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AM BEST'S MONTHLY INSURANCE MAGAZINE

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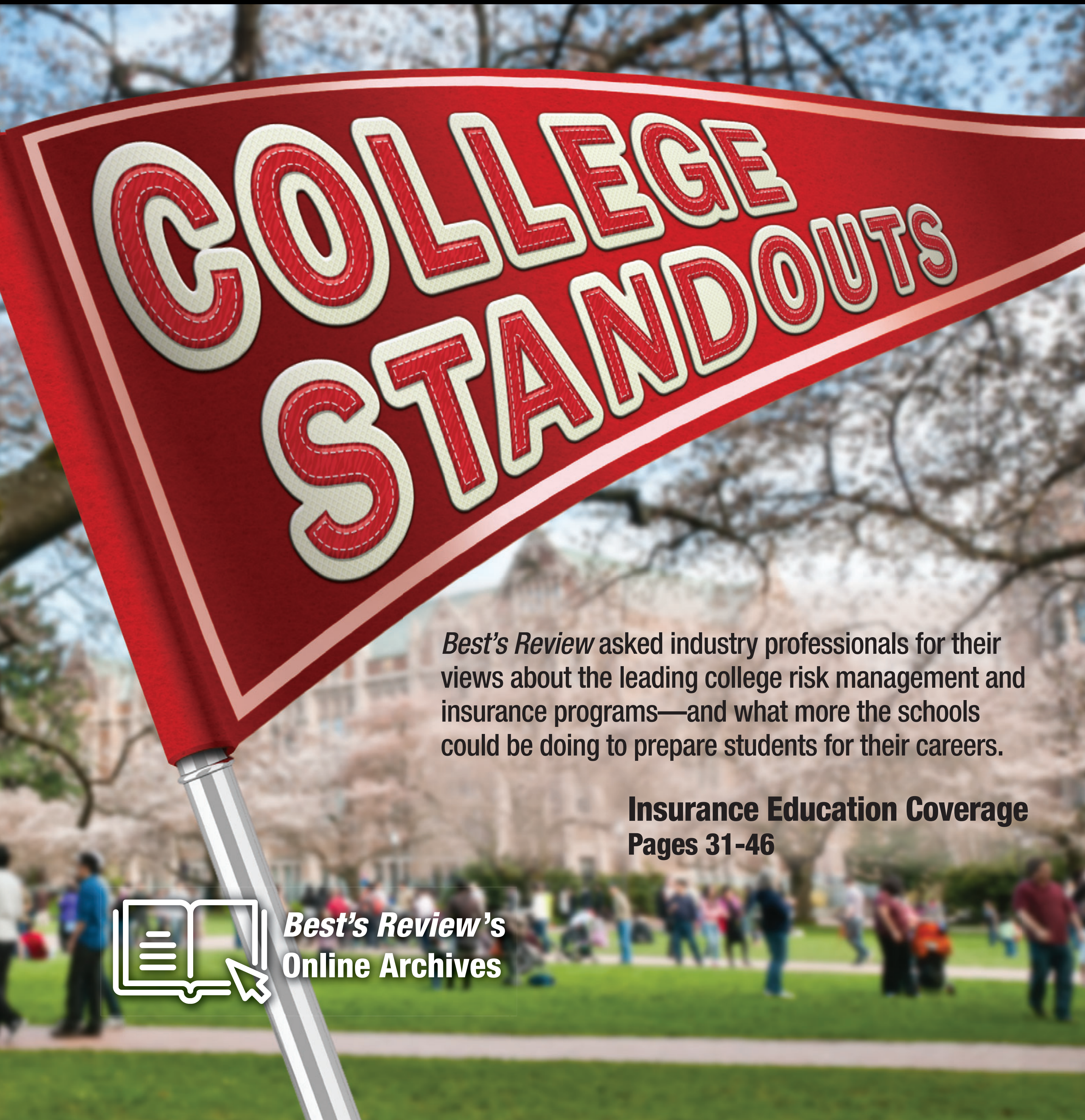
AM BEST'S MONTHLY INSURANCE MAGAZINE



Best's Review asked industry professionals for their views about the leading college risk management and insurance programs—and what more the schools could be doing to prepare students for their careers.

Insurance Education Coverage

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

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Back to School

Best's Review focuses on insurance education in this issue. A *Best's Review* survey asks industry professionals which college risk management and insurance programs are doing the best job.

This month *Best's Review* returns to a project we launched two years ago in these pages: compiling information about leading risk management and insurance programs in U.S. colleges and universities, including surveying the industry to better understand the role these programs play and how well they are perceived.

Our reporting extends well beyond documenting these programs, and includes more than 330 survey responses, interviews with insurance educators and hiring managers and feedback from alumni and supporters.

Risk management and insurance programs are still the exception at most colleges and universities, but have become important pillars of business education at what appears to be a slowly growing number of schools in the United States.

Many programs are built atop support and donations from insurance entrepreneurs and executives who believe in the industry and understand that building a talent pipeline takes money and attention.

Educators appreciate the support, but say the task requires more than funding scholarships. Efforts include direct support of chairs and departments, providing internships to familiarize students with the insurance industry ahead of graduation, and working closely with schools to make sure that curriculums evolve to match the needs of a fast-changing industry.

February is Insurance Education Awareness Month. Our package on insurance education serves as an overture for this month's Emerging Leaders Conference, set for Feb. 23-25 in Austin, Texas. Last year was the kickoff event, a conference full of tomorrow's prospective insurance leaders selected by their organizations. Based on our coverage of the 2019 event, a noticeable number came from other concentrations, with backgrounds that include statistics, technology, actuarial and analytic.

This month also contains AM Best's 10th annual ranking of the world's largest insurers, as measured by assets and by premium. The latest rankings, which are based on 2018 data, show an industry that continues to globalize.

Developments based on technology and innovation are sometimes more visible in the property/casualty and nonlife arenas, but the life insurance industry is quickly becoming a hotbed of development, fueled by new ways to analyze applicant information via epigenetics. This rapidly developing field promises to provide a better view of applicants' health and lifestyle history by examining changes in gene expression, providing life underwriters with less invasive, faster evaluation tools. See "Gaining Insight" for more.

Best's Review also examines evolving trends in the medical professional liability sector, which could see changes in pricing and availability due to a period of declining rates and expanding coverage. More recent complaints about a punishing legal environment are expected to contribute, according to market observers.

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

The Question:

Do you expect to see an increase in nonlife legacy deals in the next few years and why?

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

Reader responses will be published in a future issue.

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LIFE INSURANCE

COLUMNS

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Cover design by Andrew Crespo.

Emerging Leaders Conference in Austin, Texas; AM Best Hosts Market Briefings in Germany

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. 9 – 12: FSP Institute 2020, Society of Financial Service Professionals, Coronado, Calif.

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. 18: Insurance Market Briefing – Germany, AM Best Company, Hamburg, Germany.

Feb. 19: Insurance Market Briefing – Germany, AM Best Company, Cologne, Germany.

Feb. 20: Insurance Market Briefing – Germany, AM Best Company, Munich, Germany.

Feb. 22 – 25: ACLI Medical Section Annual Meeting, American Council of Life Insurers, Charleston, S.C.

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

Feb. 24 – 26: NAHU Capital Conference, National Association of Health Underwriters, Washington, D.C.

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

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

Feb. 25 – 27: 2020 Distribution Conference for Financial Services, LIMRA, Tampa, Fla.

Feb. 27 – 28: Women & Diversity, American Property Casualty Insurance Association, ACLI, Life Insurance Council of New York, New York.

March 1 – 3: IRLS Insurance & Risk-Linked Securities Conference, Securities Industry & Financial Markets Association (SIFMA), Miami Beach, Fla.

March 1 – 3: AIFA 45th Annual Conference, Association of Insurance and Financial Analysts, Boca Raton, Fla.

March 1 – 4: 2020 WSIA Underwriting Summit, Wholesale & Specialty Insurance Association, Palm Desert, Calif.

March 1 – 4: ACLI Refocus Conference 2020, American Council of Life Insurers, Las Vegas.

March 2 – 6: Global Insurtech Summit, FinTech Global, London.

March 3 – 6: Valen Analytics Summit, Valen Analytics, Avon, Colo.

March 6 – 8: NCOIL Spring Conference, National Council of Insurance Legislators, Charlotte, N.C.

March 8 – 11: PLRB Claims Conference & Insurance Services Expo, Property & Liability Resource Bureau, National Harbor, Md.

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

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February: Insurance Education Month
Risk management and insurance programs play a crucial role in the development of the industry's talent pipeline. *Best's Review* looks at some of the country's leading programs and provides feedback from industry professionals. Coverage begins on page 31.

EMC Insurance Cos. Names Successor As President and CEO Bruce Kelley Retires

Also: Penn National names new president and CEO, Inga Beale joins Clyde & Co. board and Plymouth Rock CEO announces retirement.

Scott Jean

Bruce Kelley

Employers Mutual Casualty Co. has named Scott Jean to succeed Bruce Kelley as president, chief executive officer and treasurer.

Kelley, who has been with the company for 35 years, resigned as president and treasurer of EMC Insurance Cos. on Jan. 3. As of that date, Jean took over as president and treasurer of EMC. Kelley will retire as CEO on March 11, and Jean will become president, treasurer and CEO for EMC Insurance Cos.

Kelley joined EMC in 1985 as the company's first in-house general counsel and served in that position for four years. In 1989, he was promoted to executive vice president. Kelley became president and chief operating officer in 1991 and was named chief executive officer in 1992 when his father, Robb Kelley, retired.

"I have been honored to lead the company that was founded by my great grandfather, John Alexander Gunn," Kelley said. "The original focus of the company was selling workman's compensation insurance to employers in Iowa. And I am proud of how we have expanded the company to offering commercial lines property and casualty insurance products in more than 40 states."

Jean joined EMC as an actuary in 1991. He was promoted to vice president and chief actuary in 2009 and executive vice president in 2015. In 2018, Jean moved into the position of executive vice president—finance and strategy, overseeing accounting, actuary, corporate risk management, EMC reinsurance, information technology, investments, corporate strategy and innovation.

—Barbara Edwards

Kaiser Permanente Names Interim CEO As Chairman and Chief Executive

Gregory A. Adams

The Kaiser Foundation Health Plan and Hospitals has named Gregory A. Adams as chairman and chief executive officer. Adams had been interim chairman and CEO following the death of Bernard J. Tyson in November.

Adams has 30 years of leadership experience as a senior health care executive. Since 2016, he has served as executive vice president and group president, with direct responsibility for health plan and hospital operations in all eight Kaiser Permanente regions, serving more than 12 million members and operating 39 hospitals and 701 medical office facilities. Adams' responsibilities included co-leading Enterprise Shared Services to serve the operational needs of the regions and leading Kaiser Permanente's national Medicare care delivery strategy.

Prior to that, he was named regional president of Kaiser Permanente for Northern California in April 2008. In July 2013, he was appointed executive vice president.

Hartford Financial Appoints Genden Head of International Insurance

Hartford Financial has named Sean Genden as head of international insurance. He will be based in London.

Prior to joining Hartford, Genden held a number of leadership roles at Travelers' Insurance, including chief executive officer of its Lloyd's managing agency, CEO of the U.K.-domiciled insurance company and most recently its international business insurance segment lead.

Former Lloyd's Head Joins Clyde & Co. Board

Clyde & Co. has named Inga Beale and Stephen Chipman to join its management board in the newly created position of independent members.

Inga Beale

Beale, former chief executive officer at Lloyd's, and Chipman, former U.S. CEO at Grant Thornton, transitioned to their new roles on Jan. 1.

Beale was CEO of Lloyd's between 2014 and 2018, during which time she initiated a large-scale digital and cultural transformation program and led its expansion into China, Dubai and India. She has held senior leadership positions across the insurance sector globally, including as group CEO at Canopius and Converium, and has previously held management positions at Zurich Insurance and GE Insurance Solutions.

Chipman in 2016 became CEO of technology-enabled business services company Radius and subsequently held the role of group managing director, international expansion services when Radius was acquired by international expansion consultancy and services company Vistra in 2018.

