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AM BEST'S MONTHLY INSURANCE MAGAZINE

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AN ACT OF WAR?

A legal battle over an insurer's use of the war exclusion to deny a claim for property damage caused by a cyberattack will be closely watched. **Page 48**

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Taking It to Court

Plaintiffs head to court in cases dealing with cyber coverage, opioids and childhood sex abuse. For insurers, social inflation and other legal issues have become hot topics.

It came up time and time again on second-quarter earnings calls this summer. Top insurance executives spoke about litigation trends, the tort environment, social inflation and reviver statutes that give childhood sex abuse victims more time to pursue civil and criminal actions.

Travelers CEO Alan Schnitzer cited litigation funding as another concern. Schnitzer spoke about more active and aggressive litigation and said the company is monitoring the growing amount of capital being raised in litigation finance as an asset class. This influx of capital for plaintiff expenses may contribute to the rising costs for insurers, he said.

AIG's Peter Zaffino, group chief operating officer and the CEO of general insurance, said in the company's earnings call that AIG is watching the evolving developments in the tort environment, with the expanding impact of "social issues and social inflation."

Noting that these are not new issues, Zaffino said AIG has been following legislative and case law developments for some time, including their relationships to proposed and adopted "reviver statutes." Hartford Financial Services CEO Christopher Swift said the company is watching potential claims trends as states seek to implement "reviver statutes" with their potential effect on bodily injury and mass tort claims, whether on a primary or excess basis.

Hartford is involved in three areas—commercial auto injury liability, sexual abuse and reviver claims, and head injury.

Chubb CEO Evan Greenberg noted the variability in loss cost trends in professional lines such as D&O. "In the tort environment, generally there has been less of an increase in frequency but there have been headlines of an increase in severity in jury awards," Greenberg said. Trends including the #MeToo movement and molestation claims raise "the specter of the future of reviver statutes, which is unknowable at the time."

September is Litigation Awareness Month. The September issue focuses on several significant legal issues and the impact on insurers.

In "An Act of War?" *Best's Review* examines the legal battle over the use of the war exclusion to deny a claim for property damage caused by a cyberattack.

In "The Opioids Reckoning," *Best Review* looks at lawsuits filed against not just drugmakers but also distributors and pharmacies to recover costs stemming from the opioid epidemic. Many of those companies have or will submit claims under their liability insurance.

In "Opening the Door," *Best's Review* covers the emerging issue of reviver statutes that allow victims of childhood sex abuse more time to file civil lawsuits. In July, AM Best issued a related commentary "Expanding Child Victim Compensation Laws Could Adversely Affect Insurers."

The September issue also includes coverage of asset management. In "Building Assets," *Best's Review* speaks with Paul David, director and head of Americas, infrastructure debt at Allianz Global Investors.

To read these and other features, go to *www.bestreview.com*.

Patricia Vowinkel
Executive Editor
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The Question:

Which college insurance and risk management programs are doing the best job of preparing young people for a career in insurance?

Email your answer to *bestreviewcomment@ambest.com*.

Reader responses will be published in a future issue.

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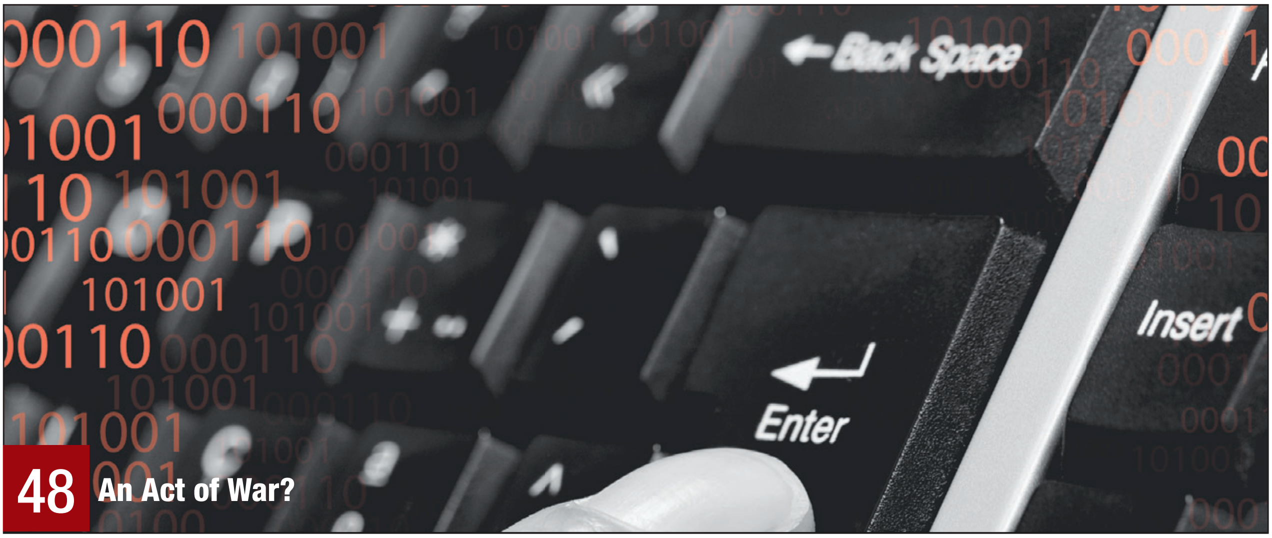
LITIGATION

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Cover design by Andrew Crespo

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State of Surplus Lines, Best's Impairment Study

AM Best webinars feature insurance industry experts discussing the highlights of the annual surplus lines report. Also, AM Best analysts review the results of their impairment study.

On Demand

State of the Captive Market

A panel of AM Best analysts and industry leaders reviews market, regulatory and risk issues affecting the captive insurance sector. Portions of the discussion are based on AM Best's annual report on rated captives. (Now available.)

Best's Impairment Study 2018

AM Best analysts review the results published in Best's Impairment Rate and Rating Transition Study—1977 to 2018. (Now available.)

How Drones, Satellites and Aerial Data-Gathering Are Remaking Claims

A panel of claims and legal experts examines how aerial and satellite imaging is changing processes and opening new vistas for insurers. Hosted by Best's Insurance Professionals & Claims Resources. (Now available.)

State of the Cyber Insurance Market

AM Best analysts and market experts review a new AM Best report that examines the growth of the cyber insurance market, which companies are most active in that line of coverage, the development of cyber modeling and how the insurance industry is positioned to cover those risks. (Now available.)

Streaming

State of the Global Reinsurance Market

AM Best analysts and industry participants review financial results for the global reinsurance sector, including catastrophe impacts, availability, the role of third-party capital and more.
Wednesday, Sept. 4, 10 a.m. ET

State of the Surplus Lines Market

A panel of industry leaders in the surplus lines sector of the U.S. insurance market will review the market and discuss the highlights of a new report on that sector.
Friday Sept. 13, 2 p.m. ET

Webinar Highlights

How the Internet of Things Is Remaking Homeowners Insurance

A panel of technology and insurance experts examines how homeowners insurers are leveraging sensors, monitors and data to build better coverages and provide more value to insureds. Sponsored by LexisNexis Risk Solutions.

View These and Other AM Best Webinars

- State of the Caribbean Insurance Markets
- How MGAs are Leveraging Insurtech to Transform Operations and Drive Business

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

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AMBestTV

Global Insurance Forum in Singapore

AMBestTV reports on pandemic risks, the impact of artificial intelligence and complexity theory, the role of microinsurance, plus coverage of the Global Insurance Forum in Singapore. AMBestRadio presents controlling wildfire damage and how artificial intelligence and machine learning are transforming the insurance business.

On Demand

AMBestTV Special Presentation: Insurers Brace for Pandemics

A special episode of AMBestTV examines how the insurance industry is preparing to meet pandemic risks, an exposure that threatens global businesses beyond the health care industry. (July 17, 2019)

An AMBest TV Special Presentation: Left to right, Patricia Hughes, senior vice president, OneBeacon Healthcare Group; Tim Slowick, director, claims management, UMass Memorial Healthcare; William McDonough, managing principal, Integro Insurance Brokers; and Audrey Greening, managing principal, Integro Insurance Brokers.

AI, Complexity Theory Joining To Push Back Risk Frontiers

Attendees to the Global Insurance Summit, held in New York City, including Greg Richardson of TransRe, discussed how insurers and reinsurers are working with scientists to better understand chaos and complexity, which should help them better understand sophisticated risks. (July 7, 2019)

Greg Richardson

Report From Global Insurance Forum: To Cover the Biggest Risk Needs, Think Micro

Attendees, including AM Best Senior Managing Director Andrea Keenan, at the Global Insurance Forum, held in Singapore, said insurers are helping to bring insurance coverage to developing and impoverished regions. (June 21, 2019)

Andrea Keenan

Visit *www.ambest.com/video* to see new and archived video from AMBestTV.

AM Best Analysts: Cyber Coverage Growth Attracts Competitors

Fred Eslami, associate director, and Sam Hanig, senior industry analyst, both of AM Best, review insurers' filing data that shows the top writers of U.S. cyber liability coverage. (June 20, 2019)

Fred Eslami

AM Best Analysts: Rising Regulatory Standards in Asia-Pacific Will Erode Protectionism

Myles Gould, director of analytics, Christie Lee, senior director, and Greg Carter, managing director, all of AM Best said Asia's insurance markets vary widely by size and levels of insurance penetration. (July 23, 2019)

Myles Gould

AM Best Analysts: Europe, MENA Face Evolving Risk Environments

Mahesh Mistry, Catherine Thomas, and Angela Yeo, all senior directors of analytics, AM Best, said issues such as regulation, and greater awareness of ESG and cyberrisks, are helping insurers sharpen their focus on operational and financial issues. (July 23, 2019)

Angela Yeo

Managing Wildfires, The Impact of Artificial Intelligence and Machine Learning

Industry experts talk with AMBestRadio about the do's and don'ts of controlling wildfire damage and how artificial intelligence and machine learning are transforming the insurance business.

Insurers Address California Wildfires

Janet Ruiz, director of strategic communications for the Insurance Information Institute, discusses what homeowners can do to mitigate wildfire damage and how the insurance industry is assisting.

Automation Transforming Insurance

Ushur Co-founder and Chief Executive Officer Simha Sadasiva discusses how artificial intelligence and machine learning will impact the insurance industry for years to come.

Find AMBestRadio at *www.ambest.com/ambradio.*

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Reinsurers Converge on Monte Carlo, AM Best Hosts Market Briefing in Canada

Sept. 3 – 4: AMASFAC 2019, Mexico City, Mexico.

Sept. 4 – 6: LOMA Annual Conference & Conferment, LOMA, Boston.

Sept. 7 – 12: 63rd Edition Les Rendez-Vous de Septembre, Monte Carlo, Monaco.

Sept. 8: AM Best's Reinsurance Market Briefing - Rendez-Vous de Septembre, Monte Carlo, Monaco.

Sept. 8 – 10: APCIA Investment Conference, American Property Casualty Insurance Association, Napa, Calif.

Sept. 8 – 11: FIDES 2019, Santa Cruz, Bolivia.

Sept. 8 – 11: Annual RIMS Canada Conference, Risk and Insurance Management Society, Edmonton, Alberta.

Sept. 11 – 13: IASA Midwest Fall Conference, Insurance Accounting & Systems Association, Council Bluffs, Iowa.

Sept. 12: PAMIC Financial Management Seminar, Pennsylvania Association of Mutual Insurance Companies, Harrisburg, Pa.

Sept. 13: AM Best's 2019 Insurance Market Briefing – Canada, Toronto.

Sept. 13: The Future of Life and Health Insurance Markets, University of Chicago's Booth School of Business, Chicago.

Sept. 15 – 18: IUMI Annual Conference, International Union of Marine Insurance, Toronto.

Sept. 16 – 18: Casualty Loss Reserve Seminar & Workshops, Casualty Actuarial Society (CAS), Austin, Texas.

Sept. 17 – 20: Reunión Anual de Larg 2019, ICMIF, Medellin, Colombia.

Sept. 18: APCIA Surplus Meeting, American Property Casualty Insurance Association, Chicago.

Sept. 18 – 21: PIA Fall Governance Meetings, National Association of Professional Insurance Agents, Orlando, Fla.

Sept. 19: Bermuda International Life & Annuity Conference, Bermuda International Long-Term Insurers & Reinsurers, Southhampton, Bermuda.

Sept. 19: Spencer Gala, Spencer Educational Foundation, New York.

Sept. 21 – 24: CPCU Society Annual Meeting, New Orleans.

Sept. 22 – 24: National Insurance Conference of Canada (NICC), Montreal.

Sept. 22 – 25: NAMIC Annual Conference, National Association of Mutual Insurance Companies, National Harbor, Md.

Sept. 22 – 25: WSIA Annual Marketplace, Wholesale & Speciality Insurance Association, San Diego.

Sept. 22 – 25: AICP Annual Conference, Association of Insurance Compliance Professionals, Denver.

Sept. 23 – 25: InsureTech Connect, InsureTech Connect, Las Vegas.

Sept. 23 – 26: National Conference on Medicare, Medicaid & Dual Eligibles, America's Health Insurance Plans (AHIP), Washington, D.C.

Sept. 26: Reactions North America Re/Insurance Conference & Awards Dinner, Reactions/Euromoney Institutional Investor PLC, New York.

Sept. 26 – 28: Gamma Iota Sigma International Conference, Dallas.

Oct. 2 – 4: NRRA Annual Conference & Expo, National Risk Retention Association, Chicago.

For a full list of conferences and events, visit *www.ambest.com/conferences/index.html*

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Insurance Litigation Awareness Month
The September litigation special section examines how legal rulings and opinions are affecting insurers as they pertain to cyber, opioids and child sexual abuse. Coverage begins on page 47.

UnitedHealth Makes Changes to Top Leadership

Also: N.Y. gets new superintendent,Berkley Re America appoints new president, and Swiss Re names CEO of Asia Reinsurance.

UnitedHealth Group Inc. is making changes to its senior leadership, following the retirement of Steve Nelson, chief executive officer of its UnitedHealthcare health insurance and benefits unit.

Nelson will be succeeded by Dirk C. McMahon, currently president and chief operating officer of Optum, the group's health services, technology and pharmacy benefit management business. McMahon has held numerous senior positions since joining the company in 2003, including oversight of UnitedHealth Group's enterprisewide operations.

Dirk C. McMahon

Daniel J. Schumacher, currently president and COO of UnitedHealthcare, will become Optum president and COO. Schumacher's new role includes oversight of OptumInsight, the company's data, analytics and technology business, Optum Technology and Optum operations.

Schumacher joined the company in 1999. In March, Optum named Andrew Witty, the former GlaxoSmithKline CEO, as its CEO.

"At a time when UnitedHealth Group is performing strongly in the marketplace on multiple dimensions, we are advancing leaders who will improve the overall health and well-being of the people we serve," David S. Wichmann, CEO of UnitedHealth Group, said in a statement.

—Frank Klimko

Linda A. Lacewell Confirmed As New York's Financial Regulator

The New York state senate has confirmed Linda A. Lacewell as the superintendent of the state Department of Financial Services, a position she has held in an acting capacity since being nominated by Gov. Andrew Cuomo earlier this year. Lacewell is responsible for regulating nearly 1,500 financial institutions with assets of more than $2.6 trillion, and 1,400 insurance companies and 300,000 individual licensees with assets of more than $4.7 trillion, according to a statement from her office.

Linda A. Lacewell

Cuomo nominated Lacewell in January, after she served as his chief of staff and counselor, overseeing executive chamber operations, as well as ethics and law enforcement matters. She succeeds Superintendent Maria Vullo, who stepped down Feb. 1. Lacewell also served as special counsel to Cuomo when he was the state's attorney general, overseeing a public pension fund pay-to-play investigation and the out-of-network health insurance investigation.

Before that, Lacewell served as executive director of a cancer foundation initiative in Culver City, California, the statement said. She also spent nine years as an assistant U.S. attorney for the Eastern District of New York, including two years on the Enron Task Force, it said.

W.R. Berkley Appoints President Of Berkley Re America

W.R. Berkley named Daniel R. Westcott president of Berkley Re America, a Berkley company.

Westcott brings over 20 years of experience in the property/casualty reinsurance market to Berkley Re America, W.R. Berkley said in a statement.

W. Robert Berkley, president and chief executive officer of W.R. Berkley Corp., commented on Westcott's appointment saying "under Dan's leadership, BRAM will continue offering meaningful lead capacity to its trading partners using its innovative and collaborative underwriting approach."

AIG Fills New Role Of Global Head of Shared Services

American International Group Inc. has hired Shane Fitzsimons for the company's new position of global head of shared services.

Shane Fitzsimons

Fitzsimons' transition was July 1. He will be based in New York and will report to Peter Zaffino, AIG global chief operating officer and chief executive officer of general insurance, AIG said in a statement. The newly created role is responsible for developing and implementing a global strategy within AIG's Shared Services.

Prior to AIG, Fitzsimons worked at TATA Group, where he led efforts to enable synergies across the group's businesses. A large portion of his career was spent at GE, where he spent over 20 years in operational and financial roles across the United States, Asia, and Europe. During his time at GE, he held positions such as global head of shared services, chief financial officer for all international operations and head of financial planning and analysis across the company.

AIG Subsidiary Blackboard Appoints Head of Growth and Underwriting

Blackboard Insurance has named John Mizzi as the head of growth and underwriting.

John Mizzi

Mizzi will be succeeding Ed Pulkstenis, who will be transitioning into a newly created role at the American International Group Inc. subsidiary as head of machine-augmented solutions.

Mizzi will be responsible for leading the underwriting team as Blackboard expands its use of data, analytics and technology to serve the needs of insureds and broker partners in the middle market of commercial insurance. Pulkstenis will be responsible for designing the optimal interaction between human and machine.

Mizzi most recently led commercial field operations at CNA for three years. Prior to that, he worked at Chubb for 25 years as senior vice president and Eastern territory field underwriting officer.

National League of Cities Mutual Names President-CEO

National League of Cities Mutual Insurance Co. said it has appointed Jill Eaton as president and chief executive officer.

Eaton will officially serve in her position upon the departure of Bill Heberton, who was set to retire in July. As she transitions into her new role, she will oversee strategic planning, the company said in a statement. Additionally, she will work to further cultivate the relationships NLC Mutual has with its staff and state league risk pool members.

Eaton has more than 35 years of experience.

Swiss Re Names CEO for Asia Reinsurance; Current Chief to Join AIA

Swiss Re has named Russell Higginbotham as the new chief executive officer for reinsurance Asia and regional president effective July 8.

Jayne Plunkett

He succeeds Jayne Plunkett, who will join Hong Kong's AIA as group chief risk officer on Nov. 1.

Higginbotham is currently Swiss Re's CEO for reinsurance and regional president for Europe, Middle East and Africa. Before his current role, he served as CEO of Swiss Re U.K. & Ireland, CEO of Swiss Re Australia and New Zealand and led the company's life and health businesses in Japan and Korea before becoming the global leader for the L&H division.

Swiss Re said it will name a successor to Higginbotham as CEO for reinsurance and regional president in due course.

Meanwhile, Plunkett will also become a member of AIA's group executive committee and will report to Group CEO and President Keng Hooi Ng.

Plunkett has been with Swiss Re since 2006 and prior to her current position, she held senior roles in Asia, including as head of casualty underwriting for the region and the global position as head of casualty reinsurance. She was previously at GE Insurance Solutions before its acquisition by Swiss Re.

She succeeds Mitch New, who assumed the role of group chief risk officer in March on an interim basis, following the departure of Jon Nielson. New will continue in his role as group general counsel.

RSA Names Chief Underwriting Officer

RSA has appointed Rachel Conran as chief underwriting officer for its global risk solutions business.

Conran, who will be based in Luxembourg, will work in conjunction with Tony Buckle, managing director, global risk solutions, to boost profitability and development of their global risk solutions business. Her appointment is subject to regulatory approval.

With more than 25 years in the insurance industry, Conran has extensive underwriting experience. Prior to RSA, Conran served as an independent financial analyst. She was responsible for advising a range of global insurance companies on their underwriting strategy to boost profitability.

From 2009 to 2016, she served as the chief underwriting officer for Allianz's global corporate and specialty division. She also was the chief executive officer and chief underwriting officer at Scor business solutions from 2017 to 2018. In this position, she specialized in large corporate risk insurance.

Guardian Life Insurance Company Of America Expands Executive Team

The Guardian Life Insurance Company of America said Brian Scanlon will join the company in a newly created role as executive vice president of business development and chief marketing officer.

Brian Scanlon

The purpose of Scanlon's role is to enhance delivery of products, services and communications that meet consumers' financial needs, Guardian said in a statement. He is responsible for serving consumer needs and marketing that connects to sales and overall customer experience. To accomplish this, he will be responsible for developing an enterprise strategy for acquisitions and partnerships.

Prior to Guardian, Scanlon served as the chief strategy officer for Thomson Reuters Corp., where he played a crucial role in executing the deal to sell a majority stake of Thomson Reuters' Financial Services and Risk Division into a joint venture with Blackstone. He was accountable for strategy, brand marketing, strategic partnerships, alliances and business development. Earlier in his career, Scanlon was a partner in a corporate finance and strategy practice at McKinsey.

CNA Names EVP-General Counsel

CNA has appointed Jose Ramon Gonzalez as executive vice president and general counsel.

Jose Ramon Gonzalez

Gonzalez will serve as the principal counsel for CNA, the company said in a statement. He will lead the company's law department, which is responsible for legal affairs, compliance, regulatory and government affairs, securities and ligation, and legal consultation to CNA's business operations.

In his previous positions, Gonzalez served as chief legal officer for QBE North America. He led all legal, compliance, corporate governance and regulatory affairs for QBE's U.S. operations. Additionally, he served in legal and counsel roles of increasing responsibility at Weil, Gotshal, and Manges; American International Group Inc.; and Torus.

CNA Canada in August said it appointed Greg Metcalfe as senior vice president and chief financial officer. Metcalfe will be responsible for leading the finance and information technology functions for CNA Canada, the company said in a statement. He reports to Nick Creatura, president and chief executive officer, CNA Canada.

Geico Names Vice President Of Claims Operations

The Geico board of directors has promoted Shane Wheeler to vice president of claims operations.

Shane Wheeler

Wheeler began his career with Geico in 1999, initially serving as a service counselor at the San Diego regional office. He proceeded to enter the management internship program shortly thereafter. Upon his completion of the program he was named as a supervisor of the claims division. In 2004, he transferred to the Tucson, Arizona, regional office and later in 2011 transferred to the Dallas office serving in claims management roles in both locations. Two years later, he was named as the liability director for the Dallas region. Since 2016, he has been serving as the assistant vice president of claims for Geico's regional operations in the Tuscon regional office, the company said in a statement. BR

Underwriting Challenge

Best's Review recently asked readers: What are the biggest challenges facing underwriters today?

Incorporating environmental, social and governance risk factors into an insurer's underwriting process remains a challenge in the near term. This conundrum is far more pronounced for lesser insurers that have to traverse the various standards and frameworks pertaining to ESG. Adopting these standards and frameworks could be both a time consuming and costly affair. There is no denying that managing an insurer's ESG risk over the long-term yields sustainable returns and builds investor confidence, however management has to balance this with delivering profitable performance. The question remains on how stringently will the ESG principles be applied by an insurer in arriving at a decision to accept or reject a client. This retrospectively begets the question: By rejecting a client, did I miss out on a key business opportunity or did I succeed in avoiding a major risk?

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Walking Ahead

Acceptance Insurance is sponsoring a walk to increase breast cancer awareness and an industry expert shares tips for building a stronger networking group.

Walking for a Cause

Next month is Breast Cancer Awareness Month and people across the world are coming together to support the millions of individuals impacted by the disease.

ACCEPTANCE INSURANCE is once again showing its support as the presenting sponsor of the Sista Strut Breast Cancer Walk. The national rally and 3K walk is designed to heighten awareness about the issues of breast cancer in African American women, as well as provide information on community resources.

Acceptance Insurance, a subsidiary of First Acceptance Corp. in Nashville, has been sponsoring the event since 2016.

This year's walk kicked off in March in Nashville. Upcoming events will be held in Macon, Georgia; Jacksonville, Florida; Montgomery, Alabama and Chicago. During each walk event, Acceptance Insurance staff members hand out pink leis to participants. They also set up a large pink inflatable chair for selfie opportunities.

This year in the United States, more than 33,800 black women are expected to be diagnosed with breast cancer, according to the American Cancer Society. Studies show that African American females are more likely to develop breast cancer at a younger age and have a higher incidence of death than Caucasian women of the same age.

Sista Strut was organized nearly 20 years ago to highlight the disparities in breast cancer among black women, promote early detection and recognize the strength of survivors and their families.

Top 5 Tips for Building A Networking Group

1. Do it yourself.
Spending money to join a prepackaged networking group can lead to business, but it can be expensive. Build your own group of like-minded professionals in complementary fields of business, including property/casualty agents, stockbrokers, certified public accountants, estate planning attorneys, real estate agents, mortgage brokers and bankers.

Tim Von Ebers
CLU, ChFC,
vice president,
South Central Division
Ohio National
Financial Services

2. Be selective.
Include people you want to see succeed in business, and they should feel the same about you. Ask yourself: Could I see myself doing business with this person and would I enjoy spending time with them outside of the group?

3. It's more give than take.
Like any good relationship, if each member contributes more than they expect to receive, everyone wins.

