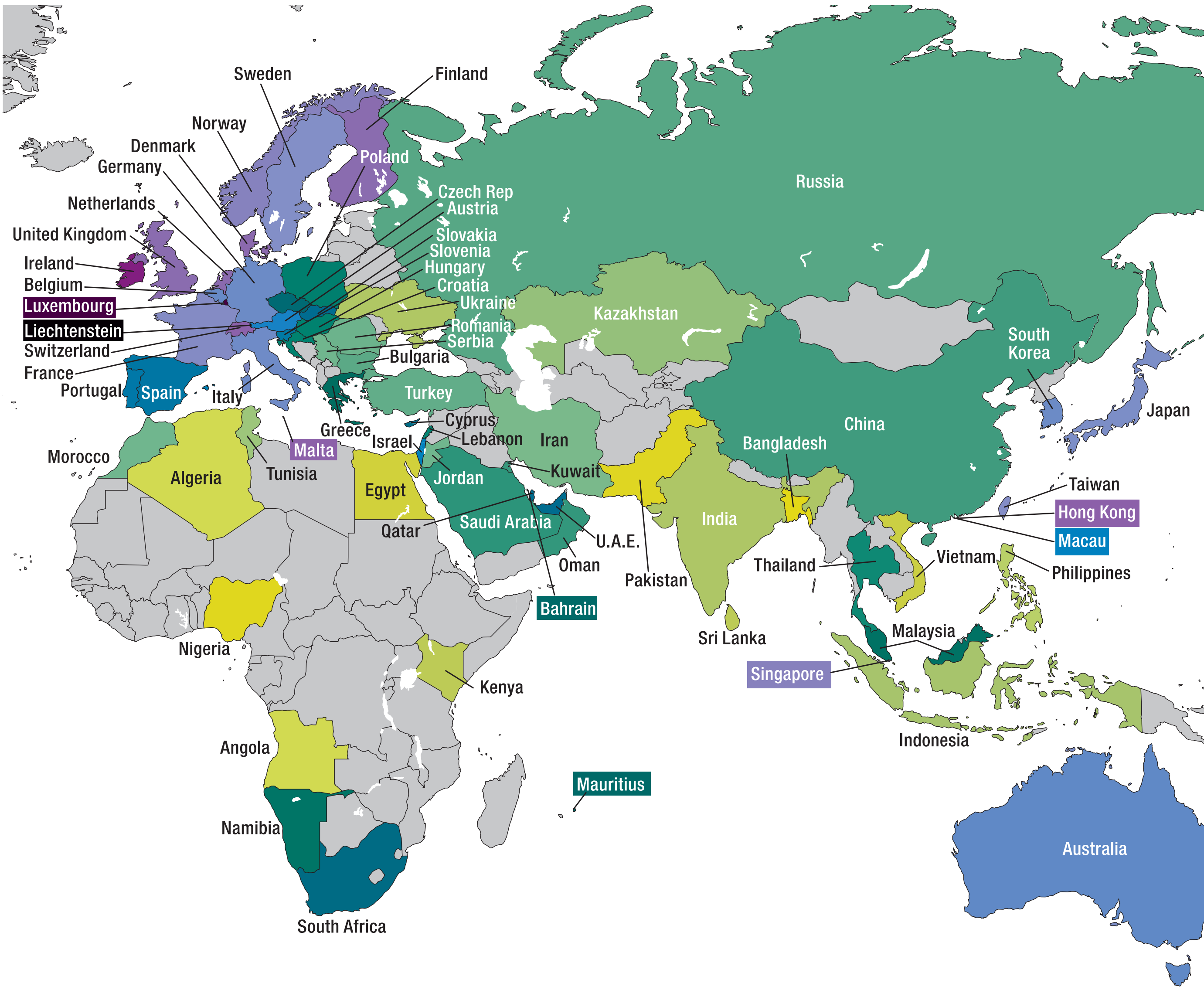
Increasingly, online relationships are facilitated by traffic aggregators—basically an alternative term for price-comparison sites. The aggregator service links the consumer to the insurer. Aggregator companies receive a commission from product providers when a policy is sold. They also may charge a fee based on any click-through to those providers.

The aggregator service can present challenges: The site encourages consumers to select insurance policies based almost exclusively on price, and direct sales are a threat to the independent agent.

Important Functions of Insurance Organizations

Investment: Insurers look to investment managers to make sure they have the funds available to pay claims in a timely manner, match expected losses with investments that mature or become available at appropriate times and help generate income that will contribute to profits. Investment professionals handling insurance assets have an additional complication: Insurers are prohibited by state regulators from investing too heavily in riskier, more volatile instruments. For that reason most insurers are heavily weighted in bonds and similar instruments, and less heavily invested in stocks.

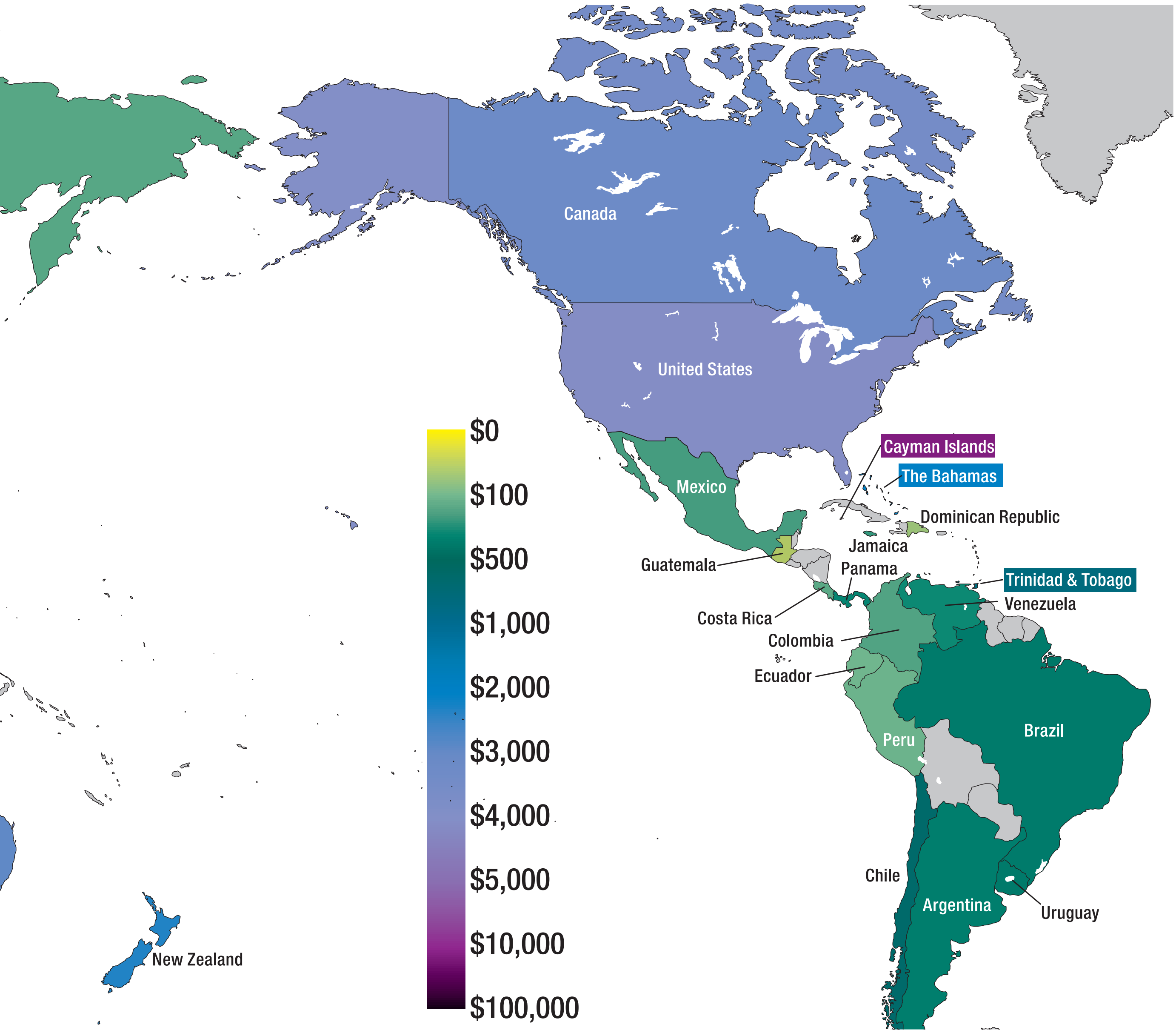
Insurance Density – Annual Per Capita Insurance Premiums (2020)



Source: Swiss Re *sigma* and Axco

Actuarial: Insurance is based on probability and statistics. Actuaries are skilled in both areas and use their training to help insurers set rates, develop and price policies and coverage, determine reserves for anticipated claims and develop new products that provide coverage at a profit. Actuaries must pass extensive exams to earn their formal designations. Actuaries play influential roles in all sectors of insurance, including property/casualty, life, health and reinsurance. The role of actuaries grows as noninsurance industries—such as hedge funds, risk modelers and capital markets participants—become involved in developing risk products and programs.