AIG Names Zaffino President

Peter S. Zaffino became president of American International Group Inc. on Jan. 1, taking over the title from AIG CEO Brian Duperreault. Zaffino continues to serve as global chief operating officer of AIG and chief executive officer of general insurance.

Peter S. Zaffino

Zaffino joined AIG in July 2017 as executive vice president, global COO and then assumed the additional role of CEO of AIG's general insurance business in November 2017. He joined from Marsh & McLennan Cos. Inc., where he served as CEO of Marsh LLC from 2011 through 2017 and as chairman of the risk and insurance services segment of Marsh from 2015 to 2017.

"Today's announcement recognizes the value that Peter has brought to AIG over the last couple of years," Duperreault said in a statement. "His strategic approach to our general insurance business, particularly with respect to the foundational changes we have made in the areas of underwriting and reinsurance, has been critical to the significant turnaround taking hold in that business."

Liberty Specialty Markets Names Head of Terrorism Underwriting

Liberty Specialty Markets named Jennifer Rubin to the newly created role of senior underwriting executive and head of terrorism underwriting in North America.

Jennifer Rubin

Rubin, who is based in New York, has 19 years of experience in the sector and was previously senior vice president, head of property and terrorism at Hiscox USA.

Penn National Announces Successor To Retiring CEO Christine Sears

Penn National Insurance has named Robert Brandon to succeed Christine Sears as president and chief executive officer.

Robert Brandon

Brandon, who joined Penn National in 1995 and most recently served as chief operating officer, transitioned to the president role on Jan. 1 and will assume CEO duties once Sears retires on Aug. 31. Sears will remain on the company's board of directors.

Christine Sears

Sears joined Penn National Insurance in 1980 as a financial analyst and progressed through the financial division, becoming a senior vice president and chief financial officer in 1999. She became president and CEO in 2014.

Penn National also elevated John Foster from vice president of underwriting operations to senior vice president of insurance operations. That promotion also took effect on Jan. 1.

Ascot Names Drew Walter Head Of Cyber and Commercial E&O

Ascot has named Drew Walter as executive vice president and head of cyber and commercial E&O. Tracy O'Hara, Abigail Oliver, Greg Garijanian, and Ben Mancuso will also join the team.

In his new role, Walter will build a business writing cyber alongside technology, media, and miscellaneous E&O classes. The team will have a national presence across the United States and will focus on wholesale and limited retail distribution to write admitted and nonadmitted products and will be based in New York.

Walter joined Ascot after almost 10 years with Axis Capital, where he was head of global cyber & technology underwriting delivery. Walter oversaw the regional underwriting on a range of cyber and errors and omissions products throughout the United States.

"The addition of Drew's team exponentially strengthens our U.S. financial lines presence," said Greg Wolyniec, president and chief executive officer, Ascot U.S. "The E&O lines complement our existing lawyers professional liability and recently launched D&O and FI offerings while the team's cyber expertise will be used to provide standalone and innovatively bundled cyber solutions across many of our lines of business."

AmTrust Promotes CFO to President

Adam Karkowsky

AmTrust Financial Services Inc. has promoted Adam Karkowsky from chief financial officer to president. He will report to Barry Zyskind, chairman and chief executive officer of AmTrust.

As AmTrust CFO, Karkowsky has led the transformation of AmTrust's finance organization, strengthening financial reporting capabilities, processes and procedures. In his new role, Karkowsky will continue to focus on developing relationships with agents, brokers, partners and clients.

Karkowsky joined AmTrust in March 2011, serving as executive vice president, strategic development and mergers and acquisitions, and has been AmTrust's CFO since June 2017. Previously, Karkowsky worked in various finance and strategy roles in the private equity and insurance industries, including as vice president, mergers and acquisitions insurance group, at American International Group Inc. He began his career as a corporate associate at Katten Muchin Rosenman.

NAIC Elects South Carolina Insurance Director as President

Raymond G. Farmer

The National Association of Insurance Commissioners has elected its officers for 2020.

South Carolina Insurance Director Raymond G. Farmer will be president. He was appointed director of the department in 2012, the NAIC said.

Florida Insurance Commissioner David Altmaier has been named president-elect. He was appointed commissioner by the Florida Financial Services Commission in 2016. Idaho Insurance Director Dean L. Cameron, appointed department director in 2015, will serve as vice president.

Missouri Insurance Director Chlora Lindley-Myers, appointed in 2017, will serve as secretary-treasurer.

The officers assumed their duties on Jan. 1.

The 2019 NAIC president was Maine Insurance Superintendent Eric A. Cioppa.

Lincoln Financial Group Appoints Interim President

Lincoln Financial Group named Eric Reisenwitz as interim president of its group protection business, succeeding Dick Mucci, who retired. Reisenwitz transitioned into his new role on Dec. 31. He will report to Dennis R. Glass, president and chief operating officer.

Reisenwitz will be responsible for the continued growth and profitability of the business and oversee the division's product development, underwriting, distribution, claims, service, strategy and marketing efforts.

Reisenwitz has more than 30 years of experience, both domestic and international, in the group insurance and employee benefits area. He most recently served as senior vice president and COO for Lincoln's group business, responsible for the business' distribution, claims and operations functions. He joined Lincoln in 2012 and has served in a variety of senior leadership roles in the group business. Prior to Lincoln, he held leadership positions with other insurance companies, including MetLife, Aetna and Cigna.

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President & CEO of Plymouth Rock Assurance Direct Group to Retire

Gerry Wilson

Plymouth Rock Assurance Direct Group President and Chief Executive Officer Gerry Wilson has announced his retirement.

Wilson will remain in his current position until a successor is found. A national external search process is now underway to find a new president and CEO to lead the company's direct-to- consumer and Prudential agent automobile insurance operations, the company said in a statement.

Since 2000, Wilson has served as president and CEO at the Plymouth Rock New Jersey location.

"It has been a privilege to lead Plymouth Rock in New Jersey these past two decades," said Wilson in a statement. "I am enormously proud of our growth and what we have accomplished together. The company's future prospects are extremely encouraging and I look forward to a smooth transition."

Beazley Names Chief Marketing Officer

Beazley has named Georgina Peters-Venzano as chief marketing officer.

Peters-Venzano will transition into her new role in March and will lead Beazley's global marketing and communication strategy and head up a team based in the United States and the United Kingdom. She will be based in London.

Peters-Venzano has more than 18 years of marketing and communications experience in the insurance and financial services sectors. She joins from CNA Hardy, where she was director for brand strategy, marketing and communications for almost six years. Prior to this, she was senior marketing communications manager at Coller Capital and communications consultant at Chubb Insurance Company of Europe. BR

Clarification:

In the article "Life Reshaped" in the January 2020 issue, the third Key Point—Rising Business—should read: AIG has secured over $1.2 billion in pension risk transactions in 2019, including deals with Avery Dennison Corp. and Rollins.

Building on Brand

Insurance is becoming a dominant brand category among U.S. consumers, and MassMutual is celebrating NHL players' special moments in a multimedia ad campaign.

On the Move

Insurance is moving up the ranks as a dominant brand category by American consumers. While technology continues to top Kantar's BrandZ Top 100 Most Valuable U.S. Brands list, its stronghold is beginning to wane, making way for other categories like insurance to catch up with rapid annual growth.

This year insurance brands grew the fastest in value of any category, with a 92% rise in collective brand value growth, according to BrandZ, a global brand equity platform covering more than 165,000 brands across over 50 markets. Part of that growth is attributed to the addition of two new entrants to the list, UnitedHealthcare and Aetna. UnitedHealthcare debuted at No. 53 on BrandZ's 2020 customer-centric brand valuation ranking, making it the most valuable insurance brand with a brand value of $14.2 billion.

Aetna debuted at #91 on the list, with a brand value of $7.1 billion. Three other insurance brands were also included in this year's top 100 U.S. list, including State Farm (#62), Geico (#80) and Progressive (#88).

BrandZ's brand valuation ranking measures the contribution of a brand that's validated to in market sales. Brand value is determined by multiplying a brand's financial value, or the amount of corporate earnings attributed to a particular brand, by the percentage of a brand's financial value.

This year insurance's brand value topped $47.8 billion, and the category captured 1.3% of the overall categories' total value, according to BrandZ.

First Goals

MASSMUTUAL is shining a spotlight on National Hockey League players' first NHL goals along with the emotional response of those who helped the players fulfill those goals in a 30-second ad running across TV, digital and social media channels.

The spot, "First Goals," is a narrative continuation of MassMutual's "Greater Than One" campaign that highlights the importance of partnership and community.

"Interdependency and relying on others is a key brand tenet for us, and it was important for us to connect this shared value in the campaign," said Jennifer Halloran, MassMutual's head of marketing and brand.

"First Goals," which is currently running on NBC, NBC Sports, the NHL Network, and NHL and MassMutual digital and social media channels, debuted during the 2019 Macy's Thanksgiving Day Parade. MassMutual was the sponsor of last year's NHL float, which featured two league alumni Ed Olczyk and Dominic Moore along with a musical performance by The Black Eyed Peas. Also riding on the float were children of all ages who tested their slap shot skills against a giant turkey goalie and honorees of last year's Most Valuable Hockey Mom contest sponsored by MassMutual and the NHL.

For 20 years, MassMutual has been the NHL administrator for its 401(k) and defined benefit plans. Last year, MassMutual was named the league's official life insurance and retirement planning partner. From the start of the partnership, "we saw that we have a set of core values that parallels those of the NHL, like teamwork, collaboration and community, and when we highlight these we can authentically link 'Live Mutual' within the sport of hockey," Halloran said.

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

Beyond Looks

To change the industry's image, managers must be open to hiring people who look different than them.

By **Carly Burnham**

As the insurance industry continues to deal with the talent gap, it also struggles to fill the job openings caused by retirements. Many employers will recruit from universities. As insurance recruiters try to find new talent, they face many challenges because of our industry's reputation. Not the least of which is the stereotype that our industry is male, pale and stale.

This month, I want to share a personal story that comes to mind whenever I hear about this stereotype. First, a disclaimer: I don't share this to call anyone out. Rather I want to encourage more thoughtfulness in how we talk about the people we work with and who we are looking to hire.

A couple years ago, I was an underwriter who had recently been promoted. I was well respected by my management team and the agents I served. In addition to my underwriting responsibilities, I was working to improve the training curriculum for our annual class of underwriters and became involved in the hiring of incoming trainees. The company always had a surplus of applicants, so this particular year we implemented an additional screening step. We began requiring applicants to submit an introductory video. This would allow us to see some of their soft skills and presentation skills up front. I was uncomfortable with the process and shared some concerns with a manager on the hiring team.

Sitting across from him, I knew I had his full respect and his confidence in my abilities, and he had my full respect and confidence. But I had recently dyed my hair in a way that was trending at the time. The trend was called "oil slick" hair. For those not familiar, it means my dark brown hair had been colored to resemble an oil spill. I had purple, green and blue streaks throughout. It was beautiful . . . and expensive, so I no longer keep it up.

This manager had never commented on my hair, but I believed it was obvious, and it was definitely alternative for the culture of our company. My hair was absolutely on my mind as I considered this video process. I said, "I know we have a lot of applicants, and we want to get a feel for them earlier in the process. But we know that managers tend to hire people that look like themselves and that diverse teams lead to better outcomes. What

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.*

are we doing to ensure we make the best decisions and avoid personal bias?"

He replied, "Well, it's always about potential, skill and ability. But, Carly, you should see some of the videos we get. Some of the candidates have facial piercings and tattoos. Think of how some of our agents would react."

At the time, I was shocked by his reply because I fully respected him, and I was clearly sitting across from him with an alternative hairstyle. My agents had certainly seen me this way and continued to trust and value my work. I didn't know what to say. Looking back, I wish I had questioned him further. In retrospect, I believe that he continued to see me as the conservatively dressed brunette that he saw when he interviewed me.

Next month, I'll write more about why this conversation matters and why we must change our own internal perspectives and our external image. I'll address two factors that have me convinced that diversity and representation matter in recruiting and how we as individuals can encourage a shift in our industry's image.