4. Ditch the referrals.
Too many people have exploited relationships and "referral" has become a dirty word. Instead, consider asking for a personal recommendation. A handwritten note of introduction is the easiest and most profitable form of client acquisition. Your group has to be about more than just sharing names or swapping business cards.

5. Do for others.
Get involved in a community service organization such as the Rotary or Kiwanis clubs. Having an outward focus can enrich the lives of your group members and the community. Your motive should be purely altruistic, but additional client relationships will occur naturally.

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

The Trials of Litigation

Insurance industry experts discuss with AMBestTV the new trends in litigation affecting the industry.

"What used to be a really hot item for plaintiffs' attorneys is not so much anymore. There are two reasons, one is the industry has clearly gotten much better at the way and manner in which they handle claims. In addition, a number of jurisdictions have passed what they call unfair claims practices statutes. We like to call them fair claims practices statutes. But what that does is limits the kinds of claims that might be the subject of bad faith. You can't just come in anymore and say everybody knows how bad insurance companies are. That doesn't get you anywhere. You have to be able, as a plaintiff's lawyer, to grab one of the sections of these fair claims practice statutes and say that I can prove to you that this was done.

That's not as appealing as it was. They're very smart about getting those cases resolved in favor of the policyholder who has generally brought that claim.

It's not the big deal it was anymore. It's still out there and carriers have to be very careful about it but most of them are doing a better job of managing the claims the way they should be managed."

Charles Hewitt
Claims Consultant

"One of the disturbing trends that we see [facing D&O underwriters] is the litigation fund, litigation financing, as an asset class that is emerging. There are plenty of investment funds that are allocating some money towards litigation.

The essential objective of these funds is to go around looking for cases to file. Whether those cases have merit or not, the insurers have to start contributing towards the defense cost containment expenses. Therefore, that aspect of loss ratio is definitely going to increase.

We don't know whether this is a sustained trend, this litigation financing as an asset class, if it's just a flavor of the time, or is it going to be a permanent asset class in the future. For now, it's definitely a troublesome trend that's going to cause increases in frequency."

Sridhar Manyem
Director, Industry Research
AM Best

"If you go back 20 years, you really don't see assignment of benefits being used in the property context. It wasn't until about 2006 or 2007 where you actually had an attorney who innovated this idea. He went out and educated a bunch of restoration contractors and told them you can have homeowners sign this assignment of benefits agreement. It'll give you a lot of leverage in order to make the insurance company pay your bills within a timely manner. What was very interesting once it came out in 2006 and 2007 was the widespread adoption. There was just a dramatic explosion of litigation that related to assignment of benefits to the point where it was tens of thousands of lawsuits in the last year."

Paul Handerhan
Senior Vice President of Public Policy
Florida Association for Insurance Reform

"We've also seen more litigation, more cases going through litigation as opposed to settling earlier. From that standpoint, you'll end up seeing sometimes higher loss adjustment expense costs in terms of those cases staying open longer. That's actually factored in.

From a macro standpoint, things like the nation's roadways still being in ill repair from an overall standpoint. That's definitely had some impact on loss frequency.

When you put all those things together, it's been a confluence of different factors that have impacted commercial auto results. Underwriters are having to plan for, understand, and try and work with making better decisions to combat those factors."

David Blades
Associate Director
AM Best

"The big deal is now the court has permitted cases to be simultaneously heard at a state and federal level.

This is kind of a big deal because the states have the reputation of being more plaintiff friendly. Cases can take longer to decide on in state courts.

Now you're faced with a situation where you're defending a case federally and state at the same time.

What's going to apply? The statute of limitations on IPOs is three years, so there is more exposure period for federal and state litigation.

In particular, California may see an elevation in lawsuits, too."

Samuel Hanig
Senior Industry Research Analyst
AM Best

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Managing Emotions

Understanding the five components of emotional intelligence.

Last month, I said I would begin a series about emotional intelligence. It's a concept that has been popular over the last decade or so. The term was first coined in 1964, and in 1994 it was the title of a popular book, written by Daniel Goleman. Recently, researchers have been trying to determine if high emotional intelligence makes for more successful employees and executives. Results of the research have been mixed, but even if studies remain inconclusive, emotional intelligence is a valuable trait to develop within yourself and can help you develop positive skills for your insurance career. What is it, exactly?

Carly Burnham

Emotional intelligence is a **valuable tool** for managing your **insurance career**.

At its most basic, emotional intelligence is the ability to identify and manage your own emotions and the emotions of others. That definition is at once easy to understand and incredibly abstract. We can develop a better understanding of that concept by breaking it down into the building blocks of high emotional intelligence. Researchers have found that emotional intelligence is made up of five components:

Self-Awareness: Many of us struggle with identifying our emotions. If you can't identify your emotions, it can be hard to appropriately deal with them. We have all been in situations where something was bothering us, but we couldn't exactly put our finger on it. You may not have been able to say whether you were angry, scared, or even just hungry. Getting to know your physical reactions to emotions—and what sorts of things might be emotionally resonant that you're unaware of—is a part of developing your emotional intelligence. Beyond identifying individual emotions as they come up, self-awareness includes being able to assess your strengths and weaknesses over time.

Self-Management: This is the ability to regulate your emotions. It includes being able to display emotions or redirect them, as appropriate. Being unaware of your emotions may allow them to be on display more than you might like, so the first step in management is awareness. Once your awareness is developed, you may develop the ability to redirect your frustration to action, in place of venting or procrastinating, in a difficult situation, even if that is not what comes naturally to you.

Motivation: When we're talking about motivation and emotional intelligence, we're referring to intrinsic motivation or being motivated by your own inner needs and goals. Self-motivation improves your optimism and resilience. It also tends to increase readiness to act.

Empathy: Empathy refers to the ability to understand the feelings and perspectives of others. More broadly, empathy can include sharing and feeling the emotions of others. When we talk about it from an emotional intelligence perspective, it is more useful to focus on the understanding piece. The purpose of empathy, in this context, is to use your understanding of another's perspective in managing your response to them.

Social Skills: This component builds on all four of the preceding components and puts them into practice. The ability to keep others comfortable, communicate effectively, and build strong relationships is all a part of possessing strong social skills. Those who exhibit strong social skills are good at active listening, verbal and nonverbal communication, persuasiveness and conflict resolution.

With knowledge of these components, it's not hard to understand that emotional intelligence is a valuable tool for managing your insurance career and, beyond that, your life. While the jury may be out on whether emotional intelligence improves business outcomes, it is easy to see how it would improve your own well-being. Over the next few columns, I'll write about developing it and recognizing it in others. BR

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

In the News

Regulatory Update

N.Y. regulator touts need for consumer advocate and Australia acts on mis-selling of insurance products.

Life Insurance: Linda Lacewell, the superintendent of the New York state Department of Financial Services, urged the National Association of Insurance Commissioners to follow the state in incorporating consumer advocates in more of its work, just as the DFS is appointing a consumer advocate to work across divisions and "put the consumer at the center of everything we do."

Speaking at the opening ceremony of the NAIC's summer meeting, she said the New York DFS became the first insurance regulator to implement a regulation requiring sellers of life insurance and annuities to act in the best interest of consumers when advising them.

Consumer Credit Insurance: The Australian Securities and Investments Commission has proposed to ban unsolicited phone sales of life insurance and consumer credit insurance as it aims to immediately stop the "mis-selling practices" ahead of the expected wider reform by the government.

The market conduct regulator had earlier identified ongoing sales issues with both insurance products. In its review of direct life insurance sales, ASIC noted pressure-selling techniques, poor product design and incentive schemes were causing an increasing number of customers to cancel their life insurance policies.

NAIC President: International Cap Standard Calls for Flexibility

Eric Cioppa discusses the challenges of adapting to an international regulation.

by Timothy Darragh

Eric Cioppa, president of the National Association of Insurance Commissioners and Maine's insurance commissioner, said ongoing work on the international capital standard is "sucking up all the oxygen at the moment" for regulators. "It would be very nice to move past that, get that resolved" to focus on other issues, he said at the NAIC summer meeting in New York City.

The NAIC's work on the capital calculation stems from the International Association of Insurance Supervisors' attempt to implement a global insurance capital standard intended to bridge differences between jurisdictions in valuation regimes.

> "The international capital standard is sucking up all the oxygen at the moment."
>
> **Eric Cioppa**
> National Association of Insurance Commissioners

Developing an international capital standard is one of your frustrations. Why?

That's a tough one because ... we've got a system that works for our country ... I have a market, and with the notable exception of health insurance—and that's really about health care, not insurance—it's competitive. That to me is part of what my job is as a regulator. And to expect us to change from a market-based evaluation approach and come up with a system that could inhibit the companies that are offering a long-term longevity process ... there needs to be flexibility.

We have so much more in common (climate change and cybercrime, among others) we all are trying to get our arms around.

The international capital standard is sucking up all the oxygen at the moment. It would be very nice to move past that, get that resolved so that we can use our energies to [say] OK what do we have in common? Let's work together.

Aside from the struggle with health insurance and affordability, how are things in Maine?

Our auto market is, I think, third-lowest in the country and we have the highest limits of liability. It reflects the underlying costs. In homeowners, we are in the top 10 in terms of lowest cost. We have an older stock of housing in Maine. We have strong consumer protections as well. So we have strong consumer protections, lower rates and high limits, which is a trifecta.

What are your thoughts on being NAIC president?

It's like anything else. You think you know what you're getting into when you start running for office and by the time you're president, you realize you really didn't know. But that's not a bad thing. It's been very interesting and challenging. BR

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Hand-in-Hand

Flood insurance and resilient building belong together.

By
Tony Kuczinski

We don't need to overcomplicate the basic premise of flood risk—if it can rain, it can flood.

The first half of 2019 might be remembered for having too much of a good thing ... too much rain. According to NASA data, June 2018 to May 2019 ranked as the soggiest 12-month period in the continental U.S. since modern record keeping began. All of this rain also created flooding of biblical proportions, devastating homes, businesses and, in some cases, entire communities.

Recent activities by the National Flood Insurance Program (NFIP) and the Federal Emergency Management Agency (FEMA), which oversees the NFIP, could create more certainty for homeowners who count on the NFIP for flood insurance.

In June, the House Financial Services Committee approved the NFIP Reauthorization Act of 2019 by a unanimous vote. Key provisions include a five-year extension and "continuous coverage" language that would allow policyholders to purchase a private flood insurance policy and return to the NFIP without being penalized. The bill also authorizes $500 million for mapping, requires FEMA to use updated mapping technologies and authorizes $200 million per year in pre-disaster mitigation funding.

FEMA announced in May that it will implement Risk Rating 2.0 for single-family homes starting in October 2020. Under Risk Rating 2.0, premium will be based upon several rating characteristics including the types of flood events the location is prone to, the distance a building is from the coast or another flooding source and the cost to rebuild a home.

FEMA has also released 50 million NFIP records containing data on flood claims and insurance policies since 1978. The data provides insurers and reinsurers with information needed to develop private market flood insurance solutions for individuals and businesses.

Previously, lending institutions required mortgage holders with property in a flood plain to purchase NFIP coverage. Under a new Federal rule, effective July 1, 2019, most private market flood insurance policies can be accepted by lending institutions in lieu of an NFIP policy. In addition, Write-Your-Own companies responsible for servicing NFIP flood policies can now offer competing private flood policies to buyers.

State governments are supporting these changes by easing regulatory processes to help make private flood insurance solutions readily available. For example, in Virginia, flood filings from insurers are being fast-tracked. On the reinsurance side, we've seen an uptick in opportunities as insurers seek new treaties that will enable them to write flood insurance.

Insurance and mitigation are keys to resilience. To achieve resilient communities, we need to increase the purchase of flood insurance and also focus on public-private partnerships and mitigation activities to improve existing infrastructure. Some cities are taking steps in that direction. For example, in April, the District of Columbia announced Resilient DC, a plan that includes retrofitting all flood-prone buildings by 2050.

The (re)insurance industry is currently using technology to better understand flood risk. New tools for geocoding accuracy, estimating first floor elevation and capturing aerial imagery can help predict a flood before a storm hits and settle claims more efficiently following an event.

We don't need to overcomplicate the basic premise of flood risk—if it can rain, it can flood. According to FEMA, the peril of flood has impacted 98% of U.S. counties. It's not a question of "if," it's about "when." If we want to create more resilient property owners and communities and, most importantly, save lives, we need to consider a suite of solutions to the flood challenge including insurance and pre-event mitigation. BR

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Big Change Ahead

Insurers should view the threat of mass litigation as an opportunity to expand their business.

By
Bob Reville

Casualty insurers must switch from an exclusion mindset to an aggregation management mindset.

While the commercial insurance industry works hard to cover and manage risks for property catastrophes such as hurricanes and earthquakes, a different type of catastrophe has re-emerged after a 20-year hiatus, and the industry is less prepared. The returning catastrophe is mass litigation, which back in the 1970s and 1980s brought the $100 billion asbestos litigation (the insurance industry's largest loss) and the $40 billion environmental litigation. Since that time, the industry has worried a lot about the "next asbestos," but hasn't prepared nearly as well as they routinely prepare for property cats. With the news reporting multibillion dollar verdicts for RoundUp causing lymphoma and talcum powder causing ovarian cancer, and with opioids litigation that resembles the $200 billion tobacco lawsuits, it appears we may be at the beginning of a new wave of mass litigation. From this looming and inevitable crisis, I believe the market will reinvent itself in much the same way as the property market had to do in the 1990s.

The early 1990s in commercial property insurance looked a lot like casualty insurance today. After a 20-year period of very little storm or earthquake activity, the Northridge and Loma Prieta earthquakes and Hurricane Andrew caused costly losses and dislocations in the market.

In response, the market started trying to "predict" future losses using new data and computing capabilities, and a new type of analytics called catastrophe modeling to help it manage risks more effectively. These models helped companies to identify aggregated risk and buy reinsurance to spread the aggregations.

More importantly though, the dislocation ushered in a new era of creative innovation where the reinsurance, insurance and capital markets came up with new ideas for products that allowed insurers to cover and spread the largest risks, catalyzing a much more dynamic industry that was able to grow while profitably solving clients' problems.

Fast forward to today, and what we are seeing in the casualty market is a rerun of this old movie.

As a new wave of mass litigation arrives, the casualty industry's approach to managing these emerging risks is frequently to exclude them, to reduce limits and to increase retentions. The result is captured by a statistic from a 2012 Towers Watson report: Whereas in 1973, 94% of commercial tort was covered by insurance, by 2012, this had fallen to 57%, creating a $75 billion coverage gap.

To manage the newly emerging mass litigation while addressing the coverage gap, casualty insurers must switch from an exclusion mindset to an aggregation management mindset.

Once again, new technologies, data sources and computing capabilities today are facilitating predicting and managing aggregations, this time for casualty. New risk models are being developed by insurtech companies, brokers and others, and a competitive market for the models is emerging. AM Best, the U.K. and Bermuda regulators and Lloyd's are also increasing their attention to latent liability accumulation.

The exciting part is that the innovators are coming forward as well. One reinsurer has developed a new casualty clash reinsurance specifically designed to help insurers manage the risk of mass litigation across multiple corporations. We are also aware of brokers and direct insurers working on similar projects. The innovators will address the $75 billion coverage gap as well as create a $15 billion annual casualty catastrophe reinsurance market.

We are convinced that the industry is on the verge of big change in casualty insurance, and this is good news for everybody. BR

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Defining War

Interpreting war exclusions in cases involving cyber warfare will require nuance, as well as deference to the evolving landscape of government conflict.

By
Sam Stalker

The traditional precept of warfare assumes physicality and kinetic military action resulting in human casualty and tangible property damage. The rapid evolution of and overwhelming reliance upon technology, however, has ushered in a new era of warfare that most often spares the traditional casualties of conflict and instead focuses on the disruption of electronic infrastructure. This brand of modern warfare—aptly dubbed "cyber warfare"—has resulted in a seismic shift of the traditional tenets of governmental conflict and military engagement.

Most commercial general liability policies include one or more war exclusions which typically preclude coverage for bodily injury or property damage arising, directly or indirectly, out of war, including undeclared or civil war; hostile or warlike action by a military force; or insurrection, rebellion or revolution.

In the United States, the sole power to declare war rests with Congress, as conferred by Article I, Section 8, Clause 11 of the United States Constitution. Congress last formally declared war on June 5, 1942, when declarations of war were simultaneously cast against Bulgaria, Hungary and Romania. However, it is unlikely that any person possessing even the most rudimentary understanding of American history would conclude that the United States has not engaged in a war since 1942. Certain courts in the 1950s adopted a technical approach to construing war exclusions, requiring a formal declaration for "war" to exist. Likely in response to this line of cases, modern war exclusions typically specify that "war" includes an undeclared war, which vitiates the technical approach requiring a formal declaration.

Depending upon the courts' inevitable handling of this issue, insurers may be compelled to revisit the language of the war exclusions in their policies.

The majority of courts have taken a more pragmatic approach and assessed the practical elements of a given conflict rather than torturing phraseology. Not unlike the "I know it when I see it" obscenity test, courts in this camp have refused to wear judicial blinders in determining what does and does not constitute war. The United States Department of Defense seemingly favors the latter position, having stated that the precise definition of "war" often depends on the specific legal context in which it is used.

Further latitude is found in the portion of the exclusion barring coverage for "hostile or warlike action," which has generally been interpreted more broadly than "war," as it encompasses "war-adjacent" actions rather than conduct in furtherance of traditional warfare.

For example, the U.S. District Court for the Northern District of California has held that a hostile act "need not involve the overt use of a weapon which is in itself, capable of inflicting harm; it can be an operation such as the extinguishment of a navigational light or the outfitting of a ship—if done for a hostile purpose."

Cyber warfare is rarely, if ever, a declared conflict and certainly does not align perfectly with the traditional mechanics of warfare. Interpreting war exclusions in cases involving cyber warfare will therefore require nuance, as well as deference to the evolving landscape of government conflict.

Depending upon the courts' inevitable handling of this issue, insurers may be compelled to revisit the language of the war exclusions in their policies or, alternatively, insureds may have to seek more comprehensive coverage to protect themselves against cyberattacks.

For more on the war exclusion, see page 48. BR

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The Long View

William Rotatori, chairman and chief executive officer of NEAM, said mutual insurers tend to have more of a tolerance for volatility and can take a longer-term view than stock companies. “That imparts a longer-term time horizon as they think about their asset allocation and compounding return over time,” he said. The following are excerpts of an interview.

NEAM
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What are the unique considerations for managing money for a mutual insurance company?

Mutuals have a couple of considerations that allow for slightly different approaches to their investment portfolio. The first would be the primary accounting basis that they follow. The second would be the level of capital that we see in the mutual insurance industry. With respect to an accounting basis, mutual insurance companies tend to follow statutory accounting as their primary basis, whereas stock insurance companies tend to follow GAAP as their primary basis. As for levels of capital, mutuals tend to have greater levels of capital relative to their invested assets than stock insurance companies. That implies a greater tolerance for volatility in their asset portfolios.

How do stocks and mutuals differ in their portfolio asset allocation?

Mutuals tend to have slightly riskier investment portfolios than stock insurance companies. This takes the form of greater levels of equity allocation and slightly longer duration profiles in their fixed income portfolios. The measure we point to would be VaR (Value-at-Risk), which is the maximum expected loss in a given period of time at a certain confidence interval. The 1 in 200 VaR for mutual insurance companies in the U.S. would be about 7%, whereas for stock companies, it would be about 5%. This means a slightly greater risk in the invested asset portfolio for mutuals relative to stocks. However, due to the higher level of capital cushion, when you look at volatility relative to capital, the level of risk is about the same. Mutuals have a slightly riskier asset portfolio, but relative to their capital, it’s pretty similar.

What’s your best advice for mutuals in today’s capital markets?

Our advice would be four-fold. First, get your asset allocation right. We stress having the optimal amount of risk assets in your portfolio that’s right for your business. Not only that but making sure that you’re being paid for the risk you’re assuming in that portfolio. Second would be find attractive risk adjusted yield opportunities. In a world like today where yields are low and the curve is pretty flat, every basis point counts. Third point would be practice active risk management. There are market sectors where there’s indiscriminate pricing of risk. You can remove risk from your portfolio without sacrificing yield. Those opportunities are out there. Then, the last would be to be prepared to take advantage of market volatility. We think the conditions in fixed income markets over the past decade have changed in terms of the support from the broker dealer community and the role of ETFs. We think in periods of stress we’re going to get more volatility, like we did in the fourth quarter. You need the liquidity profile in your portfolio to take advantage of market volatility.

William Rotatori
Chairman and Chief Executive Officer
NEAM

“Having shared cultures with our insurance partners makes for better relationships, and quite honestly, more effective investment management results.”

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

SOME THINGS WORK BETTER TOGETHER.

Like working with a Wholesale & Specialty Insurance Association member to find a custom solution to a nonstandard risk. WSIA members will help you craft cost-effective, innovative solutions for your specialty and nonstandard risks. Combining the strength of the former AAMGA and NAPSLO organizations, WSIA members are your source for expert solutions.

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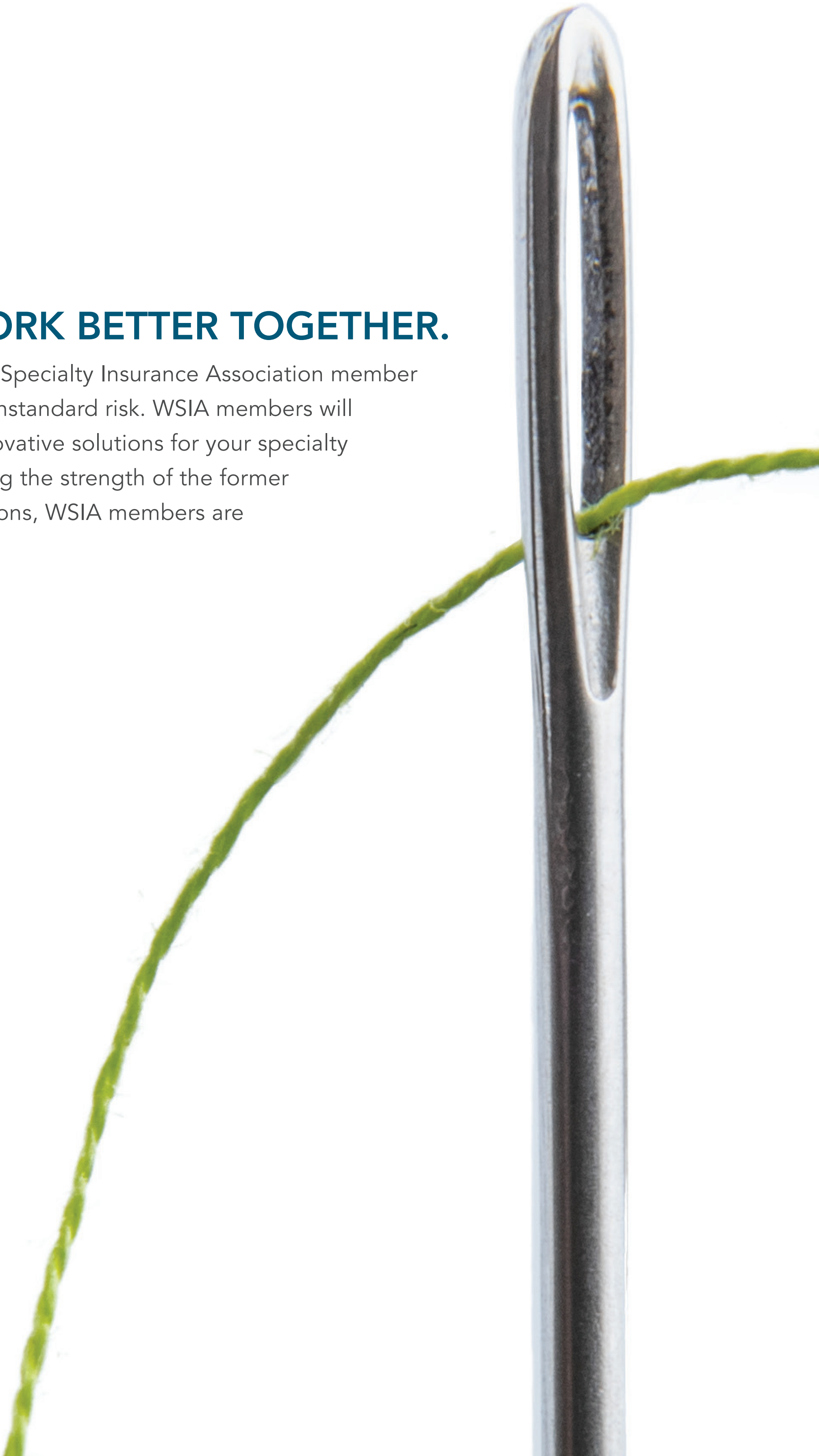

Solutions for Complex Risk

WSIA Executive Director Brady Kelley said the wholesale, specialty and surplus lines segment is as strong as ever. "The market is at a record level of surplus lines premium, and surplus lines carriers continue to maintain a higher proportion of secure financial ratings than the overall property/casualty market," he said. The following are excerpts from an interview.

WSIA

- A nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 740 member firms representing approximately 1,700 offices and tens of thousands of industry professionals.
- Provides world-class member services including networking, education, talent development, legislative advocacy and promotion of the value of wholesale distribution.

