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AM BEST'S MONTHLY INSURANCE MAGAZINE

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Top Audit and Actuarial Firms
Page 21

Kevin Hogan Grows AIG Life & Retirement
Page 30

2020 Trade Show Calendar
Page 62

ISSUES & ANSWERS
Claims Automation
Pages 27-29

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AM BEST'S MONTHLY INSURANCE MAGAZINE

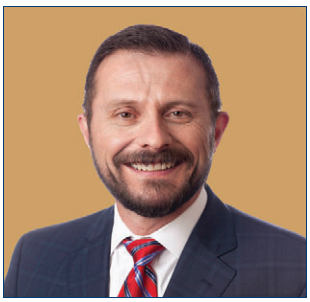
Female Founders

Insurtech startups founded by women use creative capital-raising and networking strategies to overcome the funding gap and earn a seat at the table. **Insurtech Coverage Pages 41-61**

(From left to right) Jennifer Byrne, Kate Terry and Carey Anne Nadeau.

Delaware Advantage

- Delaware takes captive insurance company licensing to a new level that Speeds to Market the licensing process.
- Delaware is the first in the nation to electronically offer a conditional certificate of authority as part of the general application.
- Delaware's conditional certificate of authority means receiving a license to conduct insurance business the same day of submitting the application to do business.



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Trinidad Navarro
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Insurtech Developments

Insurtech companies move into the spotlight in January, with a look at women-led insurtechs and insurtechs that move from MGAs to carriers. This issue also features our annual top audit and actuarial firms listing and our semi-annual trade show calendar.

Insurtechs emerged onto the insurance scene a little more than three years ago, threatening to take legacy carriers by storm with their innovative use of new technology that would allow them to deliver a better customer experience.

The insurtech sector has been evolving since then as it has begun to work more closely with carriers and learn about the challenges involved with regulation, raising capital and bearing risk.

Coverage on Best's News Service highlights how interest in these companies has unfolded. In 2016, for instance, there were just 12 stories about insurtechs on the news service. In 2019, that number had surged to 168. *Best's Review* first featured insurtech startups and venture capitalists on its cover in January 2017.

January is Insurtech Awareness Month and in this issue, *Best's Review* features a special section on the insurtech sector.

In "Female Founders," *Best's Review* spoke with some of the most prominent women in insurtech about their experiences in raising capital, launching startups and how they are working to encourage other women in the industry.

Women interviewed included Jennifer Fitzgerald, co-founder and CEO of Policygenius, Jennifer Byrne, co-founder of Quesnay, Clara Shih, CEO and founder of Hearsay Systems, Carey Anne Nadeau, founder and CEO of ODN and Kate Terry, co-founder and chief operating officer of Surround Insurance.

In "The Evolution of Insurtechs," *Best's Review* looks at insurtechs that got their start as MGAs and are beginning to take on risk as insurance carriers. *Best's Review* spoke with Dan Preston, CEO of Metromile, Sean Harper, CEO of Kin, Adrian Jones, deputy CEO of P&C Partners for Scor as well as Rob Galbraith, an insurtech speaker and author of *The End of Insurance as We Know It*.

Best's Review spoke with these insurtech leaders at the 2019 InsureTech Connect conference in Las Vegas. The event last year brought together 7,000, up from 1,500 at the inaugural event in 2016. InsureTech Connect Asia will launch in June 2020 in Singapore.

A profile of Kevin Hogan, the chief executive officer of AIG Life & Retirement, is also featured. In "Life Reshaped," Hogan discusses the business and the factors that influenced his decision to focus on the life insurance sector.

This issue also includes *Best's Review*'s ranking of the top insurance audit and actuarial firms. These rankings focus only on independent accountants who audit an insurer's annual financial statements and on third-party actuaries who provide an annual statutory actuarial opinion regarding an insurer's policy and claim reserves.

These listings include only insurance companies with statements that listed auditors or external actuaries. The insurer population includes U.S. and Canadian companies that file with AM Best.

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

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

What are some of the biggest risks that the industry may be overlooking?

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

Reader responses will be published in a future issue.

Contents

INSURTECH

In this special section, *Best's Review* looks at some of the latest trends and issues in the insurtech sector.

BEST'S RANKINGS

Top Audit and Actuarial Firms

Ranked by loss reserves.

Page
21

ISSUES & ANSWERS

Claims Automation

Insurance claims are being settled faster with the aid of technology. An industry expert discusses the latest advancements in claims automation including the use of telematics and artificial intelligence.

Page
27

LIFE INSURANCE

Life Reshaped

AIG Life & Retirement CEO Kevin Hogan has garnered little attention, but his group has produced a consistent level of profitability while the insurer turns around its general insurance business.

Page
30

ASSET MANAGEMENT

Going Private

Return is harder to find than ever, forcing insurers to delve even deeper into alternative assets, such as infrastructure debt, according to investment managers in the conclusion of *Best's Review*'s annual roundtable.

Page
36

TRADE SHOWS

Trade Shows/Conferences

The 2020 calendar includes InsureTech Connect Asia in Singapore in June and the RIMS conference in Denver in May. September is a busy month with Rendez-Vous, the NAMIC annual convention, the WSIA annual marketplace, and InsureTech Connect.

Page
62

COLUMNS

DEPARTMENTS

Cover design by Andrew Crespo. Photo by Kim Bjorheim.

Insurance Leader Annual Award Dinner Celebrates 25 Years; World Captive Forum in Miami

Jan. 2 – 5: 2020 WRIA Meeting, Western Risk and Insurance Association, Puerto Vallarta, Mexico.

Jan. 3 – 5: AEA Annual Meeting, Allied Social Science Associations (ASSA), San Diego.

Jan. 12 – 16: 44th NACA Annual Convention Career Fair and Expo, National Association of Catastrophe Adjusters, Las Vegas.

Jan. 15 – 16: AIMSE 27th Annual Canadian Conference, Association of Investment Management Sales Executives, Toronto.

Jan. 15: St. John's University 25th Anniversary Insurance Leader Annual Award Dinner, New York.

Jan. 16: III Joint Industry Forum, Insurance Information Institute, New York.

Jan. 17 – 22: AFBF Annual Convention & Trade Show, American Farm Bureau Federation, Austin, Texas.

Jan. 20 – 22: 29th Annual Health Benefits Conference + Expo, Clearwater Beach, Fla.

Jan. 21 – 23: ICA Winter Meeting, International Claim Association, Indian Wells, Calif.

Jan. 21 – 24: Private Placement Industry Forum, Miami.

Jan 22 – 23: 10th Annual American Conference Institute's Forum on AML & OFAC Compliance for the Insurance Industry, New York.

Jan. 23 – 25: IAOA Innovation 2020, Insurance Agency Owners Alliance, San Diego.

Jan. 23 – 26: PIMA Industry Insights Conference, Professional Insurance Marketing Association, Palm Beach Gardens, Fla.

Jan. 26 – 30: 21st Annual Windstorm Insurance Conference, Windstorm Insurance Network, Lake Buena Vista, Fla.

Jan. 27 – 29: 2020 World Captive Forum, Miami.

Jan. 27 – 29: AGC Conference on Surety Bonds, Bonita Springs, Fla.

Feb. 3: 10th Annual Life Settlement Institutional Investor Conference, Life Insurance Settlement Association (LISA), New York.

Feb. 3 – 5: CatIQ Connect, Catastrophe Indices & Quantification, Inc., Toronto.

Feb. 5 – 7: LIC Annual Meeting & Marketing Conference, LOMA, Tucson, Ariz.

Feb. 6 – 7: Executive Leadership Summit, America's Health Insurance Plans (AHIP), Phoenix.

Feb. 7: ILS NYC 2020, Annual Insurance-Linked Securities Conference, Artemis, New York.

Feb. 9 – 11: Executive Roundtable Conference, American Property Casualty Insurance Association (APCIA), Tucson, Ariz.

Feb. 11 – 13: NAMIC Claims Conference, National Association of Mutual Insurance Companies, Amelia Island, Fla.

Feb. 16 – 19: Crop Insurance Industry Annual Convention, National Crop Insurance Services (NCIS), Bonita Springs, Fla.

Feb. 23 – 25: Emerging Leaders Conference, American Property Casualty Insurance Association (APCIA), Austin, Texas.

Feb. 25 – 27: Cat Risk Management 2020, Reinsurance Association of America (RAA), Orlando, Fla.

Feb. 25 – 26: 2020 PLUS D&O Symposium, Professional Liability Underwriting Society, New York.

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

Attending Exhibiting Speaking
Hosting Sponsoring Video

January: Insurtech Awareness Month

Insurtech, a combination of the words "insurance" and "technology," is rapidly growing in importance. *Best's Review* takes a look at some startups and how innovation and trends can affect the industry's future. Coverage begins on page 41.

Selective Insurance CEO Retires; Successor Named

Also: Lockton names new CEO; Bernard J. Tyson, CEO of Kaiser Permanente dies at the age of 60; and Hyperion names group CFO.

Selective Insurance Group Inc. has named John J. Marchioni to succeed Gregory E. Murphy, who is retiring.

Marchioni, the company's president and chief operating officer since 2013, will assume the CEO post Feb. 1.

Murphy, who has been CEO since 1999 and chairman of the Selective board since 2000, will assume the newly created role of executive chairman of the Selective board upon his retirement, the company said.

Marchioni has more than 21 years at Selective and has worked across all areas of the operation.

In May 2019, Marchioni was elected to Selective's board of directors. He joined Selective in 1998 as a government affairs specialist, was promoted to assistant vice president of government affairs in 2000, and was named vice president of government affairs in 2003.

He was appointed vice president and strategic business unit leader in 2004 and senior vice president, director of personal lines and flood in 2005.

In 2007, he was promoted to executive vice president, chief field operations leader and, in 2008, executive vice president, insurance operations, the company said in a statement.

—Barbara Edwards

John J. Marchioni

Liberty Mutual Vice Chairman Kelley to Retire

Kevin H. Kelley, Liberty Mutual Insurance vice chairman, global risk solutions, was to retire at the end of 2019.

In 2017, Kelley joined Liberty Mutual following the company's acquisition of Ironshore Inc. where he was chief executive officer. Kelley led Ironshore from its start-up beginnings into a global excess and surplus specialty lines insurance company. Kelley also expanded Ironshore's international and U.S. presence with a network of offices offering diverse, specialty insurance coverages throughout its global platform.

Prior to joining Ironshore, Kelley served as chairman of the board and CEO of Lexington Insurance Co. from 1997-2008. Kelley was also executive vice president of AIG Property Casualty Group, president of AIG Domestic Personal Lines, and director of C.V. Starr & Co. and Starr International Cos.

Kevin H. Kelley

AIG Names Head of Multinational, General Insurance

American International Group Inc. has named Allison Barrett as global head of multinational, general insurance.

Barrett will be responsible for driving the execution of general insurance's multinational strategic plan and lead the delivery of the company's capabilities across product lines to AIG's global clients and distribution partners. She will be based in New York.

Barrett joins AIG from Willis Towers Watson, where she was managing director and global head of the company's financial institutions business within the financial, executive and professional risk specialty group since 2017. She joined Willis Towers Watson in 2013 as a senior vice president, FINEX. Barrett was also vice president in Marsh's U.S. financial and professional liability practice.

Allison Barrett

Markel Chairman of Board, A Former CEO, to Retire

Alan I. Kirshner, executive chairman and chairman of the board, will retire after the company's 2020 annual meeting of shareholders and will be succeeded by Steven A. Markel.

Alan I. Kirshner

Kirshner, who has been with Markel 60 years and will be 85 this year, is to leave his role on May 11, and at that time will be named to the honorary position of chairman emeritus.

Kirshner joined Markel in 1960 and moved quickly through a number of leadership roles with increasing responsibility. He joined the board in 1978 and became chairman of the board and chief executive officer in 1986, the same year Markel became a public company. He served as CEO through 2015 and moved into his executive chairman role in 2016.

Steve Markel has been with Markel since 1975 and, alongside Kirshner and Anthony Markel, has been a member of its senior leadership team since the company went public in 1986. He has served as vice chairman since 1992 and has been a director since 1978.

Phoenix Group Names New Group CEO As Bannister Retires

The board of Phoenix Group Holdings plc said Andy Briggs will succeed Chief Executive Officer Clive Bannister, who is retiring.

Clive Bannister

Briggs was to transition into his new role on Jan. 1. Bannister will retire on March 10, following the publication of the group's full-year results and to ensure a smooth transition. Briggs also will be appointed to the board of Phoenix Group Holdings subject to regulatory approval.

Briggs has more than 30 years of insurance industry leadership experience. He joins Phoenix from Aviva plc, where he was CEO U.K. until earlier this year. Briggs was also group chief executive of Friends Life, the listed insurer, managing director of Scottish Widows, chief executive of the retirement income division at Prudential and chairman of the Association of British Insurers.

Bannister joined Phoenix in February 2011. He was the architect of a series of successful acquisitions, culminating in the purchase of Standard Life Assurance in 2018.

Lockton Names New CEO As Ron Lockton Moves Into Chairman Post

Lockton has named Peter Clune as chief executive officer to succeed Ron Lockton, who is being named chairman of the firm.

Peter Clune

Clune, who will step into his new role on May 1, will become one of the few non-Lockton family members to be CEO in the firm's 53-year history. He has been with the firm for 13 years and most recently served as president and chief operating officer, U.S.

Ron Lockton

Ron Lockton will take his new role as chairman on May 1, succeeding David Lockton, who will step down as chairman after 18 years, but will maintain his presence with a new focus. Ron Lockton is the son of founder Jack Lockton, who died in 2004, and the nephew of the current chairman, David Lockton. Ron has worked at Lockton for 29 years as a producer and held several key leadership positions, including most recently CEO of Lockton Inc.

Kaiser Permanente CEO Tyson Dies at 60

Bernard J. Tyson, chairman and chief executive officer of Kaiser Permanente, died in his sleep Nov. 10 at the age of 60.

Bernard J. Tyson

The board of directors named Gregory A. Adams, executive vice president and group president, as interim chairman and CEO.

Tyson's career at Kaiser Permanente spanned more than 30 years, successfully serving in roles from hospital administrator and division president to CEO, Kaiser said in a statement. He was appointed CEO of Kaiser Foundation Health Plan Inc. and Hospitals—known as Kaiser Permanente—in 2013 and was named chairman of the board of directors in 2014. Tyson was also one of only five black CEOs in the United States leading a major corporation.

Tyson's influence was felt both nationally and internationally. Time magazine included him on its list of the most influential people in the world and named him one of the Health Care 50. Also, in addition to being named by Modern Healthcare as one of the most influential people in health care for five consecutive years, he was No. 2 on the 100 Most Influential People in Health Care list and on Fast Company's list of most creative people, according to a company statement.

Tyson is survived by his wife, Denise Bradley-Tyson, and three sons; Bernard J. Tyson Jr., Alexander and Charles.

Ameritas Chief Executive Officer To Retire, Successor Named

JoAnn M. Martin will retire as chief executive officer of Ameritas Mutual Holding Co. and Ameritas Holding Co., to be succeeded by William W. Lester.

JoAnn M. Martin

William W. Lester

Martin also will be succeeded by Lester as chair at Ameritas Life Insurance Corp. Martin will retire on Jan. 10, but will continue to serve as director and vice chair of the boards of AMHC, AHC and ALIC.

Martin joined Ameritas, then called Bankers Life Nebraska, in 1984 as an audit division manager. She rose through the company, serving the next 35 years in various key leadership roles. She was elected CEO in 2009.

Bill Lester will succeed Martin and become president and CEO of Ameritas Mutual Holding Co. and Ameritas Holding Co. He currently serves as president and chief operating officer of AMHC and AHC, president and CEO of ALIC and president and CEO of Ameritas Life Insurance Corporation of New York.

Lester, who began his career with Ameritas in 1983 as a securities analyst with Ameritas Investment Advisors, has held many leadership roles at Ameritas.

W.R. Berkley Names President of Acadia Insurance

W.R. Berkley has named David J. LeBlanc to succeed Douglas M. Nelson as president of Acadia Insurance. LeBlanc will transition into his new role immediately as Nelson is appointed chairman of Acadia Insurance.

LeBlanc joined Acadia in 2006 and most recently served as its chief operating officer and chief underwriting officer. He has over 35 years of experience in the property/casualty industry.

Nelson joined Acadia as president in 2011 and will continue to support LeBlanc and the Acadia team throughout the transition.

Hub International Names Chief Sales Officer for Cannabis Insurance

Hub International has named Jay Virdi as chief sales officer for cannabis insurance and risk services in the United States and Canada.

Jay Virdi

In his new role, Virdi will focus on further developing resources across the United States and Canada, to provide medical and recreational cannabis producers, distributors and retailers proper protection and specialized solutions to reduce risks in all aspects of their operations.

Virdi has more than 15 years of experience in the insurance industry providing support for sales activities and operations, including the execution of strategic initiatives. Virdi most recently developed and managed the cannabis practice group for a North American specialty risks MGA.

Hyperion Names Group CFO, Finance Director

Hyperion Insurance Group has named Mark Craig as group chief financial officer to succeed interim CFO Richard Houghton. Mark Hudson has also been named as group finance director.

Mark Craig

Mark Hudson

Craig was to transition into his new role on Jan. 1. Craig, who was head of investments and debt capital markets, joined Hyperion in 2017. He is responsible for Hyperion's investment program, including identifying, executing and financing mergers and acquisitions and other growth initiatives, and manages the group's treasury and cash reserves.

Hudson will also transition into his new role on Jan. 1. He joined Dual, Hyperion's underwriting business, in 2016 as CFO. He has more than 25 years of general insurance experience, including roles as director of finance and operations at Novae Group plc.

In September, Hyperion combined two units, Howden and RKH, under a single management. BR

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Top Issues in 2020

Best's Review recently asked readers: What are some of the top issues insurers will be focusing on in 2020?

The biggest benefit to the insurance industry in 2019 was that there were no new, big surprises. It implies that the top issues predicted for 2019 were accurate. This definitely does not mean that those issues are resolved by the industry, but it does portray that overall, the industry has the right direction(s).

The majority of carriers will continue to face the same top issues in 2020: the retirements of an experienced workforce; modernizing the workforce to compete in the industry; investments and an increase in spending for the modernization of legacy systems/products; remaining nimble to competition from insurtechs; and the need to assess and establish better partners to improve bottom lines. To remain profitable, insurers need to determine new products, ways of negotiation or underwriting relaxation to attract new customers. Insurers with a lot of legacy products/systems need to identify ways to consolidate them.

Advanced technologies like artificial intelligence, machine learning and blockchain ceased to be mere buzzwords in 2019. They have proven their utility and have impressive investments and results. Carriers being both rich and dependent on data need to start developing the culture and infrastructure to assimilate this new knowledge in 2020. Insurers also need to identify new data sources and capabilities in-house and outside to gain maximum benefits.

Privacy and cybersecurity laws will (and should) continue to evolve and provide new safeguards to policyholders. Insurers have already done their part in protecting policyholders and will continue to do so.

Pranav Sirvaiya, CPCU
Senior Domain Lead - Insurance
Value Momentum Inc., Erie, Pa.

Comment: 'Monte Carlo Conversations'

I found Stephen Catlin's article, "Monte Carlo Conversations" in the November 2019 issue, to be quite informative.

For those of us who have been in the business for a while, it confirmed a general sense of what must happen next. Because the article was written by Mr. Catlin, the content of the article carries great weight.