I am sure that I am not the only one with a personal story like this, and I encourage you to think about the parts of yourself that you still don't bring to work. They may be small, but consider if you had something of yourself that was bigger and that you couldn't conceal. What would it be like to look for role models and see people who you don't resemble? How would you feel about applying for a job at a company where you didn't feel you could be yourself? BR

At Large

Casualty Catastrophe

Insurers are headed toward a crisis after underpricing casualty risk for a decade.

By Stephen Catlin

The insurance industry is facing a crisis of catastrophic proportions. Unfortunately, most people have not yet realized it or—perhaps worse—have simply chosen to ignore it.

This crisis, in my opinion, is being created by a vast shortfall in loss reserves for casualty business, particularly U.S. risks, underwritten over the past 10 years. I mentioned this problem in my last column for *Best's Review*, but I believe it is so important that I would like to explore it further.

The situation is quite simple. Insurers have significantly underpriced casualty business for the past 10 years. How could this happen? Because of the lengthy tail inherent in casualty claims, if an insurer's pricing for casualty business has been wrong in one year, it's probably been wrong for five to 10 years if rates have not risen significantly. That's where I believe we are today.

If one looks at casualty underwriting over the past 10 years, the rates quoted in 2019 were on average about half of those charged 10 years earlier. At the time the business was underwritten 10 years ago, it was probably booked at a 99% combined ratio; now this business is likely developing in a range of 105% to 125%.

If one then examines the risk exposure over that 10-year period, I estimate that the actual casualty exposure has increased by 50% or more, due both to general inflation and, more notably, the "social inflation" that impacts personal injury awards and settlements, particularly in the United States. For example, Swiss Re reports that the median cost of the 50 largest U.S. bodily injury claims nearly doubled from $28 million in 2014 to $54 million in 2018.

When all of this is combined, I estimate that most insurers have been writing casualty business at effectively one-third of the risk-adjusted rate they charged a decade earlier.

Looking back over the 10-year period, I believe that the industry's casualty reserves could be deficient to the tune of $100 billion and perhaps as much as $200 billion. That's the equivalent of three or four significant natural catastrophes in terms of cost. Even if the shortfall were to be addressed gradually over five years, the industry would have to come up with an additional $20 billion annually, assuming the deficiency is at the low end of my estimate.

Best's Review contributor **Stephen Catlin** is the founder of Convex Group and Catlin Group and former executive deputy chairman of XL Catlin. He is a member of the International Insurance Society's Insurance Hall of Fame. He can be reached at *bestreviewcomment@ambest.com*.

The casualty reserve deficit will most likely be replenished over time. However, it is not impossible that insurers could be forced to address the shortfall all at once, especially if a contributing factor, such as a truly major natural catastrophe or severe global financial dislocation, causes undue strain on insurers' balance sheets.

It could prove to be an interesting time for external auditors and actuarial consultants.

Of course, deficient casualty reserves are nothing new. The industry experienced unprecedented upheaval in the mid-1980s due partly to a huge gap in casualty reserves. Rates skyrocketed, capacity shrank and several large U.S. insurers were later declared insolvent due to deficient reserves.

However, most people under the age of 55 who are now working in the insurance industry likely do not remember this crisis. That may work to our advantage. The industry could benefit from some fresh thinking.

This is another reason why insurers must recruit intelligent young people who by nature will think differently than the industry's current leadership. The new generation of professionals now entering the industry have grown up in a digital society with unfettered access to huge amounts of information in real time. Those in their 20s and 30s know how to use data much better than my generation.

Doing a better job of recruiting and nurturing bright young talent—who can see the intellectual challenges inherent in the insurance industry and who can use technology to actually learn from the past rather than continue to make the same old mistakes—is our best way forward. BR

Risk Adviser

Going Up

Insurers face rising loss costs due to increased litigation and nuclear verdicts.

By **Dick Lavey**

General liability loss trends have certainly become a major topic of conversation over the last year. While this is not a new issue for our industry, of course, recent earnings calls have put a spotlight on the complexity of this topic and the multiple, varied dimensions that drive the underlying trends.

What is driving loss trends in general liability?

While there is no single driver that can encapsulate this complex trend, "social inflation" has become a broadly used term to describe many of these factors. Nevertheless, it is clear that the legal landscape is shifting, and we are witnessing an increase in lawyer involvement and the percentage of claims that end up in litigation.

Also, while it's hard to measure, litigation financing is helping to motivate the push for higher verdicts. Financers are often seeking up to 200% returns on their investment. "Nuclear verdicts" related to high profile cases like Pacific Gas & Electric, Monsanto or Johnson & Johnson are playing a role as well in encouraging additional class action suits that place significant efforts on "recruiting" additional plaintiffs.

How are carriers managing these evolving loss trends?

Given the significance of these trends, carriers are working hard to minimize the impact, employing a range of strategies. In particular, carriers have been:

• **Thoughtful About Portfolio Management:** Portfolio management across a number of dimensions is critical to profit protection. Specifically, liability exposures associated with more standard coverages such as commercial package policies and business owner policies are less volatile than "other liability" which will include monoline umbrella and product liability. Classes of business that include business-to-consumer exposure are also likely to face more challenging liability losses than business-to-business exposures.

• **Managing Limits and Revising Reinsurance Programs:** As claim verdicts and

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payments increase, pressure mounts on availability and costs of general liability and umbrella capacity. This could have an impact on the limits carriers are willing to extend and they will also likely leverage or restructure reinsurance by adjusting their net retentions.

• **Addressing Geographic Concentrations of Risk:** Some markets are worse than others when it comes to loss trends and carriers are being more mindful than ever about the geographic mix of business they put on the books.

State-level legislation can make these loss trends even more prevalent in some areas of the country. Carefully watching exposure in difficult judicial areas that have been problematic liability jurisdictions is very important.

What are the implications for the market?

Independent agents are reporting multiple instances whereby excess/umbrella limits available for their customers are being reduced and prices are increasing simultaneously.

All of this adds up to a challenging insurance environment for agents and their clients, and ultimately extends to a tax on society.

While this can create uncertainty for customers looking to protect their assets with the right coverage and insurance programs, these same trends create opportunities for agents to provide experienced counsel and to deliver value to their customers.

By understanding emerging risks and maintaining strong partnerships with carriers, agents can provide the guidance and advice their customers have come to expect. BR

Technology

Take on a New Role

The increasing focus on data is driving chief risk officers to wear two hats, including that of chief data officer.

By Pat Saporito

Risk managers are increasingly becoming aware of the importance and value of data as a corporate asset and of analytics as a risk management tool both from an operational and overall enterprise risk perspective.

Granular risk and loss data not only allow organizations to individually assess risks but also to receive premium rates that reflect their actual exposures versus broader industry risk classifications. Loss experience reviews enable not only improved employee health and safety programs but also help risk managers set more appropriate deductibles or self-insured retentions.

Catastrophic and large losses can be more carefully managed via improved medical and vocational rehabilitation programs. Data can also identify emerging loss exposures and trends that may require revised or new safety or loss control procedures. Behavioral, sensor and IOT data can measure the effectiveness of such program changes.

Risk managers are becoming more aware of the need to own and manage their data and to leverage it during annual insurance program reviews.

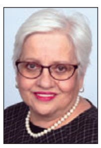
While brokers advocate for them, risk managers realize that at the end of the day they need to manage and own their programs. As a result, we can expect to see risk managers develop a true risk management data and analytics strategy and a more sophisticated data management program working with chief information officers and chief information security officers. In fact, chief risk officers may also inherit the title of chief data officer.

CROs will improve their safety and loss control programs with continuous risk monitoring to evaluate and manage their exposures and modify their insurance programs to reflect those exposures. They'll also seek premiums rates and credits that reflect improved risk and data management.

Going beyond just internal data, chief risk officers will also seek industry and cross-data for comparative benchmarks, best practices and other external data to enrich and augment their own data.

This enhanced use of data, however, will also create a number of challenges, including dispersed and fragmented data across lines of business, countries and subsidiaries.

For instance switching to a new carrier or third-party administrator means claims data isn't in a single



Best's Review columnist **Pat Saporito** is a consultant and author of *Applied Insurance Analytics: A Framework for Driving More Value From Data Assets, Technologies and Tools*. She can be reached at *pat.saporito@gmail.com*.

repository. Risk managers are becoming more aware of the need for a true enterprise risk management database—one that combines risk and finance data. Investments in data governance and stewardship will be required to ensure data quality, trust and understandability to feed increasingly sophisticated analytics.

Also, risk managers are becoming aware of the need for enhanced data privacy and security. Privacy of employee data will become increasingly important in light of the EU's General Data Protection Regulation, which went into effect in May 2018, and the recent California Consumer Privacy Act. Cyberrisk is increasing in importance as corporate priority as data breaches and ransomware demands proliferate.

Corporate risk managers will also face other issues, including culture and change management. They'll need to educate operational managers and employees to become more robust partners in risk management and identify negative risk trends and emerging exposures, as well as data quality, privacy and security. They should also include data and analytics programs as part of their overall risk management and safety and loss control programs.

Insurers, reinsurers and brokers have an important role to play, too. They need to be aware that as risk managers are assuming greater ownership for their data they will be demanding due consideration in exchange for it. In addition, they'll be increasing the scrutiny of their insurance needs, costs and programs using these assets. It's important that carriers and brokers offer new incentives and increased value for access to more robust enterprise risk data which benefits everyone. BR

Play Ball!

Schools shouldn't assume they are protected from lawsuits when a student athlete gets injured during a game.

By **Frank Raia**

Colleges and universities often face the unique challenge of defending lawsuits brought by students injured while participating in school-sanctioned sports and recreational activities. To defend these lawsuits, the schools will often move for summary judgment to dismiss the matter based upon the assumption of risk doctrine.

Under the assumption of risk doctrine, by engaging in a sport or recreational activity, a participant consents to those commonly appreciated risks inherent in, and arising out of, the nature of the activity. Where the facts of a case demonstrate a consenting plaintiff (student) is aware of the inherent risks of engaging in the particular activity, has an appreciation of the nature of those risks, and voluntarily assumes the risks of injury inherent to the particular activity, the school will be relieved from liability. Of course, the issue to be determined by the court is what are those risks deemed to be "commonly appreciated" and "inherent in" the activity. To make this determination, the court will analyze a student's awareness of the particular risk assessed against the background of the skill and experience of the particular student.

In determining whether a college or university has violated a duty of care to a student engaged in a sporting activity, the applicable standard should include whether the conditions caused by the school's negligence are unique and created a dangerous condition over and above the usual dangers inherent in the sport. Thus, there must be a showing of some negligent act or inaction, referenced to the applicable duty of care owed to the student by the school, which may be said to constitute a substantial cause of the events that produced the injury. When a student is injured during a sports or recreational activity, and the inherent dangers of said activity are obvious, the school's duty of care under such circumstances is to make the conditions as safe as they appear to be. "Duty" is an essential element of negligence. If the risks of the sporting or recreational activity are fully comprehended or perfectly obvious, and the student proceeds to take part in said activity, it can be said the student has consented to those risks, the school has performed its duty, and the matter should be dismissed. The policy underlying the assumption of risk doctrine is to facilitate free and vigorous participation in athletic activities. As

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long as the school's conduct does not unreasonably increase the risks assumed by the plaintiff, the school will be protected by the assumption of risk doctrine. To establish plaintiff's assumption of risk, the injured plaintiff did not have to foresee the exact way an injury occurred, so long as he or she was aware of the potential for injury from the mechanism by which the injury resulted. If a participant makes an informed estimate of the risks involved in the activity and willingly undertakes them, then there can be no liability if he or she is injured as a result of those risks.

Dismissal of these matters based upon the assumption of risk doctrine is never a simple task. The court's decision is always based upon very specific facts, taking into consideration the student's background, whether the risks are perfectly clear or fully comprehended, and whether the school's action or inaction unreasonably increased the risk of injury. The courts do not take a cookie-cutter approach in deciding a motion based upon assumption of risk grounds, but rather, will analyze each student and each activity separately and distinctly, making such a motion for dismissal a challenging task for any college or university.

A motion for dismissal on the basis of assumption of risk can also be made after the plaintiff and/or defense rests at trial. As the courts will often reserve decision, a specific jury question on the verdict sheet to the jury as to whether the plaintiff assumed the risk of injury can result in a defense verdict even before the jury is asked to decide whether the defendant was negligent and, if so, whether defendant's negligence was a substantial factor in causing plaintiff's injury, can be most beneficial. It is, of course, within the trial judge's discretion to include this question on a verdict sheet. BR

In the News

Regulatory Update

Rate increase in North Carolina and Saudi regulator bans brokers from selling reinsurance and insurance at the same time.