What is the outlook for the market and WSIA members?
Through midyear 2018, 100% of surplus lines companies maintained secure AM Best ratings. For the 14th year in a row, the industry also reported no financially impaired companies, in contrast to the admitted property/casualty industry's 230 known impairments in the same time period. A report from the 15 states with surplus lines stamping offices also indicates that premium is continuing to grow, as is the number of filings with those stamping offices. Comparing the first two quarters of 2018 to 2019, these stamping offices reported premium and filing increases of 12.7% and 5.2%, respectively. All of the measures point to the financial strength and operating performance of market. A strong economy and increasing demand for solutions to complex risks and new product innovation are key drivers of that growth.

Brady Kelley
Executive Director
WSIA

"The wholesale distribution system delivers tremendous value to retail agents and insurance consumers."

How do emerging risks impact the wholesale, specialty and surplus lines industry?
Emerging and complex risks are not often matched with standard risk management solutions. Instead, they represent good opportunities for WSIA members, because the wholesale, specialty and surplus lines market is the innovative developer of coverages when the standard market is either unable or unwilling to consider them. There are always new risks to be insured; cyberrisk is a great and evolving example of that. Like many new products, specialty coverage has been critical to the development of cyber coverages that are now being written by standard carriers. Technology continues to evolve, and related coverages will continue to grow in all segments of the marketplace.

What value does wholesale distribution bring to a transaction for an emerging risk?
The wholesale distribution system delivers tremendous value to retail agents and insurance consumers. WSIA members are technical experts who truly are specialists in creating innovative solutions for complex risks. Retail agents and insureds can look to WSIA-member wholesale brokers for access to markets, coverages and options they might not be able to find in the standard market. The wholesale broker's expertise can help agents and their clients identify the right option for the insured in the right market. And, while there is never any cost associated with seeking a wholesale quote, a 2016 Conning, Inc. analysis concluded that wholesale distribution does not increase the cost of the transaction to the insured.

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Mutual Admiration

John Simone, managing director and head of insurance solutions for Voya, said every insurance company, whether it's a stock or a mutual company, needs to be concerned with the rate environment. "Especially now that the Fed has come out to be more doveish than originally thought, dealing with the headwinds of low rates is a concern to any insurance company," said Simone. The following are excerpts of an interview.

How do large mutuals differ from large stock companies?

There's really not a tremendous amount of difference, and that's really because of the gating factors associated with the regulatory environment capital. However, large mutuals can be much more focused on total return in their portfolios. They may actually have somewhat larger alternative portfolios, where a stock company might be a little bit more focused on accounting volatility versus a mutual that's really focused on statutory accounting. Those tend to be the major differences, but overall, I don't think you're going to see a huge delta between a stock and mutual company.

What are the challenges large mutuals face these days?

The same challenges that any large or small insurance company, stock or mutual. It's dealing with a very low rate environment where everything seems to be pretty richly priced. Everybody wants to make sure that they have enough dry powder should there be a dislocation in the market that they're able to take advantage of it. That's why the large mutuals continue to leverage alternatives that have a low correlation to rates and credit spreads so that they can take advantage of market dislocation in the fixed income world should that happen.

Do you find it's important to understand the culture of a mutual?

That's critical, because if you go in being tone deaf to a mutual's culture, you're not going to be very successful. One of the benefits we have at Voya is that our starting place with any insurance company is looking at the current risks that they're taking and looking at ways that we can reshape their underlying portfolio without increasing risk. Anyone can go in to an insurance company's portfolio and just say, "Hey, let's increase leverage. Let's add additional risk." Of course, you're going to have higher returns for that increased risk.

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John Simone
Managing Director and Head of Insurance Solutions
Voya

"One of the key areas where we've been very successful is introducing ideas to a mutual insurance company that they may not historically have had access to."

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

What's Voya's approach to managing assets for mutuals?

It's pretty analogous to what we do for stock companies, however, if we have a mutual that is much more total return focused, then we will look to manage assets in a total return way versus book yield, which is oftentimes the predominant method of managing insurance company assets.

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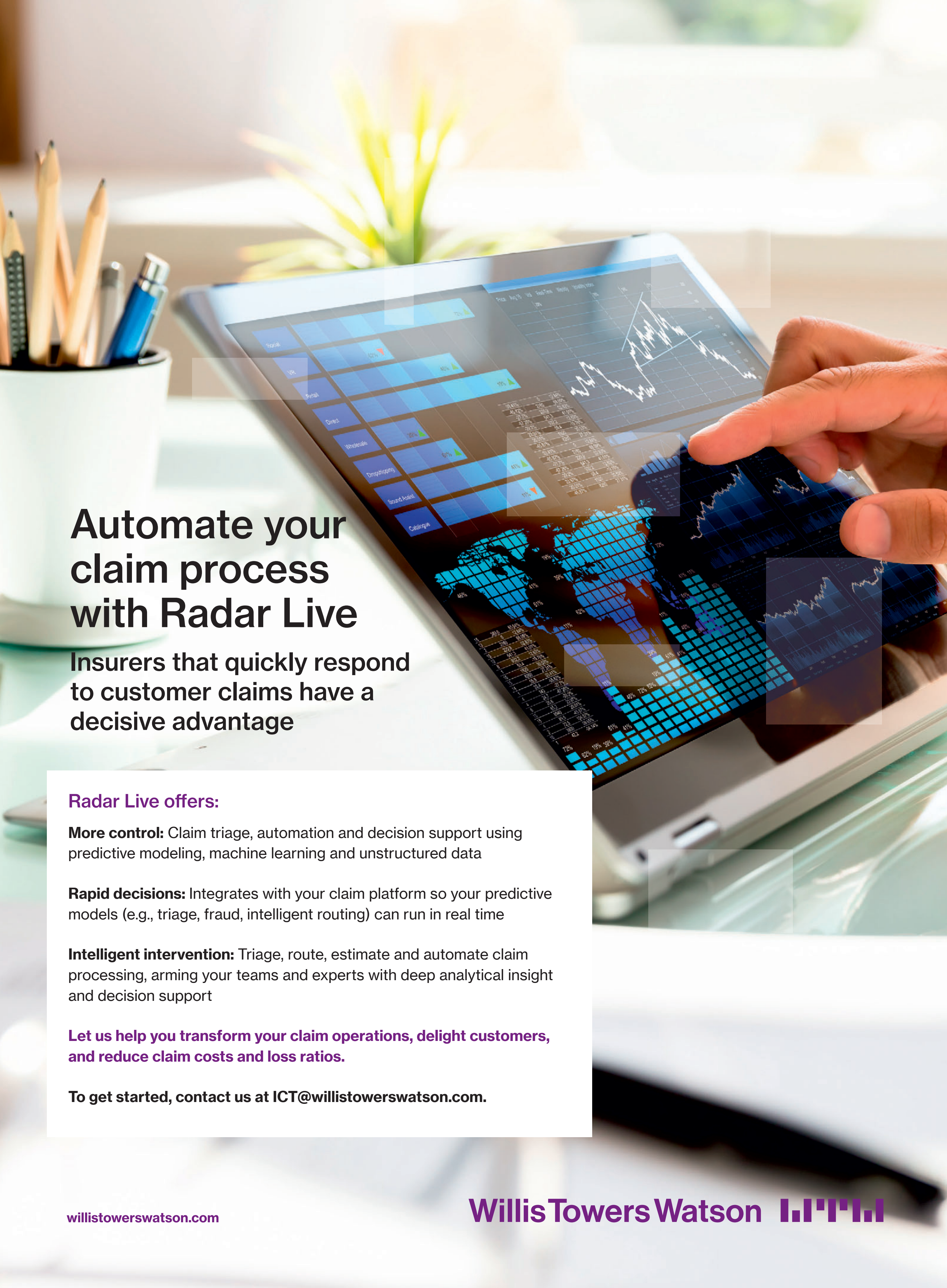
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Advanced Analytic Results

Marisa Ruscitto, head of Americas technology sales for Insurance Consulting and Technology at Willis Towers Watson, says the company's Radar Base and Radar Live solutions eliminate bottlenecks, including the need for recoding, as clients can directly deploy the rates that the pricing team develops no matter how complex the model is. The following Q&A is an excerpt from a recent inteview.

Willis Towers Watson

- Provides a powerful combination of advisory services
- Integrated with leading-edge technology solutions
- Unparalleled analytic capabilities

Marisa Ruscitto
Head of Americas Technology Sales, Insurance Consulting and Technology
Willis Towers Watson

"Our Radar Base and Radar Live solutions deliver advanced analytic results."

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

How are insurers benefiting from their investments in machine learning and data science?

With reduced compute costs and an automated model-development process, insurers can enable a more efficient data-science team, which results in a much more manageable investment. Using cutting-edge machine learning and artificial intelligence, the entire model-development process can be automated, or just certain components of it. This relieves the team from actually having to do the coding for any of the components that are automated. Willis Towers Watson is developing an automated machine learning tool that will do exactly this for the insurance industry. It's a fully scalable SaaS-based solution — giving insurers the ability to scale up and scale down the infrastructure they need, when they need it. Combined with automating the model-development process, this will enable insurers to optimize their investments and rewards from these initiatives.

What issues are insurers facing when it comes to deployment of rates, underwriting rules or general analytics?

The two issues insurers are facing quite frequently are speed to market and system constraints. One of the issues we see is that it takes weeks to implement a basic rate change and months to implement something that's a bit more complex, like adding a new table. With this, we've seen cases where insurers will file rates, and then six months down the road they finally have the resources available to begin coding to implement the rate changes. Furthermore, there are cases where the pricing team develops the rates and, if they are more complex, in some cases the IT team cannot actually directly deploy those rates. They end up being dumbed down or shoehorned into the existing system. This is because of the constraints of the existing system.

How is Willis Towers Watson helping clients address these issues?

By leveraging our Radar Base and Radar Live solutions, we help clients avoid these and other bottlenecks in many ways. First, by eliminating the need for recoding, clients using our Radar Live solution can directly deploy the rates that the pricing team develops, so there's no need for recoding and there's no disconnect. Another way that we help clients is through simplifying the validation process. Instead of validating on a case-by-case basis, there is a systematic way that large numbers of online and offline results can be validated. This enables the rates and rules that are deployed to be deployed more correctly.

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SETTING THE COURSE FOR A DIGITAL FUTURE

Matt Masiello, CEO of SIAA, the largest independent agency alliance in the nation, said that agencies need to make digital solutions part of their operations model by making it part of their culture. "Agents must be using the technologies available today or they'll never be able to implement the technologies of tomorrow," he said. The following Q&As are excerpts from a recent interview.

Are independent agents changing with the times when it comes to technology?

Yes, but it varies with the agency size, age and willingness to press change into their culture. At SIAA we've developed a digital agency baseline for our members, along with a self-diagnostic exam that grades where agencies excel and identifies areas needing improvement. The feedback has been very positive.

How should agents be implementing a digital strategy?

Agencies must be willing to make digital solutions part of their operations model. Much like you can't wake up tomorrow and decide to run the Boston Marathon – it takes hard work and lots of preparation – agency principals and staff need to be executing on the basics before they take on the marathon distance. If agents are not paperless, not downloading, not using their management system at a high level – they need to start there.

What is SIAA doing to prepare members for an increasingly tech-driven future?

Two years ago we established an InsurTech & Innovation team charged with exploring new technologies and evolving trends. The members are of varying backgrounds, including the consultant, carrier and InsurTech side of the industry. We also made the decision that we were not going it alone – our larger insurance company partners have technology and innovation hubs themselves – we have opened up the dialogue and it's working well.

I understand SIAA is hosting a virtual conference to address the digital landscape for agents?

Yes, IA Evolve is an all-day event September 17th, and will be available on demand afterward. Like most conferences, it will include a trade show, breakouts and various speakers, all available from an attendee's desk. Agents can learn what's available to improve their business digitally for today and tomorrow. *iaevolve.com*

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- Servicing clients
- Finding agency efficiencies through automation

Matt Masiello
Chief Executive Officer
SIAA

"The digital agency concept – and even Insurtech is interesting, because the definition and benefits change depending on you where you sit."

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

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Claims Concerns In Human Services

Jeff Collins, vice president of underwriting for the Human Services division of Philadelphia Insurance Cos. said that agents need to be cognizant of the development of claims. "It's imperative to understand what services an insurance company provides. Such as how they handle claims, what expertise they have, do they have the correct risk control practices and do they understand the underwriting exposures," he said. The following are excerpts of an interview.

PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

Jeff Collins

Vice President of Underwriting for the Human Services division Philadelphia Insurance Cos.

"Work with a carrier who's got knowledge, understanding, and the ability to act quickly."

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

How are social issues impacting the human services sector?

One of the main issues we see in the human services division is what we're calling social inflation. Social inflation is the increased cost to handle claims, as well as the added piece that affects the outcome of large claim settlements. This social inflation is creating a lot of turmoil to the underwriting such that the cost of these social inflation claims plus the percentage of the general inflation is somewhere in the range of 4% to 6%. In addition to the general liability social inflation issues, we're also under extensive pressure from auto liability as well as abuse and molestation claims. All this leads to higher loss ratios in the market.

What else is leading to higher loss ratios in the market?

From a general liability/abuse and molestation point, abuse is probably the biggest hot button right now. Claims that used to be reserved at thousands of dollars are now reserved at millions of dollars. This is something that we're trying to handle as an industry. As a result, you're seeing insurance companies reduce their abuse limits and lower their umbrella limits. Accounts that have alleged abuse molestation claims, are being scrutinized. Ultimately, that's going to affect the underwriting loss ratio for these companies, increase their premiums, and even, sometimes, make some of these companies uninsurable.

How is the industry handling abuse claims?

Some companies are taking a wait-and-see approach while others are being proactive in how they handle abuse. For PHLY, our big message is one of education. We need to educate both our agents and our insureds what exactly is happening with the claims, how the claims are being handled, how the settlements are being handled, and how that's affecting the loss ratios. Even if we are we going to write these accounts in the future.

Is the opioid crisis taking a toll on organizations?

The opioid crisis has a multitude of effects. Opioid claims are becoming extremely expensive. Beyond death and suicide as a result of opioids, we are seeing claims such as 'not-in-my-backyard' claims. There might be a substance abuse facility that's added to a residential facility. People don't like that, so there are claims for that. There are medical malpractice claims for organizations that had intake procedures that go awry. There are a multitude of things to think about that the opioid epidemic is giving the human services insurance industry.

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Actuaries in an Era Of Technology

Roosevelt Mosley, a principal and consulting actuary with Pinnacle Actuarial Resources Inc., said the company works with technology providers and vendors to develop solutions specifically for the insurance industry. "Our commitment to research ensures that we can be prepared with the best solutions for our clients to take full advantage of technology," he said. The following are excerpts of an interview.

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ACTUARIAL RESOURCES, INC.

Roosevelt Mosley
Principal and Consulting Actuary
Pinnacle Actuarial Resources, Inc.

"Pinnacle has been a pioneer in research in the use of technology. We have been on the cutting edge of research related to social media, UBI and claims analytics, to name a few."

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

How is technology impacting the insurance industry?

Technology has allowed companies to be more effective and efficient in providing insurance coverages and services to their current and potential customers. Comparing the process of shopping for insurance coverage, applying for a policy, and submitting a claim 15 years ago versus today shows this clearly. As an example, to shop for insurance 15 years ago, a person would either have to call insurance agents or companies, or drive to a local agent's office to provide the information needed to receive a price quote. Once a decision was made on which company to purchase insurance from, a paper or computer application would need to be filled out and then signed by the customer, then the application is provided to the company for underwriting. Once the file was reviewed and approved by an underwriter, the policy was issued. If a policyholder had a claim, they would need to call the company, set up a time to meet with an adjuster to have the claim estimated, and ultimately schedule repairs.

Today, technology has made each of these processes much easier and quicker.

Is technology enhancing the role of the actuary or is it making him or her an endangered species?

Technology is enhancing the role of an actuary, as long as the actuary grows and develops to adapt to the changing environment. Actuaries and actuarial societies have recognized this and have taken on more significant roles as a result. Predictive analytics has become a strong focus of the Casualty Actuarial Society, and led to the formation of the CAS Institute, which now offers a credential for Predictive Analytics, the Certified Specialist in Predictive Analytics. Also, many of the pioneers of the application of predictive analytics in the insurance space were actuaries. Actuaries' roles have also been enhanced in the application of the analytics to areas that were not traditionally in the purview of the actuary, such as claims and underwriting.

How is Pinnacle helping its clients use technology to their advantage?

We assist our clients by helping them analyze data related to their insurance processes, and use this analysis to create solutions for improving their business processes. This data can either be internal to their company, from an external data provider, or both. Not only have we built solutions for our clients, but we also assist our clients in developing data processing and analytics skills in-house. This allows our clients to ramp up more quickly in their ability to access the power of data.

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NOT IF, BUT HOW

Munich RE

Insurtech for Extreme Events

Jay Rosario, Senior Vice President, Strategic Products, for Munich Reinsurance America, Inc., said he sees a lot of potential from the data and analytics coming out of the insurtech space. “It’s very accurate and up-to-date and the computing power to analyze it is the future of the industry,” he said. The following are excerpts of an interview.

What are some of the key risk trends Munich Re is following right now?

We’re following the increasing frequency and severity of extreme events. For example, in 2017 we saw record-setting hurricane losses from Harvey, Irma, and Maria; the following year the losses from hurricanes Michael and Florence were also substantially more severe than the long-term average. Hurricane Harvey was one of the worst flooding events in U.S. history with 60 inches of rain over five days. The $30 billion of losses from the California wildfire events in 2018 were three times the total wildfire losses in the U.S. since 1990. The increased frequency in extreme events is a trend that we anticipate continuing in the future.

Do you have any specific examples of the types of insurtech data and analytics that Munich Re is focused on?

We are very focused on location intelligence. This is data on the characteristics and conditions of buildings and at locations that can enhance how we underwrite property risks and develop new products. We’re also very focused on computer vision, which is extracting data from images. In most cases by utilizing computer vision we can get to much more accurate and up-to-date information than through traditional sources. It’s also a very efficient way to gather new data at scale.

Are there other things that Munich Re can do to respond to extreme events?

We’re looking at different types of products that can help provide funds for evacuation or extra living expense. A lot of these solutions can be parametric in nature, with no deductible, with the goal of getting the funds to affected policyholders as quickly as possible. Our innovation lab is coming up with claims management solutions using remote sensing technologies that address the catastrophe situation and speed up the claims process.

Munich RE

Jay Rosario

Senior Vice President Strategic Products
Munich Reinsurance America, Inc.

“We're in a changing risk environment. Society is not adapting as quickly as the risk is increasing, so we’re working harder than ever to develop solutions to manage the risk.”

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

What is remote sensing and how does it work?

The auto claims process can demonstrate, in a simplified manner, how remote sensing works. When you report a claim resulting from an automobile accident, many insurance companies offer customers the option to take photos of the vehicle and get a preliminary estimate very quickly. Remote sensing is similar. It offers re/insurers a preliminary estimate of the damage caused by a hurricane. In our case, we get the aerial imagery from the Geospatial Intelligence Center. They fly in after the hurricane has moved through and take aerial images of the affected areas. Then we process those images using computer vision and machine learning. We identify the insured homes in the images, detect any damage and even classify those damages, many times before the First Notice of Loss has been received. There could be hundreds of thousands of homes and images to process, and our solution does it within minutes.

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Strategic Partnerships

John Lopes, Senior Vice President, Product/Program Expansion, E&S/Specialty at Nationwide, said technology is changing the E&S business dramatically. "We are deploying technology that strategically enhances our partnerships by providing transactional speed, ease and efficiency, while also using data and predictive modeling to improve underwriting, pricing, risk analysis and claims. We believe this is the winning formula for our business," he said. The following are excerpts from a recent interview.

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John Lopes

Senior Vice President, Product/Program Expansion
E&S/Specialty at Nationwide

"Technology isn't just about speed to market—the more profound benefit is data."

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

How are you using artificial intelligence and machine learning in E&S?

We are using artificial intelligence and machine learning to speed up our ability to apply back-end claims learnings into underwriting, risk analysis and pricing. This continuous loop of information and learning is a key function. We are also incorporating third-party data to create product pricing stability. Ultimately, the predictive modeling these elements help generate will lead to stronger results all around.

Another avenue we're taking is approaching insurtechs as enablers instead of disruptors. We've met with several great firms and unique, savvy people who are harnessing data to do remarkable things. We'd like to learn from these firms in any way we can.

What changes have you seen since the beginning of this year?

It's been a productive year. In January, we announced the acquisition of E-Risk, one of our largest program managers. E-Risk has grown profitably and significantly with us over the past 10 years. It exemplifies the type of business that will continue to experience significant growth and expansion. And we intend to expand E-Risk's technology platform to sell even more Nationwide products.

In May, we announced the joint funding of a reinsurance company in Bermuda with one of our largest trading partners. This partner has 23 programs and wanted to share in the risk. It's a venture that is considered unique in the marketplace. And since the announcement, many of our trading partners have reached out to discuss other unique opportunities. It's an exciting time.

Tell us about your new product expansion position.

My role is to build strategic partnerships, look for acquisitions that make sense, develop new products and explore new growth initiatives. To support this, we've put together a product development team that is keenly focused on new ideas and opportunities. Innovation will be key to making this happen and we've made clear that it is everyone's responsibility at Nationwide. Together our aim is to grow profitably, find new ways to connect with our trading partners, and expand business opportunities and products for our members and customers.

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WIDENING THE SCOPE

Life-related insurtechs are expanding beyond distribution and underwriting.

by Kate Smith

Insurtech investments reached record levels in the first quarter of 2019, when 85 deals worth a total value of $1.42 billion were announced.

Not only was it the third straight quarter with more than $1 billion in funding, according to the Willis Towers Watson's Quarterly InsurTech Briefing, but Q1 also saw the highest number of transactions and the highest volume of Series B and Series C funding rounds.

On the life side, most of the insurtech activity so far has revolved around distribution and underwriting, but the scope of transformation is widening, according to Brian Muench, president of Allianz Investment Management and managing director of Allianz Life Ventures.

Brian Muench

Muench spoke with AMBest TV at the IASA Conference in Phoenix. Below is an edited transcript from the interview.

What trends are you seeing on the life side in insurtech investing?

We're definitely seeing more deals come into the marketplace. First quarter of 2019 was a record quarter for insurtech in general. It's on the heels of 2018, which was a record year in insurtech as well.

I think the trend that we're seeing is around product distribution. How can you put insurance products through a platform such as digital that helps with aggregation and also with advice that can come through that, and even alongside of on-demand type of policies?

Think about the need for term insurance and the enablement and the easiness of doing that, or even episodic type of insurance that's more situational in nature depending on if you need it just for a short period of time.

Are those the types of things that the carriers are looking for or is that what the insurtechs themselves are focusing on?

The most opportunity to begin with is really on that distribution side. I think going forward that it will get more into other areas.

Some of the hot trends that we're seeing now are around underwriting and accelerated underwriting. While that's not a new trend per se, what's new about it is the different ways that these startups are going about it.

They're able to leverage machine learning. They're able to leverage facial screening and combine that with big data and medical records. There's a whole new way of how the insurance company can now use something that's less invasive to the policyholder to underwrite that policy.

That's another hot topic that we're seeing come through that's more insurance-driven than it is from the insurtech side.

Does that change the customer engagement?

Yes, absolutely. If you can be less invasive through that approach, it makes total sense.

I think where we also see insurtech can help is around the ability to get insurance or to buy an annuity.

I make the analogy sometimes that insurance historically has been a lot like filing your taxes. In the old days, I remember going to the library, picking up my forms, getting the big publication to figure out how to do everything.

Kate Smith is managing editor of *Best's Review*. She can be reached at *kate.smith@ambest.com*.

“We look for expected returns from our investments that we’re making in the startups but also the strategic alignment.”

Brian Muench
Allianz Investment Management

I look back at a company that we invested in called Tomorrow, and as in most cases with startups, it’s the founder that recognizes a problem or an opportunity to do something better because their own experience just wasn’t up to what they wanted.

In this case, [the founder of] Tomorrow looked at the employees—in this former company—that he had that just were not making really important decisions and found that it was behavioral, which is the idea that I can do it tomorrow or the next day or the next day. What he created was an online app, very user-friendly and very intuitive, that you can then create your own will and then purchase life insurance alongside of that to protect your family.

Will having greater ease and availability spur more activity and interest in those types of products?

Yes, I think so. I also think about education. Allianz Life is very much in the retirement business. You can help educate on why an annuity or a life insurance policy might make sense as you’re accumulating assets or getting close to retirement or even in retirement.

Is Allianz Life Ventures looking at startups that are operating in that space?

We look to enable with the firms that we invest in. That’s aligned with what we’re trying to do from a company standpoint. Retirement obviously is the cornerstone of what we do, and that’s a pretty big area that we can play in and have a lot of good ideas come our way.

I would also say accelerated underwriting, the customer experience and enterprise technology. Are there ways that we can do things more efficiently that takes a lot of data and makes it into information that is useful?

You brought up accelerated underwriting. Are there concerns about data and how it’s used?

We’ve definitely seen that in the technology landscape with private information and how well that’s used. I think a lot of it’s around disclaiming what you are using it for and why it’s being used and why it’s necessary. I think the industry can get their arms around that at the end of the day.

We’re just at the forefront in a lot of these different areas of how to take information in and make sure it’s not only usable, but it’s [used] in the right way.

For Allianz Life Ventures, what’s the end goal? Are you looking for straight returns? Are you looking for technologies and companies that can be folded into your existing company?