I look forward to more from Mr. Catlin!

Matt Dunaway
E&S Casualty Underwriter
Axis Insurance, Alpharetta, Ga.

Driving Ahead

Comedian Tina Fey is teaming up with Allstate's Mayhem to drive home the message of safe driving, and Axa is opening up the lines of communication about mental health issues in a new brand campaign.

Behind the Wheel

Award-winning comedian, actress, writer and producer Tiny Fey is in the driver's seat in two **ALLSTATE** TV ads that feature the insurer's iconic Mayhem character.

In one spot, Mayhem, played by actor Dean Winters, portrays Fey's 70-pound St. Bernard puppy who tries to distract his owner by leaning out the car window, eating her leather purse and licking her face while she's driving. However, Fey is able to control the situation and remain focused on the road, which helps to save her money with Allstate's Drivewise. The tool allows drivers to earn cash back or redeem points for rewards for good driving habits.

In another ad, Winters plays a mother-in-law whose critical remarks are a distraction to Fey while driving. But once again Fey's confidence behind the wheel is no match for Mayhem.

Allstate introduced its Mayhem advertising character in 2010. Since then, the villainous mischief-maker has appeared as a blind spot, a windstorm, a portable grill, a distracted teenage girl, a burglar, a destructive raccoon and other characters that wreak havoc as he tries to give helpful advice.

"It was fun to introduce a twist to this iconic campaign by having Mayhem finally meet his match, in the form of safe driver Tina Fey," said David Hernandez, senior vice president and chief creative officer at Allstate.

This year marks Allstate's 10th anniversary of Drivewise, which has "evolved into a sophisticated and customized mobile experience—and you don't even have to be an Allstate customer to use it and get rewards," Hernandez said.

Fey has starred in TV shows such as *Saturday Night Live* and *30 Rock* and movies including *Baby Mama* and *Mean Girls*. She has won numerous Primetime Emmy, Golden Globe, Screen Actors Guild and Writers Guild of America awards.

Let's Talk About It

AXA is focusing on mental health issues in a new brand campaign, "Sharing Makes Us Stronger," that encourages individuals to talk to others about how they feel as a first step to becoming more mentally resilient.

Today, nearly 450 million people around the world suffer from mental or neurological disorders, and one in four individuals will be affected by those disorders at some point in their lives, according to the World Health Organization.

At the heart of Axa's campaign, which is running across TV, cinema and video on demand, are four films that tell the real-life stories of the people whose struggles with mental health are dramatized in the 30- and 60-second TV ads.

Axa is tying the campaign into its recent sponsorship of Liverpool F.C. One of the films tells the story of Liverpool F.C. Women's club captain Sophie Bradley-Auckland. Another story is shared by poet Aiysha Humphreys who created the spoken word poem featured in the ads.

Axa is committed to helping people become both physically and mentally resilient, said Karen Robson, brand director at Axa UK.

"Good mental health is such a vital part of our overall well-being, but there is still a stigma around talking about our problems. Talking to those around us about how we are feeling is the first step to sharing the burden and, if needed, getting further help and support," she said.

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

New Year's Resolution

Now is the time to set intentions for the upcoming year.

By Carly Burnham

As we start the new year, I want to set an intention for 2020 that I hope will also resonate with you in regards to your career path. My focus in 2020 will be to make a lasting impact.

As we develop our careers and grow professionally, it can be easy to focus on our individual goals. This can sound like a number of different things: I want to be promoted; I want to lead a team; I want to earn X dollars per year; or I would like to find a role at Y company.

Then, we build our plans around the steps we believe are necessary to meet those goals. Those steps may also sound like a number of different things: I will earn a new designation; I will take a certain class; I will put in more face time at the office; or I will meet four new people per month.

These are all tactics that I have used and that I will continue to use. It is in my nature to plan and prepare for the future. But, in becoming too focused on my own plan, especially in regards to my career path, it can be easy to forget why one does the work, whatever work that might be. That is why, in 2020, instead of a detailed, goal-oriented plan, I will be working to focus on making a lasting impact.

It would be fair to ask at this point exactly what that means. As I write this column at the end of 2019, I don't fully have an answer for you. But, I can share these three thoughts that are currently guiding my meditation on impact.

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.*

First, insurance is a pro-social product, and it is generally not seen as such. How can I influence the way insurance is sold and marketed to the general consumer to share this truth? One of the challenges with this problem is that insurance is a product that is bought by consumers to allow them to do things they actually want to do—own a home, drive a car, employ workers, etc. Until an insured has a claim, their interactions with their policy are minimal. And even at the point of a claim, their interactions may be confusing. How can we entice consumers to engage with their policies? Are there other benefits they would like to see from their insurer? In past roles, I was working directly with individual consumers and could educate them one by one as to why coverage limits and options mattered. Can I do this

on a broader scale or influence those who are in contact with consumers?

Second, insurance is a career that offers many interesting paths to those who choose the ecosystem. Yet, we struggle in attracting and retaining talent. Those without an understanding of our industry still see us as boring and stodgy. What can I do to improve our industry's reputation? Further, how can I assist companies in their retention efforts, especially in entry-level roles, like call centers and processing departments?

Finally, insurance is made up of an extremely siloed ecosystem. Agents and carrier employees struggle to trust each other. Within carriers, various departments may have only the slightest knowledge of the roles of employees outside their own departments. Insurtech companies and legacy companies still have a "he said/she said" mentality. Can I create valuable knowledge-sharing and community-building mechanisms or systems that break down some of these barriers?

All of the ways that I am thinking about impact are directly related to improving someone's individual experience—consumers, entry-level employees, founders, insurance professionals. Insurance is a people-focused business, and I hope that will not change in my lifetime.

As we set our goals for this year, let's step back and think about why we are setting them. My desire to have a lasting impact has guided my career thus far, and as I step into 2020, I am re-focusing my efforts to continue chasing that purpose.

I'd love to hear what purpose guides your goals. BR

Regulatory Update

Florida cuts workers' comp rates, NAIC reviewing privacy model law and Australia updates the capital framework for private health insurance.

Workers' Compensation: Florida businesses statewide will see an overall decrease of 7.5% for workers' compensation insurance rates, following an order signed by Insurance Commissioner David Altmaier.

The order applies to new and renewal workers' compensation insurance policies effective in Florida as of Jan. 1, 2020, according to a statement from the Florida Office of Insurance Regulation.

The overall statewide reduction in Florida follows similar actions by other states, including California.

In October, Altmaier filed an order with the National Council on Compensation Insurance disapproving NCCI's filing of a 5.4% overall statewide reduction.

The deeper rate cut could be attributed to increased innovation in workplace practices and continued emphasis on safety for employees, Altmaier said in the statement.

Privacy Protection: Insurance industry representatives urged regulators at the first gathering of the National Association of Insurance Commissioners' Privacy Protections (D) Working Group to be careful and thoughtful about what they do as the panel works on bringing NAIC's aged privacy model laws up to date.

The working group is tasked with making recommendations

Hiscox, Brit Lead New Lloyd's Space Consortium

New insurance coverage targets the NewSpace sector.

by David Pilla

Lloyd's said it launched a space insurance policy for the emerging private spaceflight industry, backed by a consortium of Lloyd's syndicates led by Hiscox and Brit.

The policy is designed for "a rapidly growing new space sector, which could be the driving force behind a tripling in size of the global space market by 2040," Lloyd's said in a statement. Lloyd's said the policy is backed by a consortium of 18 syndicates led by Brit and Hiscox, with a US$25 million capacity per risk, and is targeted at the "NewSpace" sector.

"NewSpace is characterized by lower cost, easier routes to space, opening up the sector to private enterprise, wealthy entrepreneurs and innovative start-ups," said Lloyd's. "This is increasing the need for space insurance."

> "NewSpace is characterized by lower cost, easier routes to space, opening up the sector to private enterprise, wealthy entrepreneurs and innovative start-ups. This is increasing the need for space insurance."
>
> Lloyd's

The Lloyd's consortium is new, as is the policy, said Lloyd's spokesman Nathan Hambrook-Skinner in an email to Best's News Service.

The policy is called Llift Space and is only available in the Lloyd's market. It allows customers to cover their assets from the pre-launch phase, including transit and placement on the launch vehicle, through to the launch phase and in-orbit operation, Lloyd's said.

"New aerospace companies and ventures are emerging all the time. They are looking to develop faster and cheaper access to space and spaceflight," said Trevor Maynard, Lloyd's head of innovation, in a statement.

"As they do so, they want access to easily scalable insurance that fits their needs and can be arranged quickly to support technological development and business growth."

Hiscox said the space policy "is designed to cover losses arising from incidents such as a pre-launch accident, launch failure, or what we would call post-separation—when a problem arises that results in the satellite not being able to communicate with the ground station. If a small satellite launch is delayed, which can happen if there are pre-launch issues, then the product would also provide cover to allow them to refinance their new launch, which can be costly."

Lloyd's also published a report, *NewSpace: Bringing the new frontier closer to home*, according to which the global space market is now worth an estimated US$300 billion as "innovation in space looks to continue, further pushing the bounds of technology."

"Increasing interest in the sector and what the upstream sector has to offer have led to estimates that the value of the global space industry could be worth $1 trillion by 2040," the report said. BR

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

Commissioner Puts an End To Wildfire Nonrenewals

The moratorium will affect some 800,000 homeowners in California.

by Timothy Darragh

Deluged with complaints that residents are losing their insurance coverage despite having paid their homeowners premiums and without having filed claims for decades, California Insurance Commissioner Ricardo Lara has ordered a moratorium on nonrenewals in wildfire disaster areas. "I am hearing the story again and again," Lara said at a press conference. "This needs to stop."

The move—the first time such a mandatory moratorium has been ordered under a new state law— is estimated to affect 800,000 homeowners, giving them breathing room to consider their options and shop for coverage. Lara said he has met more than 2,000 nonrenewed homeowners in recent months.

> "California's moratorium on nonrenewals is a market intrusion that will impose significant financial burden and could affect homeowners facing other peril."
>
> **Erin Collins**
> National Association of Mutual Insurance Companies

In addition, the department is asking insurance companies to voluntarily cease all nonrenewals related to wildfire risk statewide until Dec. 5, 2020. The request for a statewide halt to nonrenewals was possible after Gov. Gavin Newsom declared a statewide emergency Oct. 27 caused by high winds, Lara said.

Erin Collins, assistant vice president of state affairs for the National Association of Mutual Insurance Companies, said the move would distort the marketplace. "California's moratorium on nonrenewals is a market intrusion that will impose significant financial burden and could affect homeowners facing other perils," she said. "Insurance only works when rates can be properly matched to risk, and that's why the insurance industry has long been advocating for the state and local governments to better prepare for natural disasters, including wildfires, and to take action to mitigate potential losses."

A statewide moratorium would provide California homeowners, renters, and businesses time for stakeholders to come together to work on lasting solutions, help reduce wildfire risk, and stabilize the insurance market, the department said in a statement.

California insurers incurred more than $12 billion in losses from three wildfires in November 2018—the Camp Fire in Butte County and Woolsey and Hill fires in Los Angeles and Ventura counties according to DOI data. Of more than 19,000 residential property claims in the Camp Fire, more than 11,600 were total losses.

Camp became the most destructive in state history, and eight of the state's 20 most-destructive blazes swept through communities in 2017 or 2018, according to the California Department of Forestry and Fire Protection. The second most-destructive fire, Tubbs, hit Napa and Sonoma in October 2017. BR

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Regulatory Update

to refresh the NAIC's model laws on privacy, which date back to 1980, 1998 and 2000.

"Given that the models are almost 40 years old, they are not technologically accurate," said group Chairwoman Cynthia Amann of Missouri. The committee at least needs to bring them up to the present time regarding technology, she said. Rewriting is a possibility, she said.

They don't have a lot of time. Amann said the group has to report recommendations by the end of 2020.

Health Insurance: The Australian Prudential Regulation Authority has begun the third part of its policy review to update and strengthen the capital framework for private health insurance.

APRA's proposed structure for the new private health insurance capital framework includes aligning it with the framework applying to life and general insurers, unless characteristics of the industry warrant a different approach; integrating changes arising from new accounting standards; and applying the capital framework to the insurer's entire business, rather than just its health benefits fund.

The changes are "aimed at improving the sensitivity of prudential capital requirements to the risks private health insurers face, and improving the comparability of performance between insurers," it said.

"With the PHI industry under pressure from the twin dilemmas of worsening affordability and adverse selection, a strong capital base is vital to keep insurers resilient and able to pay all legitimate claims from policyholders," said APRA executive board member Geoff Summerhayes. "While it's possible the revised framework may increase some insurers' minimum capital requirements, we don't expect this to be significant."

At Large

'Thoughtful Investment' Imperative

Investing in insurtech begins with understanding the factors that cause a startup to fail or succeed.

By **Bill Pieroni**

Over the last decade, more than $15 billion—growing at over a 60% compound annual growth rate—has been spent on insurtech investments worldwide. All eyes are on the insurtech space, and hopes are high for many at startups and established firms alike. However, as with any movement, there will inevitably be peaks and troughs. This, combined with the fact that fully 85% of these startups fail, suggests caution moving forward. While there are great potential gains in insurtech, buyers must be thoughtful.

The basis of thoughtful investment in insurtech lies in understanding the factors which have historically influenced the success or failure of these ventures over time. ACORD examined more than 1,200 insurtech initiatives over the past decade to identify these common threads.

Factors for Failure: Perhaps the most obvious pitfall is when either the solution itself, or the attendant business model, is not aligned with the insurance industry market and our needs. The solution and model must be flexible, adaptable, scalable, and above all, compatible with existing technology and processes. Our industry is well known for its accumulated legacy—infrastructure and culture both often render us reluctant to replace current capabilities, regardless of potential benefits.

In fact, the nature of insurance stakeholders as customers presents several difficulties relative to other industries. Vendors in the insurance space need to spend a significant amount of time and money to acquire each customer. We are conservative, slow to deploy new solutions, and a diverse group. Insurance stakeholders have unique needs and circumstances, requiring tailored approaches. Moreover, we tend to be intolerant of any perceived gap between anticipated and actual captured value—no matter how much value a solution delivers, if it doesn't live up to its hype, it is seen as a failure.

Similarly, the insurance environment presents significant challenges compared to other industries.

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and by aligning anticipated and captured value. Additionally, viable insurtech solutions are deployable in a relatively homogenous manner, across diverse stakeholders with varying requirements. However, it is not enough to simply identify the common reasons for failure and "do the opposite." Historically, successful insurtechs have demonstrated other particular characteristics.

First, their solutions are readily testable, and lend themselves to piloting—the potential customer can confirm their value before fully committing. Similarly, successful solutions have a convincingly demonstrated effect. In an industry as complex as ours, outcomes are affected by many variables. To secure buy-in from key decision-makers, it is necessary to demonstrate a clear cause-and-effect relationship between the solution's deployment and positive results.

Finally, successful insurtechs are able to take advantage of the high, and still growing, degree of interconnectivity in the insurance ecosystem. These solutions are oriented toward industry "co-opetition"—their value increases because of network effects. Crucially, they are also able to secure authoritative adopters. These act as anchors, driving adoption through their trading partners to the industry at large.

Ultimately Deriving Value: Understanding the factors that have contributed to insurtech success or failure over time is the first step in thoughtful investment. Organizations with a well-disciplined process and culture of introducing new capabilities, managing their adoption and integrating them effectively, will then be able to derive full value from these investments and realize their potential. BR

The global macroeconomic climate, and the hypermaturity of most of the world's largest insurance markets, combine to constrain available resources. Also, the highly regulated nature of insurance creates complexities which are often unforeseen by those without deep industry experience. It may come as a nasty shock to learn that one's brilliant innovation must be made to satisfy different compliance requirements in 53 jurisdictions in the U.S. alone.

Finally, many insurtechs fail because of organizational weakness. They may lack sufficient capacity, competency, leadership, measures and incentives to survive and thrive in the insurance space.

Factors for Success: Successful insurtech ventures have avoided these pitfalls, particularly by ensuring compatibility with legacy capabilities,

Answer The Call

With human trafficking becoming a growing exposure, insurers need to create coverage for their clients.

By Lance Ewing

Every year emerging risks are faced by clients, brokers and carriers.

One of these emerging perils is human trafficking. It is one of the most heinous and more publicized risks that increase each year, not only in the U.S. but globally as well.

The National Human Trafficking Resource Center defines human trafficking as ..."a form of modern day slavery ... when a trafficker uses force, fraud or coercion to control another person for the purpose of engaging in commercial sex acts or soliciting labor or services against his/her will."

In the area of sex trafficking, there have been several court cases where insureds, primarily in the hospitality sector, have sought coverage from their carriers under their general and executive insurance policies.

In the majority of these cases the victims of human sex trafficking have brought litigation against the hotel owners alleging that the hotel had a duty of foreseeability and training but failed to act. The hospitality owners sought coverage under their policies.

Insurance carriers have successfully defended their policies by citing policy exclusions that the human sex trafficking conduct fell under the exclusion for assault and battery. Most state courts have affirmed this exclusion and have also cited the defense of public policy by "hotels profiting from the human trafficking..." in certain states. A recent Massachusetts case is under review.

These exclusions while legally upheld do create a vacuum for client coverage and defense.

Clients are facing this reality of no coverage for human trafficking litigation against them. The hospitality, health spa, transportation and entertainment industries have stepped up their risk management and prevention efforts to train employees, vendors and customers.

One major global hotel chain has trained over 300,000 of its employees on human trafficking identification and reporting protocols. Major domestic and international corporations are publicly stating what their companies are doing to combat human slavery and trafficking in

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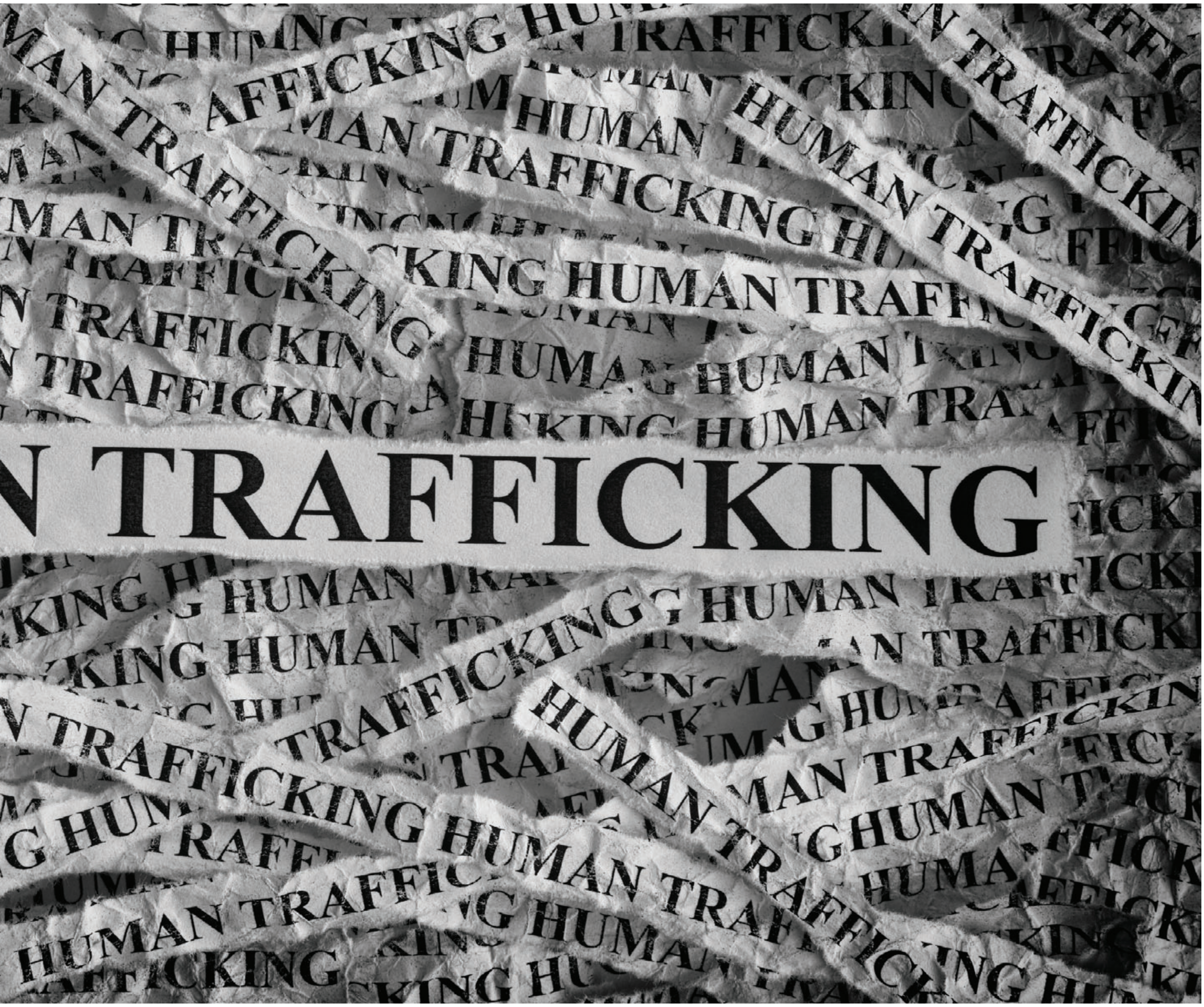

their annual reports and in press releases.