Underwriting: At the heart of insurance is the art and science of assuming risk. Underwriters use a combination of data gathering and analysis, interviewing and professional knowledge to evaluate whether a given risk meets the insurer's standards for prudent evaluation. Their job is to evaluate whether given risks can be covered and, if so, under what terms. Underwriting departments often have the authority to accept or reject risks. Perhaps the most significant responsibility of underwriters is to determine premium that recognizes the likelihood of a claim and enables the insurer to earn a profit. Some of the process has been automated, such as when auto and homeowners insurers access information like driving and property records. Applicants for life insurance and some forms of health coverage may



be asked to obtain medical evaluations.

Claims: Sometimes called the actual "product" that insurance companies deliver, claims departments usually operate in two areas: at the offices of the insurer and in the field through claims adjusters. Claims are requests for payment based on losses believed by the policyholder to be covered under an insurance policy. Claims personnel evaluate the request and determine the amount of loss the insurer should pay. Requests for claims payment can come directly to insurers or be handled by agents and brokers working directly with the insured. Claims adjusters can work directly for an insurer or operate as independent businesses that can work for multiple insurers. Claims adjusters often have designated levels of authority to settle claims. Adjusters serve as claims investigators and sometimes conduct elaborate investigations in the event of suspected fraudulent claims.

Insurance Entities

Ownership of traditional insurance companies generally comes in two structures, mutual and stock, although insuring entities may take a number of other forms, including reciprocal exchanges and risk retention groups. Mutual insurers are owned by and run for the benefit of their policyholders. Relative to insurance companies with shareholder ownership, mutual insurers have less access to the capital markets to raise money. Many mutual insurance companies have been formed by people or businesses with a common need, such as farmers. Mutuals pay a return of premium or "policyholder dividend" back to the policyholder if the company has strong financial results and a lower-than-expected level of claims. Policyholders also have the ability to vote on company leadership and have a say in certain corporate governance issues.

Reciprocal insurance companies resemble mutual companies. Whereas a mutual insurance company is incorporated, the reciprocal company is run by a management company, referred to as an attorney-in-fact.

Many mutuals were able to grow during the credit crunch of the late 2000s. Their growth is limited, however, because capital has to be generated internally, as there are no shares to sell. Some top former mutual insurance companies, including Metropolitan Life and Prudential, have demutualized to become shareholder-owned public companies. Typically, demutualization is done to raise capital or expand operations. Other companies, including Pacific Life and Liberty Mutual, took an intermediate step and became part of a mutual holding company structure.

A holding company structure, employed primarily in the United States, provides easier access to the capital markets, whereby shares can be sold to help raise capital. The holding company owns a significant amount, if not all, of another company's or other companies' common stock. Many insurance companies are part of a holding company structure, with the publicly traded parent company owning stock of the subsidiary or the controlled insurance company or companies.

Captive insurance companies are formed to insure the risks of their parent group or groups, and sometimes will insure risks of the group's customers. Captive insurers have become more high profile in recent years after many U.S. states and some international jurisdictions adopted legislation and rules encouraging captives to locate in their domiciles.

A risk retention group is a liability insurance company owned by its policyholders. Membership is limited to people in the same business or activity, which exposes them to similar liability risks. The purpose is to assume and spread liability exposure to group members and to provide an alternative risk financing mechanism for liability. These entities are formed under the Liability Risk Retention Act of 1986.

Structural differences between stock and mutual insurance companies affect business decisions. Stock companies have to answer to owners and policyholders, so if management's investment strategies are carried out with shareholder expectations in mind—seizing opportunities for growth and profit—they may be acting at the expense of policyholders. Mutuals, on the other hand, are owned by the policyholders, so the focus likely will be on affordability and dividends.

Observers have struggled to make meaningful comparisons of profitability generated by public and mutual companies. One thing is certain, however: No particular organizational structure is a cure-all for poorly conceived or executed strategies. BR

AM Best: US Market Outlook Stable Despite COVID-19, Inflation, Catastrophe Pressures

For the property/casualty personal lines segment, there is continued robust risk-adjusted capitalization with sufficient liquidity, driven by the impact of COVID-19 on the economy and equity markets, AM Best says.

by David Pilla

Inflation pressures, low interest rates and catastrophe costs are keeping pressure on U.S. insurance markets but a recovering economy and a business rebound are helping to maintain overall stable outlooks, according to AM Best analysts.

Earnings, positive pricing and capital resilience are evident in U.S. markets despite the prolonged effects of COVID-19 and catastrophe, supply chain and interest-rate pressures among other factors, the analysts said during the "AM Best's 2022 U.S. Market Outlook Briefing—Key Factors to Consider" webinar. The briefing follows publication of AM Best's annual market segment outlook reports on the personal and commercial lines segments of the property/casualty industry, the life/annuity and health industries and the global reinsurance market.

Property/Casualty Lines

For the property/casualty personal lines segment, AM Best is maintaining a stable outlook, said Managing Director John Andre. There is continued robust risk-adjusted capitalization with sufficient liquidity, driven by the impact of COVID-19 on the economy and equity markets, he said. The capital improvement helped the segment to deal with increased catastrophe activity and a return to pre-pandemic frequency trends as well as increased loss cost severity, said Andre. Underwriting actions have helped take some of the volatility out of the homeowners segment as premium growth continued to benefit from pricing activity in loss-affected areas and higher reinsurance pricing, he said.

The improved pricing was needed following events like Winter Storm Uri in Texas and the Southwest, which accounted for nearly $20 billion in insured losses, and Hurricane Ida in the third quarter, with $30 billion in expected losses, said Andre. Secondary loss events are becoming more prevalent and remain a challenge, offset somewhat by more sophisticated industry responses, he said.

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

AM Best TV

Go to *www.bestreview.com* to watch the AM Best webinar "AM Best's 2022 U.S. Market Outlook Briefing—Key Factors to Consider."

Inflationary pressures on both the automobile and homeowners segments have grown, causing further increases in loss cost trends, said Andre. He also noted supply chain problems are adding to costs.

AM Best is revising its outlook for the U.S. property/casualty commercial lines segment to stable from negative due to a negligible impact of COVID-19, said Director Jacqalene Lentz. Earlier in the pandemic, commercial insurers faced pressure on premiums as businesses closed, she said. Lentz said there were questions about the ability to pay premiums and business interruption losses. In 2020, AM Best had revised its outlook on the segment to negative, she said.

The impact of the pandemic on results in 2020 and the first three quarters of 2021 has since become more clear, leading AM Best to revise the outlook to stable for some of the largest commercial lines including workers' compensation and commercial property, said Lentz. The AM Best outlook is also stable for excess and surplus, surety and title insurance, she said. The outlook is still negative for commercial auto due to potential loss development, and general liability may see continued pressure on loss costs due to social inflation, said Lentz. There has been a decline in loss frequency that has more than offset an increase in claims severity, she said. "These favorable underwriting trends are expected to continue and the segment overall is expected to maintain its solid, robust risk-adjusted capitalization," said Lentz.

Life/Annuity Segment

The outlook for the U.S. life/annuity segment is being revised to stable from negative by AM Best, said Senior Director Michael Porcelli. This is due to record levels of capitalization, improved earnings and strong liquidity, he said. An increase in new company formations with high initial capitalizations as well as improved earnings from established companies throughout 2021 resulting from gains in asset portfolios has offset COVID-19 mortality losses, he said. Capital has been cheap so there are opportunities for companies to access debt markets at favorable terms, said Porcelli.

There has been robust sales in life and annuities as companies have learned how to sell in the COVID-19 current environment by becoming more innovative, he said. Life companies are experiencing increased mortality but it's not clear how much of it is related to COVID-19 and how much is due to secondary effects, said Porcelli. Low interest rates and the possibility of inflation are negative factors for the segment but insurers have adjusted to the "new normal" of low interest rates, said Porcelli.