I get that question a lot. It is a dual mandate. We are looking for both is the short answer. We look for expected returns from our investments that we’re making in the startups but also the strategic alignment. For us, that’s a lot about value alignment as well, because with these startups, they have the ability to raise cash from a lot of people in the ecosystem. A lot of firms are chasing deals.

What Allianz can bring to the table as being one of the largest insurance companies in the world is helping these startups get up and running in areas that they might need, because core competencies of an insurance company are much different than a core competency of a startup.

There’s a lot that can be gained by working together.

When you invest in a company, do you take a role in the company?

No, typically not. We’ll typically be a board observer so we can stay attuned to what’s going on, but for the most part, we’re working with them to see how we can work together strategically. And, again, it goes both ways. Through our program, we’re not looking to be on that board and having a say on what they should be doing in the daily operations of their business.

Are there any changes you’re seeing that you find particularly exciting on the life side?

There’s quite a bit. I think the evolution of where things are going is pretty amazing. AI, I mean, who knows where that’s going to end up at the end of the day. Probably what it looks like five years from now is going to look much different than what it is today.

I think there’s a lot more runway out there of new innovative ways in which we can all work together. BR

AMBestTV

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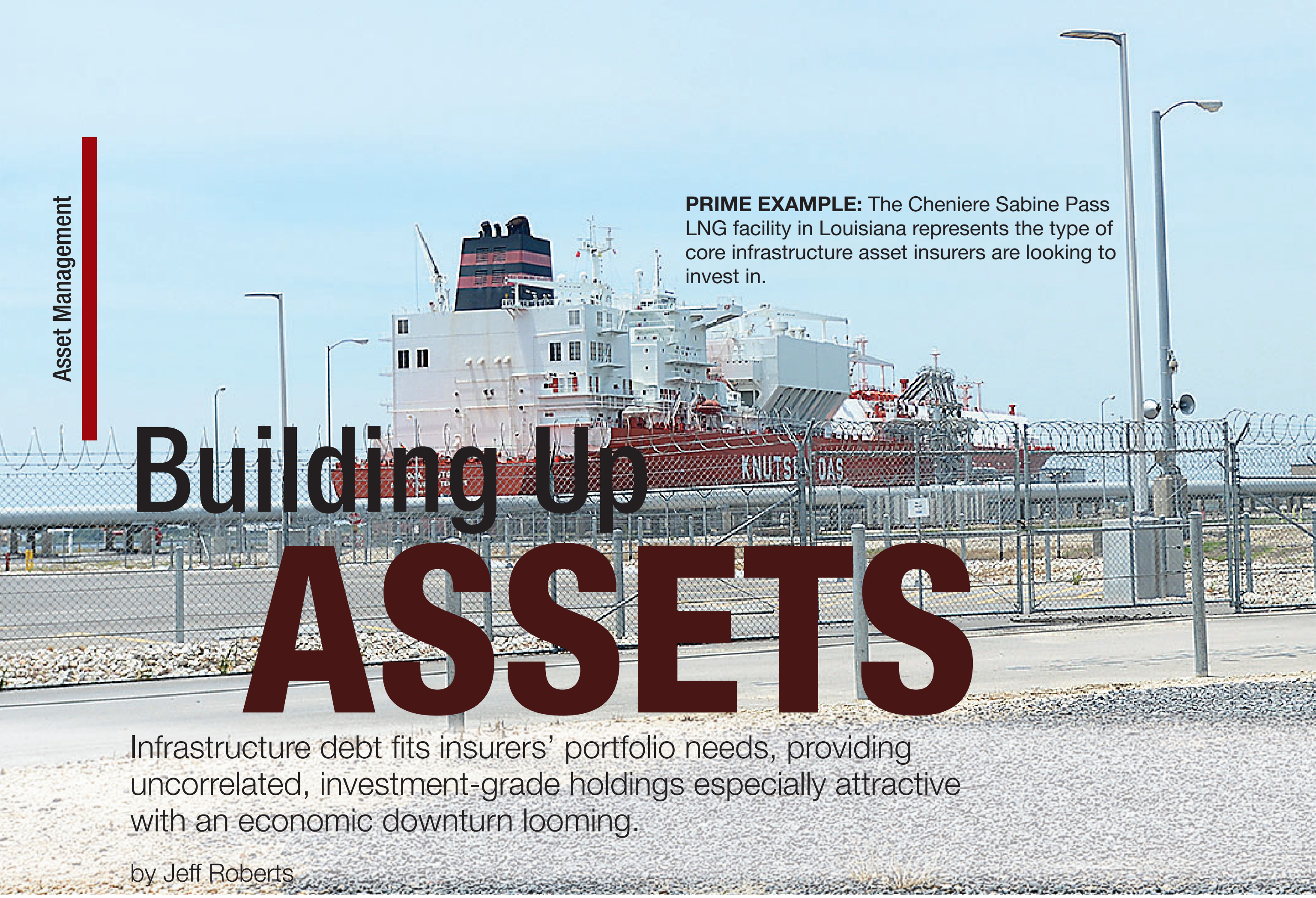

PRIME EXAMPLE: The Cheniere Sabine Pass LNG facility in Louisiana represents the type of core infrastructure asset insurers are looking to invest in.

Photo Credit: Kim Brent/The Beaumont Enterprise via AP

Building Up ASSETS

Infrastructure debt fits insurers' portfolio needs, providing uncorrelated, investment-grade holdings especially attractive with an economic downturn looming.

by Jeff Roberts

The initiative was designed to fill a need. Allianz Global Investors wanted more diversity in its fixed income portfolio for its insurance clients, especially at the long end. But it found "precious little of it out there," said Paul David, its director and head of Americas, infrastructure debt.

"When we looked at the universe of investible long-duration opportunities, there's only a limited number of names out there that you feel comfortable with," he said. "We identified infrastructure debt as a good matching asset, but we just weren't seeing any coming.

"Hence we thought, 'Should we go out and try to do this ourselves?'"

So in 2012, Allianz Global Investors formed its own infrastructure debt team based in London and focused on Europe. David was one of its five original members.

Soon the in-house investment and origination unit expanded to take on third-party clients as the asset manager realized other institutional investors—especially insurers—were seeking similar solutions.

David outlined the rising opportunities in infrastructure debt, especially in the energy sector, and why the asset class is ideal for life companies in a recent interview with *Best's Review*. He spoke shortly after his team completed a $727 million deal in June with Cheniere Energy, which builds and operates natural gas liquefaction and export facilities.

The following is an edited Q&A with David.

Key Points

$50B: About $50 billion in infrastructure debt deals are completed each year in the Americas, but only about $5 billion in the institutional market.

Safe Havens: Infrastructure debt offers investment-grade, fixed rate assets that are long dated and particularly attractive in periods of downturns because they are largely uncorrelated.

Quality Assets: About 40% of infrastructure debt is investment grade.

Jeff Roberts is a senior associate editor. He can be reached at *jeff.roberts@ambest.com*.

Allianz Global Investors started with an infrastructure unit of five members. How big is the team now?

Globally it's 27. It's 18 origination people and nine people who assist in portfolio management and various other areas.

How did AllianzGI set its sights on the United States market?

We had to go out and create a market in Europe first. After a couple of years, we had succeeded in

"It really is a natural fit for insurance companies to invest in long-duration, stable infrastructure. Here we're looking at opportunities with very stable cash flows, not subject to market risk. Frankly, the client most suited is insurance companies."

Paul David
Allianz Global Investors

establishing ourselves there. Since it was a startup, we couldn't know for sure if we could make it happen, but it has happened. And then we wanted to see if we could do the same in the United States. So I put my hand up and said, "I'm interested."

So I came over here to see what the opportunity was, and I realized there was a similar gap as in Europe. It wasn't being serviced by the institutional investor, and neither was it being serviced in particular by the insurance world. And with the firepower that Allianz has and its track record in infrastructure, I was able to get the ball rolling and get involved with a few deals.

Why are insurers interested in infrastructure debt?

It really is a natural fit for insurance companies to invest in long-duration, stable infrastructure—what we like to call core infrastructure. Here we're looking at opportunities with very stable cash flows, not subject to market risk. It's a natural asset class for insurance clients. Frankly, the client most suited is insurance companies.

Insurance companies want investment grade, fixed rate and they want really safe assets. Infrastructure is fixed income. It is long dated. They are safe assets.

How big is the infrastructure market?

The infrastructure debt market is very much dominated by banks. That's principally because within the infrastructure space, most of these issuers are one-time issuers. It's not all that easy for them to access the public market. So they tend to go to people who they can negotiate with on a one-time basis. And the institutional market is not really set up for that. We're trying to change the landscape.

There's about $50 billion in deals done every year in the Americas. About $5 billion is done in the institutional market and $45 billion done in the bank market. We're trying to change the way things get done. We're trying to move that so $10 billion of the $50 billion is done in the institutional market. Predominantly those in the institutional market are insurance buyers. We've taken on our fourth third-party client. All four clients are insurance clients, three of them are in North America and one is Korean. So it's beginning to gain momentum.

Perhaps 60% of infrastructure debt is non-investment grade. So that reduces the investible universe to maybe $20 billion of the $50 billion.

There are others trying to do it. For us, it would be really good if more institutional investors start to do what we're doing because it will mean there's more of a market and a natural go-to place for borrowers.

How much business does AllianzGI do annually in infrastructure debt?

Globally, we've done 66 transactions, and we've invested $16 billion in those 66 transactions. In the U.S., we've done about $4.5 billion. In Latin America, we've done about $1 billion so far. We've been pretty active here. Our focus is on big-ticket direct investing. We've made 18 investments, so about five deals a year at an average size of $300 million.

Why is supply not meeting demand for institutional investors?

The lack of product that has made its way to the insurance industry largely comes down to this: It's really quite hard for one-time issuers—and most of these are one-time issuers—to use an agency market place. The public agented marketplace tends to be full of these repeat issuers. Single issuers are just not a natural fit for that market. That's why it's been dominated by banks.

The lack of deal flow really comes down to a lack of people within institutional organizations who are prepared to roll up their sleeves, behave like banks and knock on the doors of borrowers and get these deals happening. It's about having a team skilled in structuring deals and going out and originating. There's a big pie, but the proportion that's come to the institutional market is very small. The goal is to try to widen that. You really need size and infrastructure pedigree to compete in this sector to be taken seriously by borrowers. Others looking to play in the same space as us? You've got MetLife. You've got BlackRock. IFM. Macquarie. That's about it.

It's really hard to get into the space. You need to find a platform that can take your capital and add it to other people's capital to get the firepower needed to secure deals.

A lot of our success has been down to our ability to write big tickets. Three of our deals have been $700 million or more. These platforms need to develop and need to accumulate these small-to-medium insurance companies onto their platforms to enable us to write these large tickets. A typical third-party client is looking to invest $15 million to $30 million per transaction, which is too small to work bilaterally with borrowers, but fits well within an established direct origination platform already investing large tickets.

Besides offering long-duration, investment-grade assets, why do your insurance clients like infrastructure debt?

They like it because for the same rating, the probability of default over the long term is probably less than half of what a corporate is. In fact, our view is over a 20-year horizon, BBB-rated infrastructure not only outperforms BBB corporate debt, but it outperforms even A corporate debt in terms of probability of default. Over a three-to-five year horizon, it's probably very similar to corporate BBB.

There are other things as well. There's plenty of evidence to say that in the rare instances when infrastructure does default, the loss given default is much lower. Rating agencies indicate that it's about an 80% recovery, or only a 20% loss given default in infrastructure. Whereas in typical corporate unsecured, it's about 50% to 60% loss given default.

The other benefit is correlation. It's a very uncorrelated asset class. It gives investors diversity, but without correlation. It is a subset of corporate fixed income. But from a credit perspective, it's a very idiosyncratic asset class. It doesn't tend to default. It's uncorrelated to the wider economy. Solar farms in Nevada are unrelated to wind farms in California or a road in Indianapolis or a gas pipeline in Texas.

It's a very defensive asset class, particularly at times when people are considering the end of the cycle. It's a defensive asset class because it's really not subject to market risk. People need electricity. People need water. They need to move from A to B. It's not something they can stop buying like the latest television set.

What kind of returns are we talking about?

Despite all these benefits, we think we can slightly outperform what you would get in the corporate universe. We would typically target a 50-basis point pickup over corporate in the U.S. and another 60 to 80 in Latin America on top of that. It's not because it's riskier, but potentially it's a liquidity issue. There is an illiquidity premium in it.

But it's really about supply-and-demand balance. This is what people are prepared to pay to lock in for the long term. The question is, is this stuff illiquid? It's not like a Treasury where you can just get rid of it. But it's much like any other fixed income investment. If there's something wrong with the investment and you try to get rid of it, it's going to be tough. But if there's nothing wrong with the investment and you just need some liquidity, you'll be able to sell it in a short time frame. It's pretty transferable.

When we're discussing infrastructure, are we talking transportation projects? Energy?

We really want core infrastructure. Regulated assets such as electric utilities and airports. Contracted power—energy generation—is another. Renewables. Energy-related infrastructure such as transmission lines. Midstream infrastructure, which is moving and storing energy. Gas pipelines. Gas storage. Transportation, such as roads, is another, although they're mostly funded with municipal bonds so not in scope. And occasionally, public-private partnerships.

Put on your devil's advocate hat. What are the downsides for an insurer investing in infrastructure debt?

Illiquidity is the issue that people tend to think. The other thing is locking into long fixed rates in a time when the Treasuries are low. But my view is you have to think at a global level. How much long-term fixed rate do I want? For the proportion you decide you want to be in fixed income, this is as good as it gets.

Given the long-term nature of infrastructure, can P/C companies invest?

People tend to think, "This is super long duration. It's ideally suited to a life company." We have a variety of different investments in our book. I think the average duration of investments in our book is around 14 years. That's reasonably long. But actually quite a bit of it is 8- to 10-year duration, especially with the renewables, and there's a lot of those. Some of the shorter durations could be investments for a P/C company. BR

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PASSING JUDGMENT

There is a reckoning underway, and it's happening in courthouses around the country.

Two decades after OxyContin and other potent opioids began flooding the U.S., communities are fighting back by filing lawsuits against the manufacturers and distributors they blame for the country's addiction epidemic.

In state after state, lawmakers are reconsidering laws that barred sex abuse victims from suing. The passage of "reviver statutes" opens the possibility of new lawsuits for abuses that occurred decades ago ... but for which insurers had not reserved.

These landmark cases and expanding statutes have left carriers uncertain about their exposure and potential losses.

Also making its way through the legal system is a battle over the war exclusion. As cyberattacks increasingly are used as weapons of disruption in military conflicts, it raises the question of whether the war exclusion can apply to a cyberattack.

In this special section, *Best's Review* takes a deep look at legal battles that could have a big impact on the insurance industry.

CONTENTS

AN ACT OF WAR?

The war exclusion sits at the center of a legal battle between Mondelez and Zurich American, which invoked the rarely used exclusion to deny a claim for property damages caused by a cyberattack.

by Kate Smith

Kate Smith is managing editor of *Best's Review*. She can be reached at *kate.smith@ambest.com.*

Key Points

Court Case: Mondelez sued Zurich American for breach of contract after the insurer used the war exclusion to deny coverage for property losses arising from a cyberattack.

Defining War: The case will test the definition of war, as the war exclusion historically has applied only to conventional armed conflicts.

Burden of Proof: Zurich will need to prove the NotPetya malware attack was orchestrated by Russia.

The letter arrived at Mondelez nearly one year after the incident.

In June 2017, the snack manufacturer's computer systems had been corrupted by NotPetya, a form of malicious software that wreaked global havoc. The malware rendered dysfunctional 1,700 of Mondelez's servers and 24,000 of its laptops. It also disrupted distribution, leaving customer orders unfulfilled.

Mondelez filed an insurance claim for damages incurred. It sought coverage under its property policy, not a cyber policy. And in a letter dated June 1, 2018, its property insurer, Zurich American Insurance Company, denied the claim.

Zurich cited the policy's war exclusion as its reason.

The decision was unprecedented. The war exclusion, also known as the hostile acts exclusion, historically has applied to conventional armed conflicts. Never before has it been invoked for a cyberattack.

Zurich's invocation of the war exclusion has raised a compelling question: Can cyberattacks be considered acts of war?

The Circuit Court of Cook County, Illinois, may be left to decide.

In one of the most intriguing lawsuits in the insurance sector, Mondelez has sued Illinois-based Zurich American for $100 million over the denial of coverage. At the center of the case rests the very common, yet rarely used war exclusion.

In a complaint filed on Oct. 10, 2018, Mondelez called the coverage denial "wrongful and improper" and argued that the incursions of malicious code "did not constitute 'hostile or warlike action.'"

It will be up to Zurich to prove otherwise. A representative for Zurich said the company could not comment on the case.

"This case is a big deal," said Alan Rutkin, a partner at law firm Rivkin Radler, which has no involvement with the case. "It's definitely gotten a lot of attention, and it should."

A similar scenario is playing out in the Superior Court of New Jersey, where pharmaceutical giant Merck is suing more than 20 of its insurers for denying NotPetya claims. Some of those denials reportedly were based on the war exclusion.

These cases are important, experts say, because cyberattacks increasingly are being used as weapons of disruption in military conflicts.

The U.S. and Israel, for example, are widely believed to have created Stuxnet, a virus designed to sabotage Iran's nuclear program. In 2018, the U.S. and U.K. publicly attributed NotPetya to Russia, saying the attack was aimed at causing disruption in Ukraine. And just this past June, the U.S. reportedly launched cyberattacks against Iran's missile system in retaliation for Iran shooting down a drone.

One could argue that cyberspace has become a theater of war. Therefore, debate over the applicability of the war exclusion for cyberattacks is to be expected, according to Michael Menapace, who practices insurance and cybersecurity law at legal firm Wiggin and Dana. Menapace and his firm do not represent any parties in these matters.

"These [lawsuits] won't be isolated disputes," said Menapace, who also teaches insurance law at Quinnipiac Law School. "This is going to repeat. Here's why: If those cyber weapons we unleashed bounce around and cause collateral damage, or if Iran or anyone else counter strikes for the purpose of causing disruption, then what seems like a specific circumstance—NotPetya—is going to repeat. And we will see the same disputes again.

"These attacks are not going away."

"The reason you see the disparity is because this was a property policy."

Fred Eslami
AM Best

The Policy

The Mondelez-Zurich case has garnered the most attention, though much of the coverage has been inaccurate. (See sidebar on page 52.)

According to court documents, Mondelez purchased an all-risks property policy from Zurich for coverage beginning Nov. 1, 2016.

$3 billion

Estimated insured losses from NotPetya cyberattack.

Source: PCS, a Verisk company

The policy included coverage for "physical loss or damage to electronic data, programs, or software, including physical loss or damage caused by the malicious introduction of a machine code or instruction."

The policy also provided coverage for "extra expense incurred by the Insured during the period of interruption directly resulting from the failure of the Insured's electronic data processing equipment or media to operate" resulting from malicious cyber damage, the company's attorneys wrote in their complaint.

Also included in the policy, however, was Exclusion B.2(a), which read:

> *B. This Policy excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:*
> *2) a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any:*
> *(i) government or sovereign power (de jure or de facto);*
> *(ii) military, naval, or air force; or*
> *(iii) agent or authority of any party specified in i or ii above.*

Zurich based its coverage denial, the legal complaint said, solely on Exclusion B.2(a). Also known as the war exclusion or hostile acts exclusion.

Some variation of a war exclusion is found in nearly every insurance policy. The provision excludes losses arising from the warlike or hostile actions of a sovereign power.

"The war exclusion is something that's very deeply rooted in the world of insurance, because it runs right through the insurer's reinsurance treaties and retrocession treaties," Graeme Newman, chief innovation officer at CFC Underwriting, said.

Though common, the exclusion rarely has been used.

In 2014, Atlantic Specialty Insurance denied coverage under the war exclusion for a claim that arose from a Hamas attack on Israel. Its insured, a television production company, was filming a show in Israel when Hamas fired rockets from Gaza into Israel. The shoot was relocated as a result of the attack, and the insured filed a claim for expenses incurred as a result of the move. In July, the U.S. Court of Appeals for the Ninth Circuit in California ruled that the attack did not trigger the war exclusion because Hamas is not a sovereign power.

Prior to that, the most well-known use of the war exclusion was in 1970, when Pan Am flight 83 was hijacked, diverted to Cairo and blown up. Pan Am filed a claim under its all-risks aviation policies. Its insurers denied the claim based on the war exclusion. In that case, the U.S. Court of Appeals for the Second Circuit ruled the war exclusion did not apply because the hijackers, the Popular Front for the Liberation of Palestine, were a radical political group rather than a sovereign government.

In the Mondelez case, Zurich will need to prove NotPetya was the work of a sovereign power.

The Event

To understand how the war, or hostile acts, exclusion comes into play, it is important to first understand the details of the NotPetya cyberattack.

On June 27, 2017—the eve of Ukraine's Constitution Day—a mock ransomware virus was inserted into a piece of accounting software called M.E.Doc, the Ukrainian equivalent of TurboTax, and unleashed through a software update. The virus, which became known as NotPetya, quickly spread beyond the borders of Ukraine.

It disrupted and disabled businesses around the world. Shipping giant Maersk, French construction company Saint-Gobain, British manufacturer Reckitt Benckiser, and FedEx subsidiary TNT Express were among the multinational companies inadvertently hit by NotPetya.

PCS, a Verisk company, labeled the attack the world's first cyber catastrophe. It caused $10 billion in global economic losses and, according to PCS estimates, $3 billion in insured losses.

Mondelez, Merck and other multinationals were not targets of NotPetya, however. They were collateral damage in what is widely believed to be a Russian military cyberattack on Ukraine.

In February 2018, both the U.S. and U.K. publicly attributed the attack to the Russian military. A month later, the U.S. issued sanctions against Russia, citing the country's responsibility for NotPetya as one of the reasons.

The White House said NotPetya was "part of the Kremlin's ongoing effort to destabilize Ukraine

"Asserting a war risk exclusion in theory makes perfect sense. In practice, developing the facts to establish it could be hard."

Alan Rutkin
Rivkin Radler

and demonstrates ever more clearly Russia's involvement in the ongoing conflict."

Russia has not claimed responsibility for NotPetya.

Legal Arguments

As with all exclusions, the burden of proof will fall on the insurer, according to Menapace.

"They're going to have to prove all of the things in that exclusion, which is going to get really interesting," he said. "The witness lists in these cases will be fascinating. It will be computer scientists, geopolitical experts, probably ex-military."

Zurich will need to show that the attack originated with a foreign country or its agents.

"The concept that cyber weapons could be used in war by one country to attack another is easy to accept," Rutkin said. "So the theory that cyber could be used by a nation's military against another nation as an act of war is very easy to grasp. The problem is, the facts are hard to come by. Cyber, unlike other acts of war, is generally in the shadows.

"So asserting a war risk exclusion in theory makes perfect sense. In practice, developing the facts to establish it could be hard. I'm not saying you can't do it, but it will be hard."

In this case, Zurich must prove NotPetya originated with the Russian government or its agents.

"Likely, the first thing they're going to do is say that the U.S. and U.K. governments have already implemented sanctions against Russian military and the agents of Russian military for their role in unleashing NotPetya," Menapace said.

Whether that's definitive proof, however, remains to be seen.

"It certainly is significant evidence," Rutkin said. "Whether it's found to be enough and whether it's found to be war or warlike activity is new ground. We'll have to wait and see."

The fact that NotPetya had no financial motive could be used to show the attack was purely for disruption rather than criminal gain.

"This was not ransomware," Menapace said. "This was just wiping out data."

Menapace said insurers will also point to the fact that Merck and Mondelez are not required to have been targets of the attack. "They are collateral damage, which is sufficient under the exclusion. That's what I think the insurers will come in and say."

Counter Arguments

The doctrine of reasonable expectation is a legal principle that says provisions of a contract should be interpreted based on how a reasonable person would interpret them.

Should Mondelez have expected a cyberattack to fall under the war exclusion?

"No doubt the policyholders will come in and say it is beyond reasonable expectation that an attack like this, which spread throughout the world, would be covered by a war exclusion," Menapace said.

Mondelez may have laid the foundation for that argument in its initial court filing, where it pointed out that the exclusion has never been applied to a malicious cyber event.

"The purported application of this type of exclusion to anything other than conventional armed conflict or hostilities was unprecedented," it said. "Accordingly, on this basis alone, Zurich wrongfully denied coverage."

Menapace expects semantics to play a role in the case.

"The policyholder will consistently use the term war exclusion," he said. "When we think of war, we think of bullets, tanks and planes. So the policyholders are likely going to call it a war exclusion every chance they get, and the insurance companies are likely going to refer to it as a hostile acts exclusion."

The insurance companies could counter that the plain meaning rule should be applied instead of the reasonable expectations test.

"They will say that what we should look at are the actual words of the policy," Menapace said.

The Verdict

Discovery in the Mondelez-Zurich case is slated to continue into next month, but a resolution may not come for months or years. And the case probably won't go to trial, experts say. With such high stakes—Mondelez claimed damages of $100 million—the parties likely will settle out of court.

"No one wants to take the risk of an all-or-nothing result," Menapace said.

Fred Eslami, associate director in AM Best's property/casualty rating division, said the insurance industry can't win, proverbially speaking, in this case.