What makes the task of educating, training and responding especially daunting for companies is that plaintiff attorneys are using the internet to locate potential victims and targeting hotels, truck stops, airports, restaurants and social media companies.

Human trafficking is not just about the sex trade but also labor trafficking. Forced labor is part of the supply chain for goods and services.

The U.S. Department of Labor reports that the most common industries with human trafficked forced labor are agriculture, manufacturing and mining. Other industries include, health care, nursing homes, restaurants and construction. An estimated 57,000 employees are victims of forced labor in the United States.

There are more than 30 states that require employers to conduct some form of training on human trafficking. With this growing exposure, could insurance carriers create a policy for human trafficking defense? A policy which may include endorsements, sub-limits, part of excess crisis response, or stand-alone coverage?

Areas of underwriting, risk exposure, premium pricing, claims and concentration exposure would all be factors to consider in human trafficking coverage or policy.

Human trafficking is becoming an epidemic and the United States is the leading country for this horrific trade. For centuries the insurance industry has responded when difficult and challenging coverage was needed.

This may be the year to answer the call. BR

Recipe for Success

Agile software development requires a cultural shift and a focus on several key factors.

By **Taylor Maykranz**

On the path to agility, insurers and reinsurers have increasingly turned to agile software development, which is designed to manage risk and uncertainty while controlling costs and accelerating project completion.

Since companies are implementing one segment of a portfolio at a time, they get a useable product sooner.

There are six keys to agile success that insurers and reinsurers can follow, particularly for ceded reinsurance systems.

A clear vision and priorities. The cedant, or insurer, needs a clear sense of priorities. What is the goal? How is success defined and measured? Which aspects of the cedant's insurance portfolio should be prioritized above others? Get answers upfront.

Stakeholder buy-in. Decision-makers across the entire organization, including the chief information officer and business team members, must be completely on board with the objective. They should have an active role in discussions and decision-making with the vendor and IT team throughout the project.

Adaptability and flexibility. The team must be willing and able to continually adjust to new and changing information. The vendor and insurer must work together as one team to have the flexibility to adapt to changing priorities.

Cross-functional teams. The most capable agile teams have people who can step into one another's domains. IT team members should have some business knowledge and business team members should have a basic understanding of technology. Each team member should be able to participate in the testing of various modules. A well-rounded team is a flexible team.

Consistent and open communication. A team that promotes complete transparency is crucial. No secrets. Working together as one team toward an objective starts with open and honest communication from both parties.

With other implementation methodologies, the client is expected to perfectly communicate every single requirement at the start, and the entire implementation is built around that information.

It is only at the end of such projects that the

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insurer is able to test the system with actual contracts and data.

It's easy to overlook small but important items. Suppose the client says: "I forgot to mention that our property catastrophe program can have a scenario where what was previously reinsured as three independent wildfires now should be reinsured as one wildfire. Because the deductible and other reinsurance clauses now apply only once against those three combined fires, we'll have a better recoverable."

With traditional development, a problem may not be discovered until very late. By then, it might require much work to be redone, resulting in delays and cost overruns.

With its incremental delivery approach and continuous testing, agile software development helps to expose any problems or oversights early on. Course corrections are much easier to make, provided there's constant communication.

Allocation of necessary resources. Bandwidth is a problem in most implementations. The more dedicated bandwidth from insurance staff who are knowledgeable about business processes, the better.

An agile implementation requires consistent involvement from the carrier's team members on the client's side throughout the course of the entire implementation. There is no substitute.

If a project is part of a broader initiative to transform the business, a consistent implementation methodology may be paramount, ruling out agile.

For virtually all other software projects, agile is a fast, safe and cost-effective method if insurers and reinsurers follow these guidelines. BR

Top Audit and Actuarial Firms

Ranked by loss reserves.

by *Best's Review* Staff

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

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

Unlike the annual statutory audit, for which the insurer must use an independent certified public accountant, the actuarial opinion may be provided

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

The primary task of audit firms working with insurance companies is to certify the audits

Auditor	Property/Casualty Count	P/C Loss Reserves (US$ 000)
PricewaterhouseCoopers	285	212,645,373
Deloitte	117	138,610,191
Ernst & Young	211	132,612,813
KPMG	223	121,164,461
Johnson Lambert	129	11,727,412
EisnerAmper	14	10,646,534
Mazars	38	4,491,367
Baker Tilly Virchow Krause	23	3,397,528
BDO	41	3,291,604
BKD	34	2,374,568
Crowe Horwath	66	2,215,746
Strohm Ballweg	39	2,139,981
Dixon Hughes Goodman	27	1,847,639
Plante Moran	35	1,798,504
RSM	43	1,682,995
Grant Thornton	12	1,488,649
State Auditor General	1	1,423,709
Robert J. Evans	1	1,160,291
Eide Bailly	6	1,085,874
JLK Rosenberger	30	803,115
Dean, Dorton, Allen & Ford	3	643,261
Charles T. Mitchell Company	3	558,331
Mountjoy Chilton Medley	6	494,522
Jaynes, Reitmeier, Boyd & Therrell	13	486,997
Moss Adams	3	455,191

Source: AM Best data and research

Auditor	Life Count	Life Loss Reserves (US$ 000)
PricewaterhouseCoopers	123	1,719,000,000
KPMG	79	586,479,121
Deloitte	111	551,807,949
Ernst & Young	96	539,955,063
Seward & Monde	1	22,210,743
BKD	17	15,474,746
BDO	17	8,459,987
RSM	19	8,162,644
Johnson Lambert	13	7,848,712
Eide Bailly	10	3,540,309
JLK Rosenberger	11	3,312,945
Hosack, Specht, Muetzel & Wood	3	3,276,084
Strohm Ballweg	5	3,133,605
Rives & Associates	3	2,695,528
EisnerAmper	6	2,309,115
Kerber, Eck & Braeckel	10	2,214,177

of financial statements. That means they must understand statutory-based financial accounting. They also stay abreast of developments among regulatory bodies, particularly the National Association of Insurance Commissioners in the United States, to ensure compliance with current standards.

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

Auditor (continued)	Life Count	Life Loss Reserves (US$ 000)
Brown Smith & Wallace	6	2,126,732
Larson & Company	8	1,968,915
McKeever Varga & Senko	1	1,682,452
H2R CPA	2	1,298,114
Frank J. Baker & Company	4	1,213,312
Reddinger, Will, Gallagher & Dickert	1	1,139,676
Ginoli & Company	1	1,104,350
Dalby, Wendland & Company	1	913,147
PMB Helin Donovan	5	735,462

Source: AM Best data and research

Auditor	Health Count	Health Loss Reserves (US$ 000)
Ernst & Young	132	25,322,269
Deloitte	142	21,564,877
PricewaterhouseCoopers	112	12,793,076
KPMG	132	12,678,129
Grant Thornton	26	2,341,610

client relationships between insurance companies and their auditing and actuarial firms have been reflected.

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

For health insurers, loss reserves are the sum of:

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

For life insurers, loss reserves are the sum of:

1. Aggregate reserves for life and for accident and health.

Auditor (continued)	Health Count	Health Loss Reserves (US$ 000)
RSM	20	1,056,390
BKD	18	867,088
Eide Bailly	14	865,699
Baker Tilly Virchow Krause	13	598,788
Plante Moran	27	565,646
CliftonLarsonAllen	8	527,143
Accuity	3	487,974
Gregory, Sharer & Stuart	3	247,798
MCM	1	240,222
Carr, Riggs & Ingram	4	197,622
Moss Adams	7	166,963
Centeno Figueroa & Co.	1	132,219
Skoda Minotti	1	131,320
McGee, Hearne & Paiz	2	121,327
Wipfli	6	107,357
BDO	6	94,771
Loeb & Troper	1	92,309
Kernutt Stokes	1	91,514
AgeeFisherBarrett	1	70,935
Armanino	12	63,513

Source: AM Best data and research

Actuary Firm	Property/Casualty Count	P/C Loss Reserves (US$ 000)
KPMG	78	58,563,266
PricewaterhouseCoopers	87	52,983,143
Beneficial Consultants	13	42,665,472
Milliman	161	36,085,261
Willis Towers Watson	169	30,621,333
Ernst & Young	83	26,186,454
Deloitte	37	10,003,361
TMNA Services	6	5,826,731
Merlinos & Associates	59	3,506,917
Regnier Consulting Group	51	2,851,344
Pinnacle Actuarial Resources	64	2,714,957
Actuary Executive	6	2,284,089
HCC Service Company	5	1,802,510
Endurance Services Limited	4	1,605,642
SG Risk	10	1,519,260
Christopher Gross Consulting	1	1,218,964
Actuarial Advisors	18	1,202,698
Perr & Knight	43	1,090,660

2. Liabilities for deposit type contracts.
3. Life policy and contract claims.

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

Actuary Firm (continued)	Property/Casualty Count	P/C Loss Reserves (US$ 000)
Enstar	3	977,338
FTI Consulting	4	728,837
Oliver Wyman	19	691,215
The Actuarial Advantage	12	673,516
Kufera Consulting	31	653,314
Central Actuarial Solutions	4	605,689
LWCC	1	440,823

Source: AM Best data and research

Actuary Firm	Life Count	Life Loss Reserves (US$ 000)
Ernst & Young	3	24,366,788
Lewis & Ellis	49	10,933,343
Milliman	21	7,628,027

(Continued on page 26)

Actuary Firm (continued)	Life Count	Life Loss Reserves (US$ 000)
Griffith Ballard & Company	12	7,056,222
Bruce & Bruce Company	3	3,340,415
RGA Enterprise Services	1	2,856,497
PricewaterhouseCoopers	10	2,822,813
Actuarial Resources Corporation	10	2,726,911
Guggenheim Insurance Services	1	2,726,780
Allen Bailey & Associates	5	2,485,332
Miller & Newberg	11	2,081,861
Willis Towers Watson	5	918,181
Actuarial Management Resources	7	758,016
Rudd & Wisdom	20	632,827
Wakely	3	555,436
Bale Consulting & Intermediary Services	2	504,780
Deloitte	3	439,337
Hause Actuarial Solutions	16	384,943
Agee & Associates	10	341,419
Steimla & Associates	2	334,491
Everence Services	2	309,069
KPMG	1	166,286
Hause Monnin Consulting	5	145,280
Gwise Consulting	1	71,874
RSC Insurance Brokerage	1	46,637

Source: AM Best data and research

Actuary Firm	Health Count	Health Loss Reserves (US$ 000)
Milliman	151	7,850,129
Ernst & Young	21	3,478,025
Lewis & Ellis	20	1,502,010
OptumInsight	14	1,291,701
PricewaterhouseCoopers	6	739,614
Wakely	25	566,851
Enterprise Actuarial Services	1	549,437
Deloitte	14	500,625
Lake Consulting	2	422,112
Oliver Wyman	10	206,268
Global Human Resource	2	196,618
Mercer Consulting	1	156,475
KPMG	4	125,696
Actuarial & Health Care Solutions	1	120,670
Lumeris	1	110,358
Compass Health Analytics	1	97,000
The Kilbourne Company	5	96,937
Allen Bailey & Associates	2	68,762
CBIZ	12	63,513
Lee Benefits Consulting	2	48,119
UHAS Health Actuaries	1	47,282
RSM US	2	43,976
Axene Health Partners	1	33,513
Bolton Health Actuaries	3	29,171
Crooks Actuarial Consulting	4	28,350

Source: AM Best data and research

Special Advertising Section

BEST'S REVIEW®

ISSUES & ANSWERS:

CLAIMS AUTOMATION

Insurance claims are being settled faster with the aid of technology. An industry expert discusses the latest advancements in claims automation including the use of telematics and artificial intelligence.

Interviewed Inside:

Ryan McMahon
Cambridge Mobile Telematics

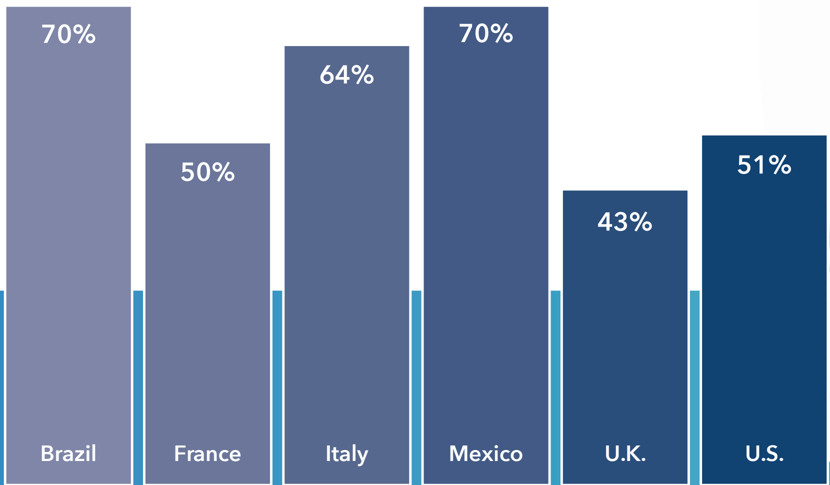
View past Issues & Answers sections at
www.bestreview.com/issuesanswersarchive.asp

Worldwide Attitudes Toward Connected Insurance

From Brazil to France, drivers around the world are ready for Connected Insurance.

Are you ready to provide emergency services, personalized quotes, rewards, and more through a program designed specifically for you and your policy holders?

Would you sign up for Connected Insurance?



% of people who would sign up for Connected Insurance

Cambridge Mobile Telematics is **the world's leading provider** of Connected Insurance solutions with **50 active programs** and **5 million drivers** across **25 countries.**

Download the Worldwide Attitudes Toward Connected Insurance white paper at **CMT.ai/WWA**

The Need for Speed

Ryan McMahon, vice president of insurance and government affairs at Cambridge Mobile Telematics, said the insurance industry has done a great job making the claims process as fast as possible over the years. "As a former adjuster, I can speak from personal experience that if we can do more to speed up the process and get information at the front of a claim, then we can increase customer satisfaction and ultimately reduce costs for the entire system as we can settle claims faster."

CAMBRIDGE MOBILE TELEMATICS

Ryan McMahon
Vice President of Insurance and Government Affairs
Cambridge Mobile Telematics

"Just detecting an accident is only part of what is invaluable for an insurance company. CMT has advanced the technology with the help of artificial intelligence to reconstruct the accident."

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

What are the friction points when somebody files a claim and the challenges?

The key component in claims is information. Information is required to establish if a loss is covered or not, to establish whether or not you have damages that meet the threshold of the deductible, to determine liability and then ultimately to assess how much is going to be repaired or replaced, and settle that claim. The information is driven from a variety of sources including police reports and unbiased witnesses. But most of the information comes from the policyholder or the claimant themselves and that creates a lot of friction as the process to gather that information is sometimes lengthy.

Are there solutions to address these pain points?

The insurance industry has done a tremendous job of trying to make the claims process as fast as possible over the years by using technology. Now the insurance industry actually has the ability to use telematics to reduce friction. Where telematics has traditionally been used specifically to help identify safe driving behaviors and establish prices from there, now that same information through advanced machine learning and artificial intelligence can reconstruct an accident and get information to the insurance company much faster than was previously able just from a conversation alone.

CMT has added some new components to its product line, Claims Reporter and Crash Detector. What do these technologies do and how do they work?

CMT pioneered the mobile telematics industry out of research that started at the Massachusetts Institute of Technology. Dr. Hari Balakrishnan and Dr. Sam Madden engineered the ability to take data that came from sensors from mobile phones and recreate the same information that was previously only available from a black box or a plug-in device. That has advanced over the years to now, where CMT is able to reconstruct an accident with mobile telematics. CMT has also introduced the ability to detect a crash in real time, and our products have been used in this way over the last five years. The ability to detect a crash in real time and enable the insurance companies to respond is life-saving technology. In fact one of our customers, Discovery Insure in South Africa, notes that their customers have 60% lower road fatality rates than the rest of South African drivers today.

Just detecting an accident is only part of what is invaluable for an insurance company. CMT has advanced the technology with the help of artificial intelligence to reconstruct the accident, specifically with the ability to build a narrative around what happened in the loss, where it happened, what force was behind it, what the damages were, whether it was the front of the vehicle or the rear of the vehicle. That information is now available to our customers and that has come as a result of rigorous testing and advances in technology that again were born out of our initial products started from research at MIT.

LIFE Reshaped

AIG Life & Retirement CEO Kevin Hogan has garnered little attention, but his group has produced a consistent level of profitability while the insurer turns around its general insurance business.

by Jeff Roberts

Kevin Hogan's friend never made it home.

The man owned his own business, and it took him into harm's way on Sept. 11, 2001. The morning when everything changed.

"His was one of those cars that never left the parking lot that night," said Hogan, CEO of AIG Life & Retirement. He chose not to identify his friend. "He didn't make it out."

Photo by: Angel M. Negrón

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

Key Points

Market Leader: AIG is the market leader in annuities.

Healthy Revenue: Its life and retirement business has produced pre-tax statutory earnings in excess of $21 billion over the past five years.

Rising Business: AIG has secured $950 million in just two pension risk transfer transactions in 2019 with Avery Dennison Corp. and Rollins.

Hogan's voice was even, but subdued, as he told the story from his office on the 30th floor of AIG headquarters in Lower Manhattan.

He and his friend occasionally talked sports, investment strategies and financial protection over a beer. The man "didn't have a life insurance agent. Didn't have a financial adviser. Didn't have an estate attorney or anything like that," Hogan said. "He had very little protection for his family."

His friend knew he needed to fix that. But he ran out of time, and his family was left without protection coverage.