Dwelling Insurance: Rates for dwelling insurance in North Carolina will increase a statewide average of 4%, after the state Department of Insurance reached a settlement with the North Carolina Rate Bureau.

The bureau had requested a statewide average increase of 19.2%, according to a department statement.

In addition, the bureau had also requested a 4.6% increase in fire coverage and a 24.3% increase in wind coverage, it said.

However, under the settlement, fire rates will remain stable and wind rates will increase by a statewide average of 5.3%, it said.

Dwelling policies are offered to non-owner-occupied residences of no more than four units, including rental properties, investment properties and other properties not occupied full time by the property owner, it said.

Insurance Brokers: Saudi Arabia's financial regulator will prohibit a single company from offering insurance brokerage activities and reinsurance brokerage activities at the same time.

The Saudi Arabian Monetary Agency issued a statement on its website announcing the ban. Companies will have one year to comply.

The ban was sparked by an effort by the regulator to stabilize the insurance market while growing and diversifying the kingdom's economy, it said.

UK Regulators Warn Insurers Over Harassment, Diversity

The Financial Conduct Authority says poor culture in financial services impacts consumers and the market itself.

by Terrence Dopp

Leaders of commercial insurance businesses in the U.K. must take steps aimed at curbing so-called non-financial misconduct in the market or face consequences, the country's Financial Conduct Authority said in a letter to chief executives.

Jonathan Davidson, executive director of supervision, retail and authorizations at the agency, wrote in the Jan. 6 letter it will look at how firms handle discrimination, harassment, victimization and bullying as components of internal culture. The FCA also called for promoting diversity and inclusion within the insurance ranks, according to the letter.

"A senior manager's failure to take reasonable steps to address non-financial misconduct could lead us to determine that they are not fit and proper," Davidson wrote in the letter.

The FCA didn't specify which companies received the letter.

The warning comes amid heightened attention to the issues within the London insurance culture, which were first raised last March in a Bloomberg Businessweek article that alleged daytime drinking and sexual harassment within the bedrock exchange.

In November, Lloyd's launched its #SpeakUp campaign, aimed at addressing a culture survey that found 38% of respondents didn't know who to raise concerns to in cases of wrongdoing. Just 41% said someone would listen and take concerns seriously, according to the September survey, which was billed as the largest-ever at the market.

> "A senior manager's failure to take reasonable steps to address non-financial misconduct could lead us to determine that they are not fit and proper."
>
> **Jonathan Davidson**
> Financial Conduct Authority

John Neal, chief executive of Lloyd's, said at the time the market is fully committed to acting on reports of inappropriate workplace behavior. In the letter, Davidson said the FCA will focus on leadership, purpose, firms' approaches to rewarding and managing people, and governance. The manner in which a firm addresses any misdeeds is indicative of its culture, he said.

"Poor culture in financial services can lead directly to harm to consumers, market participants, employees and markets," the letter said. "We view both lack of diversity and inclusion, and non-financial misconduct as obstacles to creating an environment in which it is safe to speak up, the best talent is retained, the best business choices are made, and the best risk decisions are taken." BR

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

BEST'S REVIEW®

ISSUES & ANSWERS: PROFESSIONAL DEVELOPMENT & EDUCATION

Industry experts discuss how insurers can meet the talent and knowledge challenge.

Interviewed Inside:

Doug Coombs
SIAA

Laura Boylan
Philadelphia Insurance Companies

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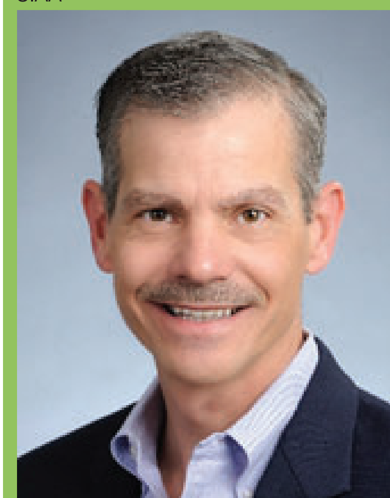
STILL LEADING THE WAY 25-YEARS LATER

Doug Coombs, executive VP & CMO of SIAA, the largest independent agency alliance in the nation, said providing access to companies and so much more is the reason this organization is so successful. "More income, greater agency value—those are the outcomes," he said.

Membership with SIAA Makes Sense for IAs

- Access to top companies and so much more
- Proven model that has been in place for 25 years
- Increase agency income & value
- Win-win model made to help independent agents grow

Doug Coombs
Chief Marketing Officer
SIAA



"SIAA succeeds when our member agents succeed. Increasing the income and agency value of our members results in the same for SIAA."

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

Why should an agent consider SIAA when thinking about career development?

SIAA provides access to many areas that boost an agent's career development and success. Support tools, services, and professionals are critical. SIAA provides access to training and learning, marketing tools, life programs, commercial lines growth and so much more through our online portal for member agencies. That's augmented by in-person mentorship and support provided by more than 140 insurance professionals at the national and local levels.

What impact does SIAA have on the success of an independent agent?

The impact begins with a philosophy that is very much a win-win: SIAA succeeds when our member agents succeed. Increasing the income and value of our member agencies results in the same for SIAA. We're vested in the success of our members, yet they remain totally independent. All the access and support result in a considerable impact on the success of our independent agency members. More income, greater agency value—those are the outcomes.

What about the prevalence of technology in the industry and its effect on the independent agent?

The biggest challenge for most business owners, not just insurance agents, is understanding the back-end or inner operations of systems—but do they really need to? Today, much of the technology focus is on output, measurement, connectivity and efficiencies. SIAA provides its member agencies with access to many of those technology tools.

What does your crystal ball say about the future of the independent agency channel?

I believe it's a good time to be an independent agent and it will be for a while. With challenges come opportunities and technology provides a good example. Technology has emerged, resulting in cybercrime and data breaches—which is now critical coverage for businesses, creating a new market for insurance. Challenge and opportunity. The industry, independent agents, and SIAA will continue to evolve—successfully.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Career Opportunities

Laura Boylan, vice president of human resources for Philadelphia Insurance Companies said it's important to establish what career pathways look like and define the career and learning goals that will support opportunities. "The shift has really been away from a plan that looks at career development as a ladder and more like a labyrinth or a matrix, so that people can move within their own organization or within the industry to different career pathways." Following are excerpts of the interview.

PHILADELPHIA INSURANCE COMPANIES
A Member of the Tokio Marine Group

Laura Boylan
Vice President of Human Resources
Philadelphia Insurance Companies

"Career development is always an important factor, but in today's business environment, it's even more critical."

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

Why is career development important in the insurance industry?

First and foremost, it's important to employees and typically ranks high on their list of what keeps them motivated and engaged.

Secondly, when you think about the impact of technology and the increase of technology, as well as all of the changing conditions in the insurance industry, it's important to consider what are the skills that are going to be needed to adapt to those changing environments and make sure that you have the right development plans in place.

How does the insurance industry support career development?

I think that in the insurance industry as a whole, we've continued to see a huge increase in the number of internship opportunities, going down to high school-level students. We see trainee programs that are expanding and really looking to help people enter into the industry or just if they're changing careers, looking for an entry point for those that might be changing careers as well.

Are there any new development opportunities from other industries that are starting to come into insurance?

I think there's been a big shift on seeing development being built in-house and really targeting what employers and employees need in the roles that they're in today—whether it's leadership programs, short-term rotations, or other on-the-job type of development opportunities that really don't take time away from work and fit into the workday and the role that people are in today.

What development opportunities interest employees?

Not to make it too simple, but I think that at the end of the day employees want to see a plan.

I think the shift has really been away from a plan that looks at career development as a ladder and more like a labyrinth or a matrix, so that people can move within their own organization or within the industry to different career pathways.

World's Largest Insurers

Health underwriters see gains in ranking.

by David Pilla

Health insurers made the biggest moves on AM Best's annual world's largest insurers ranking based on 2018 net premiums written, while life insurers, measured by nonbanking assets, also saw changes in their ranking.

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

Among the biggest gainers by NPW is Centene Corp. The health insurer rose to No. 12 from No. 18 a year earlier.

In October 2018, Centene said it would increase its participation in the Affordable Care Act individual markets, entering four new states and expanding its footprint in six states it now serves. "We have successfully navigated a difficult enrollment environment, gaining market share and exceeding our growth targets," Michael F. Neidorff, chairman, president and chief executive officer, said at the time.

Big deals promise to further change the health insurance landscape.

Centene is progressing with its acquisition of WellCare Health Plans Inc. after the health insurer's recent agreement to offload its Medicaid operations in two states to Anthem Inc. The approval process for the acquisition "continues to go well and is ahead of schedule" as Centene expects to close in first half of 2020, Neidorff said in a conference call. The cash-and-stock transaction is valued at $17.3 billion, a combination that will bring together two health insurers with a strong presence in state and federal government insurance program.

UnitedHealth Group Inc., which held onto its No. 1 position from the previous year, saw strong growth prospects in its research and development, venture and mergers and acquisitions capacities,

World's Largest Insurers – Total Non-Banking Assets, 2018

Ranked by 2018 Total Non-Banking Assets

2018 Asset Rank	2017 Asset Rank	AMB#	Company Name	Country of Domicile	2018 Total Non-Banking Assets USD (000)	% Change*
1	2	085085	AXA S.A.	France	1,011,410,987	6.71
2	1	085014	Allianz SE	Germany	994,336,046	1.24
3	3	058182	Prudential Financial Inc	United States	815,078,000	-2.05
4	7	090826	Nippon Life Insurance Company	Japan	710,861,843	5.94
5	6	058334	Berkshire Hathaway Inc.	United States	707,794,000	0.81
6	5	058175	MetLife, Inc.	United States	687,538,000	-4.49
7	4	090527	Japan Post Insurance Co., Ltd.	Japan	666,619,276	-3.81
8	9	085925	Prudential plc	United Kingdom	646,218,213	2.98
9	8	086120	Legal & General Group Plc	United Kingdom	625,728,073	-2.35
10	13	086446	Ping An Ins (Group) Co of China Ltd	China	620,428,521	13.87
11	10	085124	Assicurazioni Generali S.p.A.	Italy	590,487,800	-3.96
12	15	052446	China Life Insurance (Group) Company	China	579,448,820	10.69
13	12	066866	Manulife Financial Corporation	Canada	550,316,276	2.84
14	11	085909	Aviva plc	United Kingdom	546,909,385	-2.76
15	14	090906	National Mut Ins Fed Agricultural Coop	Japan	529,249,664	-0.17
16	17	046417	Dai-ichi Life Holdings, Inc.	Japan	504,590,174	4.36
17	18	058702	American International Group, Inc.	United States	491,984,000	-1.27
18	16	086056	CNP Assurances	France	475,667,287	-1.84
19	19	085244	Aegon N.V.	Netherlands	449,918,307	-0.82
20	21	085485	Life Insurance Corporation of India	India	449,034,271	9.38
21	20	093310	Credit Agricole Assurances	France	437,889,379	1.46
22	22	086976	Zurich Insurance Group Ltd	Switzerland	395,342,000	-6.33
23	23	090828	Meiji Yasuda Life Insurance Company	Japan	379,928,849	1.39
24	24	091242	Sumitomo Life Insurance Company	Japan	341,059,459	4.93
25	25	061691	New York Life Ins Company	United States	339,144,000	0.60

* Percent change is based upon local currency.
Source: BESTLINK

said Chief Executive Officer David S. Wichmann in a November 2018 investor conference call .

He said the group is seeing these capacities in each of its five "growth pillars": care delivery, consumer-centric health benefits, pharmacy care services, digital health and global health care, where UnitedHealth is developing key private healthcare markets in South America.

UnitedHealth is targeting diversification across its health care businesses, with nearly 50% of its projected 2019 earnings coming from health care services, Wichmann said at the November 2018 investor conference. He said the group's businesses are drawing on the collective strengths of its two main segments—UnitedHealthcare and Optum—as it works out a continued transformation as a health care and health technology company over the next decade.