Health Insurance Sector

With several years of strong earnings, including record earnings in 2020 due to deferred care related to COVID-19, AM Best is maintaining its stable outlook on the health insurance sector, said Senior Director Sally Rosen. She said AM Best does not expect to see those trends repeating as the rating agency doesn't expect to see another period of deferred care. Rosen said the health insurance segment is also benefiting from the Biden administration's effort to insure more people under the Affordable Care Act. The American Rescue Plan Act only expanded subsidies/tax credits through 2022. The segment is facing inflationary pressures driven by higher costs and effects such as hospital transparency rules, she said. AM Best continues to observe the prevalence of COVID-19 and how utilization patterns unfold, but the industry has shown it can withstand the challenges it faced from the pandemic, she said. The segment could see continued volatility due to the emergence of the omicron variant of COVID-19, said Rosen.

Reinsurance Outlook

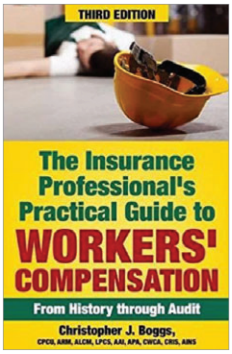
AM Best is maintaining its stable outlook for the reinsurance market, said Senior Director Carlos Wong-Fupuy. AM Best expects improvements in pricing and terms and conditions to continue. These positive trends began with large catastrophe losses in 2017 and 2018 and were compounded by secondary perils, he said.

He said AM Best expects the segment to maintain an underwriting result near break-even for the year despite elevated catastrophe losses. Underwriting and pricing actions instituted by the market have offset the higher catastrophe losses. Inflationary expectations and the uncertainty around interest rates, as well as social inflation, COVID-19 effects and supply chain disruptions, are complicating the reinsurance market's conditions, he said. BR

Author: Elements of Workers' Comp Date Back to the Early Days of Piracy

In his book, Chris Boggs traces the history of workers' comp and details the modern system and its operations.

Myths and legends have long surrounded workers' compensation and its history. Surprisingly, many of those myths are in fact true, including fables about pirates injured while working aboard ships being compensated by a system much like modern-day workers' comp, said Chris Boggs, executive director, risk management and education, at the Independent Insurance Agents and Brokers of America. He is the author of the book, *The Insurance Professional's Practical Guide to Workers' Compensation From History through Audit*.



Over the centuries, workers' compensation has undergone some legal and regulatory changes. But today's compensatory system for injured workers remains much like it was in its infancy, including the "simplistic concept" in which it was built, Boggs said. Following is an edited transcript of an interview with AM Best TV.

What does the book say about the history of workers' compensation?

While aspects of the system date back many centuries, workers' compensation actually began in Europe in the late 1800s. Germany was the first country to offer a type of workers' comp—employers' liability.

The system, however, didn't make it to America until the early 1900s. In 1917, laws were passed that allowed for companies to require certain types of insurance. Workers' comp jumped on that and became one of the first required compulsory coverages for purchase.

Around 1911, New York put a workers' comp code in place, but it was declared unconstitutional by the New York Appeals Court. The day after that decision, 146 people died in a fire at the Triangle Shirtwaist Factory in the state. Most of the deaths were caused by employees jumping out of the multistory building to escape the fire. The only recourse their families had was to sue. However, they only received around $75 for the work-related fire. That was another impetus to remove the prior practice of employees having to go to court to prove their employer was negligent.

How has the system changed or evolved over the years?

Essentially, it hasn't. The biggest change has been in the legal climate. It's become very regulated. Workers' comp as a concept is very simplistic. You have somebody who's working, they get hurt while working, and you pay for it. It was really designed for one location, one operation. But over time it's become very legalistic and has evolved to keep up with changes in our work lives.

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

The book came about as a series of articles I wrote to help people understand the intricacies of workers' comp. I hope readers can understand them and how the system was simplistic in its creation, yet detailed and nuanced in its application. I also hope readers understand how each state has its own rules, and that they can see that workers' comp—and all insurance—is unique and fascinating. 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 Chris Boggs.

App Helps in Dealing With Repercussions of Losing a Loved One

Empathy now has an app available to New York Life Insurance Co. beneficiaries that is a tool that can help navigate probate, bank accounts and life insurance.

Bereavement App

Insurers say they are committed to providing financial peace of mind as well as bereavement resources after a beneficiary loses a loved one. An app now helps those families navigate the logistical and emotional journeys they typically face.

Empathy has a mobile app available to New York Life Insurance Co. beneficiaries that helps free families to deal with the financial and emotional repercussions following the loss of a loved one. Following is an edited transcript with Ron Gura, CEO of Empathy.

What inspired you to launch the app?

I felt like this end-of-life industry is largely untouched by innovation and specifically by software, which is how we usually address a problem domain when we see it. We thought there's room for a better experience for the bereaved, that we can use the same utilities and capabilities that the 21st century brought to pretty much any other aspect of our lives.

How does the app work?

We onboard you with a set of questions. We personalize your estate administration plan. We take you for a step-by-step navigation. Think of the app as the friend you wish you had when you lose a loved one. It's that smart accountant, but also that very compassionate grief counselor. It is a tool that can help you navigate probate and bank accounts and life insurance.

How does this app simplify the administration of an estate?

The app will take you on a step-by-step navigation and [help you] understand, how does it look like to manage an estate? What is the consideration that you have to take into account today?

How does the app provide human support to users?

We have a human-operated helpline that goes hand in hand with our technology. In addition to software engineers and product managers and usual job families you will find in an early stage startup like us, Empathy also has a talented team of social workers, and bereavement coordinators, care specialists, accountants, obituary wizards and probate experts.

What do you think is missing, from a life insurance policy standpoint, in terms of technology?

I think what's missing is leveraging technology in order to expand beyond that financial peace of mind into emotional and administrative piece of mind as well. When you think about the next of kin, when you think about the beneficiary, cutting a check is very important, but the estate administration doesn't really end there. It actually just starts. BR

—Tom Davis

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

AM Best TV

Go to *www.bestreview.com* to watch the interview with Ron Gura.

Top Trending News Includes Articles on Nuclear Verdicts and Inflation

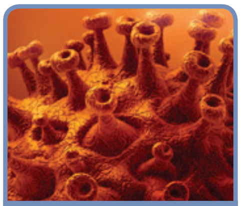
Other trending content includes *Best's Review*'s ranking of the top global insurance brokers and features on the global supply chain and life insurance.

Trending: *Best's Review*


Global Brokers

1. Top Global Insurance Brokers - 2021 Edition
2. The Fallout of High-Value Verdicts
3. Insurers Confront Inflation for the First Time in Ages
4. COVID-19 Disruption to the Global Supply Chain Could Continue to Challenge Insurers for Some Time
5. Life Insurance Sales Are Up, But for How Long?

Trending: BestWire $


Pandemic

1. Some Trade Groups Slam Reintroduction of Federal PRIA Bill
2. Jury Adds $150 Million Punitive Damages Against Farmers Insurance in Wrongful Firing
3. Cyber Capacity Constrained as Cautious Reinsurers Said to Hold Line on Primary Insurers
4. Cincinnati Insurance Wins First COVID-19 BI Case to Go to a Jury
5. AIG Chief: Life and Retirement IPO Expected in 2022 First Half

Trending: AM Best Webinars


Cyberthreats

1. What Insurers Need to Know About Next-Gen Cyberthreats
2. Dishing on Data—Advice From Data Scientists on How to Leverage Traditional and Non-Traditional Data Sources
3. How Next-Gen Telematics and Vehicle Build Data Are Driving Better Risk Assessment for Auto Insurers
4. Benchmarking Discussion: How Current and Emerging Auto Insurance Trends Will Affect Carrier Results
5. How Identity Management Drives Customer Experience and Reduces Risk for Commercial Insurers

Trending: AM Best TV - News Coverage

BI Losses

1. APCIA: Insurers Should Not Be Liable for Pandemic BI Losses, Now or Ever
2. WSIA Flood Panel on Risk Rating 2.0: "It's Going to Take a Long Time to Fill That Hole"
3. Sompo's Sparro: Industry Hasn't Caught Up on Rate Yet
4. WSIA Panel: Duress Creates Tailwinds for Specialty Lines
5. Aspen's McElroy: Federal Infrastructure Law Enhances Insurance Pathways

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These were the top trending items from Oct. 23, 2021, to Dec. 23, 2021. 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 First Looks at Nine-Month P/C and L/A Financial Results

Other trending research includes outlooks for global reinsurance and U.S. commercial, personal and commercial property lines.