"What happened to his family is a terrible tragedy," Hogan said, leveling his blue eyes to meet those of the person he was speaking with. "I made the decision right then and there that I was going to focus the rest of my career on making sure there are fewer people like that tomorrow than there are today.

"So I decided to focus my career on the life and savings business."

It has culminated in Hogan guiding one of the largest life insurers in the United States. Under him, AIG's broad and diverse life and retirement portfolio has generated strong current and historical returns supported by a consistent level of profitability. The group has leadership market share positions in many of its lines of business and significant economies of scale with a strong national distribution reach across many platforms capable of reaching a broad audience, according to AM Best's credit report on the company.

AIG insiders credit Hogan, 57, with transforming the business since his return to the company in 2013.

He has reshaped Life & Retirement, which has helped the business contribute to CEO Brian Duperreault's goal of returning AIG to a position of industry leadership. Hogan's business strategy focuses on the customer, capital efficiency and deploying capital to high, risk-adjusted return opportunities.

"I think that our life insurance business is a tremendous asset of the company," Duperreault said in December 2018 at the Goldman Sachs U.S. Financial Services Brokers Conference, "and in it are our people who really are skilled in dealing with lifetime retirements and the problems of demographics that exist globally."

Duperreault was unavailable to comment for this story.

Hogan's domain includes traditional life insurance, individual retirement, group retirement and institutional markets. It has produced pre-tax statutory earnings of more than $21 billion over the past five years, according to AM Best data.

AIG Life & Retirement Group ranked No. 5 among the top U.S. life/health insurers based on $283.7 billion in admitted assets in 2018. And it became the top seller of annuities last year for the first time since 2007, according to LIMRA.

Hogan also runs the pension risk transfer business, which has secured over $1.2 billion this year, including transactions with Avery Dennison Corp. and Rollins.

"The core of our risk management strategy is the multiple products that we're in and the multiple channels," Hogan said. "We're not beholden to any given product. And as a result, we have been able to deliver a very consistent financial result."

The life and retirement business has produced a "very strong operating performance," according to AM Best's credit report. It includes a 14% increase in premiums and deposits year over year in 2018.

The division accounted for 31% of AIG's total revenue in 2018. But it continues to be overshadowed by the struggles of its general insurance arm. Poor underwriting results and heavy catastrophe losses have plagued the unit in recent years and garnered nearly all of the headlines.

The turbulence is the latest chapter—and maybe the final one if Duperreault has his way—in AIG's turnaround since its near collapse in the 2008 financial crisis.

"Obviously, general insurance gets a lot of attention [and] should..." Duperreault said at the Goldman Sachs conference. "Now poor Kevin never gets any attention. It's not that we don't think of Kevin....

AIG Life & Retirement Group
USD (000) Total assets

Year-End December 31

2014	2015	2016	2017	2018
268,396,227	270,608,517	277,823,481	290,019,361	283,717,128

9 Months

2018	2019
291,514,028	303,200,340

Source: BESTLINK - Financial Suite

"Obviously, he was a little ahead of the general insurance."

Hogan oversaw the recent completion of a six-year transformation of his segment. It brought together the various life and retirement entities operating with separate balance sheets and capitalization into one manufacturing unit. It also combined its distribution channels under one set of wholesalers.

The end result was capital efficiency and a streamlined business, he says.

"We've done a lot of the restructuring work in Life & Retirement, and we've come out of that in a great position to grow for the future," Hogan said.

It is the focus of the business as a new decade dawns. But to understand where Hogan plans to take AIG Life & Retirement, you have to see where he has been.

"While it's a challenging time relative to interest rates and market conditions, the needs that we serve are huge and getting bigger each and every day. We're solving what I think is the world's biggest problem—certainly the country's biggest problem—which is the need for protected lifetime income."

Kevin Hogan
AIG

A Defining Moment

Breakfast was squash congee, eaten at a KFC in western Beijing.

It was Jan. 3, 2004, Hogan's first day of work at the People's Insurance Company of China.

He stood out as he ate his porridge next to the insurer's headquarters.

"A bunch of the folks were actually staring at me because a lot of them had just never seen someone like me," Hogan said.

He was part of a joint venture between AIG and the state-owned enterprise in the communist nation. The New York-based insurer took a minority stake in PICC and agreed to help it build a supplemental health insurance business.

"On Day One it was me, a translator and 155,000 of the employees of the People's Insurance Company of China," Hogan said with a laugh. "I was a little intimidated walking in."

In a career of defining moments, his time in China resonates nearly as profoundly as the loss of his friend on 9/11.

The death altered Hogan's career path, influencing him to fully transition to life and retirement from property/casualty and health. And the PICC experience broadened his already global viewpoint, providing insight that continues to serve him well.

He would hone his leadership style in managing businesses in China, Tokyo, Hong Kong, Singapore, Taiwan and Zurich.

"That was helpful to me in everything I've done," Hogan said. "It started with a sense of empathy and interest and understanding—what drives other people?—and then translating that into an entire societal context."

He entered the PICC partnership with an effective game plan, immersing himself in the Chinese culture and business environment. He won over his new colleagues quickly, he said.

PICC had arranged for a chef to prepare lunch his first day "because they recognized what they were serving in the lunchroom may not necessarily cater to the interests of the West," Hogan said.

But he asked to sit with his new colleagues at lunch and eat what they ate.

"I love all different varieties of food, but it was more about sending the message," Hogan said. "If you show that respect, even if you can't speak the language, you can connect with people in a different way. They can understand and see the commitment."

By the time Hogan moved on in 2005, he and his team helped PICC develop a new range of supplemental health products that remain successful today, he says.

His experience in China remains close to his heart. He learned a few tricks of the trade, such as employing two translators overseas. One translator listened while the other spoke to ensure they captured the precise context.

"I got to see China through a local company's eyes," Hogan said. "It was not only a totally different society, it was a very strong Communist society. And it [PICC] was one of the most treasured state enterprises.

"I got to experience going to some places in China that Westerners, at the time, hadn't really been. And that's when you see the real China and realize there are a number of Chinas. That's where you see the real opportunity and the challenges that it presents. "

Reminders of his global perspective surround him in his office.

A framed, autographed rugby jersey adorns one wall, perpendicular to a kakejiku, a Japanese hanging scroll.

On a shelf across the room, a framed photo depicts Hogan and colleagues on stage wearing bunny ears. They were in the middle of performing a nursery rhyme to commemorate Chinese New Year at PICC.

"The way they celebrated it was each department put on a sketch or a song," Hogan said. "We did it in front of thousands."

His next assignment after PICC was running AIG's China and Taiwan life insurance businesses. He already served as president of AIG's Accident & Health Division in New York and chief operating officer of American International Underwriters, its international P/C arm.

The youngest of 11 children to two first-generation Irish Americans, Hogan may have caught the travel bug early just to find some space.

After growing up in New Hampshire, he studied abroad as a high school senior, living with a host family in Rennes, France. The indelible experience pushed him to volunteer for international assignments throughout his career.

"I spent over half my career in Asia," Hogan said. "My wife is from the Philippines. Our kids, if you ask them where they're from, they'll say, 'the world.' Our daughter was born in Hong Kong. Our son was born in Singapore."

AIG Life & Retirement Group
2018 direct premiums written by lines of business.
USD (000)

Ordinary Life	$3,562,639
Individual Annuities	15,486,297
Group Annuities	2,881,793
Individual Accident & Health	110,835
Group Accident & Health	40,548

Source: BESTLINK - Financial Suite

'The Best AIG We Can Be'

The image from the financial crisis remains burned in the consciousness of many, even more than a decade later.

The iconic sign. And three simple letters: A-I-G.

The company was one of the faces of the crisis. Although AIG has long since dealt with the reckoning of 2008, the damage was extensive.

"I'm a big believer that you can't change history, so you just have to focus on the future," Hogan said. "You can learn from history, but you can't change it."

He began with AIG in 1984 when it was the world's biggest insurer. By February 2007, it had a market value of $174.47 billion, according to Forbes.

Then the subprime mortgage market melted down. Bear Stearns had to be rescued. Lehman Brothers went bankrupt. And taxpayers bailed out AIG with $182 billion as it too neared collapse.

Although credit default swaps covering billions in toxic mortgage-backed securities were to blame, not the insurance business, the entire enterprise was caught in the storm.

Hogan, then chief distribution officer of the international life segment, left in 2008 as the company began selling off nearly $100 billion of assets to pay back the government. It included spinning off its Asian life insurance arm in 2009, then selling its remaining stake.

"In the throes of the crisis, Ed Liddy announced that he was going to sell all of the life insurance businesses in order to rescue AIG," Hogan said. Liddy served as interim chairman and CEO at the request of the U.S. Treasury Department. "That was a career moment for me. Their interests and my career interests didn't coincide."

Hogan took over Zurich's life insurance business in the Americas and eventually its entire global life operation. But he returned to AIG in October 2013 after a personal recruiting pitch from then-CEO Bob Benmosche.

"He came and visited me in Zurich. We had breakfast together and he said, 'We didn't sell them all,'" Hogan said with a laugh.

Benmosche wanted him to "help build a bridge between the good parts of AIG's past and the future that he wanted to establish," added Hogan, who became CEO of AIG Global Consumer Insurance.

By then, AIG had paid back the government, plus $22.7 billion in interest.

In 2017, Duperreault restructured the company, eliminating its separate commercial and consumer segments. Hogan took over the new life and retirement unit.

Four days after the announcement, AIG shed the "too big to fail" federal designation.

Despite being slapped with "the most hated company in America" label during the crisis, AIG no longer carries a stain on its reputation, Hogan said.

"The way [Duperreault] characterizes it is, 'Let's make AIG the company it always should have been,'" Hogan said. "There were great old days, but it was never perfect. We have an opportunity now to make the best AIG that we can be today."

Looking to the Future

Hogan first met Duperreault in 1984.

Back then, he was a trainee in the casualty department of AIU. Duperreault was head of the unit. Hogan would pass his office each morning.

"From the very beginning, you could tell how much of a people person he was and how much he cared," he said. "He would ask from time to time, 'Are you learning what you think you should learn? Are people being nice to you?'"

Now Duperreault is the big boss, and Hogan is one of his top lieutenants.

AIG Life & Retirement, with a Best's Financial Strength Rating of A, is producing reliable results while the company overhauls its property/casualty business.

The Life & Retirement division is looking to meet the growing needs of the market. They include an aging population, longer lifespans and a retirement crisis in the United States.

Nearly 60% of Americans say they fear running out of money more than dying, according to the AIG Plan for 100 Survey.

With those needs, comes opportunity.

So Hogan is "on a mission." He wants to educate consumers and spur them to take action so their families do not end up like the loved ones of his friend who died on 9/11.

"While it's a challenging time relative to interest rates and market conditions, the needs that we serve are huge and getting bigger each and every day," he said. "We're solving what I think is the world's biggest problem—certainly the country's biggest problem—which is the need for protected lifetime income."

Hogan's group continues to seek opportunities to generate new business, both organically and through acquisitions.

Life & Retirement has a fundamental U.S. base, with only modest operations internationally. But Duperreault repeatedly has said AIG would expand if the right opportunity arose.

The insurer did acquire Ellipse, a specialist provider of group life risk protection in the U.K., in 2018 from Munich Re.

"The priorities in life are very similar to the priorities in general insurance: Getting the strategies done, cleaning up the past, getting a strong base for future growth," Duperreault said at the Goldman Sachs conference.

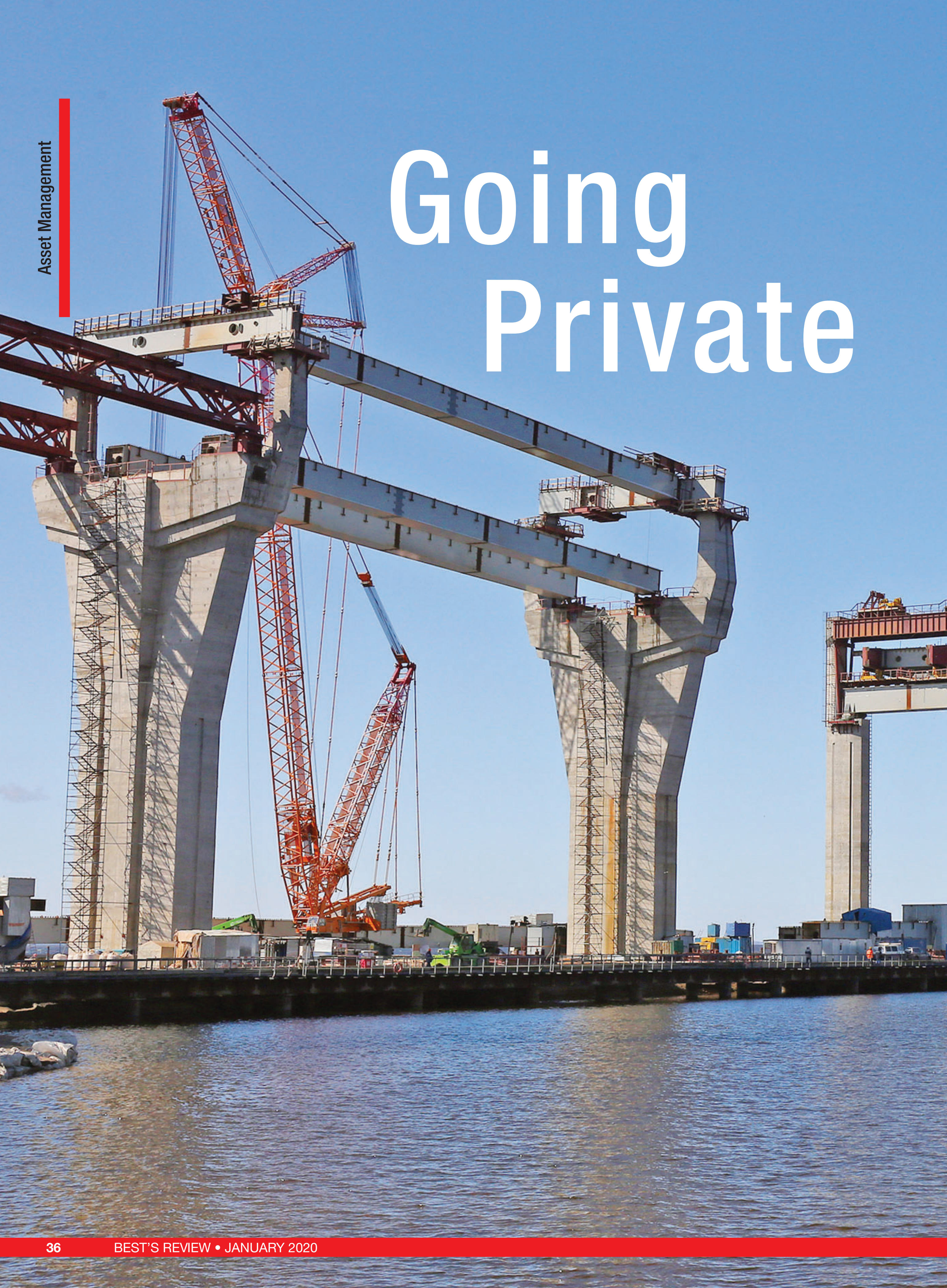
Hogan and Duperreault have also modernized operating platforms and enhanced the division's digital capabilities. Upgrades have occurred in the annuities platform, in its distribution interfaces and for participants and plan sponsors in group retirement.

"Everything is driven by data, automation and analytics," Hogan said. "It's going to change the way people think about living. That dovetails with the big challenge that we're addressing in the business."

However, AIG Life & Retirement still relies on advisers to sell its products.

Most of its product suite is distributed through a network of more than 200,000 financial advisers and agents across the country. Hogan calls the distribution network its "secret weapon."

"Market share is not our strategy," Hogan said. "Our strategy is to compete at scale in the businesses in which we participate. And the fact that we've been successful is a validation that we are meeting our distribution partners and our customers' needs." BR



Going Private

Return is harder to find than ever, forcing insurers to delve even deeper into alternative assets, such as infrastructure debt, according to investment managers in the conclusion of *Best's Review*'s annual roundtable.

by Jeff Roberts

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

Key Points

Big Risk: The downgrade risk of BBB investment-grade assets could have far-reaching capital implications.

More Outsourcing: The trend of outsourcing to external asset managers continues to grow as insurers delve deeper into complex alternative assets.

AI Investing: Insurers are discussing and even experimenting with artificial intelligence-driven investment strategies.

CONSTRUCTING OPPORTUNITIES: Asset managers and their clients are investing in private assets, such as infrastructure debt, private equity and securitized assets.

The risks seem to keep growing.

Low interest rates. The potential downgrade of BBB assets. Even the risk of overreaction.

So where are the opportunities?

"There's a lot of levers that still can be pulled," said John Simone, managing director and head of the Insurance Solutions Group for Voya Investment Management.

They mostly fit under the umbrella of private assets, such as infrastructure debt, private equity and securitized assets.

Simone was among the experts participating on a *Best's Review* roundtable, discussing the search for yield while remaining aware that the end of the economic and credit cycles looms closer each day.

This year's panelists—Simone; Alton Cogert, president and CEO of Strategic Asset Alliance; and Jeb Doggett, managing director with Deloitte Consulting and a founding partner of Casey Quirk—discussed overall investment trends for insurers, the potential downgrade of BBB credit and the rise of artificial intelligence in investing.

Which market risk most concerns you entering 2020?

Simone: The big risk is the potential downgrade risk of BBB rated debt. That will cause a capital impact to insurance companies. It doesn't necessarily mean they'll lose money, but it can provide some level of capital impact with the amount of BBB credit that's out there. Do we feel there's an impending BBB crisis? No. But that is something that we think about.

Equity volatility is also something that raises a level of concern. Insurance companies typically don't own a lot of public equity. They favor private equity because it's less volatile the way its values are struck. But that is something people need to be cognizant of.

Cogert: You have all the macro risks [credit risk, liquidity risk and equity risk]. From an individual company standpoint, I would say the risk is one of overreaction. "Such and such is happening, and we have to move in this direction with the portfolio…" Do what's best for the company's business, irrespective of some of the noise that's going on short term.

What asset classes do you expect increased allocations in through 2020?

Simone: One of the obvious things that we've seen is a trend toward private assets. And that takes the shape of investment-grade private assets, meaning private placements or infrastructure debt; of investment-grade private credit; and below investment-grade private credit. Obviously we're extremely cautious there because a lot of money has flown into that market from not only insurance investors, but more so from traditional institutional investors.

There's a lot of [business development companies] that are forced to own middle market loans, and they're causing spread compression. We therefore believe investors need to be careful in making sure they are getting paid for the risk they are taking. But there's definitely opportunities within that market that we're being very selective around. Also investment-grade commercial mortgage lending is still something that has a very strong bid for folks who want longer duration core-type assets or even medium-term duration core assets, just given the quality of those assets. The case is the same with what we call core-plus or light transitional assets in the commercial mortgage lending space. We've seen spreads come down, but they're still attractive relative to public corporate credit. That's a theme that will continue into the new year.

We've also seen a tremendous amount of securitized [loans] going into collateralized loan obligations, both very high quality CLOs—and that's a function of folks using Federal Home Loan Bank borrowing lines to invest in floating rate CLO paper. We actually feel that investing in CLOs definitely makes sense, but also we feel that in order to weather various cycles, you really need to be more diversified in securitized. So we're seeing a lot more people interested in conversations about more diversified securitized mandates. We're going to continue to see that trend. It's also a great diversifier from just being in long corporate credit.