UnitedHealth's 2018 NPW rose 12.39% to $178.09 billion.

Following UnitedHealth in the ranking, Axa S.A. stayed at No. 2 while two Chinese companies—Ping An Insurance (Group) Company of China Ltd. and China Life Insurance (Group) Co.—traded places, with Ping An rising to third and China Life falling to fourth.

Rounding out the top five is Kaiser Foundation Group of Health Plans, which traded places with Allianz SE, which dropped to No. 7.

Anthem Inc. remains in its No. 6 position.

World's Largest Insurers – Net Premiums Written, 2018

Ranked by 2018 Net Premiums Written

2018 Premium Rank	2017 Premium Rank	AMB#	Company Name	Country of Domicile	2018 Net Premiums Written USD (000)	% Change*
1	1	058106	UnitedHealth Group Incorporated[1]	United States	178,087,000	12.39
2	2	085085	AXA S.A.	France	103,033,468	3.22
3	4	086446	Ping An Ins (Group) Co of China Ltd	China	101,821,215	19.15
4	3	052446	China Life Insurance (Group) Company	China	92,360,557	-0.09
5	7	070936	Kaiser Foundation Group of Health Plans[2]	United States	92,054,688	10.09
6	6	058180	Anthem, Inc.	United States	85,048,000	1.00
7	5	085014	Allianz SE	Germany	83,203,137	0.35
8	8	085124	Assicurazioni Generali S.p.A.	Italy	72,617,727	3.61
9	9	020013	State Farm Group[2]	United States	70,832,964	1.39
10	10	085320	People's Ins Co (Group) of China Ltd	China	68,204,489	4.55
11	11	058334	Berkshire Hathaway Inc.	United States	59,216,000	-4.86
12	18	051149	Centene Corporation[1]	United States	57,310,000	24.28
13	15	058052	Humana Inc.[1]	United States	54,941,000	4.89
14	16	090826	Nippon Life Insurance Company	Japan	54,346,195	11.98
15	12	086577	Munich Reinsurance Company	Germany	53,468,516	-1.77
16	20	090906	National Mut Ins Fed Agricultural Coop	Japan	50,267,197	16.07
17	17	085485	Life Insurance Corporation of India	India	48,655,853	6.08
18	19	046417	Dai-ichi Life Holdings, Inc.	Japan	48,203,024	9.41
19	24	090598	China Pacific Insurance (Group) Co Ltd	China	44,259,003	14.47
20	…	070080	CVS Health Corp Group[2]	United States	43,956,803	3.18
21	…	058175	MetLife, Inc.	United States	43,840,000	12.43
22	13	085925	Prudential plc	United Kingdom	42,180,874	-20.84
23	23	086976	Zurich Insurance Group Ltd	Switzerland	41,230,000	0.23
24	…	051114	Liberty Mutual Holding Company Inc.	United States	39,100,000	6.28
25	…	069154	Health Care Service Corporation Group[2]	United States	38,049,253	9.74

* Percent change is based upon local currency. [1]Premiums shown are earned premiums [2]AM Best consolidation; U.S. companies only

Source: BESTLINK

The rest of the top 10 are Assicurazioni Generali S.p.A., State Farm Group, and People's Insurance (Group) of China Ltd., which remain in their eighth, ninth and 10th places respectively.

Axa's NPW rose 3.22% to $103.0 billion in 2018. The group closed on its acquisition of XL Group in September 2018, which added commercial lines and specialty underwriting to its ranks.

China Pacific Insurance (Group) Co. Ltd. rose to 19th from 24th place and Japan's National Mutual Insurance Federation of Agricultural Cooperatives rose to 16th from 20th place. Four insurers made the top 25 list that weren't on it a year earlier: CVS Health Corp. Group, which closed on its acquisition of health insurer Aetna Inc. in 2018; MetLife Inc. at No. 21; Liberty Mutual Holding Co. at No. 24 and Health Care Service Corporation Group at No. 25. Losing ground by 2018 premiums was Prudential plc, which fell to 22nd from 13th place.

Amid preparations for the demerger of its U.K. investment management arm, Prudential plc reported a 6% increase in group operating profit in 2018 to £4.82 billion (US$6.37 billion). The results were led by a strong performance in Asia, Prudential said early last year. The demerger of M&GPrudential, the group's investment management business, was announced in March 2018. It will create an entity that will serve an international market.

Munich Reinsurance Co. fell to No. 15 from No. 12 and Allianz SE fell to seventh from fifth place.

Ranking by Nonbanking Assets

Looking at the top 25 by nonbanking assets, Axa and Allianz SE traded places. With Axa rising to No. 1 and Allianz slipping to No. 2. Prudential Financial Inc. remained in third place.

Nippon Life Insurance Co. rose from seventh to fourth place and Berkshire Hathaway Inc. rose to fifth from sixth. Nonbanking assets for Axa rose 6.71% to $1.01 trillion in 2018, making it the only insurer to reach the trillion-dollar level.

Among the top five, only Nippon Life saw assets rise significantly, up 5.95%. from 2017. No. 10 Ping An's nonbanking assets rose 13.87%. Four of the top 10 saw their assets decline in 2018.

In May 2018, Nippon Life completed its ¥104.2 billion ($955 million) cash acquisition of an 85.1% stake in MassMutual Japan as the companies plan to work together to expand group and high-net-worth businesses. MetLife fell to No. 6 from No. 5 in the assets ranking while Japan Post Insurance Co. fell to No. 7 from No. 4.

In December 2018, Japan Post Holdings said it would acquire a 7% stake in U.S. insurer Aflac Inc. for about $2.4 billion as part of the Japanese group's efforts to find new profit drivers. Japan Post was to acquire the stake through open market or private block purchases in the United States via a trust to be established by the Japanese postal and financial conglomerate, Aflac said in a statement at the time.

Both parties said the deal would further strengthen and renew their mutual commitment to the cancer insurance marketplace in Japan. Japan Post will continue to offer Aflac's cancer products through its more than 20,000 postal outlets across Japan, as well as through Japan Post Insurance's 76 sales offices.

In November 2018, Japan Post Insurance said it was seeking regulatory approvals for new operations, which involve the underwriting of new types of insurance.

Prudential plc moved up one notch to No. 8 while Legal & General Group plc moved down one notch to No. 9.

The biggest gainers by non-banking assets are Japan's Nippon Life; Ping An Insurance (Group) Company of China Ltd., moving to No. 10 from No. 13; and China Life Insurance (Group) Co., to 12th from 15th place.

Ping An reported a 20.6% surge in net profit attributable to shareholders in 2018.

China Life reported a 64.7% drop in 2018 net profit on a decline in income from open market equity investments due to overall volatility and a downward trend of the stock market. China's economy "slowed down slightly in 2018, with interest rates trending down in the bond market and a decline in stock market second only to that in 2008," China Life said.

In addition to Japan Post, companies sliding on the assets side include Aviva plc, which fell to No. 14 from No. 11; and CNP Assurances, which fell to No. 18 from No. 16.

AMBestTV

Go to *www.bestreview.com* to watch a video about AM Best's World's Largest Insurers ranking.

HEAD of the CLASS

Young talent has become the holy grail. As the retirement wave continues, carriers and brokers are eager to attract a new generation of insurance professionals. And they are counting on college risk management and insurance programs to prepare their future workforce.

Best's Review sought to find out which RMI programs are doing the best job of that.

In "College Standouts," we present the results of our Top College Risk Management and Insurance Programs Survey. It is the second time *Best's Review* has conducted this poll. More than 330 insurance professionals weighed in with their votes this year, a 23% increase in participation since the initial survey in 2018.

The survey also asked how RMI programs could improve. "Beyond the Classroom" looks at suggestions for better preparing students, from giving them more real-world experience… to giving them more real-world experience! Internships, readers said, are crucial.

In "Rules of Attraction" executives discuss how to make insurance a career of choice for students and those outside the industry.

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Temple
UNIVERSITY OF
EKU
ST. JOHN'S
ECCE AGNUS
ILLINOIS STATE
Gladly we learn
Appalachian
SJU
SAINT JOSEPH'S

COLLEGE STANDOUTS

Middle Tennessee State University, which didn't make a blip on the radar in *Best's Review*'s last survey, was the top vote-getter in this year's poll of top risk management and insurance programs. The result was surprising…until you learn the origins of the program.

by Kate Smith

For more than a quarter of a century, Middle Tennessee State University offered a concentration in insurance. But four years ago, it decided it was time to develop a full-fledged risk management and insurance program.

The university reached out to Dave Wood. Over the course of 30 years, Wood built a hugely successful RMI program at North Carolina's Appalachian State University. Middle Tennessee State recruited him to do the same in Murfreesboro.

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

Since 2016, Wood has been building—and trying to spread the word about—MTSU's RMI program.

"We've been the best kept secret," Wood said. "But we're trying to change that."

The secret, it seems, is out.

Middle Tennessee State was the top vote-getter in a *Best's Review* survey of RMI programs. The magazine asked carriers, readers, and other insurance professionals which RMI programs are doing the best job preparing students for careers in the industry. Of the 444 votes cast, MTSU received 62, or 14%.

The fledgling program was hailed for the real-world experience it provides students, from offering a study abroad program in London to coordinating not only internships but also part-time jobs for them within the industry.

"MTSU is a role model for other schools," one respondent said.

Joining Middle Tennessee State at the top of the survey results were Olivet College, Temple University and the University of Georgia. Wood's former program, Appalachian State, also earned high marks, landing the No. 9 spot among the top 10 vote-getters.

Rounding out the Top 10 were Eastern Kentucky University, St. John's University, Illinois State University, Florida State University, and Saint Joseph's University.

This marks the second time *Best's Review* has conducted this survey on RMI programs, the last time being in 2018. This year's results show a shift toward regional allegiance and a slight shakeup at the top of the poll.

Two years ago, four well-established big-name programs—Florida State, Illinois State, Temple and Georgia—were the top performers.

While Georgia and Temple stayed in the top four, Middle Tennessee and Olivet shook up the leader board by taking the top two spots in the 2020 poll.

Their performance is noteworthy for multiple reasons. First, Middle Tennessee didn't even make the top 20 in 2018. And Olivet, while a Top 10 performer in the last survey, is a fraction of the size of other RMI programs.

Olivet's popularity is particularly impressive given its enrollment of a mere 1,098 students. What it lacks in size, respondents say, it makes up for in passion.

"Students come out with not only foundational insurance knowledge, but they also have a passion for the industry," one hiring manager said. "They get to the WHY of why insurance is important."

In addition to Middle Tennessee State, one other new school cracked the Top 10 this year—Eastern Kentucky. The Richmond, Ky., school received high marks for its interactions with the industry.

"The program provides countless opportunities to network with professionals and learn about the industry hands on," one voter said. "They are extremely active in preparing students for careers in insurance."

Local Appeal

Kentucky, Olivet and Middle Tennessee were propelled to the top by strong regional support.

Roughly 85% of Eastern Kentucky's votes came from within the state of Kentucky. Olivet, located in Olivet, Mich., saw 65% of its votes come from in-state respondents.

"Their program is outstanding," one Michigan-based hiring manager said. "When they come in they understand the different lines of coverage and the many opportunities in the insurance business. We have found students from Olivet able and wanting to learn what [our company] has to offer."

But no state rallied as hard as Tennessee. Close to 95% of Middle Tennessee's votes came from within its home state.

"MTSU is diligently working on properly preparing their students for jobs in our industry," one Nashville-based recruiter said.

While it would be easy to assume Middle Tennessee's votes came from its alumni, that was not the case. The vast majority (nearly 70%) of its votes came from industry professionals with no affiliation with the school, other than hiring its graduates.

Middle Tennessee's popularity within the community likely stems from Wood's extensive industry outreach efforts. In building the program, creating connections with local professionals has been a cornerstone of the process.

"When I got here there had been a risk management concentration within the finance major, and they had done a good job establishing scholarship support," Wood said. "My goal was to develop more relationships with the industry and focus more on what students do after they graduate, in terms of creating job opportunities."