Trending: Best's Special Reports

1. US Insurers' Perceptions of ESG $
2. Navigating the NAIC's New Risk-Based Capital Factors $
3. First Look: Nine-Month 2021 Property/Casualty Financial Results $
4. First Look: Nine-Month 2021 Life/Annuity Financial Results $
5. Key LIBOR Transition Dates on the Horizon $

US Insurers

Trending: Best's Market Segment Reports

1. Market Segment Outlook: Global Reinsurance
2. Insurers' A&E Incurred Losses Still Declining; Funding Remains on Target $
3. Market Segment Outlook: US Commercial Lines
4. Market Segment Outlook: US Personal Lines
5. Market Segment Outlook: US Commercial Property

Global Reinsurance

Trending: Best's Commentary

1. ESG and Insurance Credit Ratings: Frequently Asked Questions
2. OECD Announces Agreement Toward Global Minimum Tax
3. Tornado Outbreak Adds to 2021 Insurance Losses but Appears to Be Earnings Event
4. No Ratings Impact on Peru's Insurers from Recent Sovereign Downgrades

ESG

Trending: AM Best TV - Research Coverage

1. Global Reinsurance Capital Grew in 2020, Despite Volatile Investment Markets
2. Complete Return to Normalcy Evades Personal Auto Insurance Segment in 2021
3. Insurers Increased Private Equity Investments in 2020
4. Global Risks Becoming More Complex, Nat Cat Costs Rising
5. AM Best: Improved Results Remain a Waiting Game for Commercial Auto Insurers

Global Reinsurance

These were the top trending research and commentary reports from Oct. 23, 2021, to Dec. 23, 2021.

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Insurance Experts Discuss Balancing Identity Management and Customer Experience

Professionals also explore ESG and its relationship to the ratings process and examine auto insurance market trends and their effects on carriers.

On Demand

How Identity Management Drives Customer Experience and Reduces Risk for Commercial Insurers

Now more than ever, commercial insurance carriers must focus on protecting their customers' data and keeping their assets secure from identity fraud and cybercrime. Protecting their business from these risks at the point of quote, renewal and claim is essential to success. However, balancing the need for an effective security strategy with the need to elevate customer experience in a digital world can be confusing and overwhelming. A panel of insurance experts explores 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 Briefing – ESG: A Review of Frequently Asked Questions and Incorporation Into the Ratings Process

Chief Ratings Officer Stefan Holzberger moderates an interactive discussion about the relevance of Environmental, Social and Governance to financial strength and the incorporation of ESG into the ratings process. Topics include ESG rating factors that are relevant and material to financial strength; where ESG is captured in the ratings process; frequently asked questions; and inclusion of ESG in Best's Credit Reports. Panelists include AM Best Rating Services staff members Maura McGuigan, director, criteria, and Jessica Botelho-Young, associate director, analytics.

Benchmarking Discussion: How Current and Emerging Auto Insurance Trends Will Affect Carrier Results

Benchmarking is critical to understanding how an individual carrier's own results are being affected by broader market conditions versus conditions unique to their own book of business. A panel of auto insurance experts examines market trends and how auto carriers might respond. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions**.

AM Best's 2022 U.S. Market Outlook Briefing – Key Factors to Consider

Senior AM Best analytical staff members address key factors driving rating trends including interest rates, hardening pricing environment, the post-pandemic economic recovery, rising litigation costs and capacity. The discussion includes outlooks for such segments as health, life and annuity, personal lines, commercial lines and reinsurance. Participants include moderator Stefan Holzberger, chief ratings officer, as well as panelists John Andre, managing director; Jackie Lentz, director; and Michael Porcelli, Sally Rosen and Carlos Wong-Fupuy, all senior directors.

Webinar Highlight

What Insurers Need to Know About Next-Gen Cyberthreats

Experts in (re)insurance and digital forensics explore emerging cyberrisks and what insurers must do to address them. **This complimentary AM Best Webinar was sponsored by Munich Re**. BR

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

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Lloyd's Regional Director: New Insurance Coverages Needed for New Energy Sources

Also, industry professionals discuss cyber's move beyond emerging-risk status and the ACLI's initiative to improve racial equity.

On Demand

Lloyd's Watkins: The Move to New Energy Sources Creates New Risk Exposures

Hank Watkins, regional director and president for the Americas, Lloyd's, said deep-water wind farms and hydrogen-based power systems call for new insurance coverages.

Hank Watkins

Aon's Mulligan: Cyber Has Graduated Beyond Emerging-Risk Status

Catherine Mulligan, global head of cyber, Aon Reinsurance Solutions, said insurers are scrutinizing cyber exposures and imposing expectations for preventive measures such as use of two-factor authentication.

Catherine Mulligan

Pennsylvania Lumbermens' Smith: Good Risk Management Is the Foundation of Resilience

John Smith, chief executive officer of Pennsylvania Lumbermens Mutual Insurance, said improved building codes and other measures would help improve resilience and provide opportunity for its insureds.

John Smith

ACLI's Davison: Association Focusing on Improving Racial Equity, Economic Empowerment

American Council of Life Insurers Chair J. Scott Davison, who is also chairman, president and chief executive officer of OneAmerica, discusses the association's Economic Empowerment and Racial Equity Initiative.

J. Scott Davison

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

Attorney Addresses Legislation That Would Protect Businesses During Future Pandemics

Also, AM Best Audio explores the underutilization of investments in technology by life insurers.

Passage of Pandemic Risk Insurance Act Still Up in the Air

Dan Rabinowitz, head of the Kramer Levin law firm's insurance practice, discusses the reintroduction of the Pandemic Risk Insurance Act, which would provide an insurance backstop to businesses in the event of future pandemics.

Life Insurers Not Making Full Use of Technology Investments

Maroun Mourad, president of Global Underwriting and leader of the Life Unit at Verisk, explains that most of a chief innovation officer's budget is spent on maintaining legacy systems, leaving little for reimagining the future. 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 Dec. 1 and Dec. 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								
Outlook Change	H	Accendo Insurance Company CVS Health Corporation	060681	A a	Stable Positive	A a	Stable Stable	Utah
Outlook Change	H	Aetna Better Health of Florida, Inc. CVS Health Corporation	064066	A a	Stable Positive	A a	Stable Stable	Florida
Outlook Change	H	Aetna Better Health of Michigan, Inc. CVS Health Corporation	064810	A a	Stable Positive	A a	Stable Stable	Michigan
Outlook Change	H	Aetna Better Health of Missouri LLC CVS Health Corporation	064077	A a	Stable Positive	A a	Stable Stable	Missouri
Outlook Change	H	Aetna Dental Inc (a NJ corp) CVS Health Corporation	064709	A a	Stable Positive	A a	Stable Stable	New Jersey
Outlook Change	H	Aetna Dental Inc (a TX corp) CVS Health Corporation	064718	A a	Stable Positive	A a	Stable Stable	Texas
Outlook Change	H	Aetna Dental of CA CVS Health Corporation	064634	A a	Stable Positive	A a	Stable Stable	California
Outlook Change	H	Aetna Health and Life Insurance Company CVS Health Corporation	008189	A a	Stable Positive	A a	Stable Stable	Connecticut
Outlook Change	H	Aetna Health Inc (a CT corp) CVS Health Corporation	068698	A a	Stable Positive	A a	Stable Stable	Connecticut
Outlook Change	H	Aetna Health Inc (a FL corp) CVS Health Corporation	060120	A a	Stable Positive	A a	Stable Stable	Florida
Outlook Change	H	Aetna Health Inc (a GA corp) CVS Health Corporation	068701	A a	Stable Positive	A a	Stable Stable	Georgia
Outlook Change	H	Aetna Health Inc (a ME corp) CVS Health Corporation	064155	A a	Stable Positive	A a	Stable Stable	Maine
Outlook Change	H	Aetna Health Inc (a NJ corp) CVS Health Corporation	068695	A a	Stable Positive	A a	Stable Stable	New Jersey
Outlook Change	H	Aetna Health Inc (a NY corp) CVS Health Corporation	068696	A a	Stable Positive	A a	Stable Stable	New York
Outlook Change	H	Aetna Health Inc (a PA corp) CVS Health Corporation	068700	A a	Stable Positive	A a	Stable Stable	Pennsylvania
Outlook Change	H	Aetna Health Inc (a TX corp) CVS Health Corporation	068913	A a	Stable Positive	A a	Stable Stable	Texas
Outlook Change	H	Aetna Health Inc (LA) CVS Health Corporation	068689	A a	Stable Positive	A a	Stable Stable	Louisiana
Outlook Change	H	Aetna Health Insurance Co of New York CVS Health Corporation	009541	A a	Stable Positive	A a	Stable Stable	New York
Outlook Change	H	Aetna Health Insurance Company CVS Health Corporation	007443	A a	Stable Positive	A a	Stable Stable	Pennsylvania
Outlook Change	H	Aetna Health of CA CVS Health Corporation	060119	A a	Stable Positive	A a	Stable Stable	California
Outlook Change	H	Aetna Health of Iowa Inc CVS Health Corporation	068541	A a	Stable Positive	A a	Stable Stable	Iowa
Outlook Change	H	Aetna Health of Utah Inc. CVS Health Corporation	068616	A a	Stable Positive	A a	Stable Stable	Utah
Outlook Change	L	Aetna Life & Casualty (Bermuda) Ltd CVS Health Corporation	077031	A a	Stable Positive	A a	Stable Stable	Bermuda