For instance, if you're investing in asset-backed securities, you're betting on the U.S. consumer, whose balance sheet is actually less levered than corporate balance sheets. Whereas if you're just investing in CLOs, you're really still along that corporate balance sheet, and we think you should be more diversified. So that's a big trend that's going to continue, especially given some of the structural advantages of investing in securitized [assets] and also the improvements in structure coming out of the lessons learned from the 2007 financial crisis. It's not the same securitized market of yesteryear.

And frankly, there's also private credit, private debt that's higher octane, whether it's private equity secondaries or mezzanine. Investing in say infrastructure, that's something that we're really focused on ourselves because we feel renewables specifically are more recession-proof and also generate attractive double digit-type returns. So that direct infrastructure mezzanine space as well as private equity are areas that we're focusing on.

Cogert: All other things being equal—and they never are equal—I would focus on the quantity and quality of cash flow and/or income that an individual investment will provide, and of course how it fits into the portfolio on a correlated and uncorrelated basis. The kind of assets that throw off cash and then income. Those become more and more attractive in a low rate environment.

What asset classes do you expect investors to avoid through 2020?

Simone: We always advise folks that if the strategy can't be explained in the time it takes to go up a couple of floors in an elevator, then you may want to stay away from it. You really need to understand the source of return in any particular strategy.

The one area that we caution folks about is going blindly into any asset class based on yield or structure. An example would be stay away from ideas that look capital efficient but really shouldn't be. For instance, a lot of strategies have been packed into structured notes and equity. Collateralized fund obligations are an example. We caution that the strategy might have a very attractive capital profile, but have you underwritten to the underlying risk of the assets being wrapped in that structure? Make sure you know what that return is because if you lose that capital structuring advantage, you might owe something that has a lot higher charge than you originally thought. So be cautious of structure, of what's the source of return.

Another area where you need to be cautious is middle-market lending, as an example. We look at everything in a relative value way. There's so much money poured into areas of the infrastructure market, areas of the middle market, where they're really not getting paid for the risk that they're taking. So know what you're getting into. And partner with somebody who really knows the underwriting and ideally who has some skin in the game.

Cogert: Investments where there are high fees involved. If you're in a low-return environment—

"In general, insurance companies have made significant investments in data scientists and AI capabilities, primarily to drive their core insurance business. Some of those capabilities are now being redirected to augment their investment capabilities. But it's still early days."

Jeb Doggett
Deloitte Consulting

every year when we do our asset allocation analysis, it seems expected returns on asset classes keep going down. It's crazy. For example, long-term projections on U.S. large cap stocks: In the next seven to 10 years, expected return is about 5%, which is about 2% to 3% more than you get on investment-grade fixed income, which of course has a lot less volatility than the stock market.

Compare that to investing in some of those alternative asset classes, which promise the moon and sometimes don't give it to you—asset classes like hedge funds that typically will charge 2 and 20—a 2% fee plus 20% over a hurdle rate.

"One of the obvious things that we've seen is a trend toward private assets. And that takes the shape of investment-grade private assets, meaning private placements or infrastructure debt; of investment-grade private credit; and below investment-grade private credit."

John Simone
Voya Investment Management

I don't get it. In that type of environment, you could be taking a third or more of your expected return and paying it to an investment manager irrespective of how the investment performs. It boggles the mind. Why would you do that? There's always better, more cost-effective investments.

Are insurers continuing the trend of outsourcing more of their assets to external asset managers, especially for alternative assets?

Cogert: All the numbers we see indicate it just continues to slowly increase over time. Financial markets have gotten more and more complex over time. And that's only going to continue. That puts a strain—from a competitive standpoint—on the investment departments of the internally managed companies.

It's almost always cheaper to pay folks as employees than going out and hiring an active investment manager because the external manager has its own profit goals. But the problem is one of expertise, availability and knowledge of the market. The big investment managers know the market really, really well. How can internal management compete with that? And if you're not in a money-center city, how do you get the best people?

The increased complexity in the markets means that different asset classes arise. That expertise, a lot of times, is not internal to your staff, and you then have to go with some kind of external mandate.

Doggett: The largest firms have very little to zero assets that are outsourced. It is the medium and small firms that outsource. But it's not a huge bonanza. It's slow and more in the alternative, higher-yielding assets and capabilities they don't consider their core competency, like emerging market debt and privates.

About half of the firms we speak to either have a third-party asset management business or are considering building one. The idea is that the needs of pensions and the foundations and endowments are aligned with the insurers' core competencies in private fixed income and real estate.

If insurers can provide those capabilities to third-party investors for a fee, they can reduce the effective cost of running the general account. Or if they can build a meaningful asset-management business, they can build enterprise value and drive cash flow in excess of what they earn on investments.

Do artificial intelligence-driven investment strategies have a role in industry investment practices and are they growing?

Simone: From our perspective, we're using robotics within various processes to reduce costs associated with managing money, which in essence translates into better outcomes for our clients.

We have a lot of robotic initiatives going on at Voya to speed up processes. To the best of my knowledge, we don't use AI in managing equities at this particular point. But that is something that we're definitely thinking about.

Doggett: In general, insurance companies have made significant investments in data scientists and AI capabilities, primarily to drive their core insurance business.

Some of those capabilities are now being redirected to augment their investment capabilities. But it's still early days. Relative to some of the independent asset managers, insurers have made a fairly significant commitment. The exception would be the independent quantitative firms. They are in a different league. BR

INSIDE INSURTECH

While many insurtech startups are content to follow the agent or MGA model, others are converting to carriers. Chicago-based Kin became the latest to do so in the second half of 2019, when it obtained a license to enter the Florida homeowners market.

In "The Evolution of Insurtechs," *Best's Review* talks to insurtech MGAs that have converted to carriers and explores the pros and cons of making that transition.

"Female Founders" takes a look at women-led startups and the challenges they face, particularly the struggle to raise funds. Though research shows that companies founded or co-founded by women generate 10% more revenue than male-founded businesses, only 2.2% of venture capital funding went to female-founded businesses in 2018.

In "Data Driven," Jeremy Johnson, CEO of Protective Insurance, discusses how data and analytics improve results in the hard-hit commercial trucking lines, where the plaintiffs' bar continues to seek exorbitant jury awards.

The question of whether regulators are hindering or facilitating insurtech innovation lies at the heart of Howard Mills' column, "Insurtech & Regulation."

The discussion of insurtech trends continues in "Insurtech Talk," which includes insights from experts interviewed by AMBestTV.

In this special section, *Best's Review* takes a deeper look at the insurtech sector.

The Insurtech Special Section is sponsored by *Cambridge Mobile Telematics*. Go to *www.bestreview.com* to listen to the Cambridge Mobile Telematics podcast or access it at *www.ambest.com/ambradio*.

CONTENTS

SEAT AT THE TABLE: (From left to right.) Jennifer Byrne of Quesnay, Kate Terry of Surround Insurance and Carey Anne Nadeau of ODN said diversity among founders benefits the insurance technology sector.

Photo by Kim Bjorheim

FEMALE FOUNDERS

Insurtech startups founded or co-founded by women use creative capital-raising and networking strategies to overcome the gender funding gap and earn a seat at the table.

by Kate Smith

Kate Terry isn't afraid to pick up the phone and ask for help.

She'll ask for time. She'll ask for advice. She'll ask for introductions. She'll even ask for money.

The co-founder of Surround Insurance—a startup whose products are geared for consumers who rent, share, borrow and freelance—isn't shy. She can't afford to be.

"Entrepreneurship is all about execution," Terry, a former senior executive at Liberty Mutual, said. "The only way to execute when you're in a space where you don't actually have a lot of resources is to ask people for things. Constantly."

The odds are stacked against all startups. But for female-founded ones, the uphill battle is even steeper. Particularly when it comes to funding.

Though McKinsey research shows a direct correlation between gender diversity and increased profitability—companies in the top quartile for gender diversity on their executive teams are 21% more likely to outperform—women-led startups don't receive the same level of financial backing as male-led ones.

Only 2.2% of venture capital funding went to female-founded businesses in 2018, according to PitchBook. And when women do receive funding, they receive more than $1 million less, on average, than their male counterparts.

The Boston Consulting Group studied five years' worth of startup investment data and found investments in companies founded or co-founded by women averaged $935,000. That's less than half of the $2.1 million invested in companies founded by male entrepreneurs.

One reason for the disparity, experts say, is the lack of female venture capitalists. According to media and information firm Axios, only 9% of decision-makers at U.S. venture capital firms are women.

"There's a tendency for venture capital firms to invest in things that they know and people that they relate to," said Jennifer Byrne, co-founder of innovation consulting firm Quesnay. "So it's not surprising that women-led insurtechs and startups overall have struggled to raise funds."

The gender funding gap not only

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

affects the way women raise capital (hint: they get creative), but experts say it also affects the types of businesses they start. And it's not the only issue female founders in insurtech must overcome. From a shortage of mentors to unintentional bias, women entrepreneurs face additional obstacles in getting their companies off the ground and getting a seat at the table.

But the female founders interviewed by *Best's Review*—a group that also included Jennifer Fitzgerald of Policygenius, Clara Shih of Hearsay Systems, and Carey Anne Nadeau of ODN—were uninterested in using that as an excuse.

Nor do they need to, as it hasn't hindered their success. Fitzgerald and Shih are on InsurTech News' list of the Top 50 insurtech influencers, at No. 7 and No. 28 respectively. Nadeau sits on the advisory board for Women in Insurance Leadership. And Byrne founded one of the most anticipated events at the InsureTech Connect conference—the annual Female Founders in Insurtech competition, in which Terry's company was a finalist in 2019.

While they prefer to focus on their business ideas rather than their gender, they agreed to share their experiences and opinions on gender diversity in insurance with *Best's Review*.

Creativity and Profitability

Funding is an issue for every startup, regardless of gender. "No one just hands you a stack of money," said Hearsay's Shih, who has raised capital from venture capitalists Sequoia and New Enterprise Associates.

But with a funding gap that puts them at a

Words of Wisdom: Advice from Female Founders

Don't Hesitate

"Find your advisers, find your sponsor, find your mentor, whether you're in a large corporation or an entrepreneur, because they will be your sounding board, they will give you ideas and feedback that I think ultimately will help you grow and build your confidence.

"I was very fortunate to have male mentors in my corporate life. That helped me grow and learn, and, really, have a seat at the table. I was always invited to every executive meeting. Though I felt uncomfortable, my coach, my sponsor, had no hesitance, and told me I'm stronger and better.

"I think I would say to my younger self, don't hesitate. You're just as prepared. Go to the meeting, and share your knowledge and your expertise. Don't shy away from it."

Jennifer Byrne
Quesnay

Just Say No

"What I would say to founders is, it's easy to find things to do. The challenge is deciding what not to do. One of the tough moments for Hearsay was when we tried to be too many things. What will make or break a lot of companies is having that clarity of purpose and that very crisp and narrow focus, which means saying no to a lot of things. Which is hard to do.

"You never want to say no, but you have to. Look at our decision three years in to walk away from all of our noninsurance, nonfinancial services customers and offer to give them their money back. That was really hard to do, but we wouldn't be able to do what we do—drive transformation at Fortune 500 companies—if we hadn't made that decision."

Clara Shih
Hearsay Systems

Get Priorities in Order

"Be ruthless about your time and what you're prioritizing. Especially in the early days, when everything is hitting your plate and everything seems urgent (and very few things are). The important things early on are: building your product and your offering and getting it in the hands of customers, and as many customers as possible, as soon as you can. After that, the next most important thing, assuming you're building a product that meets the needs of customers, is hiring the best people you can and getting the people part of it right.

"Everything else is second order compared to those things—building the right product for your customers, getting it into the hands of as many customers as you can as soon as you can, and then getting the people right."

Jennifer Fitzgerald
Policygenius

disadvantage, women entrepreneurs have found alternative ways to raise capital.

"What we see through our Female Founders Program," Quesnay's Byrne said, "is that women are super innovative in the way that they find capital."

Rather than rely on venture capital dollars, Byrne said female founders use crowd-funding, angel investors, friends and family, and industry executives as sources of capital.

"Despite the 2.2% number, they're still finding capital to build their businesses," she said.

Both Nadeau of ODN and Terry of Surround say retired insurance executives have been among their biggest supporters.

"As startup founders, it's our responsibility to meet investors where they're at and understand how to penetrate what is still very much an old boys' club," said Nadeau, whose company provides risk ratings for roads. "One strategy we've used to try to broach that, to try to pierce the veil, is to contact people who have retired recently from the industry. They have time. They have expertise. And they have a network, so they're willing to get to know female founders in a way that's deeper, more involved.

"They spend more time with us, and in that way, we're able to grow our network into insurance carriers, into our customers, with that validated old boys' club seal at times. We're figuring out ways to work within the system to still be a female-founded business, and also be successful."

Terry said Surround has raised more than $1 million from retired insurance executives.

"They've got the time and energy to understand

Ask … and Ask Again

"You have to ask for things, and you have to ask again and again and again. Ninety-nine percent of the time, you're going to get told no. You just have to get over that.

"Find a different way of asking, and find a different person to ask. Let it slide off your back when someone says no. Being able to hear no and persevere is the key to success in this arena.

"If you don't actually ask anybody for money, nobody will show up with a check. But if you ask people who have money enough times, somebody will eventually write you a check. That day is like the biggest victory you've ever had in your life, regardless of how small the check is."

Kate Terry
Surround Insurance

Take a Swing

"I thought I had to be good at golf to go on the golf course. No, I just need to know how to drive a golf cart and have a beer on the course. It's more of a social opportunity than it is a competition or it is about discussing a specific business deal.

"I would encourage female founders to … just show up. You might look ridiculous. You might whiff. It turns out, most other people are going to be whiffing and looking ridiculous right along with you.

"Just go out there and take a swing."

Carey Anne Nadeau
ODN

“You can’t do business as usual because it’s no longer business as usual. You need people coming from different perspectives to challenge conventional wisdom.”

Clara Shih
Hearsay Systems

what we’re doing and the interest in supporting a mixed-gender founding team, which we are,” said Terry, who co-founded Surround with fellow Liberty Mutual alum Jay Grayson.

Nadeau says female founders have to get creative and be crafty about how they spend money and deploy capital. That, she said, makes them a good bet.

“Women-owned businesses do a lot more with less, so they’re able to turn a profit faster,” she said. “They’re more lucrative businesses in the long run.”

The statistics back her up. According to BCG, companies founded or co-founded by women perform better financially, generating 10% more revenue over a five-year period than male-founded businesses. They also generate 78 cents for every dollar of funding, compared to 31 cents generated by male-founded startups.

“I think as we see more of these statistics come out, we’ll see more money flowing toward women-led startups,” Byrne said.

Profitability is one surefire way for female founders to quickly build trust and earn a spot at the table.

“The insurance industry is a relationship-driven industry,” Nadeau said. “I think of myself as the girlfriend that the favorite son has brought home to dinner. It’s going to take time for the family to accept me at the table and keep inviting me back. But profitability is one measure that really builds trust very quickly.

“When I can demonstrate real value proposition to a carrier, they’re inviting me more to the table to have that conversation.”

Diversity and Inclusion

Insurance is not known for its diverse leadership. Despite accounting for more than half of the insurance workforce, women comprise only 18% of the C-suite, according to McKinsey. The insurtech space feels even more male-dominated, Terry said.

“I was an SVP at a Fortune 100 insurer before this and spent a number of years in that position,” she said. “There were very few women. But I was shocked, when I moved over to the insurtech side, at the fact that there were even fewer women.”

That makes it difficult to find mentors, and it also makes for a tight-knit community.

One of the most highly respected and highly visible women in insurtech, Fitzgerald regularly makes time to help others along in their journey.

“I get a lot of [mentoring] requests from earlier-stage founders, both in the U.S. and abroad,” said Fitzgerald, who founded Policygenius in 2013 with her McKinsey colleague Francois de Lame. “I’ve gone to InsureTech Connect every year and typically spent some time meeting with earlier-stage people.

“When we were starting out, we reached out to more successful and established founders for advice and help. Several were very generous with their time. So I always want to pay it forward and be as helpful to others as people were with us.”

Shih feels the same. A member of Starbucks’ board of directors and Finovate’s 2019 Fintech Woman of the Year, Shih does some angel investing and advises earlier-stage companies.

“There is certainly a camaraderie among female founders,” said Shih, a Stanford graduate who worked at Google and Salesforce before founding Hearsay, a digital marketing platform for financial services, in 2009. “It’s been nice to pay it forward and help those coming after me.”

Quesnay’s Byrne said having more mentors—

including male mentors—is important for growth.

"From what we've studied, 48% of women entrepreneurs cite the lack of mentorship as one of the main hurdles in their lack of ability to scale and grow," she said.

Since Quesnay started the Female Founders program, Byrne said male executives have often asked whether they can participate as mentors.

"We say 'absolutely!'" she said. "We need more coaches and mentors and sponsors who are male to support women founders, entrepreneurs, or staff members, because at this stage there aren't enough of them.

"I think that's required for us to move forward. It can't just be women helping women. It has to be inclusion as much as diversity."

Female founders say male executives, in large part, have been very supportive.

"I can think of several large insurance company CEOs who have become mentors, sponsors and friends, and helped me through this journey," Shih said. "I credit the awareness and dialogue, over the last five years in particular, around diversity and inclusion. I feel fortunate to work with leaders who live that every day."

That's not to say discrimination doesn't exist. But in Shih's experience, it's been the exception rather than the rule.

"My co-founder is a man, so I got to see how he was treated versus me," she said. "Same company, same pitch. So that was a good A/B test.

"We've definitely had some pitches where the investors would just look at him, even though I was the CEO. They would greet him and assume I was his assistant or chief of staff. There's a lot of unconscious bias. That was the minority of the time, though.

"I am fortunate that I haven't really felt discriminated against since having started Hearsay 10 years ago. If anything, I feel like I've gotten great support, engagement and camaraderie from both men and women."

Inclusion and diversity are more important than ever, experts say, because of how rapidly the world is evolving, both demographically and technologically.

"The people we're serving are diverse," Shih said. "If you want to be customer-centric, you need to have leaders and founders and boards that represent the population you're trying to serve.

"When we were starting out, we reached out to more successful and established founders for advice and help. Several were very generous with their time. So I always want to pay it forward."

Jennifer Fitzgerald
Policygenius

"Also, having diverse backgrounds results in diverse opinions and healthy dissension and debate," she added. "You can't do business as usual because it's no longer business as usual. You need people coming from different perspectives to challenge conventional wisdom."

Ultimately, that's good business.

"An economic and social system that suppresses the ideas and the drive of more than half the population—because it's not just women, it's people of color as well—and doesn't allow their ideas to rise to the top, is not a meritocracy," Terry said. "It's not getting the best ideas out there, and it's not delivering the best economic results or social results.