Best's Review's Survey of Leading College Insurance and Risk Management Programs

Here are the top 20 vote-getters in *Best's Review's* Top College Risk Management and Insurance Programs Survey. More than 330 industry professionals participated in this year's poll. Responses from hiring managers and human resources professionals were weighted double.

College	Readers	Hiring Managers*	Weighted Total
Middle Tennessee State University	60	4	64
Olivet College	47	2	49
Temple University	27	20	47
University of Georgia	34	10	44
Eastern Kentucky University	25	4	29
St. John's University	19	6	25
Illinois State University	11	10	21
Florida State University	14	6	20
Appalachian State University	14	6	20
Saint Joseph's University	14	4	18
Georgia State University	11	4	15
University of Wisconsin	3	12	15
Baylor University	11	2	13
University of Mississippi	9	0	9
California State University, Fullerton	2	6	8
Ferris State University	5	2	7
University of Pennsylvania**	6	0	6
Troy University**	4	2	6
University of Cincinnati	2	4	6
University of Connecticut***	2	4	6

* double weighted ** concentration *** minor

Source: *Best's Review's* Top College Risk Management and Insurance Programs Survey

The job opportunities aren't limited to internships and post-graduation. Because many of its students are paying their own way through college, Middle Tennessee tries to place them in part-time jobs with carriers and agencies.

"The students here are hard-working," Wood said. "They're very salt of the Earth. A lot of them are working and juggling obligations while going to school. It's important for us to develop part-time job opportunities for them."

Employers in Tennessee say they appreciate the real-world experience Middle Tennessee State graduates have when they enter the workforce full time.

"It takes less time for them to get up to speed," one respondent said.

Also highly appreciated is a study abroad course that allows Middle Tennessee students to study surplus lines, captives and reinsurance in London. Wood brought the idea over from Appalachian State, which offers a similar course.

"That's the smartest thing I've ever done," he said. "We look at the transfer of risk from Main Street USA through all of the marketing channels, which brings in surplus lines, and that brings up alternatives, which brings in captives, and then reinsurance."

The Appalachian State program, not surprisingly, also received praise for its study abroad opportunities.

"Appalachian students are well prepared on the practical as well as the theoretical aspects of the business," one recruiter said. "Great intern opportunities and Lloyds Bermuda market visits. They also spend a considerable amount of time on the E&S side of the business."

Interesting Finds

Beyond regional preferences, another trend emerged in the findings—recruiter preferences.

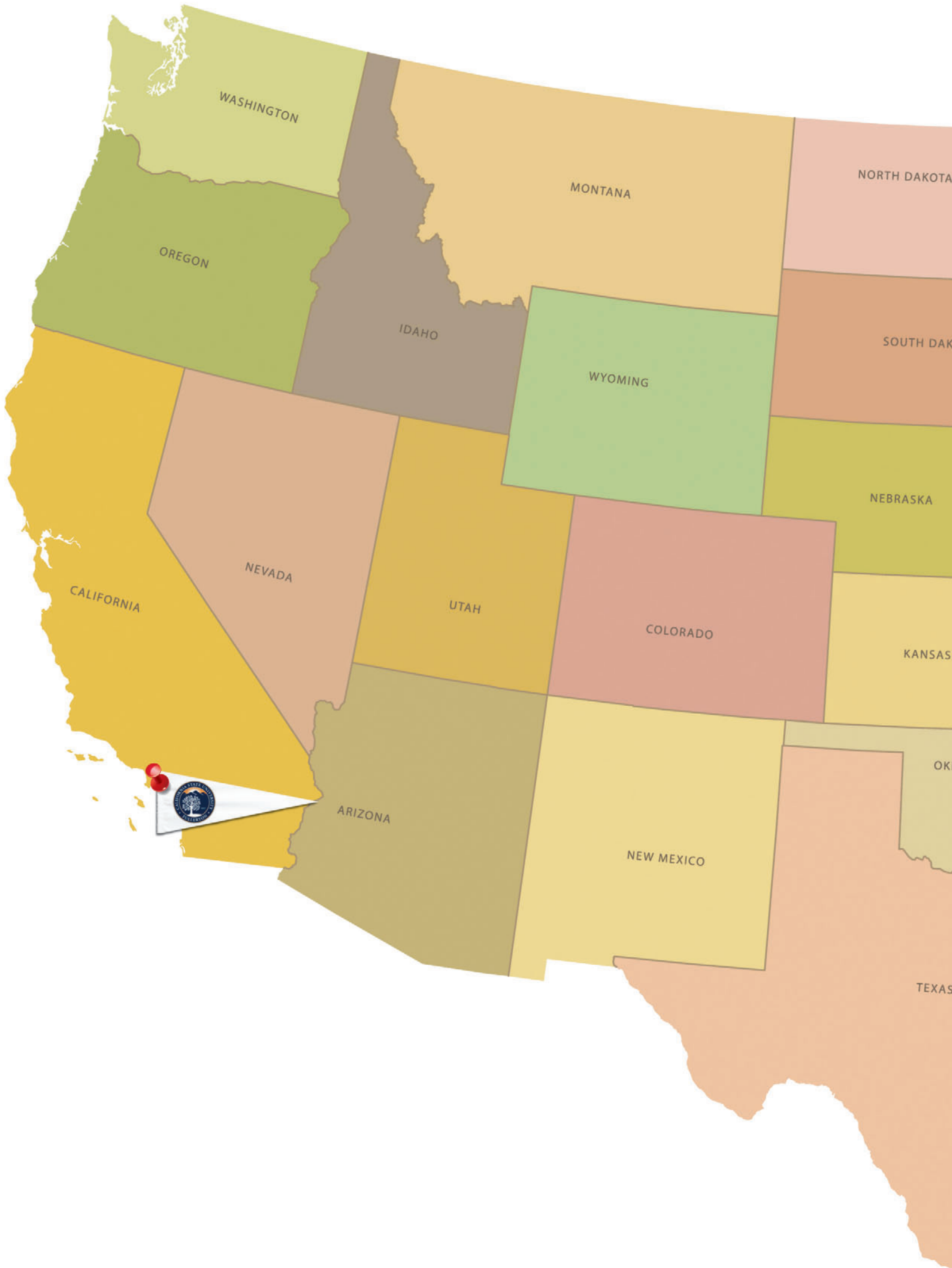
Four programs rated particularly high among the insurance carrier hiring managers interviewed by *Best's Review*. Temple, University of Georgia, Illinois State and the University of Wisconsin were favorites among recruiters.

In calculating the results, *Best's Review* doubled the weight of responses given by recruiters for carriers.

(Continued on page 38)

College Guide

The map below shows the locations of the top performing schools in *Best's Review*'s survey of risk management and insurance programs.




MINNESOTA
MICHIGAN
WISCONSIN
FERRIS STATE UNIVERSITY
IOWA
OLIVET COLLEGE
NEW YORK
VERMONT
NEW HAMPSHIRE
MAINE
UCONN
ST. JOHN'S UNIVERSITY
TEMPLE UNIVERSITY
SJU SAINT JOSEPH'S UNIVERSITY
Penn
PENNSYLVANIA
OHIO
ILLINOIS
MISSOURI
University of CINCINNATI
DELAWARE
MARYLAND
VIRGINIA
KENTUCKY
EKU
Appalachian STATE UNIVERSITY
TENNESSEE
MT
ARKANSAS
Georgia State University
UNIVERSITY OF GEORGIA
SOUTH CAROLINA
THE UNIVERSITY of MISSISSIPPI
MISSISSIPPI
ALABAMA
TROY UNIVERSITY
GEORGIA
BU
LOUISIANA
FLORIDA

(Continued from page 35)

While Temple would have remained among the top four vote-getters even without the help of recruiters, its score was boosted even higher due to its popularity among hiring managers. The Philadelphia school was mentioned by 10 recruiters, adding 20 points to its total votes.

As one recruiter said, "Schools should take interest in the program that Temple University offers. These students are dressed to impress, [they're] overall good communicators, [they're] asking the right questions in interviews. They're prepared to answer interview questions, and are friendly and professional. And they have a strong work ethic. I believe Temple has a low tolerance for those with a lack of effort and it shows. Their students are thinking critically and ready for challenging work."

Temple, Saint Joseph's and St. John's often were clustered together in responses. Their graduates were consistently cited as prepared, professional and poised.

As one recruiter put it, "Those students know who we are. That's really important. We're a small company. They know who [our CEO] is, they know about our company, and they come prepared. They know what our history is and what we hire for. That goes a long way."

Also of note in this year's survey, there were five new entrants among the Top 20 vote-getters. Making their debut in 2020, in addition to Middle Tennessee, were Baylor University, Ferris State University, the University of Cincinnati and the University of Connecticut.

California State University, Fullerton, also climbed in the last two years. It ranked No. 15 in the voting tally in 2020.

"To me, it's the combination of theory with practice that makes us unique," said Weili Lu, director of Cal State Fullerton's Center for Insurance Studies. "We are rooted in the industry, and our students can graduate with professional designations that put them one step ahead of others."

Cal State Fullerton, which offers a concentration in risk management and insurance, is one of the few West Coast programs.

"The program is the largest and strongest west of the Mississippi," Leah Young, career and professional development adviser at the school, said.

It also recently received a new designation, announcing last fall that the Center for Insurance Studies is changing its name to the School of Risk Management and Insurance. Internally, the change will allow Lu and her team to collaborate with other departments on multidisciplinary programs and certificates, such as a working with the engineering school on a disaster recovery and claim adjusting program.

Externally, Lu hopes it will help with more visibility and funding.

"The industry support to us has been very important," Lu said. "We want to give back to the industry by providing them a qualified next generation of employees." BR

"We've been the best kept secret. But we're trying to change that."

Dr. Dave Wood
Professor, Martin Chair of Insurance
Middle Tennessee State University

Beyond The Classroom

Industry professionals offer their ideas about what college RMI programs could do to better prepare students for careers in risk management and insurance.

by Lori Chordas

Aaron Vorce, a 2013 graduate of Olivet College's risk management and insurance program, credits internships with opening up doors for him in the industry, including his current post at Keystone Insurers Group.

Olivet requires at least two internships for graduation. However, Vorce was excited to test drive the skills he learned in college and learn more about what the industry had to offer, so he opted to do three internships at State Farm, All Risks and Hub International.

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

"It's important for schools to require diversified internships to expose students to different verticals in the industry because you don't know until you know," he said.

"Seeing different lines like commercial, personal, life and health allows students to choose where they want to be and be more content in their decisions once they graduate."

Ask insurance industry professionals what schools could do to better prepare young people for careers in insurance and they'll tell you: internships, internships, internships.

Industry professionals clearly see the importance of providing young people with the

training and real-world experience that they get from internships.

More than 330 people responded to a recent *Best's Review* survey about college risk management and insurance programs. Internships were far and away the most popular response to a question asking what schools could be doing better. The respondents repeatedly spoke about the importance of internships and the need for young people to get on-the-job experience.

"Education is good, but experience is key," one respondent wrote. "If a student can gain experience through an internship or summer job, it prepares them to truly understand what is required in an insurance industry job. Especially if they are going to be working on the agency side." Other top responses often expanded further on the

Key Points

Survey Says: A *Best's Review* survey asked whether students were graduating with the right skills. Most said yes, or somewhat but not enough.

Learn by Doing: Industry professionals emphasized the need for students to have internships and real-world experience.

Lesson Plan: Schools also could help students get ahead by offering new approaches to state licenses, professional designations as well as sales training and training on communication and presentation skills.

idea of providing young people with more than just a textbook education. Industry professionals said they want students to gain more real-world experience, to have more realistic expectations about jobs in the industry and to be better able to present themselves and build relationships with clients rather than relying so much on text messages and emails.

"Tamper/manage expectations," another survey respondent wrote. "You have to start at the bottom building up your base knowledge in order to succeed/progress up the ladder. Recent graduates all have the confidence and expectation that they will jump ahead and be paid a lot more than entry level positions offer."

Some responses, however, offered up other ideas for college programs. Ideas included different approaches to professional designations, license testing as well as the need to prepare students for a rapidly changing world where new skills may be needed to succeed.

"Perhaps have them take the state license tests so they are better prepared when looking for jobs," one respondent wrote.

Another had a similar suggestion: "Classes should assist with completing a professional designation for the student's field of interest."

