

# BEST'S REVIEW® ISSUES & ANSWERS:

- Workers' Compensation
- Florida Market

Industry experts discuss the benefits of specialization in workers' compensation, the market's challenges and the outlook for homeowners insurance in Florida.

## Interviewed Inside:



**Dan Landers**  
*A.I.M. Mutual Insurance Cos.*



**Dale Hoppe**  
*Nationwide Excess & Surplus/Specialty*



**Arthur Randolph**  
*Pinnacle Actuarial Resources*

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# Experts in Specialization

Dan Landers, President and Chief Executive Officer of A.I.M. Mutual Insurance Cos., said the company's priorities are first, last and always its people. "We provide our people with the tools, the environment and our commitment as a company to allow them to do their job to the best of their ability and continue that partnership with our brokers, and our policyholders," he said. Following are excerpts from an interview.



## How would you contrast the workers' comp market between now and when you started your position in the spring of 2022?

There was significant disruption in our industry, in many different areas—the number of claims, the type of claims. Payrolls and businesses were up and down. We focused on our core values to be as effective and efficient through this period of crisis management so we could continue to provide the service excellence that we have had success with for years. One of the toughest things was to come out of the crisis management mindset, to really get back to what we were doing while still using some of the new and innovative things that we learned through that time.

## As a monoline carrier, what are the benefits of specialization?

I look at our specialization in a twofold manner. We're regional. We specialize in the New England area. We've become experts in that geographic region when it comes to medical providers and legislative issues and so on. In addition, being a specialist in workers' comp allows us to really partner with our brokers to make sure that we can be successful even under the most adverse circumstances and tougher risks and difficult situations. Where some of the more generalist companies may not feel as comfortable, we really hit home runs there.

## What are you seeing in terms of claims trends, frequency and severity in particular?

Workers' comp has seen frequency reduction for many, many years. We see that continuing. At the same time, severity has been on the uptick in recent years. We're seeing a little bit more of that as well. We try to control that with our innovative A.I.M. Vantage program. We've invested in our medical specialist network, as well as our in-house nurse case managers, to take those most difficult cases and provide the best care we can to get better outcomes.

## Dan Landers

President and Chief Executive Officer  
A.I.M. Mutual Insurance Cos.



"We've invested in technology to enhance our customer portals, our quoting process, claims reporting and every other facet of our business."

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## How is the customer experience evolving in the workers' comp space?

Ease of doing business is really the way things are now. It's what our society is like and certainly what our industry is like. Technology is a big piece of that. We've invested in technology to enhance our customer portals, our quoting process, claims reporting and every other facet of our business. One thing we really have at the forefront of our effort is the security aspect of all the cyber experiences. People may not think that's important until there's a problem, but we heavily invest in that and are committed to doing everything we can to keep everybody's information private, the way it should be, which is the biggest difference with workers' comp. We deal with people. We're not dealing with property or objects or anything like that, so it's of paramount importance for us.



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<sup>1</sup> AM Best (most recently affirmed on 12/1/22).

<sup>2</sup> Based on revenue, Fortune magazine (June 5, 2023).

<sup>3</sup> Standard & Poor's (most recently affirmed on 5/16/23).

# More Than Workers' Comp Thought Leaders

Dale Hoppe, Vice President of Workers' Compensation Programs at Nationwide Excess & Surplus/Specialty, said the fluctuating and changing workplace dynamics is having an impact on the workers' compensation market. "Much of the workforce is aging out, which is bringing in new workforce that isn't as experienced and I think about how that's going to shape the new normal," he said. Following are excerpts from an interview.



## Dale Hoppe

Vice President of Workers' Compensation Programs  
Nationwide Excess & Surplus/Specialty



"Nationwide has the financial strength to be in the workers' comp line of coverage for the long term, really making us that trusted partner in the industry."

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### What are the challenges the workers' compensation segment is facing these days?

We have a variety of challenges we're up against right now. The top and foremost would have to be saturated competition, which really is causing some changing buying behaviors. A low-rate environment, which has been a challenge and an issue that we've been facing now for close to a decade. States like California continue to see negative rate despite a market need to get some rate in some of those states. I also think about just what's happening in the current environment relative to inflation and how that's impacting both medical and wage inflation. Let's keep an eye on this OR have a pulse on; both of those together sound over the top.