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH (CONTINUED)								
Outlook Change	H	Aetna Life Insurance Company CVS Health Corporation	006006	A a	Stable Positive	A a	Stable Stable	Connecticut
Upgrade	H	All Savers Insurance Company UnitedHealth Group Incorporated	009556	A+ aa-	Stable Stable	A a+	Positive Positive	Indiana
Outlook Change	H	American Continental Insurance Company CVS Health Corporation	060568	A a	Stable Positive	A a	Stable Stable	Tennessee
Upgrade	H	AmeriChoice of New Jersey Inc UnitedHealth Group Incorporated	064214	A+ aa-	Stable Stable	A a+	Positive Positive	New Jersey
Upgrade	H	AMERIGROUP Community Care of New Mexico Anthem, Inc.	064926	A a+	Stable Stable	A- a-	Stable Stable	New Mexico
Upgrade	H	AMERIGROUP Insurance Company Anthem, Inc.	065095	A a+	Stable Stable	A- a-	Stable Stable	Texas
Upgrade	H	AMERIGROUP Kansas, Inc. Anthem, Inc.	065127	A a+	Stable Stable	A- a-	Stable Stable	Kansas
Upgrade	H	AMERIGROUP Maryland Inc Anthem, Inc.	064612	A a+	Stable Stable	A- a-	Stable Stable	Maryland
Upgrade	H	AMERIGROUP New Jersey Inc Anthem, Inc.	064209	A a+	Stable Stable	A- a-	Stable Stable	New Jersey
Upgrade	H	AMERIGROUP Tennessee Inc Anthem, Inc.	064927	A a+	Stable Stable	A- a-	Stable Stable	Tennessee
Upgrade	H	AMERIGROUP Texas Inc Anthem, Inc.	064238	A a+	Stable Stable	A- a-	Stable Stable	Texas
Upgrade	H	AMERIGROUP Washington, Inc. Anthem, Inc.	065094	A a+	Stable Stable	A- a-	Stable Stable	Washington
Upgrade	H	AMGP Georgia Managed Care Company Inc Anthem, Inc.	064890	A a+	Stable Stable	A- a-	Stable Stable	Georgia
Under Review	H	AvMed, Inc. SantaFe HealthCare, Inc.	064074	B u bb u	Developing Developing	B bb	Stable Positive	Florida
Upgrade	H	Community Care Health Plan of LA, Inc. Anthem, Inc.	065093	A a+	Stable Stable	A- a-	Stable Stable	Louisiana
Upgrade	H	Community Care Health Plan of NV, Inc. Anthem, Inc.	064896	A a+	Stable Stable	A- a-	Stable Stable	Nevada
Outlook Change	H	Continental Life Ins Co of Brentwood TN CVS Health Corporation	009502	A a	Stable Positive	A a	Stable Stable	Tennessee
Outlook Change	H	Coventry Health and Life Insurance Co CVS Health Corporation	008812	A a	Stable Positive	A a	Stable Stable	Missouri
Outlook Change	H	Coventry Health Care of Illinois, Inc. CVS Health Corporation	060028	A a	Stable Positive	A a	Stable Stable	Illinois
Outlook Change	H	Coventry Health Care of Kansas Inc CVS Health Corporation	064126	A a	Stable Positive	A a	Stable Stable	Kansas
Outlook Change	H	Coventry Health Care of Missouri, Inc. CVS Health Corporation	068534	A a	Stable Positive	A a	Stable Stable	Missouri
Outlook Change	H	Coventry Health Care of Nebraska Inc CVS Health Corporation	068544	A a	Stable Positive	A a	Stable Stable	Nebraska
Outlook Change	H	Coventry Health Care of VA Inc CVS Health Corporation	068607	A a	Stable Positive	A a	Stable Stable	Virginia
Outlook Change	H	Coventry Health Care of WV Inc CVS Health Corporation	064186	A a	Stable Positive	A a	Stable Stable	West Virginia
Upgrade	H	Dental Benefit Providers of CA Inc UnitedHealth Group Incorporated	064716	A+ aa-	Stable Stable	A a+	Positive Positive	California
Upgrade	L	Enterprise Life Insurance Company UnitedHealth Group Incorporated	008919	A+ aa-	Stable Stable	A a	Stable Stable	Texas
Outlook Change	H	First Health Life & Health Insurance Co CVS Health Corporation	008951	A a	Stable Positive	A a	Stable Stable	Texas

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH (CONTINUED)								
Upgrade	H	Freedom Life Insurance Co of America UnitedHealth Group Incorporated	006269	A+ aa-	Stable Stable	A a	Stable Stable	Texas
Outlook Change	H	Friday Health Plans of Colorado, Inc. Friday Health Plans, Inc.	068945	C ccc	Stable Stable	C ccc	Stable Positive	Colorado
Upgrade	H	Golden Rule Insurance Company UnitedHealth Group Incorporated	006263	A+ aa-	Stable Stable	A a+	Positive Positive	Indiana
Upgrade	L	Guggenheim Life and Annuity Company Group 1001 Insurance Holdings, LLC	009504	A- a-	Stable Stable	B++ u bbb+ u	Developing Developing	Delaware
Upgrade	L	Gulf Guaranty Life Insurance Company Gulf Guaranty Life Insurance Company	008081	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Mississippi
Upgrade	H	Health Plan of Nevada Inc UnitedHealth Group Incorporated	068619	A+ aa-	Stable Stable	A a+	Positive Positive	Nevada
Outlook Change	H	HealthAssurance Pennsylvania Inc CVS Health Corporation	064719	A a	Stable Positive	A a	Stable Stable	Pennsylvania
Rating Affirmation	H	Independence American Insurance Company JAB Holding Company s.à.r.l.	003552	A- a-	Stable Stable	A- u a- u	Developing Developing	Delaware
Upgrade	H	MAMSI Life and Health Insurance Company UnitedHealth Group Incorporated	006046	A+ aa-	Stable Stable	A a+	Positive Positive	Maryland
Upgrade	H	MD-Individual Practice Association Inc UnitedHealth Group Incorporated	068606	A+ aa-	Stable Stable	A a+	Positive Positive	Maryland
Upgrade	L	Nassau Life and Annuity Company Nassau Financial Group, L.P.	009072	B++ bbb	Stable Stable	B+ bbb-	Negative Negative	Connecticut
Upgrade	L	Nassau Life Insurance Company Nassau Financial Group, L.P.	006922	B++ bbb	Stable Stable	B+ bbb-	Negative Negative	New York
Upgrade	H	Nassau Life Insurance Company of Kansas Nassau Financial Group, L.P.	006977	B++ bbb	Stable Stable	B+ bbb-	Negative Negative	Kansas
Upgrade	H	National Foundation Life Insurance Co UnitedHealth Group Incorporated	006774	A+ aa-	Stable Stable	A a	Stable Stable	Texas
Upgrade	H	National Pacific Dental Inc UnitedHealth Group Incorporated	068837	A+ aa-	Stable Stable	A a+	Positive Positive	Texas
Upgrade	H	Neighborhood Health Partnership Inc UnitedHealth Group Incorporated	064001	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
Upgrade	H	Nevada Pacific Dental UnitedHealth Group Incorporated	064826	A+ aa-	Stable Stable	A a+	Positive Positive	Nevada
Upgrade	H	Optimum Choice Inc UnitedHealth Group Incorporated	068764	A+ aa-	Stable Stable	A a+	Positive Positive	Maryland
Upgrade	H	Oxford Health Insurance, Inc. UnitedHealth Group Incorporated	060022	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	H	Oxford Health Plans (CT) Inc UnitedHealth Group Incorporated	068933	A+ aa-	Stable Stable	A a+	Positive Positive	Connecticut
Upgrade	H	Oxford Health Plans (NJ) Inc UnitedHealth Group Incorporated	068934	A+ aa-	Stable Stable	A a+	Positive Positive	New Jersey
Upgrade	H	Oxford Health Plans (NY) Inc UnitedHealth Group Incorporated	068716	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	H	PacifiCare of Arizona Inc UnitedHealth Group Incorporated	064218	A+ aa-	Stable Stable	A a+	Positive Positive	Arizona
Upgrade	H	PacifiCare of Colorado Inc UnitedHealth Group Incorporated	068639	A+ aa-	Stable Stable	A a+	Positive Positive	Colorado
Upgrade	H	Physicians Health Choice of Texas, LLC UnitedHealth Group Incorporated	064777	A+ aa-	Stable Stable	A a+	Positive Positive	Texas
Upgrade	H	Sierra Health & Life Insurance Co Inc UnitedHealth Group Incorporated	007370	A+ aa-	Stable Stable	A a+	Positive Positive	Nevada
Under Review	H	SILAC Insurance Company SILAC, Inc.	006342	B+ u bbb- u	Developing Developing	B+ bbb-	Positive Positive	Utah