"It's not just about doing what's right. It's also about doing what's economically right. We'll all be better off if we can appreciate and incorporate the contributions of everyone." BR

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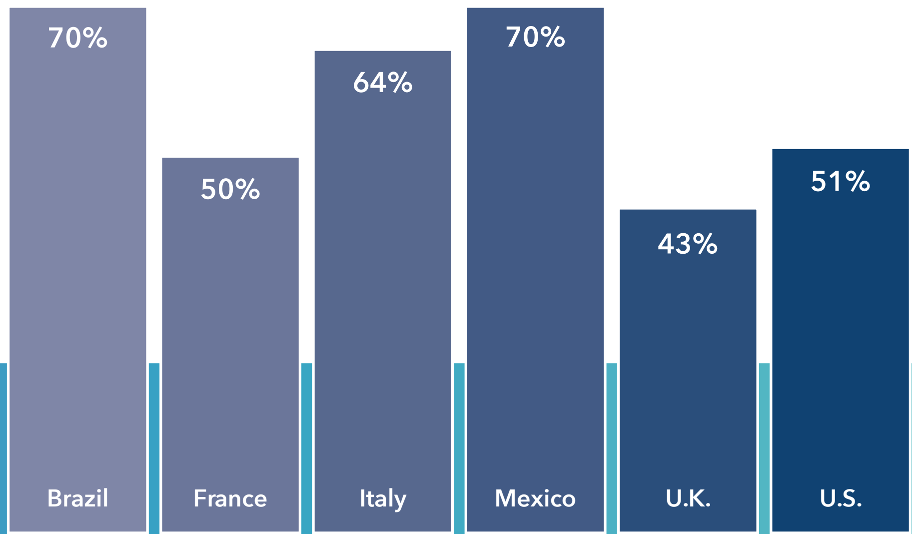

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TO BE OR NOT TO BE: (From left to right.) Author Rob Galbraith, Deputy CEO of P&C Partners at Scor Adrian Jones and Kin CEO Sean Harper discuss the pros and cons of insurtech MGAs converting to carriers with AMBestTV.

The Evolution Of Insurtechs

While some startups are content to follow the agent or MGA model, others are converting to carriers in an effort to gain more control of their businesses.

by Kate Smith

When Dan Preston took over as CEO of Metromile in 2014, he felt like the company didn't fully own its product. And he was right.

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

Metromile, which offers pay-per-mile auto insurance, was founded as a digital insurance agent. And while it provided the foundational technology for its product and controlled the onboarding and servicing of its customers, that control ended once a claim occurred.

"Customers would try Metromile and have this

very digital, seamless experience," Preston recalled. "They could change their policy really easily. They would avoid parking tickets through our street sweeping feature, and all of the things that come with our app. Then they'd have a claim, and it was a very traditional experience. It was very manual. Customers didn't feel like it was a really cohesive experience.

"So it felt like we were a company selling a product that was really somebody else's underneath. And in some ways, it was."

That realization was a key driver in Metromile's conversion to a carrier in 2016.

"We went through the process of ultimately becoming a carrier, largely because we want to control the full customer experience," Preston said. "We got to both a level of scale and a level of sophistication with our technology where we really wanted to focus on that claims experience, which was the last piece of the puzzle for us. Becoming the carrier was about enabling our long-term strategy."

Metromile is not alone in its evolution from agent/managing general agent to risk-bearing entity. As insurtechs mature and grow, experts say a conversion trend is on the horizon.

"I believe that the vast majority of standard, lower-margin, personal line businesses will eventually become carriers," Adrian Jones, deputy CEO of P&C Partners for Scor, said. "I think if you are writing a specialty, niche business that is higher margin, it is much easier to continue on as an MGA."

Several other insurtechs, including Kin and Next, have already made the switch. Next launched in 2016 as a digital agency for small and medium business insurance and became a licensed carrier in 2018. Kin, meanwhile, debuted in 2017 as a managing general agent for homeowners insurance and last year received a license to operate as an insurance carrier in Florida.

"We still do business as an MGA; that has been our business model historically," Kin CEO Sean Harper said. "We did recently start in our first state, in Florida, as an insurance carrier. We're really excited about it because it gives us a lot more control and it allows us to move faster."

Rob Galbraith, an insurtech speaker and author of the book *The End of Insurance As We Know It,* said other insurtech MGAs are likely to follow suit.

"This is a trend," said Galbraith, who is also AF Group's director of innovation. "Several of the MGAs I've talked to have indicated that this is something they're thinking about doing as a next step."

The Upsides

Startups have many reasons for moving away from the MGA model. As a carrier, they can make decisions faster, avoid profit-killing fronting fees and eliminate the risk of fronting contract cancellations.

But more than anything, being a carrier gives startups greater control over the customer experience, the product, the decision-making and, ultimately, their own destiny.

"Most MGA agreements are pretty one-sided with the paper," Kin's Harper said. "It makes sense that they would be because [carriers] have a lot to lose. If you're letting me do stuff with your license and you become uncomfortable with it, for whatever reason, you should be able to shut me off, change the deal, or whatever.

> "If you control your own balance sheet, you can be much more innovative."
>
> **Sean Harper**
> Kin

"But that puts us, as a company that's investing not only our lives and labor but also tens of millions of dollars, in a really uncomfortable situation because now we don't control our own destiny. I know that this was an issue that our board would talk about in every board meeting because it was such an existential risk to the business. Being able to have our own capital and put that to work, it makes it so much more stable."

Metromile, which launched in 2011, had always thought about eventually becoming a carrier. But first it needed to prove its product and show investors there was market demand for per-mile insurance.

"We had to prove out that product, build the initial technology and launch it," Preston said. "We didn't have the capital or the operations at that time to make the full-stack carrier work.

"But it was always something we thought about from the beginning. I wouldn't say it was something we anticipated doing as quickly as we did."

The transition point came after receiving more and more customer feedback about the claims experience.

"As we went deeper and deeper, we found that we had a strategic reason to manage that whole claims experience, because we could offer something vastly different," Preston said. "Because we're a telematics-based company, we can create this fully automated, seamless experience, where the vast majority of our claims and our customers filing claims can have a one-click experience and instant approval.

"That kind of claims experience is something we can only enable by owning the full experience ourselves. As we identified that as one of the core parts of our strategy, that's what inspired us to then go and buy the carrier and move all of that in-house."

AF Group's Galbraith said that as insurtech MGAs grow, they often hit a tipping point where they have too many carrier partners to manage effectively.

"At some point, it may make sense to get rid of the middle man—that primary carrier that's providing the paper—and go make the conversion," Galbraith said. "The MGA model is great starting out. But as some of these MGAs become more and more successful, there is a tipping point. Once you get to a certain size and scale, it becomes very difficult to continue as an MGA."

There is no magic number on how big is too big, but Jones said margin levels and capital requirements also factor into the decision of whether to convert. And the math can be tricky.

"If you're operating in an industry that has a combined ratio, on average, of 98%, that's a 2% margin," Jones said. "The cost of fronting is more than 2%, so you've killed any margin.

"So then you have to think: How much capital is going to be required in a carrier? That's not an easy question to answer, either, because it depends on what the states, the rating agencies, and others expect you to have. You often don't know the answer to that question until you've gone through the process."

The Downside

There are other challenges to conversion—from operational hurdles like establishing departments in-house to regulatory considerations.

"We could probably list a hundred [challenges], small and big," Preston said. "You have to set up the entire claims organization. You have to build the regulatory infrastructure in-house to make sure all of that works."

Preston said having good support makes things easier.

"As an insurtech, especially if you're going toward full stack, you need to have thoughtful partners at every step, and those partners will be different at every stage in the company," he said. "Our investment around the time when we bought the carrier was led by a group called Intact Financial.

"They, as our series D lead investor, were pretty instrumental in helping us think about the strategy of buying the carrier and going through that process. It's not just about capital. It's about the thoughtful partners that will help you think about how to structure it right and how to make the company successful through that transition."

For Kin, reinsurance partners play a huge role. Because its first license is in hurricane-prone Florida, Kin relies heavily on reinsurance.

"That's how we want it," Harper said, noting that Kin plans to expand into other states. "We don't really see ourselves as a balance sheet company. We really wanted to control the license because it makes it easier for us to get reinsurance."

As a carrier, Kin's interests are also more in sync with its reinsurers, which makes for a better relationship.

"Our interests are inherently aligned with our reinsurers," Harper said. "A lot of decisions are fast because they trust us, because they know we have money on the line, too. We have incentive to not mess up. In the 100% reinsured, fronted model, that's not true. You end up spending a lot of time making sure you're aligned."

There's a mindset shift that needs to occur before an MGA becomes a carrier.

"Some of these MGAs have not necessarily been producing the stable, profitable results that would be necessary in order to be really effective as a carrier," Jones said. "I think that means that companies have to think very carefully. It means more discussions about: How much do I push on growth versus profitability? I think we are increasingly seeing MGAs who are looking to convert into carriers who are much more focused on profitability than they were at this time last year."

Metromile's Preston said adjusting to the profitability mindset hasn't been particularly difficult, largely because profitability was a focus even before the company converted.

"You bear more responsibility as a carrier, for sure," he said. "However, even as an MGA, when you're working on behalf of another insurance company, the economics ultimately impact everyone."

Now that they're on the other side of conversion, both Preston and Harper say being a carrier has enabled greater innovation.

"It's faster to iterate as a carrier because we can see—in our own operation and our own experience—what works and what doesn't," Preston said.

"If you control your own balance sheet," Harper added, "you can be much more innovative. That's something venture capitalists also care deeply about."

"As an insurtech, especially if you're going toward full stack, you need to have thoughtful partners at every step."

Dan Preston
Metromile

The tradeoff is increased oversight.

"You trade one devil for the other," Jones said. "You have to maintain a rating for that carrier. You have to maintain capitalization. As you grow, your capitalization needs to increase faster than money falls to the bottom line, particularly if you're doing direct distribution and putting a lot of money in at the very start. That said, at some point it makes sense to do what companies like Kin have done."

The regulatory aspect was easier than Kin expected, according to Harper.

"Here's the thing about regulation: If you're an MGA, you still have to deal with the fact that there are rules," Harper said. "You still have to follow all the rules. You might need to ask the regulator to do something, but you're doing it through a middle man.

"Actually, it seems much more attractive to us to be able to deal directly with the regulator and explain why what we're doing makes sense, without having somebody else involved. I don't see that as a drawback at all." BR

Insurtech & Regulation

Regulators must face the question: Are they facilitating innovation or putting up barriers?

By Howard Mills

Insurtech has been a top-of-mind issue for several years now. As we begin the new year, it is a good time to take stock of how regulators are addressing technology initiatives and determining whether they have become barriers to, or facilitators of, innovation.

Companies turn to technology for various reasons—to disrupt the traditional insurance industry through the application of artificial intelligence, big data analytics, robotic process automation, etc. Or it can help a company create a new business model, maximize efficiency, speed up underwriting or improve the customer experience.

We have seen an evolution in expectations of insurtech—initially thought to have the potential to be a major disruptor of the insurance industry. We have seen a trend toward partnerships—the tech upstarts joining with traditional carriers and reinsurers. There are many theories as to why this has happened. Most would agree that the challenges posed to the new entrants to the insurance industry by the state-based insurance regulatory structure proved to be more complex than many from outside the industry expected. Partnering with established insurers has helped some of the newbies to meet the regulatory demands.

In 2017, the National Association of Insurance Commissioners established the Innovation and Technology Task Force to help regulators understand and respond to the changes that insurtech would bring to the U.S. insurance industry. In my experience, regulators are concerned that they not be a barrier to innovation that has the potential to benefit consumers, but they are also understandably reluctant to upset a regulatory structure that has successfully guided the industry and protected consumers for so many years.

Regulators were asking the insurtechs to identify the specific laws or regulations that were blocking change and progress. The NAIC task force did not result in a uniform approach from the states on how to deal with the insurtech phenomenon.

Kentucky was the first state to create an insurtech regulatory sandbox, a structure

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that allows insurers to test innovations in a supervised environment. Other states would follow. Some took the position that their laws and regulations had the flexibility to allow the testing of new products without the need for a sandbox. Whether a sandbox state or not, many departments of insurance across the nation have a program in place to deal with insurtechs in their jurisdictions.

Recently, the New York Department of Financial Services appointed an executive deputy superintendent of research and innovation. After speaking with many U.S. insurance regulators, I can attest that their common view is that the state-based regulatory system is particularly suited to encouraging innovation, with each regulator having the flexibility to allow new ideas to flourish while maintaining consumer protection. Connecticut Commissioner of Insurance Andrew Mais told me: "It is important for regulators to maintain open relationships with innovators who may not have a deep understanding of the need for and the intricacies of insurance regulation. It is also important to develop the skill sets necessary within regulatory bodies, data scientists for example, that will allow for effective regulation of new products and services."

No doubt that in 2020 we will see more insurtech initiatives, more partnerships and more innovation. Consumers will have more options and the insurance industry will have plenty of opportunities to test the question: Is regulation a barrier to or a facilitator of innovation … or is it something in between? BR

Insurtech Talk

Experts discuss the latest trends in the insurtech market with AMBestTV.

"I think insurtech is both a threat and an opportunity. I don't think it's the case that these insurtech companies are going to grow from nothing to being dominant insurance companies overnight. I think the regulation will temper some of that speed.

I think if there are progressive, forward-looking insurers that do adopt this technology either by partnering or acquiring, they could improve certain aspects of the insurance industry quite materially. For them, it's an opportunity therefore by definition in a competitive market, for others, it's a threat.

Additionally, not only is there a threat from within competitors in the insurance industry, I think there's always an existential risk from outside.

We see many surveys around the world indicating that consumers would be quite happy to buy insurance from the likes of Amazon.

The chance of a retail giant, an online retail giant teaming up with some of this insurtech capability and doing something quite disruptive, I think is increasing. There's a little bit of risk there from outside the industry as well, so it's a bit of both."

Duncan Anderson
Global Leader for Insurance Technology
Willis Towers Watson

"Insurance, as an industry, is getting massively disrupted at this point in time. No matter what we say, insurance is still a very under-penetrated financial instrument out there in the market. The way customers have to discover insurance is becoming easier.

Insurtech is helping significantly in that, helping even digitize the first product that a customer has a need to buy and actually goes and seeks and buys. Beyond that, a customer is usually unaware or does not consciously recognize most of his needs. That's where digitizing and disrupting, how the front-line behaves, matters a lot.

With insurtech coming in, the front-line salesperson can become smarter, be more aware of his customer's needs even before he meets the customer, be able to figure out the right solution for the customer rather than selling the products he has in his portfolio, and hopefully be able to be much more responsive and much more engaging with his end customers.

If AI can do that for any future insurance agent or a salesperson, then it will have helped them be way more productive but keep the human touch within that sales process."

Yamini Bhat
Chief Executive Officer
Vymo

"If you look at markets like China, South Korea, and things like that you can see how fast the pace of change is, but other markets are really slow. Perhaps they don't have the scale for that to take place.

There's a lot going on in insurtech, even in smaller markets like Hong Kong and Singapore. That same geometric versus linear argument applies. They're a little bit further behind on the curve."

Mark Prichard
Chief Executive Officer
NMG Consulting

Visit *www.ambest.tv* to watch the video interviews with these executives.

Insurtech: Trucking Industry

Data Driven

Protective Insurance's CEO: Trucking data is the key to mitigating losses on the road and in the courtroom.

by Kate Smith

Commercial trucking insurers must use the data they collect from telematics, electronic logging devices and geospatial information to connect with their customers to improve their safety environment, said Jeremy Johnson, chief executive officer, Protective Insurance. The trucking industry also is facing escalating attention by the plaintiffs' bar and data will be part of a solution to the growing litigation, he said.

Johnson spoke with AMBestTV at InsureTech Connect 2019, held in Las Vegas.

Following is an edited transcript of the interview.

You took over at Protective last May. What are the tech improvements you're looking to bring to the company?

We've been focused on the trucking space for over 50 years. I think the data that we have—our claims data, the data on our customers—enables us to bring a lot of value to our customers.

The challenge and the opportunity is really to build connectivity. Not just pipes to our customers, but to connect into a myriad of different burgeoning data sources, whether those are the [electronic logging devices] in the trucks, or other telematics information, or geospatial information, or environmental data, or data compiled on particular roads, for example, and to be able to get that data.

Then to be able to build the infrastructure, the technology infrastructure, and invest in the people who can analyze that data. Then find the predictive signals so that we can then help our customers to improve their safety environment, and ultimately to make the roads safer.

That seems like a really tall task. You have all of this data, and you need to analyze it somehow. Is that requiring partnerships with insurtechs?

The insurtech space is fascinating. There are so many super intelligent people leveraging data science and sensor technology and trying to help companies like us, the industry that we serve, the trucking industry, to be better and to be safer.

We will need to partner with outside companies.

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

We've got a couple of really great partnerships that we'll be announcing shortly to build better platforms to collect, collate and analyze data, and to find those predictive signals.

At the same time, we have to invest internally in the resources to mine our own data, and then to match our own data with the external data sources that are becoming more and more available to us.

The commercial auto trucking space has struggled with profitability. What is driving the losses?

There's been an increase in deaths on the road over the last handful of years, which is a tragedy. Thirty-eight thousand people died on the roads [in 2018] in the U.S. I think as an industry, we can help to bring those numbers down.

You've also got a huge focus by the plaintiffs' bar, by a handful of plaintiffs, on the trucking industry, and on, how to say, leveraging our judicial system in a way that wins colossally outsized verdicts in what are certainly tragic cases. But the dramatic escalation in the verdicts that some of the plaintiffs' attorneys have been able to extract from the trucking industry is kind of unconscionable.

It's one of the reasons why the industry has struggled to make money, because that escalation in loss costs over the last five years has been dramatic, and it doesn't seem to be slowing down. As an insurance partner for our customers, we have to be super focused on how we can lower their exposure.

How can we make them safer? How can we help them, if they do have a claim, manage that dynamic with a very skilled plaintiffs' bar super focused on the trucking industry?

You also have a class of equity investing, litigation finance, that is pouring money into capitalizing, into making these cases go forward, investing in them, which has some unfortunate outcomes for our clients, and is raising the value, I suppose, for want of a better word, of the settlements, and in some cases, the verdict.

Our customers already, they're facing this escalating attention by the plaintiffs' bar, which is raising their costs. I think for us the challenge is how can we make them safer?

How can we use the technology and the data that's available? How can we take the data that comes from the federal government, for example, and help them understand whether they have repeatable inspection violations? How can we drive loss prevention programs for them, specifically for a group of drivers, that might reduce that profile?

How can we use the telematics data that so many of our motor carriers are producing a huge amount of telematics information on where they drive, how their drivers drive, what routes they take, how they choose their routes? Can we get that data, analyze that data, and then help our customer to understand perhaps the particular time of the day they might want to take a different route?

Perhaps they might want to build a program that financially incentivizes the drivers to change their behavior, because their behavior is identifiable from the telematics.

Then how can we understand some of the software/hardware combinations, the collision litigation solutions that sometimes are built into the trucks when they're bought, but sometimes come as after-market solutions? It's quite a complex playing field for our customers to try to understand what solution is going to be the best fit for us.

The insurance industry can help our customers to look through those different solutions for the one that's going to hopefully make them safer.

Are customers receptive to that kind of partnership with an insurance carrier?

I'd say for us at Protective, we try to do business with customers who are de facto safety-focused. So, yes, they are receptive, because they want to know how they can be more safe. For many truckers, there's a balance of where you spend your money.

Spending money on safety ultimately will reduce their insurance premiums. It will reduce their loss costs. It will make them safer. Hopefully, they can then hire better drivers, help create a better safety culture.

We're seeing more and more receptivity, but does depend on the trucker. I think for smaller fleets, it's more of a challenge balancing that cost equation. Do they spend money on drivers or on fuel, or do they spend money on safety advantages in the cab?

More and more the climate is such that if you're going to be a successful trucking company, you have to make the investments in safety.

You had mentioned litigation. Can you use data to show that the truckers weren't at fault? Or does data have a double-edged sword?