The focus on college risk management and insurance programs comes as an ongoing retirement wave forces insurers and brokers to seek new talent. The industry has been looking to college RMI programs to help fill the gap.

Only about 15% of industry new hires are coming from the college RMI programs, said Tony Cañas, property/casualty client adviser at insurance staffing agency The Jacobson Group.

Among the 5,300 colleges and universities in the United States, fewer than 100 offer an RMI program, according to the International Risk Management Institute.

While new programs have popped up across the nation in recent years, there still aren't enough programs to help fill the talent gap, especially in certain parts of the country, said Mary Newgard, senior search consultant at Capstone Search Group.

The *Best's Review* survey asked whether graduates of college RMI programs were coming in with the right skills to succeed. More than 62% said yes, while another 30% said somewhat, but not enough. Only about 8% answered no.

The comments and suggestions from the industry professionals provide a window into what employers want, what schools could still do and where the graduates are still often lacking.

Reaching Students

One of the first challenges is to get students to consider an insurance career.

When Zach Whitmer, a graduate of Eastern Kentucky University, began his freshman year in 2013, he dreamed of one day working in finance. But after taking a few classes in his major, he quickly realized his future career path wasn't what he had hoped and he sat down with his adviser to discuss other options.

"He told me the university offered an RMI program. I had no idea what that was or what it even meant," Whitmer said. "But I gave it a shot, took a few life insurance courses and then other insurance-related classes that taught me about claims, liability and insurance law.

"I was immediately drawn to the liability lines because I found them to be challenging and was intrigued by the gray area in many of the laws and policy interpretations," said Whitmer, who is now the risk management specialist at Gray Construction in Lexington, Kentucky.

Temple University and St. John's University have come up with innovative ways to attract students into their RMI programs, including adding the requirement that all business majors take risk management classes, Jacobson's Cañas said.

"As a result, many students end up falling in love with the program and switch their majors," he said. "That's something many other schools are missing. RMI programs know they should be doing that but it's hard to get college administrators to add that requirement."

The industry also needs to build awareness before students get to college.

"Awareness needs to begin as early as high school or even middle school because by the time students are in their sophomore year of high school many have already decided what major they will pursue," said Margaret Resce Milkint, managing partner at The Jacobson Group.

In 2012, Eaton RESA, Olivet College and Farm Bureau Insurance of Michigan partnered to offer an insurance and risk management program for high school students. Students have the opportunity to earn up to nine college credits while completing three courses, along with learning the soft skills needed to be successful in the business environment. Students can also participate in job shadow opportunities at Farm Bureau's corporate headquarters, and based on their performance, participate in a summer employment opportunity at the company, upon completion of the class.

Internships and Real-World Experience

Respondents to the survey repeatedly spoke about the importance of internships and any other program that gets students out of the classroom and into the real world.

Last year more than 57% of graduating seniors who applied for a full time job and received at least one job offer had an internship before graduation, according to the National Association of Colleges and Employers' *Class of 2019 Student Survey*.

Graduates who completed an internship received, on average, 1.17 job offers compared to 0.98 offers for those who did not have an internship, the survey found.

Closely tied to the comments about internships were discussions about real-world experience as a way, not just to learn job skills, but to help set realistic expectations.

Industry professionals suggested schools could bring in guest speakers to help bring the real world to the classroom.

"Offer more guest speakers to provide practical application to classroom learning," one respondent wrote.

Others spoke about the need to help adjust expectations.

"Do a better job of setting realistic expectations," one respondent wrote. "Also, this demographic has a very high turnover rate, as young workers continue to 'job hop' at an excessively high rate."

"Prepare them for the work life culture and how to handle difficult situations that will come up in professional settings," another said. "Help students have realistic expectations of their career path while also maintaining control."

Sales Experience/Claims Experience

The U.S. Bureau of Labor Statistics anticipates 43,000 jobs will be added in insurance sales alone through 2024, and demand for agents is expected to grow 9% faster than the average of all occupations.

Capstone's Newgard fears not enough is being done to prepare students for agency and broker careers.

"Awareness needs to begin as early as high school or even middle school because by the time students are in their sophomore year of high school many have already decided what major they will pursue."

Margaret Resce Milkint
The Jacobson Group

She said many programs offer only a handful of classes focused on sales techniques, client prospecting and consulting skills.

Florida State has created an interactive tactic to teach insurance sales to its RMI undergraduates. The university's Insurance Sales Challenge assigns students a business case and mentor and uses role playing to present students' sales pitches to a panel of industry judges.

Respondents recommended that colleges expand the horizons for students and provide sales training and more exposure to agencies and brokers.

"I've always wanted to see some sales training at the college level," according to one respondent.

"Teach sales and networking skills," another respondent said.

Communication Skills/Soft Skills

Whenever Jacobson's Milkint visits an actuarial science class or speaks at a Gamma Iota Sigma event, she emphasizes the importance of "human" skills, such as presentation skills, influencing, the ability to think critically, problem solve, negotiate and work collaboratively. She engages students in a hands-on style by looking them directly in the eye, shaking their hands and building their confidence.

What They Said. . . .

Comments from *Best's Review*'s Top College and Risk Management Programs Survey respondents. Following are edited responses.

INTERNSHIPS

- Have more opportunities for students to job shadow or internships to fully understand the corporate environment.
- My internship through the insurance program is still evident as I'm still working for the same company today.
- Seek out rotating internships that expose students to various opportunities in the industry.
- Internships/work study so the students get a practical knowledge of how to apply the information and how it is used in the real world.
- I've been graduated for two to three years now, but I wish they pushed internships/co-ops more when I was there. I went out and sought my own internship and it worked out. But it would have been nice to have the department actively seeking opportunities like that for students.
- Continue to require internships for graduation. Perhaps even two. It's critical.
- Set up more mentoring relationships and internships at local insurance offices.
- More internships and mentoring emphasis.
- Partner with firms for internships and mentoring programs.

REAL-WORLD EXPERIENCE

- Inviting experienced people from all areas of insurance to answer students' questions based on real-life situations.
- More practical experience.
- Offering a course in "real-life" daily issues in the insurance industry. Most schools focus on the academic component, however students need to be better prepared for real-life daily insurance issues.
- Connect with companies to establish strong relationships and encourage them to participate in various programs or one-day events that provide students with knowledge and real-life experience to the company/insurance industry.
- Talking more about what it's like in corporate America and helping prepare students for the shift from college to corporate.
- I believe our community could better assist programs, professors, colleges and universities by coming and speaking to your student population and making them aware of the plethora of opportunities available. Our industry is suffering in finding great talent.
- The schools could do a better job with establishing pipelines into companies in the insurance industry. This can be done by conducting mock interview days, asking industry personnel to speak to their classes, and providing credits toward designations that are respected within the insurance industry.

SALES/CLAIMS EXPERIENCE

- Subject them to the sales process of selling insurance so they would learn from the bottom up.
- Increasing their sales acumen. Having them understand the many roles and job functions within an agency.
- Expose them to the selling side of the business, agents, etc. Let them know that underwriting, claims, and IT are not the only parts of the business.
- We need young producers in this industry. So if they can figure out how to groom future producers, that would be a huge win.
- Integrating sales training. Baylor University offers sales courses. If schools don't integrate sales, they will tend to attract strictly underwriter types, so brokers tend not to hire from this major despite the insurance aspect.
- Require agency internships, agencies are left in the dark as graduates are looking for new jobs out of college. Nobody wants to sell and it's causing a massive issue. … If colleges focus on agency education and the money that can be made, freedom, etc., it may help the independent agency system survive.
- Look to direct more kids to the agency side. Heavy placement with carriers and excess & surplus markets.
- Teach them more about the claims process.
- Teach more than one claims class. Insurance is not just selling insurance or underwriting. There is no training for claims. That's likely the toughest part of insurance and the least taught.

COMMUNICATION SKILLS

- Continue to focus on fundamentals of the industry. Focus on writing skills, critical thinking and analytical acumen. If they are proficient in information technology, they can quickly contribute in the workplace.
- Better in-person and phone communication. Younger generation relies too heavily on email and texting.
- Personal relationships versus email and text conversations.
- Learn to speak and write better.
- Help students learn how to think critically and outside the box. Teach them that during a job interview make eye contact, don't chew gum and dress professionally.

MATH AND SCIENCE

- Include more data scientist programs into the RMI program.
- The students that really stand out have some computer skills, or psychology/anthropology skills. Reinsurance is still largely relationship-based and so the less work I have to do to get someone ready to face clients and maintain relationships the better.

She said schools can build on those tactics by arming students with practical tools like business cards "and teaching them how and when to share so they can learn how to build their personal brands, network and forge relationships."

Keystone's Vorce said there's a growing need for more classes focused on professional and personal development skills.

"One of the most meaningful classes I took at Olivet was a course on emotional intelligence that taught me about people and how to intuitively sense what they're thinking," he said.

Going Beyond

Some comments, however, took a broader view of the industry and the outlook for the future.

Schools should "expand their offerings to reflect the increasing innovation within insurance, which creates demand for new skills, such as data science, risk analysis, tech scouting and more," said Paul Winston, chief operating officer of IE Advisory and a trustee of Gamma Iota Sigma.

"The majority of insurance and RMI programs remain focused on actuarial science, which while important is not the only talent the industry needs and will need tomorrow." Winston said.

Another response advises the industry to focus on the value of on-the-job training in the classroom.

"The challenge here is that there is a major shift happening in the industry where many companies are finding ways to cut expenses with use of automation and self-service that is eliminating a lot of the entry-level work that college-hire employees used to learn the role(s). Therefore, the work that staff is now doing tends to be more complex and requires a different level of technical skill that companies frankly are not teaching and students coming in don't have. I think the schools that focus on this industry should look at the roles more like an apprentice in a trade that combines more OJT (on-the-job training) with the classroom." BR

Rules of Attraction

Industry professionals talk to AM BestTV about how to make insurance a career choice for students and people outside of the industry.

“The industry needs to encourage students and people that are entering the business world to think of insurance as a career. Insurance is not a career is the mindset of most students. If you look at the top 50 business schools in the country, few of those schools offer insurance as part of their curriculum.

We need more top schools to offer insurance classes, at least expose students to insurance so they can think about insurance as their career. When they're interviewing and looking for jobs, they have the exposure of insurance as part of the curriculum in a business school.

I graduated from Michigan State University. Michigan State did not have a program of insurance. There was not one class offered in the business school. It's a top-20 school, top number one or two in some areas. It's a high-ranked school with no insurance, not unlike most other top schools.

I convinced the school to allow me to endow a professorship in insurance, which we did. Now there's a professorship in insurance at Michigan State. More than one professor is teaching insurance.

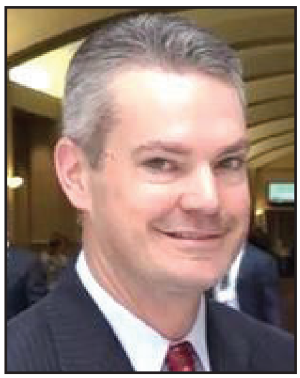
The program has grown tremendously. It's up to almost a hundred students and is now offered as a minor. That's all in about four years. It's been successful.

If other people or companies could follow suit and come up with ideas for business schools to offer insurance, at least it would stimulate the student population to think of insurance as a career.”

Alan Kaufman
Chairman, President and CEO
H.W. Kaufman Group

“What we decided about five years ago was talent was going to be significant for us, going forward. The main focus of our approach to talent was to get out, bring people into our company, let them really see what an insurance company does, what the jobs are like. We've had great success from that. We've reached out to all the colleges in the area, high schools, anything we can do, intern programs, just to get people a chance to look under the hood, is what we call it.”

Larry Shaw
President & CEO
MMG Insurance



“A big issue we all have known about for a number of years is the talent shortage that's out there right now. There was going to be a 400,000 person gap in terms of open positions coming up in 2020, is what I first heard five, six years ago. Can insurtech help potentially fill some of those roles with replacing repetitive task functions with automation? Secondly, can insurtech make the industry more attractive to new entrants, both from a college student standpoint, and then, also, folks that are involved in other industries.”