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH (CONTINUED)								
Outlook Change	H	SilverScript Insurance Company CVS Health Corporation	064967	A a	Stable Positive	A a	Stable Stable	Tennessee
Upgrade	H	UHC of California UnitedHealth Group Incorporated	068705	A+ aa-	Stable Stable	A a+	Positive Positive	California
Upgrade	H	Unimerica Insurance Company UnitedHealth Group Incorporated	009065	A+ aa-	Stable Stable	A a+	Positive Positive	Wisconsin
Upgrade	L	Unimerica Life Insurance Co of New York UnitedHealth Group Incorporated	060392	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	H	UnitedHealthcare Benefits of Texas Inc UnitedHealth Group Incorporated	068706	A+ aa-	Stable Stable	A a+	Positive Positive	Texas
Upgrade	H	UnitedHealthcare Community Plan UnitedHealth Group Incorporated	064439	A+ aa-	Stable Stable	A a+	Positive Positive	Michigan
Upgrade	H	UnitedHealthcare Community Plan of Ohio UnitedHealth Group Incorporated	064874	A+ aa-	Stable Stable	A a+	Positive Positive	Ohio
Upgrade	H	UnitedHealthcare Ins Co of America UnitedHealth Group Incorporated	008549	A+ aa-	Stable Stable	A a+	Positive Positive	Illinois
Upgrade	H	UnitedHealthcare Ins Co of Illinois UnitedHealth Group Incorporated	060071	A+ aa-	Stable Stable	A a+	Positive Positive	Illinois
Upgrade	H	UnitedHealthcare Ins Co of New York UnitedHealth Group Incorporated	060108	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	H	UnitedHealthcare Ins of the River Valley UnitedHealth Group Incorporated	064827	A+ aa-	Stable Stable	A a+	Positive Positive	Illinois
Upgrade	H	UnitedHealthcare Insurance Company UnitedHealth Group Incorporated	008290	A+ aa-	Stable Stable	A a+	Positive Positive	Connecticut
Upgrade	H	UnitedHealthcare Life Insurance Company UnitedHealth Group Incorporated	007771	A+ aa-	Stable Stable	A a+	Positive Positive	Wisconsin
Upgrade	H	UnitedHealthcare of Alabama Inc UnitedHealth Group Incorporated	068500	A+ aa-	Stable Stable	A a+	Positive Positive	Alabama
Upgrade	H	UnitedHealthcare of Arizona Inc UnitedHealth Group Incorporated	068847	A+ aa-	Stable Stable	A a+	Positive Positive	Arizona
Upgrade	H	UnitedHealthcare of Arkansas Inc UnitedHealth Group Incorporated	068914	A+ aa-	Stable Stable	A a+	Positive Positive	Arkansas
Upgrade	H	UnitedHealthcare of Colorado Inc UnitedHealth Group Incorporated	068848	A+ aa-	Stable Stable	A a+	Positive Positive	Colorado
Upgrade	H	UnitedHealthcare of Florida Inc UnitedHealth Group Incorporated	068782	A+ aa-	Stable Stable	A a+	Positive Positive	Florida
Upgrade	H	UnitedHealthcare of Georgia Inc UnitedHealth Group Incorporated	068893	A+ aa-	Stable Stable	A a+	Positive Positive	Georgia
Upgrade	H	UnitedHealthcare of Illinois Inc UnitedHealth Group Incorporated	068532	A+ aa-	Stable Stable	A a+	Positive Positive	Illinois
Upgrade	H	UnitedHealthcare of Kentucky Ltd UnitedHealth Group Incorporated	068690	A+ aa-	Stable Stable	A a+	Positive Positive	Kentucky
Upgrade	H	UnitedHealthcare of Louisiana Inc UnitedHealth Group Incorporated	068661	A+ aa-	Stable Stable	A a+	Positive Positive	Louisiana
Upgrade	H	UnitedHealthcare of Mississippi Inc UnitedHealth Group Incorporated	060118	A+ aa-	Stable Stable	A a+	Positive Positive	Mississippi
Upgrade	H	UnitedHealthcare of New England Inc UnitedHealth Group Incorporated	068891	A+ aa-	Stable Stable	A a+	Positive Positive	Rhode Island
Upgrade	H	UnitedHealthcare of New York Inc UnitedHealth Group Incorporated	068856	A+ aa-	Stable Stable	A a+	Positive Positive	New York
Upgrade	H	UnitedHealthcare of North Carolina Inc UnitedHealth Group Incorporated	068572	A+ aa-	Stable Stable	A a+	Positive Positive	North Carolina
Upgrade	H	UnitedHealthcare of Ohio Inc UnitedHealth Group Incorporated	068580	A+ aa-	Stable Stable	A a+	Positive Positive	Ohio

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Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH (CONTINUED)								
Upgrade	H	UnitedHealthcare of Oklahoma Inc UnitedHealth Group Incorporated	068582	A+ aa-	Stable Stable	A a+	Positive Positive	Oklahoma
Upgrade	H	UnitedHealthcare of Oregon Inc UnitedHealth Group Incorporated	068707	A+ aa-	Stable Stable	A a+	Positive Positive	Oregon
Upgrade	H	UnitedHealthcare of Pennsylvania Inc UnitedHealth Group Incorporated	064104	A+ aa-	Stable Stable	A a+	Positive Positive	Pennsylvania
Upgrade	H	UnitedHealthcare of Texas Inc UnitedHealth Group Incorporated	068841	A+ aa-	Stable Stable	A a+	Positive Positive	Texas
Upgrade	H	UnitedHealthcare of the Mid-Atlantic UnitedHealth Group Incorporated	068987	A+ aa-	Stable Stable	A a+	Positive Positive	Maryland
Upgrade	H	UnitedHealthcare of the Midlands Inc UnitedHealth Group Incorporated	068892	A+ aa-	Stable Stable	A a+	Positive Positive	Nebraska
Upgrade	H	UnitedHealthcare of the Midwest Inc UnitedHealth Group Incorporated	068560	A+ aa-	Stable Stable	A a+	Positive Positive	Missouri
Upgrade	H	UnitedHealthcare of the Rockies, Inc. UnitedHealth Group Incorporated	064219	A+ aa-	Stable Stable	A a+	Positive Positive	Utah
Upgrade	H	UnitedHealthcare of Utah, Inc. UnitedHealth Group Incorporated	068770	A+ aa-	Stable Stable	A a+	Positive Positive	Utah
Upgrade	H	UnitedHealthcare of Washington Inc UnitedHealth Group Incorporated	068591	A+ aa-	Stable Stable	A a+	Positive Positive	Washington
Upgrade	H	UnitedHealthcare of Wisconsin Inc UnitedHealth Group Incorporated	068824	A+ aa-	Stable Stable	A a+	Positive Positive	Wisconsin
Upgrade	H	UnitedHealthcare Plan of River Valley UnitedHealth Group Incorporated	068702	A+ aa-	Stable Stable	A a+	Positive Positive	Illinois
AMERICAS PROPERTY/CASUALTY								
Outlook Change	P	American European Insurance Company HSI Partnership	002317	B bb+	Positive Positive	B bb+	Stable Stable	New Hampshire
Initial Rating	P	Applied Medico-Legal Solutions RRG, Inc.	076155	A- a-	Stable Stable	NR nr		Arizona
Outlook Change	P	Aspire General Insurance Company Alder Investments, LLC	022030	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	California
Upgrade	P	Atlantic Casualty Insurance Company Auto-Owners Insurance Company	001780	A+ aa-	Stable Stable	A a+	Positive Positive	North Carolina
Upgrade	P	Bremen Farmers Mutual Insurance Company	003374	A- a-	Stable Stable	B++ bbb+	Positive Positive	Kansas
Outlook Change	P	California Mutual Insurance Company	004368	A- a-	Stable Stable	A- a-	Negative Negative	California
Initial Rating	P	Champlain Specialty Insurance Company Champlain Holdings, LLC	020957	A- a-	Stable Stable	NR nr		Vermont
Initial Rating	P	Concert Specialty Insurance Company Concert Group Holdings, Inc.	021191	A- a-	Stable Stable			Montana
Upgrade	P	Co-operators General Insurance Company The Co-operators Group Limited	085735	A a	Stable Stable	A- a-	Stable Stable	Ontario
Outlook Change	P	Farmers Mut Fire Ins Co McCandless Twsp	004766	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Pennsylvania
Outlook Change	P	FMI Insurance Company Franklin Mutual Insurance Company	003819	A+ aa-	Negative Negative	A+ aa-	Stable Stable	New Jersey
Outlook Change	P	Franklin Mutual Insurance Company Franklin Mutual Insurance Company	004795	A+ aa-	Negative Negative	A+ aa-	Stable Stable	New Jersey
Initial Rating	P	Jamestown Insurance Company Limited Hess Corporation	056373	A- a-	Stable Stable			Bermuda
Initial Rating	P	Metropolitan General Insurance Company MetLife, Inc.	002866	A a+	Stable Stable	NR nr		Rhode Island
Under Review	P	Mississippi Farm Bureau Casualty Ins Co Southern Casualty Holding Company	000513	A u a u	Positive Positive	A a	Negative Negative	Mississippi