It's definitely a double-edged sword. You can use the data to hopefully make the risk more safe. You can use the data to build coaching programs for drivers. That's a very popular technique, building coaching programs for drivers.

At the same time, so much of that data is available to the attorneys. If the data indicates that maybe there was a safety problem, or an inspection violation, or a speeding problem, or in some cases, a drug and alcohol problem, then that can make for a really bad case.

That data is very available. Certainly, the plaintiffs' attorneys are investing in accessing that data and analyzing that data themselves. So it's absolutely a double-edged sword.

One of the big issues in private passenger auto is autonomous vehicles. Is that coming to trucking as well? And how far off?

Most of the OEMs (original equipment manufacturers) are absolutely investing huge amounts of money in understanding autonomy, and getting to level 4, level 5 autonomy, where a vehicle is driven without a driver. I believe, we're a long way away from that really being live on the highways and in the cities.

The immediate benefit is those investments in autonomy are helping drivers—the collision avoidance systems that can take over if a driver is veering off, automatic braking that can brake the truck if it's about to hit something, understanding the trajectory of a vehicle as it maybe takes a curve too quickly that can prevent a rollover.

The investments in technology and understanding what makes a truck move, and the environment around it, is absolutely helping make for a safer environment. But I do think with the number of vehicles on the road and the complexity of driving through a city, I think we're a long way away from full autonomy.

[We] have spoken about platooning. Maybe that's something that we'll see before we see full autonomy, where perhaps you have a vehicle with a driver, but then an autonomous vehicle following it.

That seems to me like that's probably a more logical interim step than expecting a fully autonomous vehicle on our highways or in our cities. I don't see it in the next handful of years. BR

"Our customers [are] facing escalating attention by the plaintiffs' bar, which is raising their costs. I think for us the challenge is how can we make them safer?"

Jeremy Johnson
Protective Insurance

AMBestTV

Go to *bestreview.com* to watch the interview with Jeremy Johnson.

Trade Shows/ Conferences

The 2020 calendar includes InsureTech Connect Asia in Singapore in June and the RIMS conference in Denver in May. September is a busy month with Rendez-Vous, the NAMIC annual convention, the WSIA annual marketplace, and InsureTech Connect.

CONTENTS

AGENTS AND BROKERS

Event	Date	Location	Facility
IAOA Innovation 2020	Jan. 23-25	San Diego	Sheraton San Diego Hotel & Marina
PIMA 2020 Industry Insights Conference	Jan. 23-26	Palm Beach Gardens, Fla.	PGA National Resort
WSIA Underwriting Summit	Mar. 1-4	Palm Desert, Calif.	JW Marriott Desert Springs Resort & Spa
PIA Federal Legislative Advocacy Day & Spring Governance Meetings	Mar. 30- Apr. 2	Arlington, Va.	Hilton Crystal City at Reagan National Airport
TMPAA Mid-Year Meeting	May 4-6	Tampa, Fla.	Tampa Marriott Waterside Hotel & Marina
Big "I" Legislative Conference	May 13-15	Washington, D.C.	Grand Hyatt
Les Rendez-Vous de Septembre	Sept. 9-17	Monte Carlo, Monaco	Fairmont Monte Carlo
WSIA Annual Marketplace	Sept. 13-16	San Diego	Manchester Grand Hyatt San Diego
American Agents Alliance Convention & Expo	Sept. 17-19	Palm Desert, Calif.	JW Marriott Desert Springs Resort & Spa
CIAB Insurance Leadership Forum	Oct. 2-6	Colorado Springs, Colo.	The Broadmoor
TMPAA Summit	Oct. 19-21	Scottsdale, Ariz.	Westin Kierland Resort & Spa

CAPTIVES

Event	Date	Location	Facility
World Captive Forum	Jan. 27-29	Miami	JW Marriott Turnberry Resort & Spa
CICA International Conference	Mar. 8-10	Rancho Mirage, Calif.	Westin Mission Hills Golf Resort & Spa
Bermuda Captive Conference	June 8-10	Southampton, Bermuda	The Fairmont Southampton
VCIA Annual Conference	Aug. 10-13	Burlington, Vt.	The Davis Center
NRRA Annual Conference	Sept. 29-Oct. 1	Chicago	Sofitel Chicago Magnificent Mile
Cayman Captive Forum	Dec. 1-3	Grand Cayman	The Ritz-Carlton, Grand Cayman

INSURANCE

Event	Date	Location	Facility
P/C Insurance Joint Industry Forum	Jan. 16	New York	New York Marriott Marquis
PCI Executive Roundtable	Feb. 9-11	Tucson, Ariz.	Ritz Carlton Dove Mountain
NAMIC Claims Conference	Feb. 11-13	Fernandina Beach, Fla.	Omni Amelia Island Plantation
NAMIC Commercial Lines Seminar	March 4-6	Chicago	Renaissance Chicago Downtown Hotel
Insurtech Insights	March 17-18	London	Royal Lancaster London
NAIC Spring National Meeting	March 21-24	Phoenix	Phoenix Convention Center
OnRamp Insurance Conference	April 7	Minneapolis-Saint Paul	Allianz Field
Philly I-Day 2020	April 14	Philadelphia	Pennsylvania Convention Center
ACE America's Claims Event	April 20-22	New Orleans	New Orleans Marriott
IMUA Annual Meeting	May 17-20	Scottsdale, Ariz.	Hyatt Regency Scottsdale
Investments and Wealth Institute Annual Conference	May 27-30	Boston	Hynes Convention Center
InsureTech Connect Asia	June 2-4	Singapore	Suntec Convention Centre
IASA Educational Conference and Business Show	June 7-10	St. Louis	America's Center Convention Complex
IAIP Annual Convention	June 11-13	Louisville, Ky.	Hyatt Regency Louisville
NAMIC Annual Convention	Sept. 20-23	Boston	Hynes Convention Center
InsureTech Connect	Sept. 21-23	Las Vegas	MGM Grand
National Insurance Conference of Canada	Sept. 30-Oct. 2	Ottawa, Ontario	Westin, Ottawa, Ontario
CPCU Society Annual Meeting*	Oct. 8-10	Washington, D.C.	Capital Hilton
PCI (APCIA) Annual Meeting	Oct. 11-13	Orlando, Fla.	JW Marriott Orlando, Grande Lakes
ACORD Connect 2020	Oct. 29	Armonk, N.Y.	Swiss Re Office
Singapore International Reinsurance Conference	Nov. 2-5	Singapore	Marina Bay Sands Expo & Convention Centre

*Now known as In2Risk (shifting from insurance to risk management)

LIFE/HEALTH

Event	Date	Location	Facility
IFEBP Health Benefits Conference & Expo	Jan. 20-22	Clearwater, Fla.	Sheraton Sand Key Resort
LIC Annual Meeting and Marketing Conference	Feb. 5-7	Tucson, Ariz.	Loews Ventana Canyon
ACLI Medical Section Annual Meeting	Feb. 22-25	Charleston, S.C.	The Francis Marion
ACLI ReFocus Conference	March 1-4	Las Vegas	Bellagio Resort& Casino
Institutional Investor Roundtable for Ins. Portfolios	March 2-3	Washington, D.C.	The Watergate Hotel
Medical Professional Liability Association CEO/COO Meeting	March 11-20	Scottsdale, Ariz.	Hyatt Regency at Gainey Ranch
ACLI Financial & Investment Roundtable	March 22-25	Fort Lauderdale, Fla.	Fort Lauderdale Marriott Harbor Beach Resort & Spa
Intercompany Long-Term Care Insurance Conference	March 29-Apr. 1	Denver	Sheraton Downtown Denver
LIMRA Life Insurance Conference	April 20-22	Salt Lake City, Utah	The Grand American Hotel
LIMRA Retirement Industry Conference	April 22-24	Salt Lake City, Utah	The Grand American Hotel
SOA Life & Annuity Symposium	May 4-5	St. Louis	Marriott St. Louis
Medical Professional Liability Association Conference	May 6-8	Washington, D.C.	Omni Shoreham Hotel
SOA Health Meeting	June 8-10	Chicago	Hilton Chicago

LIFE/HEALTH (continued)

Event	Date	Location	Facility
AHIP Institute & Expo	June 17-18	Miami	Miami Beach Convention Center
NAHU Annual Convention	June 27-30	Chicago	Hyatt Regency Chicago
HFMA's Annual Conference	June 28-July 1	San Antonio	Henry B. Gonzalez Convention Center
NAIFA Performance + Purpose Annual Conference	Oct. 1-4	Boston	John B. Hynes Veterans Memorial Convention Center
ACLI Annual Conference	Oct. 11-13	Washington, D.C.	JW Marriott Washington, D.C.
SOA Annual Meeting & Exhibits	Oct. 25-28	Seattle	Washington State Convention Center
LIMRA Annual Conference	Oct. 25-27	Chicago	Chicago Marriott Downtown Magnificent Mile
NOLHGA Annual Meeting	Oct. 27-28	Nashville, Tenn.	JW Marriott Nashville
NAILBA Annual Meeting	Nov. 18-20	Hollywood, Fla.	Diplomat Beach Resort Hollywood

RISK MANAGEMENT

Event	Date	Location	Facility
RAA Cat Risk Management 2020	Feb. 25-27	Orlando, Fla.	Loews Portofino Bay Hotel
RIMS Annual Conference and Exhibition	May 3-6	Denver	Colorado Convention Center
AIRMIC Conference	June 8-10	Edinburgh, Scotland	Edinburgh International Conference Centre
PRIMA Annual Conference	June 14-17	Nashville, Tenn.	Gaylord Opryland Resort & Convention Center
ARIA Annual Meeting (World Risk and Insurance Economics Congress (WRIEC)	Aug. 2-6	New York	Grand Hyatt New York
RIMS Canada	Sept. 13-16	Ottawa, Ontario	Shaw Centre
URMIA Annual Conference	Sept. 19-23	Indianapolis	JW Marriott Indianapolis
ASHRM Annual Conference & Exhibition	Oct. 11-14	Phoenix	Phoenix Convention Center
IRMI Construction Risk Conference	Oct. 18-21	Washington, D.C.	TBA

WORKERS' COMPENSATION

Event	Date	Location	Facility
WCRI Annual Issues & Research Conference	March 5-6	Boston	Westin Copley Place
The IAIABC Forum 2020	April 26-30	Clearwater, Fla.	Wyndham Clearwater Beach Resort
NCCI Annual Issues Symposium	May 11-13	Orlando, Fla.	JW Marriott Orlando Grande Lakes
SIIA Self-Insured Workers' Comp Executive Forum	May 12-14	Cincinnati	Renaissance Cincinnati Downtown Hotel
WCCP Claims Management & Leadership Conference	June 14-17	Bonita Springs, Fla.	Hyatt Regency Coconut Point
SAFETY 2020-ASSP Professional Development	June 23-25	Orlando, Fla.	Orange County Convention Center
SHRM Annual Conference & Exposition	June 28-July 1	San Diego	San Diego Convention Center
DMEC Annual Conference	Aug. 3-6	Anaheim, Calif.	Hilton Anaheim
WCI Workers' Compensation Educational Conference & 32nd Annual Safety & Health Conference	Aug. 16-19	Orlando, Fla.	Orlando World Center Marriott
IAIABC Convention	Sept. 21-24	Denver	Grand Hyatt Denver
SIIA National Educational Conference & Expo	Oct. 11-13	Phoenix	TBA
National Workers' Compensation & Disability Conference	Oct. 21-23	Chicago	McCormick Place Convention Center

Time to Grow

AM Best analysts discuss the challenges facing fraternals including the need to increase membership and a competitive middle market landscape.

by John Weber

Many market participants in the fraternal segment of the U.S. life insurance industry are struggling to stay relevant given their limited financial resources, and difficulties in growing membership according to a new AM Best Market Segment Report, *U.S. Fraternals Face a Difficult Growth Environment.*

Edward Kohlberg, director, and David Marek, financial analyst, discussed highlights of the report with AMBestTV.

Following is an edited transcript of the interview.

David Marek

Why have fraternals struggled to grow membership, and what can be done about it?

Marek: There are several reasons that fraternals have struggled. The first being a lot of them participate in the middle market, which is highly competitive for both fraternals and nonfraternals. Additionally, there's a shrinking consumer wallet due to economic constraints. Additionally, younger generations are waiting until longer to start families, and to have children.

As a result of this, it's more challenging for them, and taking longer for them to enter the insurance markets. Lastly, younger generations prefer to socialize online as opposed to socializing at a chapter or a lodge. I think what fraternals can do to grow membership is to utilize social media to get the social benefits of their companies out as well as educate the consumer on their products.

Additionally, they can provide simplified products which makes it easier for the consumer to purchase, as well as streamline the underwriting processes.

The report notes that demographic shifts may favor fraternals, from a social consciousness perspective, but there's an age-old problem and that has to do with reaching younger generations. How do you see this playing out?

Kohlberg: You can certainly see how there's an alignment between fraternal organizations and younger generations which tend to be more social-minded. We meet with many fraternal organizations and they like to demonstrate to us, or show us videos, or hand out pamphlets, showing all of the good community work that they do.

There are many younger individuals, and even some older individuals that are becoming more socially conscious and would like to participate in these sorts of events. What can be done is a fraternal certainly can leverage this and educate

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

“The challenge again is growing the premiums to new premiums to offset the decrease in runoff renewal premiums.”
Edward Kohlberg
AM Best

consumers about the importance of life insurance and what a fraternal organization can do for them. I could see this playing out a few ways besides just educating the consumer, utilizing different distribution strategies, utilizing technology.

In 2019, we saw two fraternal organizations do a joint venture together to utilize technology to expand their marketing presence. A benefit could also be fraternal organizations merging together to improve the economies of scale. This is a challenge, though, because fraternal organizations, different ones, tend to have fraternal charters that might not align together. It could be beneficial, but there’s challenges in that happening.

Now despite the membership struggles, fraternals have improved their operating results. Can you discuss the dynamic from a rating perspective, given the premium growth challenges?

Kohlberg: For a ratings basis, we rate companies on a company-by-company basis. Some companies are performing better than others. When it comes to the operating earnings for the whole industry in total, it’s really being driven by the three or four largest fraternal companies which make up the vast majority of the premiums and earnings for the industry.

We did see operating earnings increase for the industry from 2017 to 2018. That’s mainly driven by Thrivent, and premiums have been flat to declining a bit for the industry. That large organization Thrivent did decrease their annuity sales as they looked to focus more on ordinary life.

Again, we evaluate that on a company-by-company basis. Some have been more successful than others, but when you look at operating performance for certain companies, these fraternal organizations have been around for a long time, and they have very large in-force books of business that continue to run off.

As they run off, this will generate earnings for the organization. The challenge again is growing the premiums to new premiums to offset the decrease in runoff renewal premiums.

The industry is lobbying Congress to affirm its tax exempt status. What would losing that status mean for the fraternals?

Marek: I think there’s very little threat of them losing their tax exemption. That said, the Fraternal Alliance and the fraternal companies continue to lobby Congress just to spread the word as to the benefits that they’re providing to the communities and the nation as a whole. If they lost their tax benefits, it would be different company-to-company.

The larger companies, for example, would be more likely to be able to take on a different business model and continue to prosper, while the smaller companies would lose the benefits that are embedded in their product related to their fraternal societies and put more stress on their businesses. BR

AM BestTV

Go to *www.bestreview.com* to watch the interview with Edward Kohlberg and David Marek.

A Look Toward the Future, Other Topics on Demand

Recent AMBest Webinar Highlights look at innovative products and upgrading core insurance systems. Also, webinars on data, auto insurance and more.

On Demand

How Life Insurers Are Using Innovative And Compliant Predictive Models

Recent regulatory inquiries are impacting how insurers across the country are utilizing advanced analytics. This panel discussion reviews predictive modeling and compliance implications. (Now available.)

Municipal Bonds: The Evolution Of an Important Asset Class for Insurers

Asset managers examine the state of the current municipal bond market, the impact of tax reform and where insurers are discovering opportunities in this large but shifting sector. (Now available.)

Homeowner Insurance Carriers Can Make Better Decisions Through Data

Authors of the 2019 *LexisNexis Home Trends Report* examine trends by peril and developments in underwriting, claims, technology and other factors important to homeowners writers. (Now available.)

Webinar Highlights

Developing Innovative Solutions: Addressing the Trends Of Tomorrow Today

From the sharing economy to extreme weather, the insurance industry is dealing with transformational change. A panel of insurance experts explore why developing innovative products and solutions now to address tomorrow's trends can be a smart business strategy. Case studies highlight new product development in key areas including home sharing and natural disasters. Sponsored by Munich Reinsurance America Inc.

How Data Integrations Into SaaS Core Systems Are Transforming Insurance

As property/casualty insurance carriers look to upgrade their core insurance systems, one key requirement is being able to integrate the increasing number of data sources and services required for the processing of insurance. With a growing library of pre-built and fully maintained integrations, SaaS core systems enable carriers to consistently have the data they need to move faster and be more efficient. Sponsored by LexisNexis Risk Solutions.

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The Evolution Of the Insurance Industry

AMBestTV reports on the annual AM Best Insurance Market Briefing – Europe, held in London, and the 16th Singapore International Reinsurance Conference in Singapore. AM Best also looks at the identity theft insurance market. AMBestRadio includes discussions on aviation and aging infrastructure.

On Demand

Insurance Market Briefing - Europe Reveals an Industry Adapting To Nonstop Change

Attendees at AM Best's Insurance Market Briefing - Europe, held in London, said the ongoing evolution of Lloyd's, insurance technology and regulatory frameworks are building a culture that's learning to anticipate and adapt to change. Catherine Thomas, senior director, analytics, AM Best led a thematic session on how London market insurers are responding to changing distribution trends, including broker facilities, the growth of MGAs and broker consolidation.

Catherine Thomas

SIRC Attendees: Capacity Crunch Looms in Retrocession Market

Hampered by additional catastrophe losses in 2019 and trapped capital in the ILS market, the demand for retrocession insurance may outpace supply, pushing prices higher, SIRC attendees said. Among those who spoke with AMBestTV at the Singapore International Reinsurance Conference was Philippe Dormart, head of underwriting, property/casualty, Partner Re Ltd.

Philippe Dormart

Tokio Marine Kiln's Hoad: Lloyd's Returning to Its 'Entrepreneurial Roots'

Tom Hoad, head of innovation at Tokio Marine Kiln, said Lloyd's Production Innovation Facility, which brings together 27 Lloyd's syndicates, is focused on bringing new products to the market. He spoke with AMBestTV at the AM Best Insurance Market Briefing – Europe, held in London.

Tom Hoad

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

Lloyd's CEO: Cultural Change Is Hardest


John Neal

While Lloyd's expects 90% of its business to be digital by the end of 2020, cultural change is the hardest to achieve, said market CEO John Neal at the AM Best Insurance Market Briefing – Europe in London.

SIRC Attendees: Recent Catastrophes Shift Focus to Cat Modeling


Milan Simic

Recent natural catastrophe losses in Asia/Pacific have highlighted the challenges of cat modeling, SIRC attendees said. Among those speaking with AMBestTV was Milan Simic, executive vice president, global business development, AIR Worldwide.

AM Best Analysts: ID Theft Insurance Evolving

Identity theft coverage could evolve into standalone personal cyber insurance, said Samuel Hanig, senior industry analyst, and Helen Anderson, associate analyst, both of AM Best.