"If this goes against Mondelez, it would be bad for the perception of insurance," Eslami said. "People are going to ask, 'What's the use of the coverage if these attacks could have some seed of war?'"

Eslami said the lawsuits illustrate the need for stand-alone cyber insurance policies rather than packaged ones.

"This was a property policy, and Mondelez is

Damage Control

When Mondelez sued Zurich American for denying a claim that arose from the 2017 NotPetya malware attack, the media world took notice. One mainstream news outlet called the Mondelez lawsuit a "test for cyber hack insurance." Another called the dispute a "cyber insurance shock."

The dispute, however, does not involve a cyber insurance policy. It involves a property policy. That important distinction, cyber insurers say, has been widely overlooked.

"People saw the word cyber and then saw the word insurance and assumed it was cyber insurance coverage," Jim Bramblet, who leads Accenture's North American insurance practice, said.

Misleading headlines and erroneous news accounts have given cyber insurance a bad rap and left cyber insurers doing damage control.

"The mainstream press were really quick to the party, and it's hugely frustrating for the cyber insurance market seeing how badly this event has been reported and how incorrectly it's been reported," said Graeme Newman, chief innovation officer at CFC Underwriting. "They've suggested it was the cyber insurance policy that wasn't responding, which couldn't be farther from the truth."

Experts say cyber policies responded to NotPetya claims.

"We are not aware of any [cyber insurance] claim that's been denied for NotPetya," Tracie Grella, global head of cyberrisk for AIG, said.

Zurich based its coverage denial on the war exclusion, a common provision which typically excludes losses arising from hostile or warlike actions taken by sovereign governments or their agents. Cyber insurance policies, however, don't use the traditional war exclusion.

Most cyber policies take into account the growing reality that cyberattacks are often state-sponsored, experts say.

"A good cyber policy has a carve-back on the war exclusion for cyberterrorism," said Willis Towers Watson's Dan Twersky, a claims advocate and global cyber claims leader, FINEX North America. "Cyberterrorism is the premeditated use of disruptive activities against a computer system or network by any individual, organization or government intending to cause harm and in furtherance of objectives—including political. That's not war, as we know it. And it's an important distinction."

Grella said cyber insurers revisited the war exclusion about five years ago. As cyberattacks evolved and state actors increasingly were alleged as perpetrators, cyber insurers recognized the traditional war exclusion was not right for their policies.

"We determined that there were some changes that needed to be made to the war exclusion in our cyber policies," Grella said. "These war exclusion changes align better to the way cyber events come about and are different from war exclusions you would find in more traditional policies like property and casualty."

The property policy Mondelez took out with Zurich contained a traditional war exclusion. So even though its policy provided some cyber coverage—specifically, it included "physical loss or damage to electronic data, programs, or software, including physical loss or damage caused by the malicious introduction of a machine code or instruction"—it was still a property policy with traditional property exclusions.

Grella said the Mondelez case illustrates the importance of reviewing policies with a "cyber eye."

claiming cyber exposure," Eslami said. "Which could be fair because the property policy does cover electronic data. But at the same time, the property coverage has this war exclusion, which is giving the insurance company reason to dispute this. A stand-alone cyber policy has a different set of exclusions. The reason you see the disparity is because this was a property policy."

There have been no coverage disputes on NotPetya claims made against stand-alone cyber insurance policies. Cyber insurance is intended to cover these types of attacks, including cyberterrorism.

"These cases are going to make companies conscious that, even if they have a policy that has some reference to data or software, it may not cover," Eslami said. "And you could have to go through expensive litigation. So you're better off devising a specific stand-alone cyber policy rather than trying to include it in the property coverage."

Menapace agreed.

"If there is a lesson to be learned," he said, "it's to not rely on finding silent cyber coverage in a non-cyber policy and, instead, to buy cyber policies, which paid out in the NotPetya attacks."

For more on the war exclusion, see page 21. BR

"If you're adding a nonphysical cover to traditional policies, just adding in the coverage doesn't mean that the rest of the policy works," she said. "Over the years, I've had clients tell me, 'I'm not buying a cyber policy because I have cyber coverage in my property policy.'

"If that's what you're really relying on, then you should be looking at that policy like it's a cyber policy, running your scenarios through that, and ensuring that all of the exclusions, all of the terms, all of the coverage grants work for what you're looking for.' "

"We are not aware of any [cyber insurance] claim that's been denied for NotPetya."

Tracie Grella
AIG

Newman said insurers should clearly delineate their stance on cyber coverage. Many, however, have been slow to update the language in their policies to reflect their intent.

"Language got left in property forms," Newman said. "People will say they have a cyber bolt-on. It's not, really. The language which is in some of these policies is from decades ago, when people were adding bits of cover for damage to software because if hardware was destroyed, you may have to re-buy software licenses. It wasn't drafted with the concept of today's cyberattacks in mind.

"There's been a lethargy about updating [the language]," he added. "The multiple $100 million claims that have been brought are going to speed that up and get rid of the lethargy."

AIG is among the insurers who have become very intentional in their approach to cyber coverage. Grella said the company has been revising its policy language to be specific about coverage.

"We want all of our clients to know where they have cyber coverage and where they don't," she said. "We offer the ability to purchase coverage and make sure there's affirmative language in the policy. If a client doesn't want to purchase that coverage, then we want to affirmatively exclude it.

"We are designing our policies so that clients can choose where they want to have the coverage and where they don't. If they're getting the coverage, it will be underwritten appropriately."

Accenture's Bramblet said the Mondelez lawsuit could ultimately benefit cyber insurers.

"For the cyber market, it's a good situation in that it makes people think about buying coverage that's appropriate for the risk and specific to the risk," Bramblet said. "I do think it will increase awareness for stand-alone cyber insurance coverage, just because insureds don't want to be in an ambiguous state."

The Opioids Reckoning

Liability insurers seek legal clarity as "unprecedented" opioid litigation draws in drug manufacturers, distributors and retailers.

by Jeff Roberts

Jeff Roberts is a senior associate editor. He can be reached at *jeff.roberts@ambest.com*.

The crisis started with a wonder drug. OxyContin was hailed as a breakthrough, the answer to the prayers of chronic pain sufferers.

The time-release painkiller was introduced in 1996, the same year a revolutionary shift occurred in American medicine. Pain was emerging as a "fifth vital sign," along with blood pressure, heart rate, breathing and body temperature, and treating it had become the next medical crusade.

OxyContin and other potent opioids soon flooded communities across America. The unprecedented epidemic of addiction that followed may finally be cresting more than two decades later, but only after unleashing a historic wave of overdose deaths and the meteoric rise of the deadly synthetic fentanyl.

"The opioid epidemic is the worst public health crisis in American history," said Nick Brindley, head of international property and casualty claims for Aspen Insurance.

Now the reckoning has come.

Nearly every state and 2,000 cities, towns, counties and Native American tribes have filed lawsuits against the manufacturers and distributors of opioids such as oxycodone and hydrocodone. They claim those companies fueled the crisis by strategically inundating communities with billions of pills, using deceptive marketing that concealed their highly addictive qualities and failing to control the flow of the powerful narcotics.

Those communities are suing companies throughout the opioid supply chain to recover the costs society has shouldered as a result of addiction. In turn, many of those manufacturers, distributors, pharmacy benefit managers and pharmacies have or will submit claims under their liability insurance.

Carriers eagerly await legal clarity as the first landmark cases come to trial that could determine their exposure and potential losses.

"What we're seeing here is somewhat unprecedented, where you have communities seeking economic recoverables for addiction," said Nancy Bewlay, global chief underwriting officer, long tail lines, Axa XL. "It's very hard to know what that industry loss would be because we're seeing each community is affected differently.

"What's unique here is you don't have, in general, individuals bringing forth claims for their bodily injury. You have communities coming forward as a group for financial recovery for the damages caused by addiction. It's unique territory. It's new ground."

Key Points

Litigation Wave: Nearly every state and 2,000 cities, towns and counties have filed lawsuits against the manufacturers and distributors of opioids.

Legal Clarity: Liability carriers eagerly await legal clarity as the first landmark opioid cases come to trial and could determine their exposure and potential losses.

Epidemic: More than 2 million Americans are addicted to opioids.

Landmark Cases

The first bellwether case that could determine how much responsibility drug companies bear concluded in July. A judge was expected to decide by the end of August if the state of Oklahoma was entitled to $17 billion over 30 years from health care giant Johnson & Johnson.

A potentially more influential trial is scheduled for October, when two Ohio counties try the first case among the consolidated lawsuits brought by those 2,000 communities. They are seeking billions to address the epidemic.

Barring a settlement, lawyers for the counties will argue that a range of defendants from manufacturers Purdue Pharma—the maker of OxyContin—and Mallinckrodt, distributors McKesson, Cardinal Health and AmerisourceBergen, and even retailers Walgreens and Walmart created a "public nuisance" by saturating the region with opioids. Like Oklahoma, they seek funds for treatment, emergency aid and prevention.

"Whatever they determine in that case will be used as case law for future cases," said Greg Spore, managing director for Marsh JLT Specialty. "It's certainly not going to end these ongoing litigation concerns, but it could be instructive and used as a guide for future litigation, depending on liability. Stakeholders are looking at that as a case that could be impactful.

"How much are the distributors liable? How much are the PBMs liable? How much are pharmacies?"

Billions of dollars are potentially at stake for liability insurers, whether drugmakers and distributors go to trial or settle. The White House Council of Economic Advisers estimated the cost of the opioid crisis just for 2015 was $504 billion.

Many carriers have raised coverage defenses against these claims, submitted primarily under commercial general liability policies. They argue that these lawsuits claim damages for economic harm, not for the bodily injury, property damage and product liability they cover.

Such defenses have resulted in coverage litigation in a few states. Thus far, the courts have largely ruled against insurers, but they have won in a few select cases.

Other opioid-related claims have been filed under directors and officers liability, professional errors and omissions policies, health care liability and medical malpractice—with opioid prescriptions having become the leading cause of medication malpractice claims for medical professional liability writers, according to AM Best.

"There's growing litigation concerns and a lot of uncertainty regarding the outcomes here, certainly with respect to timing and size," Spore said.

Meanwhile, the industry has largely changed the way it writes new liability coverage for businesses in the opioid supply chain, including adding exclusions, reducing coverage limits and raising rates. (See sidebar.)

Although insurers declined to discuss their specific situations, opioid-related litigation cuts across the industry landscape, touching insureds of all sizes and geographies. And those companies are submitting claims across multiple lines.

"Historically, many drug manufacturers have anchored their coverage in the Bermuda market with those active Bermudian insurers," Brindley said. "However, the opioid epidemic and litigation has reached beyond the stalwart drug companies, and ensnared even larger, retail stores that have a pharmacy department, as well as small, individual-owned pharmacies.

"Therefore, just as the geographical location and economic size of the defendants present the broadest mixture of exposures, so too do the insurers of these entities present a wide, geographical mixture, as well as a broad range from the small, regional insurer to the expected multinational companies."

The situation becomes even more complex as some companies settle lawsuits and others elect for a trial despite facing the same allegations.

Earlier this year, Purdue and Teva Pharmaceuticals reached settlements with Oklahoma for $270 million and $85 million respectively.

"When you have settlements and you have companies going to trial, it sends an inconsistent message to the market and to the legal system," Bewlay said. "This is a reflection of how complicated the opioid litigation is, whereby you have major companies taking different positions. There's a lot of gray area. I would even say it's messy.

"Who is responsible for this? That's what society is asking right now. That's why you're going to continue to see these lawsuits."

"What we're seeing here is somewhat unprecedented, where you have communities seeking economic recoverables for addiction. It's very hard to know what that industry loss would be because we're seeing each community is affected differently."

Nancy Bewlay
Axa XL

Blame Game

More than 2 million Americans are caught in the web of opioid addiction.

Fatal overdoses involving opioids claimed nearly 400,000 lives between 1999 and 2017, according to the Centers for Disease Control and Prevention—including a record 47,600 just in 2017. Many became hooked after taking painkillers prescribed for chronic conditions or even following car accidents, gym injuries and dental procedures.

When access was tightened, users shifted to the pills' chemical cousins—heroin and fentanyl.

Manufacturers argue that their industry is highly regulated and the FDA approved the manufacture and sale of these painkillers. Distributors contend they supply prescriptions written by doctors and have consistently shared sales data with the Drug Enforcement Agency.

"Everybody in the supply chain is susceptible to these lawsuits that we're seeing," Bewlay said. "And since these are unprecedented lawsuits, it's hard for us to know which one of the industry groups within the supply chain are actually exposed to some type of third-party recoverable.

"So from our perspective, it's unclear. You can really see somewhat of an aggregation potential should there be liability found."

The bellwether cases could establish precedent—and encourage others to litigate.

"It's concerning in that we're seeing the intention of our coverage really be challenged from a liability perspective," Bewlay said. "The coverage we provide the industry is not looking at the unintended utilization of a drug or criminal activity.

"The lawsuits being put forward really seek coverage for unintended utilization of a drug. From an underwriting perspective, it's very difficult to underwrite that exposure. And then in some cases you're also seeing punitive-type damages awards, which are very difficult to predict."

For liability insurers, the central issue in commercial general liability policies is language obligating coverage for bodily injury or property damage caused by an "occurrence."

Policies can differ, but they are generally consistent in defining an occurrence as "an

Insurers Demand Exclusions Along Opioids Supply Chain

The manufacturer of two branded opioid products saw its insurance coverage slashed in half.

The company—a client of Marsh JLT Specialty—once carried $600 million in directors and officers liability limits—$300 million for indemnifiable claims and $300 million for non-indemnifiable claims.

At the July 1 renewal, the manufacturer's limits were cut to $150 million and $190 million respectively, said Greg Spore, managing director, Marsh JLT Specialty.

Its deductible rose from $10 million to $20 million.

Its premiums essentially doubled despite significantly less coverage. And an absolute opioids exclusion was added.

The manufacturer's policy is just one example of the change in liability coverage wrought by opioids litigation.

"What we're seeing is carriers want to add a specific circumstance exclusion, or a specific litigation exclusion or even an absolute exclusion in addition to policy language," Spore said.

"Many manufacturers are seeing the addition of an absolute opioid exclusion."

To protect themselves amid a wave of opioids-related litigation from states and communities, many carriers have modified their underwriting and policy language over the past three years.

They are raising premiums, reducing limits and imposing exclusions on drugmakers, distributors and others in the supply chain.

Insurers are reducing their risks in new policies and renewed coverage, despite professing confidence that they are not responsible for damages stemming from the unintended use of opioids or criminal activity.

Axa XL for one has insisted on exclusions for the unintended use of opioids for the past two-plus years.

"You start to rewrite coverages when you can't predict how the legal system will respond," said Nancy Bewlay, global chief underwriting officer, long tail lines, Axa XL. "Especially when the legal system starts to respond differently than we would have anticipated or differently than where we see liability.

"What we are trying to do is craft language that is very clear and says we cover the intended use of opioids, not the unintended use. We don't cover addiction. At times our clients accept that, and at times they do not."

Bewlay says not all insurers have added exclusions.

Clients that decline to renew coverage with Axa XL due to those exclusions have found coverage with other carriers that have yet to refine their policy language, she said.

But observers have witnessed price hardening in certain sectors due in part to opioid-related litigation.

Insurers will remain mindful of their policyholders and will assist in cases of individual injury caused by an insured's verifiable wrongful conduct.

But the industry is not designed to fund the costs of generalized, social harm, said Nick Brindley, head of international property and casualty claims for Aspen Insurance.

"If insurers are forced to fund the cost of societal change, without proof of individual harm or individual culpability of particular defendants, then this could have two devastating results," Brindley said.

The first would be creating precedent for using insurance policies as a mechanism to fund societal solutions for social problems "far beyond the pricing or purpose of insurance," he said.

The second is if that does occur, insurance proceeds would be "not available later to help either defend against or compensate the true individual harms and injuries that the policies were intended to address," Brindley added.

"Whatever they determine in that case will be used as case law for future cases. It's certainly not going to end these ongoing litigation concerns, but it could be instructive and used as a guide for future litigation, depending on liability. Stakeholders are looking at that as a case that could be impactful."

Greg Spore
Marsh JLT Specialty

accident, including continuous or repeated exposure to substantially the same general harmful conditions." Insurers contend manufacturers and distributors intended to sell opioids, so they engaged in intentional, not accidental, conduct.

They also argue that the states and communities are suing for economic loss sustained due to addiction and overdoses, not individual compensation for bodily injury.

"Whether such governmental, social expenses are covered under liability policies will be a key topic of dispute," Brindley said, "as well as the ability of certain companies to obtain insurance for business processes that many knew were under government scrutiny for years prior to the litigation unfolding."

Furthermore, industry observers say any intentional misrepresentation of the risk opioids pose does not qualify as an accidental event that CGL and product liability policies are held to cover.

For instance, three Purdue executives pleaded guilty to misconduct in 2007 in federal court, admitting they misled doctors and consumers regarding the addiction risks of OxyContin. "Many of the opioid claims are not rooted in unexpected or accidental causes, but in allegations that the business scheme of the defendants went exactly as planned," Brindley said, "and that the defendants wrongfully profited from misleading the public.

"To the extent any liability becomes attached to such allegations of intentional business conduct, this is the type of liability that would typically fall outside of the 'occurrence' coverage of many liability policies."

And some insurers view the abuse of legally dispensed, regulated drugs as misuse of the product—and not covered.

"The key phrase for us is what was the intended use of that product?" Bewlay said. "We only underwrite the intended use of the product."

However, courts have sided against insurers in most cases. They have rejected carriers' occurrence defense, citing the plaintiffs' allegations that negligent conduct is involved, therefore it is damage caused by an "occurrence."

And legal precedent has found bodily injury encompasses economic harm incurred by caring for those who overdosed or suffered other adverse effects due to addiction.

The few exceptions in which courts have ruled for insurers involved specific allegations at issue or state statutes.

"It's developing," Bewlay said. "It will be determined through the courts and through the trial system because it is so unusual. It's not something that as an insurance company, you can easily settle."

D&O, E&O Claims

Opioid-related claims have also been triggered under directors and officers policies and errors and omissions coverage.

Each generally covers losses stemming from a wrongful act, such as neglect, breach of duty, omission or misstatement or misleading statement that occurs in running a company or performing professional services. However, D&O carriers dispute claims alleging bodily injury.

A range of defendants with differing proportional shares of liability complicates the already complex litigation.

"It could take a long time for things to settle out. It's a very long-tail business," Marsh JLT Specialty's Spore said. "In most cases, all of the big distributors have already been sued and many have reported claims under the D&O policy.

"Now whether they will ultimately pay out or not is unknown."

There are two general types of lawsuits involving D&O insurance and public companies, according to Spore.

The traditional securities class-action suit involves shareholders suing a company for negligence after its stock loses value due to alleged poor management. And derivative lawsuits involve shareholders suing on behalf of the company against directors and officers, seeking damages for their alleged wrongdoing.

Derivative suits increasingly concern those in the D&O space as settlements and judgments rise. McKesson is an example of a defendant in an opioids-related derivative suit, according to Spore.

"It is concerning underwriters," he said, emphasizing that McKesson is not a Marsh client. "The basic allegations are that they maximized short-term profits over safety and failed to implement a controlled substance monitoring program. Discussion among underwriters is that it could be a $100 million-plus derivative settlement, which is definitely scaring the D&O underwriting community."

The Next Tobacco?

The crisis may finally be abating.

Drug overdoses declined about 5% nationally in 2018 from record highs, according to provisional data released in July by the CDC. A drop in prescription opioid deaths is largely responsible for the first significant decline since the 1990s.

But an unknown remains for insurers as litigation continues to move forward against companies in the opioid supply chain.

Many observers compare the lawsuits to the Big Tobacco litigation of the 1990s. There are parallels.

The largest tobacco companies agreed to pay 46 states $206 billion over 25 years in the landmark 1998 settlement.

But there are major differences as well. There were only four Big Tobacco companies involved in that settlement, unlike the spectrum of opioid defendants. And tobacco was a much bigger industry in terms of annual sales, selling products that provide no health benefits.

"Everybody always thinks about what's the next latent mass-action suit? What's the next asbestos?" Axa XL's Bewlay said. "What can go through a portfolio horizontally because some type of causation was found?"

Much remains unclear for liability insurers. But most agree that any opioids-related resolution is a long way off.

"We're going to have to watch trial by trial," Bewlay said. "Opioid litigation is going to go on for quite some time." BR

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BIG ANNOUNCEMENT: Pennsylvania Attorney General Josh Shapiro speaks at a press conference in 2018, calling for the statute of limitations to be re-opened for victims of childhood sexual abuse.

Photo Credit: AP Photo/Marc Levy

Opening the Door

Insurers are concerned as states are changing or reconsidering laws allowing child sex abuse victims to sue.

by Timothy Darragh

The explosive 2018 grand jury report detailing sexual abuse of children by hundreds of priests in Pennsylvania tore open old wounds for some victims and created a healing environment for others.

It also sent an ominous message to churches, schools, other organizations that serve children and the general liability insurers that cover those groups: Get ready to pay.

After the report revealed more than 300 priests had abused an estimated 1,000 youths over the years in six dioceses across Pennsylvania, church leaders faced with a public relations nightmare could no longer hide behind the state's statute of limitations. The law prohibits childhood abuse victims from filing civil suits past the age of 30, an age long before many victims came to terms with their abuse.

In each of the six dioceses, the church established settlement funds outside the court system that are funded with savings, proceeds from the sale of assets and insurance payouts—sums many insurers likely had not figured on paying.

But while Pennsylvania may have garnered the biggest headlines, a possibly greater fallout from the grand jury report is reaching across the country.

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

Key Points

What's Happening: Recent news reports are shining a light on cases of sexual abuse of children.

The Fallout: In state after state, lawmakers are reconsidering laws that barred victims from suing, and instead are opening the possibility of new lawsuits for abuses that occurred decades ago.

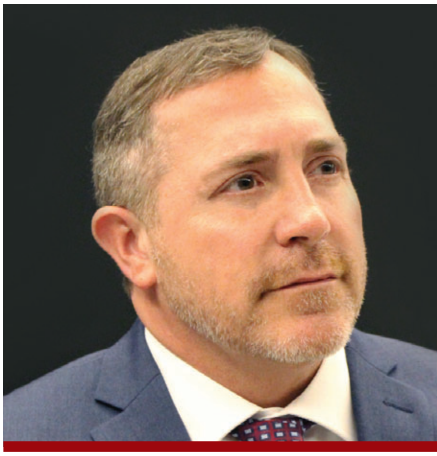
The Upshot: Organizations and their insurers may be responsible for potentially huge new claims they may not be prepared to cover.

In state after state, lawmakers are reconsidering laws that barred victims from suing, and instead are opening the possibility of new lawsuits for abuses that occurred decades ago.

There is, of course, no comparison between the decades of solitary suffering some abuse victims have endured and the financial losses sustained by policyholders and their insurers.

Still, a combination of extraordinary events has created a unique moment in which dozens of states are considering or moving to reopen a long-closed door to civil litigation for abuse survivors. Those events include the grand jury report, scandals involving abusive doctors such as Larry Nassar at Michigan State University and the sexual assault allegations against movie mogul Harvey Weinstein.

Consider: Eighteen states and the District of Columbia have new laws this year giving childhood



In state after state, lawmakers are reconsidering laws that barred victims from suing. "It's kind of a game changer. Insurers' actuaries will need to think about how they will be accounting for the financial consequences resulting from this legislation."

Greg Irons
Aspen Insurance

sex abuse victims decades more time to file civil lawsuits, according to Child USA, a victim advocacy group. Five of them also are allowing victims whose cases had been time-barred to reopen a "window" on their statutes of limitation, it said. Two of those states are heavily Catholic New York and New Jersey, which are opening windows on Aug. 14 and Dec. 1, respectively.

In all, more than three dozen states saw statute of limitation reform bills introduced this year, Child USA said.

"This is a really active moment," said Marci Hamilton, the organization's chief executive officer.

Lawmakers, she said, are coming to understand that childhood sex abuse is wrapped in shame and confusion, and often cannot be acknowledged by victims until much later in life.

"It's just unlike any other crime," Hamilton said, saying victims generally begin to face their abuse in their 50s.

While some of the statute of limitations bills failed, supporters of the measures come back again, as in the case of Pennsylvania, where the senate majority leader last year blocked a reform bill that had bipartisan support in the House. A new proposal calls for amending the state constitution and has again passed the House.

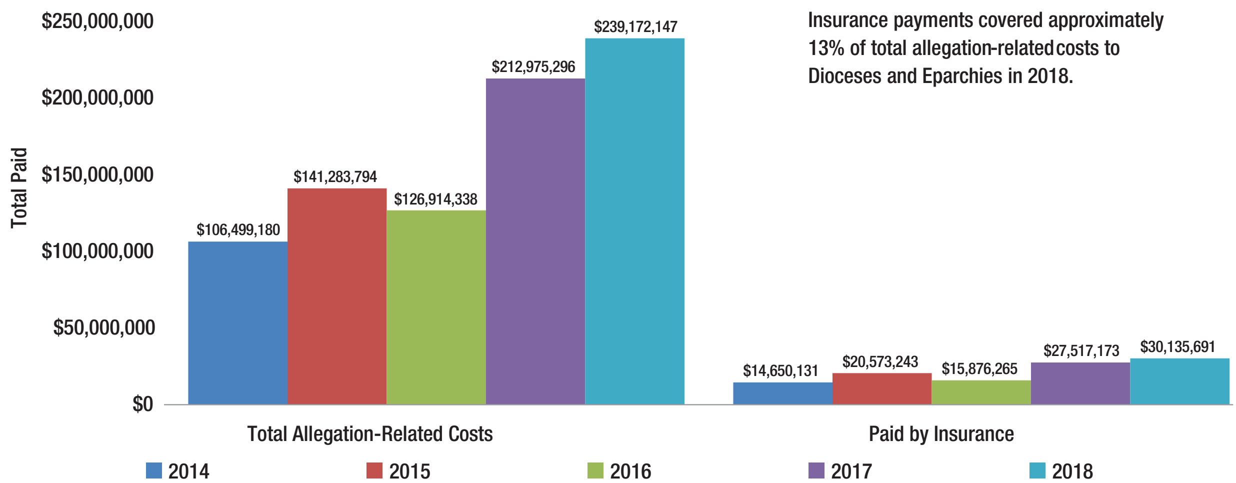
The upshot for the organizations and their insurers is that they will be responsible for potentially huge new claims they may not be prepared to cover.