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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	POM Insurance Company Franklin Mutual Insurance Company	001803	A+ aa-	Negative Negative	A+ aa-	Stable Stable	New Jersey
Outlook Change	P	Rutgers Casualty Insurance Company HSI Partnership	001838	B bb+	Positive Positive	B bb+	Stable Stable	New Hampshire
Upgrade	P	Sovereign General Insurance Company The Co-operators Group Limited	085791	A a	Stable Stable	A- a-	Stable Stable	Alberta
Outlook Change	P	Texas Mutual Insurance Company	011453	A a+	Positive Positive	A a+	Stable Stable	Texas
Initial Rating	P	Work First Casualty Company Spruce Street Ventures, LLC	013103	A- a-	Stable Stable	NR nr		Delaware
EUROPE, MIDDLE EAST & AFRICA								
Outlook Change	P	Aetna Insurance Company Limited CVS Health Corporation	078652	A- a-	Positive Positive	A- a-	Stable Stable	United Kingdom
Initial Rating	P	CattRe S.A. Assicurazioni Generali S.p.A.	073053	A- a-	Stable Stable	NR nr		Luxembourg
Under Review	C	Covéa Coopérations Société de Groupe d'Assurance Mut Covéa	059781	A u a+ u	Positive Positive	A a+	Stable Stable	France
Initial Rating	P	Europ Assistance S.A. Assicurazioni Generali S.p.A.	078676	A a+	Stable Stable	NR nr		France
Initial Rating	P	Royal & Sun Alliance Insurance Limited Intact Financial Corporation	086257	A a+	Stable Stable	NR nr		United Kingdom
Initial Rating	C	Società Cattolica di Assicurazione SpA Assicurazioni Generali S.p.A.	086351	A a+	Stable Stable	NR nr		Italy
Initial Rating	P	TUA Assicurazioni S.p.A. Assicurazioni Generali S.p.A.	088505	A a+	Stable Stable	NR nr		Italy
Downgrade	C	Union Insurance Company P.J.S.C.	090357	B+ bbb-	Negative Negative	B++ u bbb u	Negative Negative	United Arab Emirates
ASIA-PACIFIC								
Outlook Change	P	AzRe Reinsurance, OJSC AzRe Reinsurance, OJSC	093787	B+ bbb-	Stable Stable	B+ bbb-	Positive Positive	Azerbaijan
Outlook Change	P	Labuan Reinsurance (L) Ltd	086913	A- a-	Stable Stable	A- a-	Negative Negative	Malaysia
Outlook Change	P	Meritz Fire & Marine Insurance Co., Ltd. Meritz Financial Group Inc.	085600	A- a-	Positive Positive	A- a-	Stable Stable	South Korea
AMERICAS								
Outlook Change	L	Aserta Seguros Vida, S.A. de C.V. Grupo Financiero Aserta, S.A. de C.V.	092888	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Mexico
Outlook Change	P	El Aguila Compañía de Seguros SA de CV American Financial Group, Inc.	083535	A- a-	Positive Positive	A- a-	Stable Stable	Mexico
Upgrade	P	ICM Assurance Ltd CNOOC Limited	075202	A a	Stable Stable	A- a-	Stable Stable	Barbados
Under Review	P	Trinidad & Tobago Ins Ltd ANSA McAL Limited	084218	A- u a- u	Developing Developing	A- a-	Stable Stable	Trinidad and Tobago

Holding Companies

Rating Action	Company Name	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
Upgrade	Nassau Companies of New York, Inc.	050888	bb	Stable	b+	Negative	Delaware
Upgrade	UnitedHealth Group Incorporated	058106	a	Stable	a-	Positive	Minnesota

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

GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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

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

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

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

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

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

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

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

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

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

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Merger, State Actions, Acquisitions and Name and Ownership Changes

Centurion Life and Cedar Insurance are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

LIFE/HEALTH

Name Changes

Centurion Life Insurance Co. (AMB# 006276), Des Moines, Iowa. This company changed its name to Bestow Life Insurance Co. on Sept. 2, 2021.

Community Care Alliance of Illinois Inc. (AMB# 065194), Chicago. This company changed its name to Clear Spring Health Community Care Inc. on Aug. 23, 2021.

Eon Health Inc. (GA) (AMB# 062177), Atlanta. This company changed its name to Clear Spring Health (GA) Inc. on Nov. 12, 2021.

Eon Health Inc. (SC) (AMB# 062190), Pawleys Island, S.C. This company changed its name to Clear Spring Health (SC) Inc. on Aug. 26, 2021.

Magellan Complete Care of Arizona Inc. (AMB# 065149), Phoenix. This company changed its name to Molina Healthcare of Arizona Inc. on June 17, 2021.

Magellan Complete Care of Virginia LLC (AMB# 062172), Glen Allen, Va. This company changed its name to Molina Healthcare of Virginia LLC on June 21, 2021.

PacifiCare of Nevada Inc. (AMB# 064219), Draper, Utah. This company changed its name to UnitedHealthcare of the Rockies Inc. on July 1, 2021.

Acquisitions & Ownership Changes

Centurion Life Insurance Co. (AMB# 006276), Des Moines, Iowa. This company was acquired by Bestow Inc. from Wells Fargo Financial LLC on Aug. 31, 2021.

Guggenheim Life and Annuity Co. (AMB# 009504), Wilmington, Del. This company was acquired by CSLIC Holdings LLC, a subsidiary of Group 1001 Insurance Holdings LLC, from GLAC Holdings LLC and PLIC Holdings LLC, subsidiaries of Guggenheim Capital LLC, on Nov. 12, 2021.

Memorial Insurance Company of America (AMB# 068356), Blytheville, Ark. This company was acquired by FOXO Life LLC from Security National Life Insurance Co. on Aug. 20, 2021.

Total Dental Administrators Health Plan Inc. (AMB# 065078), Phoenix. This company was acquired by Educators Health Plans Life, Accident and Health Inc. from Companion Life Insurance Co. on Sept. 1, 2021.

Total Dental Administrators of Utah Inc. (AMB# 065720), Cottonwood Heights, Utah. This company was acquired by Educators Health Plans Life, Accident and Health Inc. from Companion Life Insurance Co. on Sept. 1, 2021.

PROPERTY/CASUALTY

Merger

Wing Re III Inc. (AMB# 020692), Jefferson City, Mo. This company merged with and into Wing Re II Inc. on July 1, 2021.

Name Changes

Allied Premier Insurance, a Risk Retention Group (AMB# 022391), Hartford, Conn. This company changed its name to Allied Premier Captive Insurance Co. on May 27, 2021.

ASAC Sponsored Captive Insurance Co. (AMB# 020801), Brattleboro, Vt. This company changed its name to DUS Captive Insurance Co. on June 2, 2021.

Boston Indemnity Co. Inc. (AMB# 021160), Parker, Colo. This company changed its name to Ascot Surety & Casualty Co. on Nov. 30, 2021.

Genworth Mortgage Reinsurance Corp. (AMB# 012432), Raleigh, N.C. This company changed its name to Enact Mortgage Reinsurance Corp. on July 15, 2021.

Western Select Insurance Co. (AMB# 012272), Chicago. This company changed its name to Pie Casualty Insurance Co. on Sept. 1, 2021.