### How is technology addressing those challenges?

One way technology is addressing the challenge is with wearables. For example, if you have a little device on your hip, an over-stressed worker could get a little reminder to slow down and go back to the basics of the job. We also have a program that uses generative AI to detect workplace hazards. The safety professionals at that program can help engineer that risk right out of the workplace. Market-differentiating products, such as wearables, generative AI, and payroll-driven underwriting platforms, are giving our program managers a competitive advantage and making it about more than price.

### Do you see MGA partnerships with carriers also being part of the solution?

Absolutely. The right MGA partner is one that can develop market-leading products, like those just mentioned. Beyond that, they also have rich expertise in niche industry segments or geographies. They are the experts in the protected solution they are selling.

Carriers like Nationwide can provide them autonomy to do the things that they need to do, to give them the natural competitive advantage in the marketplace.

### What makes Nationwide E&S/S a leader in the workers' compensation segment?

Nationwide has been doing this a long time. We've been in the market for decades and have weathered several market cycles. We have teams wholly dedicated to this line of business, which really do make us experts across the entire value chain. We have robust solutions that we can customize to each one of those program relationships. Nationwide has the financial strength to be in the workers' comp line of coverage for the long term, really making us that trusted partner in the industry. We're more than just thought leaders in the workers' comp space. We continue to look for new, innovative products that we can bring to market, and this is just the tip of the iceberg.

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# Florida Market Challenges

Arthur Randolph, Principal and Consulting Actuary, Pinnacle Actuarial Resources, said that insurers writing homeowners policies in Florida face a myriad of challenges, including surplus erosion. “A lot of that is due to rate inadequacy and higher than expected losses,” he said. Following are excerpts from the interview.



## What are the market forces that caused Florida homeowners insurance companies to go insolvent in recent years?

Since 2019, Florida’s homeowners market has experienced 10 insolvencies, constituting 45% of the national property/casualty insolvencies during this period. Numerous other companies that were poised for insolvency were acquired due to financial distress or consolidated for surplus gain. Key factors include the abuse of assignment of benefits and Florida’s litigious environment, leading to inflated claims. Additionally, increased hurricane and storm frequency and escalating reinsurance costs contributed to rate inadequacy. Regulatory hurdles, such as a 15% rate increase trigger for hearings, further complicated the situation for insurers in Florida.

## What are the challenges the surviving homeowners insurance companies face?

Surviving homeowners insurance companies face several challenges. New legislation passed in late 2022 may introduce interpretive challenges, as the legislation applies only to policies effective on Jan. 1, 2023, leaving a gray area for older claims. There’s also a surge in lawsuits, indicating the legislation’s impact. Surplus erosion is a concern due to rate inadequacy and unexpected losses. Legacy companies struggle to secure capital at higher costs compared to newer competitors with cleaner balance sheets. Regulatory scrutiny is expected to intensify due to recent insolvencies, emphasizing the need for stability in the industry.

## How is the marketplace responding to the recent Florida legislation?

The recent Florida legislation has spurred the entry of new insurance companies into the market. In late 2022, four new companies were formed, and in 2023, an additional five emerged. This influx is attributed to the legislation, which has also led to a depopulation effort of Citizens Property Insurance Corp., the state’s insurer of last resort. While Citizens grew significantly to 1.4 million policies in 2023, the goal remains to shift policies to the primary market. In 2023, 480,000 takeouts were approved from nine companies, reflecting increased interest in moving policies out of Citizens due to the legislation.

## Arthur Randolph

Principal and Consulting Actuary  
Pinnacle Actuarial Resources



“Citizens, as it stands today, is the largest Florida insurer for the lines that it writes, which correlates to the challenges in the Florida homeowners market.”

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## What are other conditions that companies writing homeowners insurance in Florida should be concerned about?

Companies writing homeowners insurance in Florida face several challenges. Legacy companies must still manage tail risk, handling claims not covered by the new legislation. A surge in lawsuits highlights difficulties in assessing reserve positions for policies predating Jan. 1, 2023. Determining future rates amid hurricane losses, convective storms, assignment of benefit issues, and rising defense costs poses a challenge. The ever-evolving plaintiffs bar creates an unpredictable landscape, with past issues like sinkhole claims being replaced by new challenges. Despite guarded optimism, concerns remain about potential ways the plaintiffs bar could impact underwriters in the future. Adaptability is key for Florida insurers.