"That's moving the goal line completely, and it was likely done to increase the pool of insurance funds that these plaintiffs would be able to draw from," said Greg Irons, Aspen Insurance senior vice president, casualty claims. "It's kind of a game changer. Insurers' actuaries will need to think about how they will be accounting for the financial consequences resulting from this legislation."

"I think there are a lot of carriers that should worry about that," said Pamela Davis, president and chief executive officer of the Nonprofits Insurance Alliance.

It's not just the Catholic Church and its insurers at risk, Davis said. Scouts BSA, formerly the Boy Scouts

Proportion of Total Allegation-Related Costs Paid by Insurance: Dioceses and Eparchies



Source: 2018 Annual Report on the Implementation of the Charter for the Protection of Children and Young People Annual Survey of Allegations and Costs, 2014-2018 of America, is facing the threat of bankruptcy as it battles in courts with insurers resisting claims that they are responsible for covering settlements with hundreds of former scouts.

Experience has shown that when states seek to open windows on their statutes of limitation, also called reviver bills, the financial impact can be significant.

Minnesota lawmakers opened a three-year window for victims beginning in 2013 and four Catholic dioceses filed or are planning to file for bankruptcy as a result.

According to a report issued by Catholic bishops in June, insurers paid $30 million of the costs related to allegations of abuse from July 1, 2017 to June 30, 2018 for the entire United States.

But in recent months, insurers for the rural Minnesota diocese of New Ulm tentatively settled its bankruptcy case by paying almost as much, $26 million, to victims of child sex abuse there.

The Archdiocese of St. Paul and Minneapolis fought its insurers over coverage for three years until it reached a $210 million bankruptcy settlement last year. Insurers in that case were liable for $170 million of the $210 settlement, or 80%, the archdiocese said.

It's impossible to know how much settlements and lawsuits have cost the church's insurers over recent decades. According to the website *bishop-accountability.org,* from 1986 through 2011, a lowball estimate of settlements with victims was more than $3 billion.

Even where reviver laws are not adopted, dozens of states are considering or have enacted laws giving victims more time to decide whether to sue.

Take, for example, Tennessee. There, under its former law, a civil suit based on child sexual abuse could not be filed after the individual reached age 25. In certain cases, the injured person had to offer "admissible and credible evidence corroborating the claim," according to a summary of the state's new statute of limitations law.

Gov. Bill Lee signed an expansion law earlier this year, so as of July 1, Tennesseans can sue up to age 48, it said. In the alternative, individuals who "discover" their abuse as adults have three years from that time to file suit, it said.

The measure also removes the former law's requirement for corroborating evidence.

In another example, Washington lawmakers this year eliminated the statute of limitations for the most serious sex crimes against children, and extended limits for older victims to as much as 20 years.

The pending claims put insurers in a delicate position of arguing the fairness of having to pay out claims for which they have not been reserving, while being respectful of victims.

"The horrors of child abuse greatly outweigh insurance fiscal solvency and soundness issues," said Sam Marshall, president and chief executive officer of the Pennsylvania Insurance Federation. "Nonetheless, those are issues that need to be addressed."

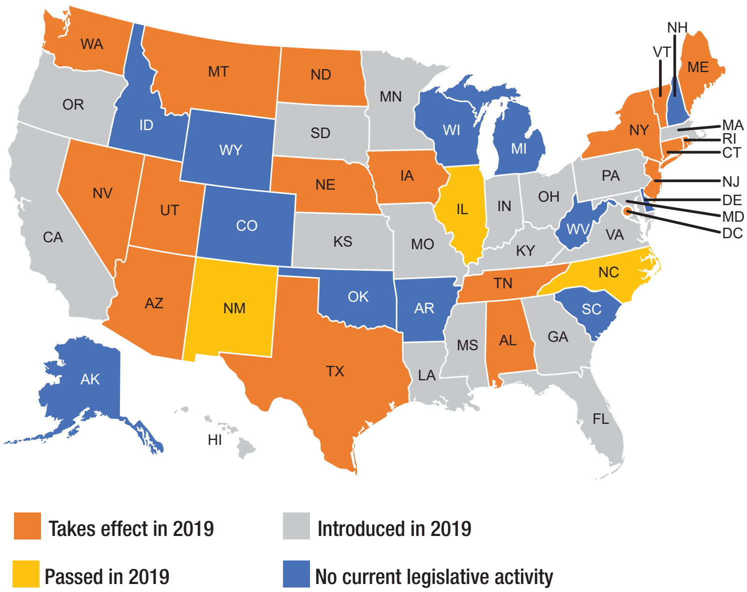
The federation supports victim compensation funds that can quickly pay negotiated claims handled by a third-party administrator, a process being done in states including Pennsylvania, New Jersey, Colorado and California, Marshall said.

Allowing "retroactive liability," Marshall said, without having collected the premiums to pay on the claims is "a recipe in the insurance world for fiscal instability. That's not fair to our policyholders, claimants, anybody."

An effective justice system also holds those responsible for bad behavior accountable, said Robert Gordon, senior vice president, policy development and research for the American Property Casualty Insurance Association. Litigating cases now, when some alleged perpetrators might be long dead, isn't going to hold anyone accountable, Gordon said.

"What we're trying to avoid is retroactive changes

Recent Legislative Activity — Statutes of Limitations for Child Sexual Abuse Cases



Notes: Governor of New Mexico vetoed bill that had passed legislature.
Colors represent status of legislative activity; laws vary widely by state.
Source: https://www.childusa.org/2019sol/

that don't hold people accountable and essentially try to transfer the burden to other parties," he said.

Insurers are understandably reticent to speak publicly about the issue. Officials at Catholic Mutual Group, the National Catholic Risk Retention Group, the National Association of Mutual Insurance Companies and others declined to comment for this story.

Travelers also declined to discuss the matter, outside of reporting in its first quarter earnings report that it was pumping up reserves to cover pre-2009 claims, following the passage of New York's reviver legislation in February.

The company's business segment's first-quarter income fell due in part to $21 million of unfavorable net prior-year reserve development compared with net favorable prior-year development of $66 million, it reported.

Travelers would have reported a net favorable reserve development but for the adoption of the reviver law, Chief Financial Officer Dan Frey said on the earnings call. Executives at CNA and Chubb also reported possible impacts from revived claims.

The exposure of certain insurers covering churches and schools in states like New York is a concern, said AM Best Senior Financial Analyst Vicky Riggs. In June, AM Best downgraded its Long-Term Issuer Credit Rating to "a" from "a+" for New York Schools Insurance Reciprocal, an insurer that only serves schools in New York state, because of the passage of the reviver law.

"There are hundreds of thousands of teachers that are active and retired and even if only a few committed abuses against children years ago, the law now opens the door for a surge in claims activity and potentially costly litigation," she said.

"The one-year lookback is specifically problematic because victims of any age going back 50 years can seek damages against alleged abusers—and they could be deceased."

New York's dioceses have settlement funds that bypass the courts, but also look to insurers to pay on claims they cannot verify. "How do companies reserve for that much uncertainty?"

Vicky Riggs
AM Best

In addition, New York's dioceses have settlement funds that bypass the courts, but also look to insurers to pay on claims they cannot verify, she said. The New York Archdiocese alone reported that it has paid out $65 million as of April to settlement participants.

"How do companies reserve for that much uncertainty?" Riggs said.

The archdiocese now is in court with 30 insurers, demanding they cover claims in settlement funds and lawsuits that will arise while its "window" is open to long-ago victims.

Hamilton says the insurance industry has been "the primary barrier" to reopening statutes of limitation, adding that when it's happened, institutions like the church and its insurers took a hit, but didn't close their doors. California opened a window in 2003 and victims filed about 1,150 claims, she said.

"We're not talking about an avalanche of claims," Hamilton said. "There is a lot of sky-is-falling rhetoric coming from the insurance industry."

APCIA's Gordon said the insurance industry has seen bigger threats to its financial health but is concerned about the next scandal that opens the doors to unforeseen claims on insurance reserves.

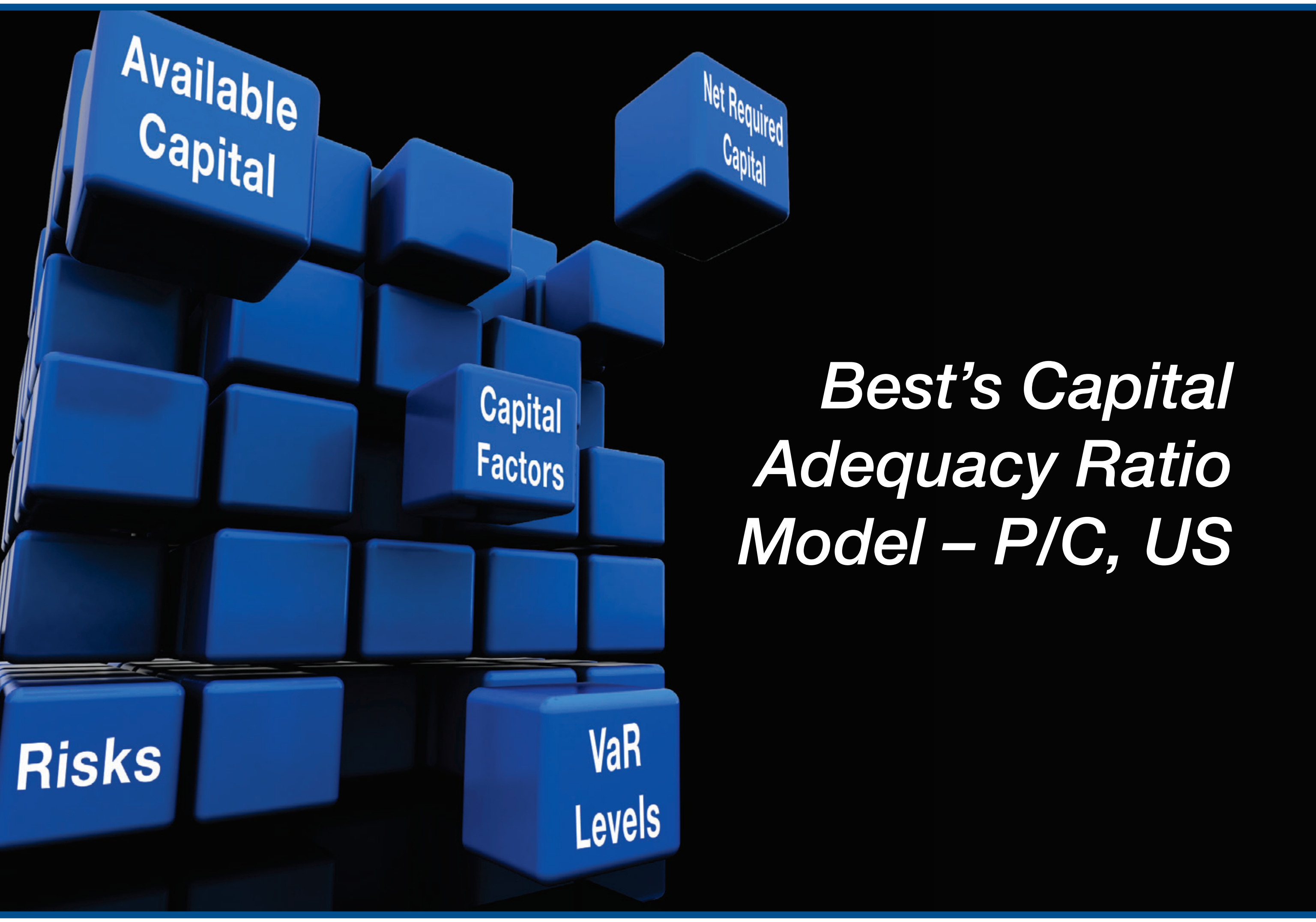
"This doesn't rise to the level of Superfund or asbestos or 9/11, but it is a significant threat and has precedential implications," he said. "Insurance really only works if you have a legal system that provides a reasonable amount of consistency and predictability."

Without that, he said, "That's going to severely undermine the insurance industry." BR

AMBestTV

Go to *www.bestreview.com* to watch AM Best analysts discuss their *Best's Commentary* report *Expanding Child Victim Compensation Laws Could Adversely Affect Insurers.*

How does your capitalization stack up?



Use the same capital model AM Best uses to assess property/casualty insurers' capitalization levels across risk categories.

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Best's Rankings

Top 50 World's Largest Reinsurance Groups

Ranked by unaffiliated gross premiums written in 2018.

(USD Millions)[1]

		Reinsurance Premiums Written							
		Life & Non-Life		Non-Life only		Total	Ratios[3]		
Ranking	Company Name	Gross	Net	Gross	Net	Shareholders' Funds[2]	Loss	Expense	Combined
1	Swiss Re Ltd.	36,406	34,042	20,864	20,220	28,727	74.2	32.4	106.6
2	Munich Reinsurance Company	35,814	34,515	23,395	22,570	30,336	65.2	34.2	99.4
3	Hannover Rück SE[4]	21,952	19,791	13,709	12,368	10,923	66.9	29.5	96.4
4	SCOR S.E.	17,466	15,773	7,069	6,115	6,672	66.5	32.8	99.3
5	Berkshire Hathaway Inc.	15,376	15,376	9,930	9,930	352,500	88.6	21.9	110.4
6	Lloyd's[5,6]	14,064	9,926	14,064	9,926	34,846	72.2	33.8	106.0
7	China Reinsurance (Group) Corporation	11,564	10,681	3,942	3,809	12,689	58.0	40.9	98.8
8	Reinsurance Group of America Inc.	11,341	10,544	N/A	N/A	8,451	N/A	N/A	N/A
9	Great West Lifeco	7,737	7,647	N/A	N/A	20,096	N/A	N/A	N/A
10	Korean Reinsurance Company	6,803	4,786	5,972	4,058	2,014	83.7	17.8	101.5
11	General Insurance Corporation of India[7]	6,582	5,684	6,503	5,611	7,932	88.4	16.9	105.3
12	PartnerRe Ltd.	6,300	5,803	5,065	4,592	6,517	73.7	28.1	101.8
13	Everest Re Group Ltd.	6,225	5,706	6,225	5,706	7,904	86.6	26.3	113.0
14	XL Bermuda Ltd.	5,219	4,135	5,002	4,124	9,698	80.6	32.2	112.8
15	Transatlantic Holdings, Inc	4,451	3,969	4,451	3,969	4,724	72.8	32.6	105.4
16	MS&AD Insurance Group Holdings, Inc.[7,8]	3,657	N/A	3,657	N/A	25,058	N/A	N/A	N/A
17	RenaissanceRe Holdings Ltd.	3,310	2,132	3,310	2,132	5,045	56.7	30.9	87.6
18	R+V Versicherung AG[9]	3,231	3,164	3,201	3,146	2,461	73.8	25.3	99.1
19	MAPFRE RE, Compania de Reaseguros S.A.[10]	3,215	2,654	2,602	2,045	1,910	71.6	26.7	98.3
20	AXIS Capital Holdings Limited	3,112	2,334	3,112	2,334	5,030	69.8	28.6	98.4
21	Arch Capital Group Ltd.[11]	2,648	1,977	2,648	1,977	10,231	70.0	27.6	97.6
22	The Toa Reinsurance Company, Limited7[,8]	2,557	2,205	2,557	2,205	1,623	82.9	26.6	109.5
23	Assicurazioni Generali SpA	2,199	2,199	935	935	28,210	65.2	26.1	91.3
24	Sompo International Holdings, Ltd.	1,996	1,573	1,996	1,573	6,967	64.9	32.2	97.1
25	Pacific LifeCorp	1,981	1,981	N/A	N/A	13,072	N/A	N/A	N/A
26	Qatar Reinsurance Company, Limited	1,842	971	1,842	971	2,190	68.2	35.7	104.0
27	IRB - Brasil Resseguros S.A.	1,795	1,313	1,396	928	1,031	45.3	30.6	76.0
28	Taiping Reinsurance Co. Ltd[8]	1,731	1,049	1,126	960	1,032	59.4	39.2	98.7
29	Odyssey Re Holdings Corp.	1,702	1,595	1,702	1,595	4,016	57.6	32.4	89.9
30	Tokio Millennium Re AG	1,626	1,179	1,626	1,179	1,257	58.6	36.4	95.0
31	Caisse Centrale de Reassurance	1,569	1,437	1,399	1,271	2,817	86.6	10.5	97.2
32	Aspen Insurance Holdings Limited	1,496	1,183	1,496	1,183	2,656	73.8	30.2	104.0
33	Validus Reinsurance, Ltd.	1,432	951	1,432	951	3,259	81.9	36.8	118.7
34	Peak Reinsurance Company Ltd	1,382	991	1,313	924	965	72.3	30.6	102.8
35	Sirius International Insurance Group, Limited	1,367	1,037	1,367	1,037	1,938	71.9	27.4	99.3
36	Deutsche Rueckversicherung AG	1,269	834	1,186	797	321	65.3	31.7	97.0
37	QBE Insurance Group Limited	1,058	920	1,058	920	8,400	62.2	27.6	89.8
38	Markel Corporation	1,051	882	1,051	882	9,100	78.9	33.8	112.7
39	American Agricultural Insurance Company[12]	992	321	992	321	580	82.2	21.2	103.4
40	Qianhai Reinsurance Co., Ltd.	967	537	315	216	410	65.2	37.7	102.9
41	Hiscox Ltd	812	241	812	241	2,317	84.7	29.4	114.1
42	African Reinsurance Corporation	797	681	745	631	917	61.7	36.2	97.9
43	Chubb Limited	722	671	722	671	50,312	71.5	30.3	101.8
44	Allied World Assurance Company Holdings, AG	713	649	713	649	2,817	66.8	27.3	94.1
45	Nacional de Reaseguros, S.A.	650	516	546	413	395	62.4	30.5	92.9
46	Third Point Reinsurance Ltd	578	558	578	558	1,205	70.6	36.2	106.8
47	Argo Group International Holdings, Ltd	572	160	572	160	1,747	66.5	16.8	83.2
48	Greenlight Capital Re, Ltd.	568	465	568	465	478	71.6	33.6	105.1
49	ACR Capital Holdings Pte, Ltd.	548	479	548	479	784	74.4	38.5	112.9
50	W.R. Berkley Corporation	545	480	545	480	5,480	68.7	37.7	106.4

1 All non-USD currencies converted to USD using foreign exchange rate at company's fiscal year-end.

2 As reported on balance sheet, unless otherwise noted.

3 Non-Life only.

4 Net premium written data not reported; net premium earned substituted.

5 Lloyd's premiums are reinsurance only. Premiums for certain groups in the rankings may include Lloyd's Syndicate premiums when applicable.

6 Total shareholders' funds includes Lloyd's members' assets and Lloyd's central reserves.

7 Fiscal year-end March 31, 2019.

8 Net asset value used for total shareholders' funds

9 Ratios are as reported and calculated on a gross basis.

10 Premium data excludes intergroup reinsurance.

11 Based on Arch Capital Group Ltd. consolidated financial statements and includes Watford Re segment.

12 Data and ratios based on US Statutory Filing.

N/A: Information not applicable or not available at time of publication.
Source: AM Best data and research

Best's Rankings

Top U.S. Life/Health Insurers

U.S. Life/Health – 2018 Ordinary Life Average Policy Size and Lapse Ratios

Ranked by 2018 ordinary life business issued.

2018 Rank	2017 Rank	Company/Group	AMB#	Ordinary Life Issued ($000)	Average Policy Issued 2018	2017	2016	2015	2014
1	1	Northwestern Mutual Group	069515	$157,118,849	$487,848	$480,903	$459,461	$434,986	$432,821
2	3	Prudential of America Group	070189	100,017,784	692,409	519,244	538,882	565,128	603,669
3	2	New York Life Group	069714	98,145,249	301,480	299,506	288,464	290,812	296,628
4	4	Primerica Group	070183	84,742,899	304,378	295,939	292,686	293,977	296,075
5	7	AIG Life & Retirement Group	070342	82,306,982	512,810	469,168	471,856	446,310	407,327
6	6	Massachusetts Mutual Life Group	069702	81,366,741	617,903	539,359	427,397	553,090	606,205
7	5	State Farm Life Group	070126	79,556,619	139,471	138,400	132,203	134,306	130,465
8	8	Lincoln Finl Group	070351	73,258,533	691,053	606,706	385,948	548,969	542,792
9	12	Protective Life Group	069728	61,358,539	488,749	533,454	528,239	508,917	465,759
10	10	Legal & Gen America Group	069539	58,512,029	581,041	592,218	586,406	514,784	551,557
11	9	Principal Finl Group Inc.	020516	51,928,680	1,033,078	974,796	946,342	992,055	1,064,171
12	13	John Hancock Life Insurance Group	069542	42,596,821	1,028,934	1,121,371	1,108,302	1,026,137	1,037,635
13	17	Pacific Life Group	069720	41,329,703	741,646	806,492	876,618	950,906	938,243
14	11	Aegon USA Group	069707	40,871,880	160,178	174,857	181,074	184,851	184,650
15	14	Torchmark Life Group	070443	37,276,034	21,269	20,919	21,538	21,938	22,033
16	16	Guardian Life Group	069685	34,160,988	832,647	823,756	791,720	742,571	709,044
17	15	Allstate Life Group	070106	33,430,976	198,637	197,444	203,145	177,882	111,318
18	21	Natl Life Group	069953	31,760,818	320,263	298,299	290,355	281,215	273,747
19	18	Mutual of Omaha Group	070203	27,837,661	61,868	69,000	90,219	87,472	46,053
20	19	USAA Life Group	070364	26,428,284	403,098	400,425	383,912	378,470	386,618
21	22	Nationwide Mutual Life Group	070822	24,094,675	465,616	430,602	387,113	351,237	335,915
22	23	AXA Equitable Group	070194	22,465,848	744,593	714,472	718,050	720,675	745,595
23	20	Sammons Enterprises Group	070533	22,173,823	373,517	361,305	339,064	334,374	342,900
24	26	Penn Mutual Group	069722	21,478,975	804,305	771,295	701,577	617,674	502,706
25	25	Securian Finl Ins Group	069565	20,773,360	668,040	701,401	712,240	706,696	664,627
		Total U.S. L/H Stock Cos		**$1,003,087,808**	**$146,949**	**$142,940**	**$136,891**	**$147,602**	**$160,379**
		Total U.S. L/H Mutual Cos		**$684,826,209**	**$220,579**	**$216,229**	**$197,224**	**$195,797**	**$193,579**
		Total U.S. L/H - Excl. Fraternals		**$1,687,914,017**	**$169,968**	**$165,436**	**$155,084**	**$162,273**	**$171,059**
		Total U.S. L/H Fraternal Cos		**$39,800,640**	**$113,461**	**$106,741**	**$95,337**	**$92,051**	**$92,434**
		Total U.S. Life/Health Industry		**$1,727,714,657**	**$168,040**	**$163,441**	**$153,171**	**$159,942**	**$168,409**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