Acquisitions & Ownership Changes

American Sentinel Insurance Co. (AMB# 004740), Harrisburg, Pa. This company was acquired by Aegis Security Insurance Co. from LD Investments LLC on Oct. 1, 2021, subsequent to the acquisition of Aegis Security Insurance Co.'s parent, ECFPK Insurance Holdings LLC, by LD Investments LLC on the same day.

Cedar Insurance Co. (AMB# 013912), New York. This company was acquired by Grandview Risk Holdings Ltd. from SiriusPoint America Insurance Co. on Aug. 5, 2021.

AmFed National Insurance Co. (AMB# 012499), Ridgeland, Miss. This company was acquired by Ascot Insurance Co. from AmFed Holding Co. LLC on Oct. 31, 2021.

Vesta Insurance Corp. (AMB# 001813), San Antonio. This company was acquired by DARAG North America Holding Co. from Vesta Fire Insurance Corp. on Sept. 24, 2021. The sale resulted in the release of the company from rehabilitation. The Special Deputy Receiver's Notice of Closing and Release of the company from rehabilitation was filed on Oct. 6, 2021.

Western Select Insurance Co. (AMB# 012272), Chicago. This company was acquired by Pie Carrier Holdings Inc. from Public Service Insurance Co. on Sep. 1, 2021.

State Actions

Western General Insurance Co. (AMB# 003560), Calabasas, Calif. This company was placed into insolvent liquidation on Aug. 5, 2021.

Access Home Insurance Co. (AMB# 014378), Baton Rouge, La. This company was placed in rehabilitation on Nov. 10, 2021. BR

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Regulators Sharpen Scrutiny as COVID Spurs Interest in Accelerated Life Underwriting

A draft informational paper about the accelerated life underwriting process should be ready to present at the National Association of Insurance Commissioners Spring National Meeting.

Accelerated life insurance underwriting, similar to a host of underwriting tools growing in use on the property/casualty side, is drawing scrutiny from regulators concerned about insurers' reliance on big data, artificial intelligence and algorithms.

A draft informational paper that could be used by regulators and stakeholders to better understand the accelerated life underwriting process should be ready to present for further refinement at the National Association of Insurance Commissioners Spring National Meeting, said Minnesota Department of Commerce Commissioner Grace Arnold, vice chairwoman of the NAIC's Accelerated Underwriting Working Group.

It had been scheduled for release to the NAIC's Life Insurance and Annuities Committee for the 2021 Fall National Meeting. The paper will be amended based on comments received in writing and at the online meeting.

The NAIC in 2019 decided it wanted to get its arms around the fast-developing process that skips traditional physicals and health reviews that have characterized life insurance applications for years in favor of using big data crunched through predictive modeling and artificial intelligence. It formed a working group to develop the educational document. Part of the deliberate pace of the drafting of the document is the overlapping impact of big data and artificial intelligence in other NAIC working groups and task forces, Arnold said.

"Finding our space in what are sometimes interrelated topics was really important and did take a lot of time," she said. Accelerated underwriting has been a tool for the life insurance industry over the past 10 years or so.

Then COVID-19 struck.

Accelerated underwriting at that point was already ahead of regulators, with most predictive or machine-learning algorithms used in life insurance underwriting in their second or third generation, the working group said in its draft paper.

"The COVID-19 pandemic sped up the adoption of accelerated underwriting in the industry as both consumers and insurers looked for options to purchase and write policies that relied more on technology and involved less in-person contact," it said. "This has highlighted the need for ongoing monitoring of the machine-learning algorithms—both their development and their uses in the marketplace."

Arnold confirmed that the pace of change increased greatly over the past 18 months.

"We were going through this process in the middle of the pandemic, and so the data that we heard changed throughout the course of the presentations" given to the working group, she said. "I would expect that it's probably different even now than it was a year ago, just really given the substantial shift to digital that many companies made."

Regardless of the pace of change, Arnold said regulators have their tools such as market conduct exams and product reviews, and will use them as companies make new filings.

The life insurance industry sees accelerated underwriting as a major positive, said Paul Graham, senior vice president, policy development, American Council of Life Insurers. People prefer the convenience and speed of accelerated underwriting, as well as not having to provide bodily fluids, he said.

"Improving the experience is essential as we have a tremendous life insurance gap in the United States. It averages $200,000 per household," he said. Meanwhile, the risks are low, Graham noted, saying, "If any, they would involve companies' routine monitoring of underwriting factors to make sure they perform as expected and serve to bring coverage to people who want and need it."

The NAIC's work on accelerated underwriting is appropriate, as long as regulation doesn't produce the unintended consequence of discouraging consumers from purchasing coverage, Graham added.

At the heart of the work is the principle of transparency to regulators and the consumer, Arnold said. It is a question that doesn't lend itself to a simple answer. Companies make all sorts of disclosures to consumers now, she said—although it's often in lengthy and dense language that may or may not satisfy everyone's idea of transparency.

—Timothy Darragh

Munich Re: Hurricane Ida Topped Second-Largest Natural Catastrophe Loss Year in 2021

Climate research increasingly confirms that extreme weather has become more likely, the reinsurer said.

Led by Hurricane Ida, natural catastrophes caused $120 billion in insured losses in 2021, tying it for the second-costliest year on record, according to Munich Re.

The industry losses were about the same as those for 2005 and 2011, adjusted for inflation, the reinsurer said in an email. The record for insured losses was set in 2017 at $146 billion, Munich Re said in a statement. Ida was the year's most costly natural catastrophe with insured losses of $36 billion, Munich Re said. Extreme winter weather in the United States in February cost insurers $15 billion, the reinsurer said.

Munich Re noted flash floods in Europe following extreme rainfall led to insured losses of $13 billion. About €8.2 billion ($9.3 billion) of these losses were in Germany, Munich Re said, citing the Association of German Insurers (GDV).

The GDV earlier said the flood in July is expected to cost €8.2 billion, with around €7.7 billion of that attributable to residential buildings, household effects and businesses and around €450 million to damage to motor vehicles. It was the costliest natural disaster in Germany and Europe, Munich Re said.

"The images of natural disasters in 2021 are disturbing," Torsten Jeworrek, member, board of management, Munich Re, said in a statement. "Climate research increasingly confirms that extreme weather has become more likely."

Jeworrek noted insurers cover part of the risks and losses by applying risk-adequate premiums. "They put a price on natural hazards, thereby encouraging carefully considered behavior to limit the losses," he said. BR

—David Pilla

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Insurance Internships Can Help Fill Talent Gap, Industry Leader Says

The president of Risk Placement Services says his organization's commitment to internships is helping the company meet its recruiting needs and retain its talent.

by John Weber

A talent gap exists in insurance following retirements and other departures, an industry leader says. But insurers may already have a potential weapon in their arsenal to combat this problem: internships.

AM Best TV recently spoke to Joel Cavaness, president, Risk Placement Services, at the Wholesale & Specialty Insurance Association's Annual Marketplace in San Diego about his organization's commitment to internships and how they help meet recruiting needs. Following is an edited transcript of the interview.

You have a little bit of a different view on how to acquire talent. Talk to us a little bit about that.

It is a gap. There's no question that there is a gap. It's interesting that we all talked about this gap for many years, that the baby boomers were retiring, and what were we going to do about it. And, it all would come out of a pandemic for almost two years, and it's here.

Of those interns who you'll have this year, how many will turn into full-time employees?

Of those second-year interns that are available for hire upon graduation, we'll normally get at least 50% of those available-to-hire people to come join us. Already, they've spent eight weeks with us in our culture, they know our business, they know the opportunity and what's ahead of them, and so we'll hire over 50% of them into our various offices across the country.

Do you have to compete for interns the same way you have to compete for employees?

Sure. There are many internships out there. Some of our competitors and some of our insurance companies as well as this association, WSIA, has an internship program that's a great program that rotates people both into the broking community and the underwriting community. You're always competing for that talent.

How do you get kids into risk management programs?

We've been very successful with young people coming out of universities with risk management—but we've also been highly successful with people who have other degrees, other backgrounds that maybe they haven't exactly figured out what specialty they want to be in in life. The risk management young people already know that somewhere in their beginning career, they want to be in a risk management role of some type. It could be actuarial, it could be working in a risk management corporation, or working for an insurance company.

Would you say that RPS has a younger demographic than your peer group?

We do have a younger demographic. We have, as I call it, our farm club. We have a whole lot of up-and-comers who are spending roughly three years with us before they're put into a production role learning. They're honing their craft, learning at the knees of very successful producers or underwriters before they're turned loose out to actually begin their career as a broker or as an underwriter. BR

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

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