Samuel Hanig and Helen Anderson

AMBestRadio

Insurers Face Challenges In Aviation, Aging Infrastructure

Industry experts talk with AMBestRadio about trends in aviation insurance and the threat of aging U.S. levees.

Airline Insurers Flying Into Headwinds

James Van Meter, regional head of Aviation Programs & Product Development - North America, Allianz Global Corporate & Specialty, discusses an Allianz 2020 Aviation Risk Report showing that flying is safer than it ever has been, but insurers face other challenges in the aviation market.

FM Global's Gritzo: Levees Protect $1.3 Trillion Of US Property Value From Floods

The average age of the 28,939 miles of levees in the United States is 50 years, said Louis Gritzo, vice president, FM Global. He testified before Congress in favor of reauthorizing the U.S. Water Resources Development Act, which funds the framework for waterway management in the United States.

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

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between Nov. 1 and Nov. 30, 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						
⇥	H	CareMore Health Plan *Anthem, Inc.*	064751	NR nr		A- a-	Stable Stable	California
⇥	H	CareMore Health Plan of Arizona, Inc. *Anthem, Inc.*	065057	NR nr		A- a-	Stable Stable	Arizona
⇥	H	CareMore Health Plan of Nevada *Anthem, Inc.*	065060	NR nr		A- a-	Stable Stable	Nevada
☑	L	Colonial Life Assurance Company Limited *Edmund Gibbons Limited*	086817	A a	Stable Stable	A u a u	Developing Developing	Bermuda
⚑	H	Commercial Travelers Life Insurance Co *National Guardian Life Insurance Company*	007361	A- u a- u	Negative Negative	A- a-	Stable Stable	New York
⇥	H	Coventry Health Plan of Florida Inc *CVS Health Corporation*	064102	NR nr		A- a-	Stable Stable	Florida
New	H	Delta Dental of Kansas, Inc. *Delta Dental of Kansas, Inc.*	064538	A- a-	Stable Stable	NR nr		Kansas
⊕	L	Enterprise Life Insurance Company *UnitedHealth Group Incorporated*	008919	A- a-	Stable Stable	B++ bbb	Stable Stable	Texas
⊕	H	Freedom Life Insurance Co of America *UnitedHealth Group Incorporated*	006269	A- a-	Stable Stable	B++ bbb	Stable Stable	Texas
☑	L	Individual Assur Co, Life, Health & Acc *Homeshield Capital Co.*	008437	B+ bbb-	Stable Stable	B+ u bbb- u	Developing Developing	Oklahoma
☑	L	LifeShield National Insurance Co. *Homeshield Capital Co.*	009458	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	Oklahoma
⇅	L	Nassau Life and Annuity Company *Nassau Financial Group, L.P.*	009072	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Connecticut
⇅	L	Nassau Life Insurance Company *Nassau Financial Group, L.P.*	006922	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	New York
⇅	H	Nassau Life Insurance Company of Kansas *Nassau Financial Group, L.P.*	006977	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Kansas
⇅	H	Nassau Life Insurance Company of Texas *Nassau Financial Group, L.P.*	006273	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Texas
⊕	H	National Foundation Life Insurance Co *UnitedHealth Group Incorporated*	006774	A- a-	Stable Stable	B++ bbb	Stable Stable	Texas
New	L	Oceanview Life and Annuity Company *Oceanview Holdings Ltd.*	060701	A- a-	Stable Stable	NR nr		Colorado
New	L	Oceanview Reinsurance Ltd. *Oceanview Holdings Ltd.*	071654	A- a-	Stable Stable			Bermuda
⇅	L	Order of United Comml Travelers of Amer	008181	B bb+	Stable Negative	B bb+	Stable Stable	Ohio
—	L	PHL Variable Insurance Company *Nassau Financial Group, L.P.*	009332	B bb	Negative Negative	B+ bbb-	Stable Stable	Connecticut
		U.S., CANADA AND BERMUDA PROPERTY/CASUALTY						
⇥	P	21st Century Preferred Insurance Co	002796	NR nr		A u a u	Negative Negative	Pennsylvania

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	American National County Mutual Ins Co *American National Insurance Company*	010255	A a+	Stable Stable	A a	Stable Stable	Texas
⊕	P	American National General Insurance Co *American National Insurance Company*	002803	A a+	Stable Stable	A a	Stable Stable	Missouri
⊕	P	American National Lloyds Insurance Co *American National Insurance Company*	011700	A a+	Stable Stable	A a	Stable Stable	Texas
⊕	P	American National Property & Casualty Co *American National Insurance Company*	003533	A a+	Stable Stable	A a	Stable Stable	Missouri
⊕	P	ANPAC Louisiana Insurance Company *American National Insurance Company*	012472	A a+	Stable Stable	A a	Stable Stable	Louisiana
⚑	P	Argo Re Ltd. *Argo Group International Holdings, Ltd*	013313	A u a u	Negative Negative	A a	Stable Stable	Bermuda
⚑	P	Argonaut Great Central Insurance Company *Argo Group International Holdings, Ltd*	002219	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	P	Argonaut Insurance Company *Argo Group International Holdings, Ltd*	002056	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	P	Argonaut Limited Risk Insurance Co *Argo Group International Holdings, Ltd*	003540	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	P	Argonaut-Midwest Insurance Company *Argo Group International Holdings, Ltd*	003078	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	P	Argonaut-Southwest Insurance Company *Argo Group International Holdings, Ltd*	002058	A u a u	Negative Negative	A a	Stable Stable	Illinois
⚑	T	ARIS Title Insurance Corporation *Argo Group International Holdings, Ltd*	014152	A u a u	Negative Negative	A a	Stable Stable	New York
New	P	Brickyard Insurance Company *Midwest Financial Holdings, LLC*	020662	A- a-	Stable Stable	NR nr		Indiana
⇅	P	Canal Indemnity Company *Canal Insurance Company*	003571	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	South Carolina
⇅	P	Canal Insurance Company *Canal Insurance Company*	000234	B++ bbb+	Positive Positive	B++ bbb+	Stable Stable	South Carolina
☑	P	Colonial Insurance Company Limited *Edmund Gibbons Limited*	086816	A a	Stable Stable	A u a u	Developing Developing	Bermuda
☑	C	Colonial Medical Insurance Company Ltd *Edmund Gibbons Limited*	086818	A a	Stable Stable	A u a u	Developing Developing	Bermuda
⚑	P	Colony Insurance Company *Argo Group International Holdings, Ltd*	003283	A u a u	Negative Negative	A a	Stable Stable	Virginia
⚑	P	Colony Specialty Insurance Co *Argo Group International Holdings, Ltd*	002619	A u a u	Negative Negative	A a	Stable Stable	Ohio
⇥	P	Community Insurance Corporation *Wisconsin County Mutual Insurance Corp*	012529	NR nr		B++ bbb	Negative Negative	Wisconsin
⊕	P	Farm Family Casualty Insurance Company *American National Insurance Company*	000362	A a+	Stable Stable	A a	Stable Stable	New York
⇅	P	Farmers Mut Fire Ins Co McCandless Twsp	004766	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Pennsylvania
⇅	P	Housing Authority Property, A Mutual Co *Housing Authority Property, A Mutual Co*	011430	A a	Stable Positive	A a	Stable Stable	Vermont
⇅	P	Housing Authority RRG , Inc *Housing Authority Property, A Mutual Co*	010741	A a	Stable Positive	A a	Stable Stable	Vermont
⇅	P	Housing Enterprise Insurance Co, Inc. *Housing Authority Property, A Mutual Co*	072686	A a	Stable Positive	A a	Stable Stable	Vermont
⇅	P	Housing Specialty Insurance Company, Inc *Housing Authority Property, A Mutual Co*	022109	A a	Stable Positive	A a	Stable Stable	Vermont

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
—	P	Mennonite Aid Plan of the Pacific Coast	010546	B++ bbb+	Stable Stable	A- a-	Negative Negative	California
—	P	Mountain West FB Mutual Ins Co *Mountain West FB Mutual Ins Co*	000986	B++ bbb	Negative Negative	B++ bbb+	Stable Negative	Wyoming
⊕	P	Pacific Property and Casualty Company *American National Insurance Company*	012411	A a+	Stable Stable	A a	Stable Stable	California
⚑	P	Peleus Insurance Company *Argo Group International Holdings, Ltd*	011035	A u a u	Negative Negative	A a	Stable Stable	Virginia
New	P	Progressive Choice Insurance Company *Progressive Corporation*	011088	A+ aa	Stable Stable	NR nr		Ohio
New	P	Progressive Freedom Insurance Company *Progressive Corporation*	011441	A+ aa	Stable Stable	NR nr		Ohio
⚑	P	Rockwood Casualty Insurance Company *Argo Group International Holdings, Ltd*	002723	A u a u	Negative Negative	A a	Stable Stable	Pennsylvania
⚑	P	Select Markets Insurance Company *Argo Group International Holdings, Ltd*	002057	A u a u	Negative Negative	A a	Stable Stable	Illinois
⇅	P	Sirius America Insurance Company *China Minsheng Investment Group Corp Ltd*	002642	A a	Negative Negative	A a	Stable Stable	New York
⇅	C	Sirius Bermuda Ins Co Ltd *China Minsheng Investment Group Corp Ltd*	051994	A a	Negative Negative	A a	Stable Stable	Bermuda
⇅	P	Slavonic Insurance Company of Texas *Slavonic Mutual Fire Insurance Assn*	010428	A- a-	Negative Negative	A- a-	Stable Stable	Texas
⇅	P	Slavonic Mutual Fire Insurance Assn *Slavonic Mutual Fire Insurance Assn*	010429	A- a-	Negative Negative	A- a-	Stable Stable	Texas
⚑	P	Somerset Casualty Insurance Company *Argo Group International Holdings, Ltd*	012126	A u a u	Negative Negative	A a	Stable Stable	Pennsylvania
⊕	P	Texas Hospital Insurance Exchange	003650	B++ bbb+	Stable Stable	B++ bbb	Stable Positive	Texas
⊕	P	United Farm Family Insurance Company *American National Insurance Company*	010701	A a+	Stable Stable	A a	Stable Stable	New York
⚑	P	Weston Insurance Company *Weston Insurance Holdings Corporation*	014386	B u bb u	Negative Negative	B bb	Stable Stable	Florida
⇥	P	Wisconsin County Mutual Insurance Corp *Wisconsin County Mutual Insurance Corp*	010658	NR nr		B++ bbb	Negative Negative	Wisconsin
EUROPE, MIDDLE EAST AND AFRICA								
⚑	P	ArgoGlobal SE *Argo Group International Holdings, Ltd*	091791	A u a u	Negative Negative	A a	Stable Stable	Malta
New	P	Chaucer Insurance Company DAC *China Investment Corporation*	095994	A a	Stable Stable	NR nr		Ireland
⇥	L	Nomad Life Insurance Co JSC* *Nomad Insurance Group Limited*	093287	NR nr		B bb	Stable Stable	Kazakhstan
⇅	P	Sirius International Ins Corp (publ) *China Minsheng Investment Group Corp Ltd*	086396	A a	Negative Negative	A a	Stable Stable	Sweden
⇥	P	United Re (Europe) S.A.** *United Holding Company, Ltd.*	078596	NR nr		B bb	Negative Negative	Luxembourg
ASIA PACIFIC								
⇅	P	AzRe Reinsurance, OJSC *AzRe Reinsurance, OJSC*	093787	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Azerbaijan
New	P	Dhipaya Insurance Public Company Limited	089383	A- a-	Stable Stable	NR nr		Thailand

* Ratings were upgraded to B/bb from B-/bb- on November 18, 2019. Ratings were withdrawn on November 18, 2019.
** Ratings were removed from under review and downgraded to B/bb from A-/a- on November 14, 2019. Ratings were withdrawn on November 14, 2019.

Rating Action: (⊕) Upgrade; (—) Downgrade; (New) Initial Rating; (⚑) Under Review; (⇅) Change in Outlook; (⇥) Rating Withdrawal; (☑) Rating Affirmation.
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Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
ASIA PACIFIC (CONTINUED)								
	C	Royal Insurance Corp of Bhutan Ltd	093021	NR nr		C u ccc+ u	Negative Negative	Bhutan
CARIBBEAN AND LATIN AMERICA								
	L	Atlantic Medical Insurance Limited *Edmund Gibbons Limited*	086819	A a	Stable Stable	A u a u	Developing Developing	Bahamas
	P	Bahamas First General Insurance Co Ltd *Bahamas First Holdings Limited*	086960	A- a-	Stable Stable	A- u a- u	Developing Developing	Bahamas
	P	British Caymanian Insurance Company Ltd *Edmund Gibbons Limited*	086808	A a	Stable Stable	A u a u	Developing Developing	Cayman Islands
	P	Cayman First Insurance Company Limited *Bahamas First Holdings Limited*	086807	A- a-	Stable Stable	A- u a- u	Developing Developing	Cayman Islands
	L	Colina Insurance Limited *AF Holdings Ltd.*	089077	A- a-	Stable Stable	A- u a- u	Developing Developing	Bahamas
	P	Colliers Bay Insurance Limited *Schlumberger Limited*	075057	NR nr		A a	Stable Stable	Cayman Islands
	C	Colonial Insurance (BVI) Limited *Edmund Gibbons Limited*	083012	A a	Stable Stable	A u a u	Developing Developing	British Virgin Islands
	L	Family Guardian Insurance Company Ltd *FamGuard Corporation Limited*	087111	A- a-	Stable Stable	A- u a- u	Developing Developing	Bahamas
	P	Òptima Seguros *Grupo Óptima Inc.*	013088	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	Puerto Rico
	P	RoyalStar Assurance Ltd. *RoyalStar Holdings Ltd.*	087888	A a	Stable Stable	A u a u	Developing Developing	Bahamas
	P	Security & General Insurance Company Ltd *Edmund Gibbons Limited*	086820	A a	Stable Stable	A u a u	Developing Developing	Bahamas
	P	Summit Insurance Company Limited	083010	A- a-	Stable Stable	A- u a- u	Developing Developing	Bahamas
	P	United Insurance Company*** *United Holding Company, Ltd.*	085099	NR nr		B bb	Negative Negative	Cayman Islands

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
	Aetna Inc.	058700	nr		bbb	Stable	Pennsylvania
	Argo Group International Holdings, Ltd	058448	bbb u	Negative	bbb	Stable	Bermuda
	Argo Group US, Inc.	058324	bbb u	Negative	bbb	Stable	Delaware
	Colina Holdings Bahamas Limited	055763	bbb-	Stable	bbb- u	Developing	Bahamas
	FamGuard Corporation Limited	087110	bbb-	Stable	bbb- u	Developing	Bahamas
	Nassau Companies of New York, Inc.	050888	b+	Negative	b+	Stable	Delaware
	Sirius International Group, Ltd.	051995	bbb	Negative	bbb	Stable	Bermuda
	Sirius International Ins Group, Ltd.	055654	bbb	Negative	bbb	Stable	Bermuda

*** Ratings were removed from under review and downgraded to B/bb from A-/a- on November 14, 2019. Ratings were withdrawn on November 14, 2019.

Rating Action: (+) Upgrade; (–) Downgrade; (New) Initial Rating; ( ) Under Review; ( ) Change in Outlook; ( ) Rating Withdrawal; ( ) Rating Affirmation.
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BEST'S FINANCIAL STRENGTH RATING GUIDE – (FSR)

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

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 Version 010219

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 (Long-Term ICR) Scale

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

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

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

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

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

Designation Symbols	Designation Definitions
d	Status assigned to entities (excluding insurers) that are in default or when a bankruptcy petition or similar action has been filed and made public.
e	Status assigned to insurers that are publicly placed, via court order into conservation or rehabilitation, or the international equivalent, or in the absence of a court order, clear regulatory action has been taken to delay or otherwise limit policyholder payments.
f	Status assigned to insurers that are publicly placed via court order into liquidation after a finding of insolvency, or the international equivalent.
s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
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 Version 010219

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A Purr-fect Ending

An adventurous cat who returned home emaciated after a three-week journey captured the hearts of Americans and Nationwide's annual Hambone Award.

by Lori Chordas

A wayward cat named Minnow returned to her Alpharetta, Georgia home after 21 days on the prowl. Her excursion caused her to suffer from starvation, dehydration and a broken rib and left her owners with a $2,000 veterinary bill.

Fortunately for the four-year-old feline's owner, 90% of the bill was covered by her Nationwide pet insurance policy after the deductible and coinsurance.

Until recently only 3% of American pets were covered by pet health insurance, according to the American Pet Products Association.

However, demand is growing and by year-end 2018, more than 2.4 million pets in the United States and Canada were insured, a 17% rise from the prior year, according to the North American Pet Health Insurance Association.

While pet health policies typically cover routine checkups, vaccinations, prescriptions and wellness procedures such as spaying and neutering, they can also cover some unusual and unpredictable injuries sustained by owners' furry friends.

Minnow's inspiring story of bravery and resilience not only illustrates the need for pet health insurance coverage but also captured the hearts of Americans, who crowned the adventurous tabby cat the winner of Nationwide's 2019 Hambone Award.

The annual Hambone Award honors the most unusual pet insurance claims of the year and awards the veterinary practices that treat the winning nominees. The award, established in 2009, is named in honor of a Jack Russell terrier who suffered mild hyperthermia after eating an entire Thanksgiving ham while stuck in a refrigerator, leaving behind only a hambone.

Minnow was one of five finalists from more than 1.5 million pet insurance claims vying for last year's award, which honors the inspiring strengths of pets and the harrowing actions of their owners and veterinarians, said Dr. Jules Benson, associate vice president of veterinary relations at Nationwide.

The other finalists included a border collie mix named Tippy who injured her snout after running into a steel trailer hitch while playing fetch; Jasper, a cat from Texas who suffered heat exposure after getting stuck in a clothes dryer; a Rottweiler named Frank from Keyport, New Jersey, who had quills removed from his snout after sniffing a porcupine; and Max, a Great Pyrenees who got his head stuck in a wild hog trap in Texas.

Pets nominated for the Hambone Award have all made full recoveries and owners received Nationwide insurance reimbursement for eligible veterinary expenses, Benson said.

In addition to the coveted bronze Hambone statue, Minnow and her owner, who received the domestic short-haired feline as a gift from her late husband, were awarded a prize basket filled with toys, treats and pet supplies. Midway Animal Hospital, which treated Minnow, received $10,000 from Nationwide through the Veterinary Care Foundation to help treat local pets whose owners could not otherwise afford treatment. The other four finalists received a portion of the $30,000 Nationwide-funded award.

Past winners of the Hambone Award include a bulldog named Lulu who swallowed 15 baby pacifiers, a bottle cap and a piece of a basketball; and Ellie, a Labrador retriever who ate an entire beehive and thousands of its inhabitants.

Nearly half of pets will experience a major illness or injury in their lifetime, according to a Trupanion study.

However, the majority of the United States' 85 million pet-owner families and 7.5 million pet-owning Canadian households still lack pet health insurance.

But the tide is turning, Nationwide's Benson said. "The industry is now growing by double figures year over year."

Pet insurance originated in 1890 for horses and livestock. However, the first policy wasn't sold in the United States until 1982. That policy was issued to the canine star of TV's *Lassie* by Veterinary Pet Insurance and was underwritten by Nationwide.

In 2018, Nationwide members spent more than $119 million to treat the 10 most common medical conditions affecting dogs and cats. Among those conditions are skin allergies and ear infections in dogs and bladder/urinary tract disease and dental disease in cats. BR

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