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Average Policy In Force					Lapse Ratio Published					Renewal Premium Persistency				
2018	2017	2016	2015	2014	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
$309,535	$300,869	$291,696	$283,121	$275,364	3.9	3.9	3.8	3.5	3.6	93.8	94.5	94.5	94.8	94.7
297,602	286,389	272,643	256,631	228,704	4.3	4.1	3.5	3.9	3.1	76.5	79.6	79.4	88.7	77.9
182,724	174,144	167,578	161,578	191,494	4.4	5.0	5.1	5.3	6.5	93.6	94.1	94.0	91.8	91.6
282,587	277,802	273,394	268,833	263,795	7.8	7.6	6.9	6.7	6.9	91.2	91.4	91.8	91.9	91.4
203,837	183,108	166,582	218,299	208,346	2.9	3.6	5.3	5.1	4.5	92.0	92.2	90.9	90.4	91.1
353,552	332,863	312,019	298,627	283,901	4.6	4.7	4.2	4.2	4.2	95.2	94.9	93.6	93.0	94.6
117,468	114,846	112,112	109,871	107,652	5.0	5.4	5.6	5.8	5.8	92.9	93.2	93.0	92.4	92.1
211,165	199,242	188,130	176,285	167,068	4.8	4.3	4.1	4.0	4.2	73.0	74.4	73.3	73.2	76.5
253,415	266,405	256,429	242,677	234,122	5.2	4.1	5.0	4.1	4.7	86.8	86.4	88.6	87.1	83.3
563,642	560,529	556,860	552,963	553,891	3.5	3.7	3.8	3.6	3.7	94.8	95.3	95.8	95.3	94.1
688,869	650,138	602,226	555,822	505,366	2.1	2.1	2.2	2.3	2.3	91.9	91.8	91.5	93.2	91.5
328,802	296,642	275,497	262,642	250,376	-0.3	4.8	5.3	5.0	3.7	83.5	79.2	78.7	80.3	79.0
75,476	71,769	67,397	61,114	60,067	5.9	5.0	4.7	4.0	6.4	72.2	74.5	72.3	69.2	69.1
128,509	127,200	132,724	129,442	124,379	5.9	6.4	4.1	5.1	5.9	93.7	92.6	91.5	83.5	91.1
15,479	15,546	15,848	16,258	17,263	16.7	18.1	20.7	17.2	13.4	90.9	91.0	90.8	90.5	89.9
300,450	276,668	335,034	317,007	264,063	3.8	3.6	3.6	4.0	4.1	95.7	95.4	95.5	94.9	95.1
182,755	180,557	168,888	165,155	164,674	6.4	1.1	6.8	5.9	13.6	91.4	91.3	92.8	92.6	93.2
247,580	234,006	223,391	214,158	204,965	6.1	6.2	6.5	6.4	7.0	89.0	88.6	87.0	84.7	83.3
68,069	66,997	64,488	57,495	51,016	5.6	4.8	4.4	5.6	6.2	89.2	88.9	89.8	89.1	88.8
353,804	349,126	344,535	340,227	332,492	3.0	2.8	2.5	2.6	2.8	95.3	95.1	96.2	95.3	94.9
240,148	227,506	214,581	202,052	190,404	4.5	4.0	4.2	4.7	4.9	78.5	78.5	71.5	69.1	72.1
95,298	94,512	93,151	93,539	95,116	4.9	4.6	4.9	5.5	5.2	86.1	88.0	86.7	86.9	86.1
255,073	248,793	241,235	233,296	225,470	5.1	4.5	4.4	4.4	4.8	52.0	50.8	54.2	53.2	50.4
458,254	426,560	393,320	361,878	322,589	4.3	3.7	4.0	3.8	4.2	76.9	78.2	75.4	77.3	70.8
533,270	518,831	499,270	478,885	453,944	4.5	4.5	4.6	4.7	5.5	76.8	85.7	75.6	75.9	70.4
$107,070	**$106,949**	**$112,231**	**$109,435**	**$107,190**	**5.8**	**5.3**	**4.7**	**5.5**	**6.2**	**82.1**	**85.0**	**85.9**	**85.3**	**85.1**
$153,732	**$129,606**	**$122,655**	**$115,687**	**$111,993**	**4.7**	**4.7**	**4.6**	**4.6**	**5.1**	**89.9**	**90.7**	**89.7**	**88.8**	**88.7**
$114,678	**$111,071**	**$114,225**	**$110,641**	**$108,101**	**5.6**	**5.2**	**4.7**	**5.3**	**6.0**	**85.0**	**87.1**	**87.2**	**86.5**	**86.4**
$62,694	**$60,062**	**$57,440**	**$55,492**	**$54,039**	**4.0**	**3.5**	**3.4**	**3.5**	**3.8**	**92.3**	**93.3**	**92.8**	**91.2**	**90.0**
$113,364	**$109,795**	**$112,741**	**$109,206**	**$106,701**	**5.6**	**5.2**	**4.7**	**5.3**	**5.9**	**85.2**	**87.2**	**87.4**	**86.6**	**86.5**

U.S. Life/Health – 2018 Total Life Issued

Ranked by 2018 total life business issued.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Total Life Issued	% Change
1	2	Prudential of America Group	070189	$238,487,350	19.5
2	3	Lincoln Finl Group	070351	179,162,183	2.6
3	4	Northwestern Mutual Group	069515	159,173,392	0.9
4	6	New York Life Group	069714	132,144,116	3.5
5	5	Securian Finl Ins Group	069565	122,595,851	-18.1
6	7	Unum Ins Group	069743	113,193,027	3.8
7	8	Principal Finl Group Inc.	020516	96,168,815	9.9
8	9	Massachusetts Mutual Life Group	069702	85,631,623	-2.1
9	10	Primerica Group	070183	84,742,899	-0.9
10	13	AIG Life & Retirement Group	070342	82,308,777	13.1
11	11	State Farm Life Group	070126	79,760,966	-5.0
12	14	Guardian Life Group	069685	69,990,506	-1.7
13	15	Mutual of Omaha Group	070203	68,406,904	11.9
14	23	Voya Finl Group	070153	63,594,992	24.3
15	26	Sun Life Finl Group	069740	62,060,533	82.2
16	21	Protective Life Group	069728	61,773,587	17.4
17	12	CIGNA Group	070173	60,537,456	-20.9
18	20	Legal & Gen America Group	069539	58,533,984	10.2
19	18	Hartford Life & Accident Ins Co	007285	53,029,511	-7.4
20	17	Meiji Yasuda US Life Group	070499	50,964,121	-11.0
21	1	Metropolitan Life & Affiliated Cos	070192	45,274,703	-83.1
22	19	Aegon USA Group	069707	44,505,650	-19.2
23	22	John Hancock Life Insurance Group	069542	42,596,821	-17.1
24	27	Pacific Life Group	069720	41,329,703	40.1
25	24	Torchmark Life Group	070443	39,507,005	-3.9
		Top 25 Insurers		**$2,135,474,475**	**-8.2**
		Total U.S. Life/Health Industry		**$2,894,394,817**	**-6.0**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

U.S. Life/Health – 2018 Total Life In Force

Ranked by 2018 total life business in force.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Total Life In Force	% Change
1	1	Prudential of America Group	070189	$4,390,296,408	5.1
2	2	Metropolitan Life & Affiliated Cos	070192	4,384,428,249	7.6
3	4	Great-West Life Group	070366	3,241,620,997	63.7
4	7	Lincoln Finl Group	070351	2,069,656,889	25.1
5	3	RGA Group	069611	1,935,571,865	-4.4
6	5	Scor Life US Group	070253	1,840,027,921	2.0
7	6	Northwestern Mutual Group	069515	1,832,393,235	4.2
8	8	Securian Finl Ins Group	069565	1,521,622,142	2.9
9	12	New York Life Group	069714	1,465,565,197	3.6
10	10	Swiss Re Life Group	070469	1,408,082,640	-1.6
11	11	Aegon USA Group	069707	1,368,943,398	-3.7
12	13	Munich Amer Group	069170	1,354,817,191	15.4
13	9	Hannover Life Reassur America	068031	1,307,947,537	-9.3
14	16	Hartford Life & Accident Ins Co	007285	1,166,679,491	16.2
15	15	AIG Life & Retirement Group	070342	1,081,863,690	7.2
16	14	Voya Finl Group	070153	1,040,224,343	-3.9
17	17	Protective Life Group	069728	952,700,055	4.0
18	18	State Farm Life Group	070126	926,698,573	2.8
19	21	Unum Ins Group	069743	802,002,724	6.5
20	19	CIGNA Group	070173	798,823,977	-3.2
21	23	Principal Finl Group Inc.	020516	774,343,525	11.2
22	20	Genworth Finl Companies	070527	761,683,583	-4.6
23	22	Legal & Gen America Group	069539	734,374,256	4.4
24	25	Massachusetts Mutual Life Group	069702	718,781,054	7.4
25	24	Primerica Group	070183	695,728,208	3.0
		Top 25 Insurers		**$38,574,877,148**	**7.5**
		Total U.S. Life/Health Industry		**$52,233,645,642**	**4.9**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 16, 2019

U.S. Life/Health – 2018 Group Life Issued

Ranked by 2018 group life business issued.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Group Life Issued	% Change
1	4	Prudential of America Group	070189	$138,469,566	39.6
2	3	Lincoln Finl Group	070351	105,903,650	-0.5
3	5	Unum Ins Group	069743	100,119,006	3.0
4	2	Securian Finl Ins Group	069565	96,802,022	-22.1
5	12	Sun Life Finl Group	069740	62,020,621	82.3
6	6	CIGNA Group	070173	60,401,937	-20.9
7	10	Voya Finl Group	070153	58,118,054	29.8
8	8	Hartford Life & Accident Ins Co	007285	53,004,626	-7.4
9	9	Meiji Yasuda US Life Group	070499	50,852,293	-11.0
10	14	Principal Finl Group Inc.	020516	44,240,135	47.7
11	13	Mutual of Omaha Group	070203	40,569,243	26.8
12	1	Metropolitan Life & Affiliated Cos	070192	39,886,144	-84.6
13	11	Guardian Life Group	069685	35,829,518	-6.1
14	16	New York Life Group	069714	33,998,868	38.2
15	15	Tokio Marine US Life Group	069195	27,549,334	2.4
16	7	Aetna Life Group	070202	27,402,800	-54.6
17	17	Symetra Life Group	070123	11,290,799	-50.7
18	23	Oneamerica Group	070399	11,130,543	41.4
19	21	5 Star Life Ins Co	008069	10,880,460	22.8
20	19	UnitedHealth Life Companies	069973	9,926,203	5.2
21	20	AAA Life Group	070388	9,582,466	5.7
22	31	Zurich Amer Life Group	070470	9,335,568	214.1
23	18	Dearborn National Life Ins Group	069637	9,156,739	-17.0
24	22	Anthem Life Cos	070064	8,553,620	4.1
25	27	Nationwide Mutual Life Group	070822	6,631,250	51.5
		Top 25 Insurers		**$1,061,655,465**	**-15.6**
		Total U.S. Life/Health Industry		**$1,118,406,701**	**-15.0**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

U.S. Life/Health – 2018 Group Life In Force

Ranked by 2018 group life business in force.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Group Life In Force	% Change
1	1	Metropolitan Life & Affiliated Cos	070192	$3,850,851,727	9.8
2	3	Great-West Life Group	070366	2,892,383,953	75.9
3	2	Prudential of America Group	070189	2,062,345,108	7.1
4	4	Securian Finl Ins Group	069565	1,320,136,062	2.5
5	5	Hartford Life & Accident Ins Co	007285	1,164,503,086	16.2
6	8	Lincoln Finl Group	070351	1,036,769,393	62.8
7	6	CIGNA Group	070173	779,508,661	-3.1
8	7	Unum Ins Group	069743	731,374,851	7.0
9	9	Aetna Life Group	070202	472,081,737	-6.7
10	10	New York Life Group	069714	431,934,445	9.3
11	11	Meiji Yasuda US Life Group	070499	405,437,458	4.9
12	12	Munich Amer Group	069170	378,228,373	32.0
13	14	Guardian Life Group	069685	271,461,367	5.5
14	13	Sun Life Finl Group	069740	264,949,923	-0.6
15	15	Tokio Marine US Life Group	069195	239,306,600	3.2
16	16	Mutual of Omaha Group	070203	221,188,700	13.4
17	17	Voya Finl Group	070153	217,879,561	13.2
18	19	Principal Finl Group Inc.	020516	152,034,464	5.3
19	23	Anthem Life Cos	070064	124,370,923	15.0
20	22	Swiss Re Life Group	070469	117,224,103	-0.5
21	21	Dearborn National Life Ins Group	069637	116,468,741	-1.7
22	24	RGA Group	069611	96,378,105	6.2
23	25	UnitedHealth Life Companies	069973	73,137,905	1.3
24	27	Zurich Amer Life Group	070470	72,932,460	9.7
25	26	Massachusetts Mutual Life Group	069702	72,897,284	1.2
		Top 25 Insurers		**$17,565,784,990**	**15.8**
		Total U.S. Life/Health Industry		**$18,558,548,825**	**13.7**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 16, 2019

U.S. Life/Health – 2018 Ordinary Life Issued

Ranked by 2018 ordinary life business issued.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Ordinary Life Issued	% Change
1	1	Northwestern Mutual Group	069515	$157,118,849	-0.3
2	3	Prudential of America Group	070189	100,017,784	-0.3
3	2	New York Life Group	069714	98,145,249	-4.8
4	4	Primerica Group	070183	84,742,899	-0.9
5	7	AIG Life & Retirement Group	070342	82,306,982	13.1
6	6	Massachusetts Mutual Life Group	069702	81,366,741	0.3
7	5	State Farm Life Group	070126	79,556,619	-5.0
8	8	Lincoln Finl Group	070351	73,258,533	7.3
9	12	Protective Life Group	069728	61,358,539	17.7
10	10	Legal & Gen America Group	069539	58,512,029	10.2
11	9	Principal Finl Group Inc.	020516	51,928,680	-9.8
12	13	John Hancock Life Insurance Group	069542	42,596,821	-17.1
13	17	Pacific Life Group	069720	41,329,703	40.1
14	11	Aegon USA Group	069707	40,871,880	-21.6
15	14	Torchmark Life Group	070443	37,276,034	-4.5
16	16	Guardian Life Group	069685	34,160,988	3.3
17	15	Allstate Life Group	070106	33,430,976	0.7
18	21	Natl Life Group	069953	31,760,818	36.7
19	18	Mutual of Omaha Group	070203	27,837,661	-4.5
20	19	USAA Life Group	070364	26,428,284	5.6
21	22	Nationwide Mutual Life Group	070822	24,094,675	4.1
22	23	AXA Equitable Group	070194	22,465,848	5.7
23	20	Sammons Enterprises Group	070533	22,173,823	-10.9
24	26	Penn Mutual Group	069722	21,478,975	5.7
25	25	Securian Finl Ins Group	069565	20,773,360	0.0
		Top 25 Insurers		**$1,354,992,750**	**1.0**
		Total U.S. Life/Health Industry		**$1,727,714,657**	**0.9**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

U.S. Life/Health – 2018 Ordinary Life In Force

Ranked by 2018 ordinary life business in force.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Ordinary Life In Force	% Change
1	1	Prudential of America Group	070189	$2,323,662,124	3.3
2	4	Northwestern Mutual Group	069515	1,829,172,504	4.1
3	2	RGA Group	069611	1,816,035,936	-5.1
4	3	Scor Life US Group	070253	1,807,229,786	1.3
5	5	Aegon USA Group	069707	1,340,701,955	-3.7
6	6	Hannover Life Reassur America	068031	1,306,835,586	-0.6
7	7	Swiss Re Life Group	070469	1,290,858,464	-1.7
8	10	AIG Life & Retirement Group	070342	1,072,970,599	11.6
9	8	New York Life Group	069714	1,033,630,753	1.4
10	9	Lincoln Finl Group	070351	1,032,868,418	1.5
11	14	Munich Amer Group	069170	975,923,506	10.1
12	11	Protective Life Group	069728	944,970,773	4.1
13	13	State Farm Life Group	070126	913,432,013	2.9
14	12	Voya Finl Group	070153	822,236,827	-7.6
15	15	Genworth Finl Companies	070527	759,248,106	-4.7
16	16	Legal & Gen America Group	069539	734,243,603	4.4
17	17	Primerica Group	070183	695,715,764	3.0
18	19	Massachusetts Mutual Life Group	069702	645,883,770	8.1
19	18	Brighthouse Ins Group	070516	634,100,882	-4.4
20	22	Principal Finl Group Inc.	020516	622,309,061	12.8
21	20	John Hancock Life Insurance Group	069542	620,380,929	6.5
22	21	Metropolitan Life & Affiliated Cos	070192	529,865,889	-5.2
23	23	AXA Equitable Group	070194	506,465,422	-1.1
24	25	Pacific Life Group	069720	501,923,436	2.5
25	24	Allstate Life Group	070106	495,245,649	-0.3
		Top 25 Insurers		**$25,255,911,755**	**1.3**
		Total U.S. Life/Health Industry		**$33,556,800,060**	**0.6**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 16, 2019

U.S. Life/Health – 2018 Term Life Issued

Ranked by 2018 term life business issued.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Term Life Issued	% Change
1	1	Northwestern Mutual Group	069515	$119,896,398	-0.2
2	2	Primerica Group	070183	84,742,899	-0.9
3	3	Prudential of America Group	070189	79,863,483	0.3
4	6	AIG Life & Retirement Group	070342	71,984,631	15.2
5	4	State Farm Life Group	070126	66,797,646	-5.4
6	5	New York Life Group	069714	61,854,664	-6.6
7	7	Legal & Gen America Group	069539	58,428,735	10.1
8	9	Lincoln Finl Group	070351	53,818,672	10.1
9	10	Massachusetts Mutual Life Group	069702	48,992,057	1.5
10	8	Principal Finl Group Inc.	020516	47,079,308	-10.8
11	34	Protective Life Group	069728	38,970,773	424.8
12	17	Pacific Life Group	069720	29,779,439	52.8
13	11	John Hancock Life Insurance Group	069542	28,226,606	-25.8
14	13	Allstate Life Group	070106	26,086,304	1.4
15	14	USAA Life Group	070364	25,322,320	6.2
16	16	Guardian Life Group	069685	22,511,148	4.5
17	15	Mutual of Omaha Group	070203	20,612,933	-6.4
18	12	Aegon USA Group	069707	20,197,792	-30.3
19	18	Torchmark Life Group	070443	17,432,275	-7.3
20	25	Southern Farm Bureau Life Ins Co	007053	16,968,592	41.2
21	19	Farmers New World Life Ins Co	006373	16,534,835	-2.9
22	23	AXA Equitable Group	070194	13,690,879	8.5
23	21	Securian Finl Ins Group	069565	13,236,289	-0.4
24	20	Sammons Enterprises Group	070533	13,127,661	-7.4
25	26	Amer Natl Group	070166	11,830,388	2.0
		Top 25 Insurers		**$1,007,986,727**	**2.8**
		Total U.S. Life/Health Industry		**$1,211,320,662**	**2.2**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

U.S. Life/Health – 2018 Term Life In Force

Ranked by 2018 term life business in force.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Term Life In Force	% Change
1	1	RGA Group	069611	$1,782,536,171	-4.5
2	2	Scor Life US Group	070253	1,639,108,668	1.3
3	3	Prudential of America Group	070189	1,586,219,192	5.4
4	4	Swiss Re Life Group	070469	1,286,245,055	-1.7
5	5	Hannover Life Reassur America	068031	1,270,355,389	-0.4
6	6	Northwestern Mutual Group	069515	1,135,703,797	5.4
7	7	Aegon USA Group	069707	1,019,524,831	-4.8
8	8	Munich Amer Group	069170	975,641,316	10.1
9	9	AIG Life & Retirement Group	070342	905,374,718	13.1
10	11	Legal & Gen America Group	069539	725,871,843	4.5
11	10	Voya Finl Group	070153	695,445,923	-9.2
12	12	Primerica Group	070183	693,239,336	3.0
13	13	State Farm Life Group	070126	674,921,346	3.8
14	14	Lincoln Finl Group	070351	648,313,096	1.8
15	16	Protective Life Group	069728	608,350,902	4.4
16	15	Genworth Finl Companies	070527	586,468,092	-4.1
17	17	New York Life Group	069714	527,391,204	2.8
18	19	Principal Finl Group Inc.	020516	487,484,251	16.3
19	18	Brighthouse Ins Group	070516	466,749,338	-4.5
20	20	USAA Life Group	070364	411,234,383	2.3
21	21	Berkshire Hathaway Group	070158	359,379,131	-6.3
22	23	Pacific Life Group	069720	351,091,334	2.4
23	22	Allstate Life Group	070106	350,151,870	-1.5
24	24	Massachusetts Mutual Life Group	069702	318,919,533	11.1
25	25	AXA Equitable Group	070194	268,613,212	-1.7
		Top 25 Insurers		**$19,774,333,931**	**1.5**
		Total U.S. Life/Health Industry		**$24,384,420,448**	**0.3**

Source: BESTLINK — Statement File - L/H, US; Data as of: July 16, 2019

U.S. Life/Health – 2018 Credit Life Issued

Ranked by 2018 credit life business issued.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Credit Life Issued	% Change
1	2	Life of the South Group	069913	$9,799,002	10.1
2	1	CMFG Life Group	070262	9,217,569	-21.2
3	3	OneMain Hldgs Life Group	070506	8,788,038	12.6
4	4	Securian Finl Ins Group	069565	5,020,469	10.9
5	5	Amer Natl Group	070166	3,093,048	-17.4
6	8	Assurant Inc Group	070135	2,674,854	17.5
7	7	Plateau Group	070039	2,502,533	-5.4
8	6	Central States H & L Group	070363	2,183,989	-22.2
9	11	Frandisco Life Ins Co	008800	646,886	22.0
10	10	SWBC Life Ins Co	009027	560,671	-26.7
11	13	Amer Federated Life Ins Co	068071	477,517	15.1
12	9	Pekin Life Ins Group	070155	457,625	-61.3
13	12	Protective Life Group	069728	408,067	-20.3
14	14	Old Spartan Life Ins Co Inc	007878	373,434	46.8
15	16	Investors Heritage Life Ins Co	006580	200,160	-6.3
16	18	Popular Life Re	060399	193,617	6.1
17	15	Berkshire Hathaway Group	070158	193,530	-19.2
18	17	LDS Group	069572	190,009	-7.7
19	19	Kentucky Natl Life Ins Group	070538	157,553	-9.3
20	20	Wichita Natl Life Group	069833	153,195	-5.7
21	26	Assurity Life Ins Group	070511	135,177	50.7
22	22	Gulf Guar Life Ins Co	008081	132,018	-0.8
23	24	Trans-City Life Ins Co	008051	122,587	14.4
24	23	MAPFRE Life Ins Co of PR	007981	101,984	-17.6
25	40	Cooperativa de Seguros de Vida de PR	007607	73,995	999.9
		Top 25 Insurers		**$47,857,527**	**-4.0**
		Total U.S. Life/Health Industry		**$48,252,782**	**-4.1**

Note: Data for some companies in this report has been received from the NAIC.

Source: BESTLINK — Statement File - L/H, US; Data as of: July 15, 2019

U.S. Life/Health – 2018 Credit Life In Force

Ranked by 2018 credit life business in force.

($ Thousands)

2018 Rank	2017 Rank	Company/Group	AMB#	Credit Life In Force	% Change
1	2	RGA Group	069611	$23,157,824	17.0
2	1	CMFG Life Group	070262	21,135,929	-4.7
3	3	Assurant Inc Group	070135	13,392,097	6.0
4	4	OneMain Hldgs Life Group	070506	10,352,949	8.8
5	5	Securian Finl Ins Group	069565	8,780,460	2.6
6	6	Central States H & L Group	070363	5,904,222	-16.0
7	8	Life of the South Group	069913	4,784,766	5.7
8	9	Amer Natl Group	070166	2,299,257	-8.0
9	7	Metropolitan Life & Affiliated Cos	070192	2,202,242	-54.1
10	10	Plateau Group	070039	2,081,050	-7.9
11	11	Cooperativa de Seguros de Vida de PR	007607	1,526,738	2.2
12	12	Protective Life Group	069728	1,211,425	-17.4
13	13	Global Bankers Ins Group	070491	1,077,271	-19.9
14	15	Pekin Life Ins Group	070155	892,510	-2.9
15	16	LDS Group	069572	810,805	-11.6
16	17	SWBC Life Ins Co	009027	800,726	-9.0
17	19	Munich Amer Group	069170	665,312	-4.1
18	18	Berkshire Hathaway Group	070158	591,203	-23.2
19	20	Popular Life Re	060399	577,546	-1.0
20	21	Trans-City Life Ins Co	008051	539,312	5.2
21	14	Aegon USA Group	069707	532,555	-44.3
22	22	Amer Federated Life Ins Co	068071	503,244	8.0
23	23	Frandisco Life Ins Co	008800	489,125	26.9
24	24	Great-West Life Group	070366	371,010	1.1
25	25	MAPFRE Life Ins Co of PR	007981	290,781	-13.6
		Top 25 Insurers		**$104,970,359**	**-0.8**
		Total U.S. Life/Health Industry		**$107,088,515**	**-1.2**

Note: Data for some companies in this report has been received from the NAIC.

Source: BESTLINK — Statement File - L/H, US; Data as of: July 16, 2019

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between July 1 and July 31, 2019. 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
U.S., CANADA AND BERMUDA LIFE/HEALTH								
⇅	L	AGC Life Insurance Company *American International Group, Inc.*	009199	A a+	Stable Negative	A a+	Stable Stable	Missouri
⇅	L	American Benefit Life Insurance Co *Liberty Life Group Trust*	060382	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Oklahoma
⇅	L	American Federated Life Insurance Co *Prospect Capital Corporation*	068071	B bb	Stable Stable	B bb	Negative Negative	Mississippi
⇅	L	American General Life Insurance Company *American International Group, Inc.*	006058	A a+	Stable Negative	A a+	Stable Stable	Texas
⇅	H	BCBSM, Inc. *Aware Integrated, Inc.*	060077	A- a-	Stable Stable	A- a-	Negative Negative	Minnesota
⊕	L	Brookfield Annuity Company *Brookfield Asset Management Inc.*	062246	A- a-	Stable Stable	B++ bbb+	Stable Stable	Ontario
⇅	L	Capitol Life Insurance Company *Liberty Life Group Trust*	006186	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Texas
⇅	H	CarePlus Health Plans Inc *Humana Inc.*	068925	A- a-	Positive Positive	A- a-	Stable Stable	Florida
⇅	H	Cariten Health Plan Inc *Humana Inc.*	064425	A- a-	Positive Positive	A- a-	Stable Stable	Tennessee
⇅	L	Censtat Life Assurance Company *Central States Health & Life Co of Omaha*	060246	A- a-	Negative Negative	A- a-	Stable Stable	Arizona
⇅	L	Central States Health & Life Co of Omaha *Central States Health & Life Co of Omaha*	006206	A- a-	Negative Negative	A- a-	Stable Stable	Nebraska
⚑	H	Eastern Vision Service Plan Inc *Vision Service Plan (CA)*	064483	A u a u	Negative Negative	A a	Stable Stable	New York
⊕	L	Guarantee Trust Life Insurance Company	006503	A- a-	Stable Stable	B++ bbb+	Stable Stable	Illinois
⚑	L	Guaranty Income Life Insurance Company *Kuvare Holdings LP*	006504	B++ u bbb+ u	Developing Developing	B++ bbb+	Stable Stable	Iowa
⇅	H	Health Alliance Medical Plans Inc *The Carle Foundation*	068039	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Illinois
⇅	H	Health Alliance-Midwest, Inc. *The Carle Foundation*	064392	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Illinois
⇅	H	HMO Minnesota *Aware Integrated, Inc.*	068646	A- a-	Stable Stable	A- a-	Negative Negative	Minnesota
⇅	H	Humana Benefit Plan of Illinois Inc *Humana Inc.*	060099	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
⇅	H	Humana Employers Health Plan of Georgia *Humana Inc.*	064068	A- a-	Positive Positive	A- a-	Stable Stable	Georgia
⇅	H	Humana Health Benefit Plan of Louisiana *Humana Inc.*	068835	A- a-	Positive Positive	A- a-	Stable Stable	Louisiana
⇅	H	Humana Health Insurance Co of FL Inc *Humana Inc.*	009494	A- a-	Positive Positive	A- a-	Stable Stable	Florida
⇅	H	Humana Health Plan Inc *Humana Inc.*	068898	A- a-	Positive Positive	A- a-	Stable Stable	Kentucky
⇅	H	Humana Health Plan of Ohio Inc *Humana Inc.*	068573	A- a-	Positive Positive	A- a-	Stable Stable	Ohio
⇅	H	Humana Health Plan of Texas Inc *Humana Inc.*	068903	A- a-	Positive Positive	A- a-	Stable Stable	Texas
⇅	H	Humana Insurance Company *Humana Inc.*	007574	A- a-	Positive Positive	A- a-	Stable Stable	Wisconsin
⇅	L	Humana Insurance Company of Kentucky *Humana Inc.*	060248	A- a-	Positive Positive	A- a-	Stable Stable	Kentucky
⇅	H	Humana Insurance Company of New York *Humana Inc.*	060595	A- a-	Positive Positive	A- a-	Stable Stable	New York

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH (CONTINUED)								
⇅	H	Humana Medical Plan Inc *Humana Inc.*	068907	A- a-	Positive Positive	A- a-	Stable Stable	Florida
⇅	H	Humana Wisconsin Health Org Ins Corp *Humana Inc.*	068626	A- a-	Positive Positive	A- a-	Stable Stable	Wisconsin
⇅	L	Liberty Bankers Life Insurance Company *Liberty Life Group Trust*	007011	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	Oklahoma
⚑	L	Lincoln Benefit Life Company *RL L.P.*	006657	A- u a- u	Negative Negative	A- a-	Stable Stable	Nebraska
⇅	H	MII Life Insurance, Incorporated *Aware Integrated, Inc.*	009495	B++ bbb+	Stable Stable	B++ bbb+	Positive Positive	Minnesota
⊕	L	Optimum Re Insurance Company *Optimum Group Inc.*	008863	A a	Stable Stable	A- a-	Positive Positive	Texas
⊕	L	Optimum Reassurance Inc. *Optimum Group Inc.*	066827	A a	Stable Stable	A- a-	Positive Positive	Quebec
⇥	L	Thrivent Life Insurance Company *Thrivent Financial for Lutherans*	009342	NR nr		A++ aa+	Stable Stable	Wisconsin
⇥	H	TPM Life Insurance Company *Wheaton Management, LLC*	007114	NR nr		A- a-	Stable Stable	Oklahoma
⇥	L	Transamerica Advisors Life Ins Co *Aegon N.V.*	009537	NR nr		A+ aa-	Negative Negative	Arkansas
⊕	L	Union Labor Life Insurance Company *Ullico Inc.*	007152	A- a-	Stable Stable	B++ bbb+	Stable Stable	Maryland
⚑	L	United Life Insurance Company *Kuvare Holdings LP*	007178	A- u a- u	Negative Negative	A- a-	Stable Stable	Iowa
⇅	L	United National Life Ins Co of America *Independence Holding Inc*	006236	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Illinois
⇅	L	United States Life Ins in the City of NY *American International Group, Inc.*	007192	A a+	Stable Negative	A a+	Stable Stable	New York
⇅	L	Variable Annuity Life Insurance Co *American International Group, Inc.*	007208	A a+	Stable Negative	A a+	Stable Stable	Texas
⚑	H	Vision Service Plan (CA) *Vision Service Plan (CA)*	064607	A u a u	Negative Negative	A a	Stable Stable	California
⚑	H	Vision Service Plan (OH) *Vision Service Plan (CA)*	064473	A u a u	Negative Negative	A a	Stable Stable	Ohio
⚑	H	Vision Service Plan Insurance Co (MO) *Vision Service Plan (CA)*	011496	A u a u	Negative Negative	A a	Stable Stable	Missouri
⚑	H	Vision Service Plan Insurance Co (OH) *Vision Service Plan (CA)*	011105	A u a u	Negative Negative	A a	Stable Stable	Ohio
⚑	H	Vision Service Plan of Illinois NFP *Vision Service Plan (CA)*	064834	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	H	VSP Vision Care, Inc. *Vision Service Plan (CA)*	064478	A u a u	Negative Negative	A a	Stable Stable	Virginia
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
⇥	P	Agrinational Illinois Insurance Company *Archer Daniels Midland Company*	020556	NR nr		A- a-	Stable Stable	Illinois
⊕	P	American Casualty Company of Reading, PA *Loews Corporation*	002127	A a+	Stable Stable	A a	Stable Positive	Pennsylvania
⇅	P	American Federated Insurance Company *Prospect Capital Corporation*	000357	B bb	Stable Stable	B bb	Negative Negative	Mississippi
⊕	P	American Strategic Insurance Corp. *Progressive Corporation*	012150	A+ aa	Stable Stable	A+ aa-	Stable Stable	Florida
⇅	P	Armed Forces Insurance Exchange	003240	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Kansas
⊕	P	ASI Assurance Corp. *Progressive Corporation*	010106	A+ aa	Stable Stable	A+ aa-	Stable Stable	Florida
⊕	P	ASI Home Insurance Corp. *Progressive Corporation*	011540	A+ aa	Stable Stable	A+ aa-	Stable Stable	Florida
⊕	P	ASI Lloyds *Progressive Corporation*	012421	A+ aa	Stable Stable	A+ aa-	Stable Stable	Texas
⊕	P	ASI Preferred Insurance Corp. *Progressive Corporation*	013917	A+ aa	Stable Stable	A+ aa-	Stable Stable	Florida
⊕	P	ASI Select Insurance Corp. *Progressive Corporation*	014235	A+ aa	Stable Stable	A+ aa-	Stable Stable	Delaware

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
⇅	P	Badger Mutual Insurance Company	000192	A- a-	Stable Stable	A- a-	Negative Negative	Wisconsin
—	P	California Insurance Company *Berkshire Hathaway Inc.*	002637	A u a+ u	Negative Negative	A+ aa-	Stable Stable	California
⇅	P	Capacity Insurance Company *Team Focus Insurance Group, LLC*	010738	B+ bbb-	Stable Stable	B+ bbb-	Positive Positive	Florida
⇅	P	Censtat Casualty Company *Central States Health & Life Co of Omaha*	012550	A- a-	Negative Negative	A- a-	Stable Stable	Nebraska
⊕	P	Columbia Casualty Company *Loews Corporation*	003538	A a+	Stable Stable	A a	Stable Positive	Illinois
⊕	P	Continental Casualty Company *Loews Corporation*	002128	A a+	Stable Stable	A a	Stable Positive	Illinois
—	P	Continental Indemnity Company *Berkshire Hathaway Inc.*	013065	A u a+ u	Negative Negative	A+ aa-	Stable Stable	Iowa
⊕	P	Continental Insurance Co of NJ *Loews Corporation*	001882	A a+	Stable Stable	A a	Stable Positive	New Jersey
⊕	P	Continental Insurance Company *Loews Corporation*	002118	A a+	Stable Stable	A a	Stable Positive	Pennsylvania
New	P	Digital Advantage Insurance Company *Munich Reinsurance Company*	010753	A+ aa	Stable Stable	NR nr		Rhode Island
New	P	Digital Affect Insurance Company *Munich Reinsurance Company*	020646	A+ aa	Stable Stable			New York
New	P	Digital Edge Insurance Company *Munich Reinsurance Company*	020645	A+ aa	Stable Stable			Delaware
⊕	P	Forestry Mutual Insurance Company	012251	B++ bbb+	Positive Positive	B++ bbb	Stable Positive	North Carolina
⊕	P	Frank Winston Crum Insurance Company *Frank Winston Crum Insurance Holdings*	012601	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Florida
—	P	Illinois Insurance Company *Berkshire Hathaway Inc.*	011132	A u a+ u	Negative Negative	A+ aa-	Stable Stable	Iowa
⊕	P	National Fire Insurance Co of Hartford *Loews Corporation*	002129	A a+	Stable Stable	A a	Stable Positive	Illinois
⊕	P	North Rock Insurance Company Limited *Loews Corporation*	086627	A a+	Stable Stable	A a	Stable Positive	Bermuda
—	P	Pennsylvania Insurance Company *Berkshire Hathaway Inc.*	022134	A u a+ u	Negative Negative	A+ aa-	Stable Stable	Iowa
⊕	P	Progressive Property Insurance Company *Progressive Corporation*	013878	A+ aa	Stable Stable	A+ aa-	Stable Stable	Florida
⇅	P	Southern General Insurance Company *Insurance House Holdings, Inc.*	003836	B- bb-	Positive Positive	B- bb-	Stable Stable	Georgia
⊕	P	State Farm Florida Insurance Company *State Farm Mutual Automobile Ins Co*	012235	A- a-	Stable Stable	B++ bbb+	Positive Positive	Florida
⇅	P	State Farm General Insurance Company *State Farm Mutual Automobile Ins Co*	002478	A a+	Stable Negative	A a+	Stable Stable	Illinois
⇅	P	State Farm Indemnity Company *State Farm Mutual Automobile Ins Co*	011224	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
⇅	P	State Farm Lloyds *State Farm Mutual Automobile Ins Co*	001767	A- a-	Positive Positive	A- a-	Stable Stable	Texas
⊕	P	Surety Bonding Company of America *Loews Corporation*	011333	A a+	Stable Stable	A a	Stable Positive	South Dakota
—	P	Texas Insurance Co. *Berkshire Hathaway Inc.*	022281	A u a+ u	Negative Negative	A+ aa-	Stable Stable	Texas
⊕	P	Transportation Insurance Company *Loews Corporation*	002131	A a+	Stable Stable	A a	Stable Positive	Illinois
⊕	P	Universal Surety of America *Loews Corporation*	002785	A a+	Stable Stable	A a	Stable Positive	South Dakota
⊕	P	Valley Forge Insurance Company *Loews Corporation*	002132	A a+	Stable Stable	A a	Stable Positive	Pennsylvania
⇅	P	Wawanesa General Insurance Company *Wawanesa Mutual Insurance Company*	011976	A- a-	Stable Stable	A- a-	Negative Negative	California
⊕	P	Western Surety Company *Loews Corporation*	000974	A a+	Stable Stable	A a	Stable Positive	South Dakota

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST AND AFRICA								
⊕	C	Al Ittihad Al Watani Soc Gen Asr Proche *Nasco Ultimate Holding Limited*	090592	B+ bbb-	Stable Stable	B bb+	Positive Positive	Lebanon
⇥	C	Axéria Prévoyance* *Financiere Andromeda S.à r.l.*	083186	NR nr		B++ bbb+	Stable Negative	France
⇥	C	Axeria Re Limited** *Financiere Andromeda S.à r.l.*	090190	NR nr		B+ bbb-	Negative Negative	Malta
⊕	C	Dunav-Re a.d.o. *Dunav Insurance Company j.s.c.*	093006	B+ bbb-	Stable Stable	B bb+	Stable Stable	Serbia, Republic Of
⇅	P	Eurasia Insurance Company JSC *Eurasian Financial Company JSC*	078331	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Kazakhstan
⇥	P	Lloyd's Synd 2003 (Catlin Undrw Agc Ltd) *AXA S.A.*	048339	NR nr		A a+	Stable Stable	United Kingdom
⇥	P	Lloyd's Synd 2010 (Cathedral Undrwr Ltd) *Lancashire Holdings Limited*	048932	NR nr		A a+	Stable Stable	United Kingdom
⇥	P	London General Insurance Company Limited *Assurant, Inc.*	087438	NR nr		A a	Stable Stable	United Kingdom
⇥	L	London General Life Company Limited *Assurant, Inc.*	084203	NR nr		A a	Stable Stable	United Kingdom
New	P	Mutua de Riesgo Maritimo, Sociedad	083690	B++ bbb	Stable Stable	NR nr		Spain
⇅	P	Victoria Insurance Company JSC	092467	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Kazakhstan
ASIA PACIFIC								
—	P	AIG Asia Pacific Insurance Pte. Ltd. *American International Group, Inc.*	091421	A a	Stable Stable	A a+	Stable Stable	Singapore
⚑	P	Century Insurance Company (Guam) Ltd. *Tan Holdings Corporation*	013922	B++ u bbb+ u	Positive Positive	B++ bbb+	Stable Stable	Guam
⇅	P	DPL Insurance Limited *Turners Automotive Group Limited*	090856	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	New Zealand
⚑	P	Hyundai Insurance (China) Co., Ltd. *Hyundai Marine & Fire Insurance Co Ltd*	090079	B++ u bbb u	Developing Developing	B++ bbb	Negative Negative	China
—	P	Provident Insurance Corporation Limited *HWI Nominees Limited*	092486	B u bb+ u	Negative Negative	B++ bbb	Stable Stable	New Zealand
⇅	L	Thaire Life Assurance Public Co Ltd	091691	A- a-	Negative Negative	A- a-	Stable Stable	Thailand
CARIBBEAN AND LATIN AMERICA								
⇅	P	Gulf Insurance Limited *Assuria N.V.*	087112	B bb	Stable Stable	B bb	Negative Negative	Trinidad and Tobago
—	H	Humana Health Plans of Puerto Rico, Inc. *Humana Inc.*	060162	B++ bbb	Negative Negative	B++ bbb+	Stable Negative	Puerto Rico
—	H	Humana Insurance of Puerto Rico, Inc. *Humana Inc.*	008265	B++ bbb	Negative Negative	B++ bbb+	Stable Negative	Puerto Rico
⊕	L	Knighthead Annuity & Life Assurance Co *Knighthead Holdings Ltd.*	093754	A- a-	Stable Stable	B++ bbb+	Positive Positive	Cayman Islands
New	P	Mercantil Reaseguradora Internacional SA *Alvina Corporation*	092721	B++ bbb	Stable Stable	NR nr		Panama
New	L	Mercantil Seguros y Reaseguros, S.A. *Alvina Corporation*	088285	B++ bbb	Stable Stable	NR nr		Panama
New	L	New Providence Life Insurance Company *Wheaton Management, LLC*	094096	A- a-	Stable Stable			Bahamas

* Ratings were removed from under review and downgraded to B++/bbb+ from A-/a- on July 26, 2019. Ratings were withdrawn on July 26, 2019.
** Ratings were removed from under review and downgraded to B+/bbb- from A-/a- on July 26, 2019. Ratings were withdrawn on July 26, 2019.

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⊕	CNA Financial Corporation	058705	bbb+	Stable	bbb	Positive	Delaware
⇅	Humana Inc.	058052	bbb-	Positive	bbb-	Stable	Delaware

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

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Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

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Financial Size Category

To enhance the usefulness of ratings, AM Best assigns each rated (A++ through D) insurance company a Financial Size Category (FSC). The FSC is based on adjusted policyholders' surplus (PHS) in U.S. dollars and may be impacted by foreign currency fluctuations. The FSC is designed to provide a convenient indicator of the size of a company in terms of its statutory surplus and related accounts.

Many insurance buyers only want to consider buying insurance coverage from companies that they believe have sufficient financial capacity to provide the necessary policy limits to insure their risks. Although companies utilize reinsurance to reduce their net retention on the policy limits they underwrite, many buyers still feel more comfortable buying from companies perceived to have greater financial capacity.

Class	Adj. PHS ($ Millions)
I	Less than 1
II	1 to 2
III	2 to 5
IV	5 to 10
V	10 to 25
VI	25 to 50
VII	50 to 100
VIII	100 to 250

Class	Adj. PHS ($ Millions)
IX	250 to 500
X	500 to 750
XI	750 to 1,000
XII	1,000 to 1,250
XIII	1,250 to 1,500
XIV	1,500 to 2,000
XV	2,000 or greater

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BEST'S ISSUER CREDIT RATING GUIDE – (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 (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 (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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‘Worryingly Low’

Insurer group says only 11% of U.K. businesses have cyber policies.

While 99% of cyber insurance claims made to its member companies in 2018 were paid, the Association of British Insurers said, the take-up rate of such cover is “still worryingly low.”

Only 11% of U.K. businesses are believed to have cyber policies, the ABI said.

The percentage of honored claims, the ABI said in a statement, is one of the highest involving any insurance policy. A total of 207 cyber claims were made during the year, the ABI said.

The U.K. cyber market, the ABI said, is less than a tenth of the size of the pet insurance sector. The low level of cover, the association suggested, represents a particular problem for small businesses.

According to the ABI, the lack of available information about data breaches is limiting the growth of the U.K. cyber insurance market. “The U.K, has the potential to be a world leader in cyber insurance,” the association said in a statement.

The ABI said it has been seeking information from the Information Commissioner’s Office to provide the public with anonymized data on breaches. Such a move, the ABI said, would make the pricing of risk easier by making modeling more efficient. The result, the ABI said, would be the increased availability, and tailoring, of cover.

James Dalton, the ABI’s director of general, or nonlife, insurance policy, said the added support cyber customers get from their insurers is sometimes overlooked as an advantage of a cyber policy.

Cyber insurance, the ABI said, can help take the step to prevent a hacking attack and manage the costs when an incident does occur. The association cited recent attacks on British Airways and the Marriott hotel group.

“Data is key to insurers’ ability to better understand and more accurately price cyber risk,” Dalton said in a statement. “We need the [Information Commissioner’s Office] to work with us to find what data can be shared to help insurers provide more cover to the many businesses that need it in this digital age.”

In July 2019, Lloyd’s announced that it will require contract certainty for cyber contracts from the beginning of 2020. This will mean, Lloyd’s explained, a policy will either have to exclude cyber coverage or to offer it through the reinsurance policy. “Lloyd’s view is that it is in the best interests of customers, brokers and syndicates for all policies to be clear on whether coverage is provided for losses caused by a cyber event,” Lloyd’s said in a statement.

—Robert O’Connor

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Joining Forces

Myanmar allows entry of six foreign insurers via joint ventures.

Myanmar has released the list of six foreign applicants allowed to form joint ventures with local players.

The Ministry of Planning and Finance said it is granting provisional licenses to three foreign insurers to establish nonlife insurance joint ventures—Sompo Japan Nipponkoa Insurance and AYA Myanmar General Insurance; Tokio Marine & Nichido Fire Insurance and Grand Guardian General Insurance; and Mitsui Sumitomo Insurance and IKBZ Insurance Co.

For life insurance, joint ventures have been allowed between Taiyo Life Insurance and Capital Life Insurance; Thai Life Insurance and Citizen Business Insurance; and Nippon Life Insurance and Grand Guardian Life Insurance. Sompo Japan Nipponkoa in a separate statement said it will initially subscribe to 15% of shares in its joint venture with AYA Myanmar General Insurance, with plans to increase shareholding to 35% within the first two years. The deal also includes a bancassurance arrangement with AYA Bank, the second-largest commercial bank in the country.

The companies will have to comply with all its conditions and take all necessary measures to ensure functional operations of their joint venture companies. "Upon fulfillment of the stipulated conditions, the MOPF will grant the successful applicants final approval for the joint venture," MOPF said. Mitsui Sumitomo Insurance Co. Ltd.'s holding company, MS&AD Insurance Group Holdings Inc., said Mitsui Sumitomo will make a 10% investment in IKBZ Insurance subject to final approval of local authorities. Mitsui Sumitomo "will carry out necessary procedures based on instructions from local authorities and obtain the final approval by the end of October."

—Ernesto Calucag

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Land of Liberty

Liberty Mutual commemorates the new Statue of Liberty Museum in New York with a poem about hope and unity.

by Lori Chordas

The Statue of Liberty has served as a quintessential American symbol of hope and freedom since the people of France gifted the 305-foot-tall monument to the United States in 1886 to commemorate the friendship between the two nations.

Over the years, the statue's representation of democracy and justice, along with its welcoming of millions of weary immigrants fleeing their homelands in search of opportunity in America, have inspired countless songs and stories, including a new poem commissioned by Liberty Mutual Insurance.

Earlier this year, the Boston insurer tasked former U.S. Poet Laureate Tracy K. Smith with writing a poem that celebrates what Lady Liberty means to the world today. The poem is a gift from Liberty Mutual to the new Statue of Liberty Museum in New York that offers visitors an in-depth look at the statue's history.

FIRST LIGHT: The Statue of Liberty's original torch.

Photo courtesy of The Statue of Liberty-Ellis Island Foundation

Smith wrote *Harbor* as a ghazal or ode form poem that commemorates hope and unity across all forms of difference. *Harbor* is written in the same vein as Emma Lazarus' *The New Colossus* poem penned in 1883.

Liberty Mutual presented its gift during the museum's star-studded opening gala on May 16. Smith unveiled *Harbor* via video at the event, which was hosted by comedian and political commentator Seth Meyers.

Harbor is a "beautiful embodiment of hope and the possibilities that we as a people and a nation can and should be," said Dawn Frazier-Bohnert, global diversity and inclusion officer at Liberty Mutual.

The poem begins: "Stranger, I find myself lost. Let us watch this new age gather overhead. Let's see what rains onto unaccustomed skin."

Liberty Mutual has a deep commitment to diversity and inclusion.

Both diversity and inclusion are essential, Frazier-Bohnert said. "It's not enough to just talk about various dimensions of who we are, we also need to highlight how we collectively do our best work to create an environment where people feel connected and have a sense of belonging." The company's partnership with the Statue of Liberty and the opportunity to be part of the museum is one way to symbolically bring that to life, she said.

For nearly a century, the Statue of Liberty has been part of Liberty Mutual's logo. In 2013, the company began running a series of TV ads against the iconic background of the statue. The spots, which still air today, feature people from different backgrounds and generations sharing frustrations about past experiences with their car insurance and highlighting Liberty Mutual's commitment to alleviating those concerns.

Now Liberty Mutual is once again showing support for Lady Liberty as a sponsor of the new museum on Liberty Island.

The museum is part of a $100 million islandwide beautification effort that's being funded by the Statue of Liberty-Ellis Island Foundation. Inside the 26,000-square-foot museum are three galleries, including the Inspiration Gallery that is made possible by a gift from Liberty Mutual. The gallery, which is devoted to liberty today, houses Lady Liberty's original torch that was replaced in 1986. BR

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

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29	0.38	0.40	0.32	69	3.35	3.56	3.03
30	0.37	0.39	0.32	70	3.83	4.10	3.42
31	0.37	0.38	0.32	71	4.40	4.71	3.93
32	0.37	0.38	0.32	72	5.33	5.57	4.41
33	0.38	0.39	0.33	73	6.11	6.46	5.16
34	0.39	0.40	0.34	74	7.06	7.57	6.03
35	0.40	0.42	0.34	75	8.17	8.47	6.08
36	0.41	0.43	0.34	76	8.47	9.08	6.88
37	0.42	0.45	0.37	77	8.83	9.35	7.77
38	0.44	0.47	0.40	78	9.45	9.89	8.41
39	0.47	0.49	0.42	79	10.09	10.59	9.00
40	0.49	0.52	0.42	80	14.03	14.48	12.23
41	0.51	0.54	0.42	81	15.22	15.65	13.54
42	0.53	0.56	0.44	82	16.68	17.11	14.96
43	0.56	0.58	0.48	83	18.63	19.19	16.39
44	0.59	0.61	0.52	84	21.58	22.17	19.24
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46	0.68	0.70	0.59	86	29.98	30.62	26.58
47	0.74	0.76	0.65	87	34.87	35.87	30.85
48	0.79	0.81	0.71	88	41.20	42.18	37.29
49	0.83	0.85	0.74	89	49.25	50.38	44.70
50	0.89	0.92	0.76	90	59.52	62.98	51.95
51	0.96	1.00	0.81	91	80.31	85.02	58.07
52	1.03	1.08	0.85	92	101.10	113.08	64.48
53	1.08	1.12	0.90	93	126.85	141.34	71.41
54	1.12	1.16	0.95	94	136.12	150.46	78.76
55	1.16	1.21	0.98	95	145.95	160.79	86.59
56	1.21	1.27	1.07	96	155.01	170.07	94.76
57	1.30	1.38	1.17	97	164.57	179.88	103.34
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