Christopher Hampshire
Vice President
Gallagher Bassett Services

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Change In DIAGNOSIS

Observers say the medical liability market is beginning to harden as higher jury awards, eroding tort reform sink in.

by Timothy Darragh

Since the end of 2018 or so, most observers of the medical professional liability market thought signs indicated the long-lasting soft market was at the end of its cycle.

Now, even those who saw some slack in the market earlier in 2019 say the market has entered a hard period.

Looking back on the first half of 2019, Milliman actuary Susan Forray wrote in "Inside Medical Liability" there appeared to be "faint" signs of a hardening market. The industrywide combined ratio rose four percentage points to 107, but availability of coverage was abundant and in some regions, small rate increases were attainable, she wrote.

"We expect that it will be at least several years before the hard market appears on the horizon," she wrote.

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

Come the end of the year, Forray said the picture is quite different.

"Things have changed a lot since that article was published," she said in an email. "We're seeing rate increases in multiple states, which was only mildly true earlier this year [2019]. I expect additional rate action next year [2020]. I think it was fair to describe the market as 'end stage of soft' earlier this year [2019]. I would now describe it as 'beginning stage of hard.' "

Brian Atchinson, chief executive officer of the Medical Professional Liability Association, said it's hard to paint the trend with a "broad brush, but there is a wide and growing sense we're past the bottom of the soft market."

The reason for the change, Atchinson, Forray and others said, are higher jury awards, the eroding of tort reforms and the unfavorable attitudes toward institutions and corporations—the mark of social inflation.

"It's not surprising that frequency and severity are increasing in tandem," Forray said. "Social inflation

> "I think the question is whether or not the rate increases are going to be enough to keep up with the increase in loss costs."
>
> **Sharon Marks**
> AM Best

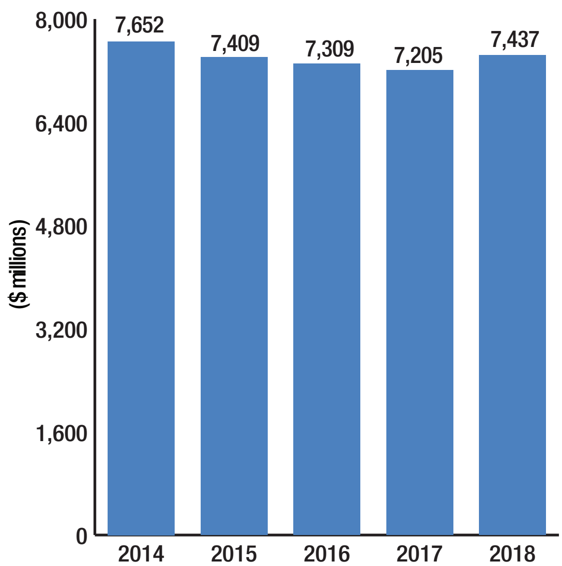
drives the likelihood of filing a claim, the likelihood of a successful recovery, and the size of the payment."

Last October Aon reported the frequency and average severity of losses greater than $5 million continued to increase in 2019.

"After an increasing number of large medical malpractice verdicts following years of premium decreases, all stakeholders in malpractice liability are under pressure," it said in its 2019 Hospital and Physician Benchmark Analysis. "These pressures include premium rate increases, self-insured retention increases and insurance carrier capacity reductions."

In a third-quarter earnings call, W.R. Berkley President and Chief Executive Officer W. Robert Berkley said the company saw the warning signs of social inflation hitting the MPL sector.

U.S. MPL Composite – Direct Premiums Written



Note: Totals represent companies in AM Best's MPL Composite that have filed as of 4/29/19.
Source: AM Best data and research

Social inflation, he said, "is here and the industry is beginning to pay attention… We've been addressing it. Yes, in part through pricing. But the market will only let you do so much with pricing. We have been taking greater action through selection, terms and conditions, as well as attachment point."

Part of the problem, ProAssurance Corp. President and Chief Executive Officer Edward "Ned" Rand said in a September conference call, is the breakdown of the doctor-patient relationship. Patients have become more likely to sue, and juries more likely to sympathize with them, because medical care is less relationship-driven than 10 years ago, Rand said at the Keefe, Bruyette & Woods Annual Insurance Conference.

At CNA, Chairman and CEO Dino Robusto told investors last October plaintiffs' attorneys have gotten more aggressive in pursuing MPL cases. "The plaintiffs bar has really targeted this industry," said Robusto. "You can see it in the ad campaigns and the marketing, inviting more claimants to come forward."

One case exemplifying the trend is a jury award in a case involving a misdiagnosis at Johns Hopkins Bayview Medical Center that led to the birth of a baby with brain damage. The jury this past summer awarded the family of the baby, who will need lifelong medical care, $229 million—including $25 million in noneconomic damages.

That amount was cut by Maryland's cap on damages for pain and suffering, but a judge left the rest of the award standing, which attorneys said was the largest MPL award in the United States.

A spokeswoman said the hospital network will continue to appeal the case.

Other signs indicating future rising costs cropped up during 2019.

In Kansas, the Supreme Court ruled a state law capping noneconomic damages at $250,000 violated a person's right to a trial.

That, in turn, contributed to a downgrading of the Kansas Medical Mutual Insurance Co.'s Best's Financial Strength Rating from A- (Excellent) to B++ (Good).

Oklahoma's Supreme Court also struck down its law capping noneconomic damage awards in bodily injury lawsuits, ruling the cap was a "special law" that treated classes of people differently.

And in Pennsylvania, the state supreme court last October invalidated as unconstitutional the state's seven-year statute of repose under its medical claims law, opening up the door to plaintiffs seeking redress of older cases.

Costs associated with defending against additional claims and larger awards represent dollars taken out of the health care system and redirected to the legal system, Atchinson said.

U.S. Medical Professional Liability – Top 20 Writers

Ranked by 2018 Direct Premiums Written

2017	2018	Company	DPW ($000)	% Change
1	1	Berkshire Hathaway Insurance Group	1,564,100	4.4
2	2	Doctors Company Insurance Group	690,015	1.4
3	3	CNA Insurance Companies	528,730	7.6
4	4	ProAssurance Group	474,838	-0.2
5	5	Coverys Companies	446,227	7.7
7	6	NORCAL Group	341,515	2.8
6	7	MCIC Vermont (A RRG)	339,917	1.6
8	8	MAG Mutual Group	286,705	7.6
10	9	Hospitals Insurance Company, Inc.	219,061	25.8
9	10	Physicians Reciprocal Insurers	174,149	-6.4
11	11	Liberty Mutual Insurance Companies	172,308	3.5
16	12	Constellation Insurance Group	166,377	15.2
14	13	Controlled Risk Insurance Co of VT, Inc	158,678	5.0
13	14	ISMIE Mutual Group	153,115	-3.1
15	15	Chubb INA Group	152,455	5.2
21	16	Alleghany Insurance Holdings Group	128,039	10.0
17	17	Medical Mutual Group (NC)	125,833	-9.4
19	18	State Volunteer Mutual Insurance Co	119,977	-4.6
23	19	W. R. Berkley Insurance Group	105,499	12.1
20	20	Medical Mutual Group (MD)	100,195	-15.0

Source: AM Best data and research

One major demographic change tipping the scales in plaintiffs' favor in malpractice cases, Atchinson said, is the increasing role of millennials in jury pools.

"We're looking at very serious changes with respect to the composition of juries," he said. "Millennials take a very different view about awarding judgments against institutions, physicians, or other providers."

While those court rulings garnered headlines, AM Best Associate Director Sharon Marks said the steady growth of social inflation over a period of time built up the headwinds facing the MPL sector now. Marks co-authored a Best's Special Report last year noting a negative outlook for the U.S. MPL insurance industry.

"This is not new," she said. "It's a continuation of a trend that we referenced when we did our special report in May [2019]."

On the positive side, Marks said, "We do hear about rates starting to increase and see the segment's premium up in 2018 and through the first half of 2019. It's not across-the-board, but upward movement in rates after so many years of declines is a positive.

"I think the question is whether or not the rate increases are going to be enough to keep up with the increase in loss costs," she said.

One thing that keeps the market out of crisis is the availability of MPL coverage, written by companies with "robust" capacity, she added.

"I think when you use the word 'crisis' that evokes a time when doctors couldn't find carriers to write their medical professional liability coverage," Marks said. "There's still a lot of capacity in the marketplace."

Atchinson agreed, saying availability of coverage is strong for physicians and hospitals.

Changes in the marketplace since the last crisis market of the early 2000s—health care consolidations, the rising role of nurse practitioners and physician's assistants and health care insurance alternatives in risk retention groups or excess and surplus lines—forced insurers to become more agile, he said. It's a "challenging" market, he said, but also one with opportunity.

MPL insurers will have to figure it out in a harder market, however.

"Cycles are inevitable," he said. "Some are shorter; this has been a very long soft market. I think that no one really knows how long the next hard market will last or how severe it will be." BR

Tapping a New Resource

Electronic health records set to turbocharge life insurance underwriting.

by Lee McDonald

Colin Devine, principal, C. Devine & Associates, and David Dorans, chief executive officer, Clareto, said accessing information found in health information exchanges, with permission, will enable life insurers to make faster, more accurate underwriting decisions.

Devine and Dorans spoke with AMBestTV at the annual conference of the National Council of Insurance Legislators, held in Austin, Texas.

Following is an edited transcript of the interview.

Lee McDonald is a group vice president, AM Best Co. He can be reached at *Lee.McDonald@ambest.com.*

What is the state of life products and life underwriting in the U.S.? Where does it seem to be headed, and is it headed anywhere in particular?

Devine: It's moving forward slowly. A big problem with life underwriting is that the process takes too long and it's too invasive, and technology we think certainly can materially speed that up.

The key to that is reconverging the life insurance industry and the health insurance industry because electronic medical records really are the keystone that underpin both.

“A big problem with life underwriting is that the process takes too long and it’s too invasive, and technology we think certainly can materially speed that up.”

Colin Devine
C. Devine & Associates

A lot of insurtechs are moving into this space, and they all talk about accelerated underwriting and some of the algorithms and the AI that they’re using. What’s the real key to making that work?

Devine: The key to making that work is having electronic health records. You’ve got to be able to get a record that has data that you can rely on, and you can get it fast.

What is better access to this information?

Dorans: It’s not new information. It’s the information that we traditionally get in the industry. It’s significantly improving the model that we use to get the information and changing a process that takes weeks and involves literally the use of a fax machine into much more of an automated process that can be done in seconds or minutes.

How does that work?

Dorans: It works by tapping into organizations that have access to the data and that have a charter that allows them to release that data with proper authorization from a client.

There’s a couple of different models that are available. One, we are the most bullish on are organizations known as health information exchanges. Most of these are statewide organizations that were designed and built for the concept of interoperability.

They were built for treatment purposes. They were built so that if you showed up in an emergency room at midnight, on a Saturday, the physicians that were taking care of you would have access to your records.

They were also built to try and provide savings for the health market, so that if you had an MRI done on Monday, there’s no need to have one done again on Thursday. We’re really tapping into the organizations that were built on the health care side, but using those same technical capabilities that they built to the advantage of life insurers.

Has this information ever been used for insurance purposes?

Dorans: It has not. We were the first ones to bring this out. Clareto’s been in business now for a little under two years. We own and operate our own HIE in the central Virginia area.

We had some people that saw what was available in the health insurance exchanges and had some life insurance experience, the light bulb went off that there’s a real opportunity here that could really change underwriting.

Any doctor in a region who participates in a health information exchange, it’s like MIB or any other exchange organization. If you’re a part of the exchange, if you want to get data out of the exchange, you have to make your data available to the exchange.

We’ll work with exchanges around the country. The first one we went live with was the state of Colorado. The state agreed that with proper authorization, they would make their data available.

That made data available for any doctors or any hospitals across the state of Colorado that participated. We went from zero coverage to 75% coverage statewide in Colorado in a matter of minutes when we flipped the switch and turned them on.

We’re traveling around the country right now lining up other health information exchanges to try and build out our network.

"We had some people that saw what was available in the health insurance exchanges and had some life insurance experience, the light bulb went off that there's a real opportunity here that could really change underwriting."

David Dorans
Clareto

Is any of this information making its way to insurers yet?

Devine: It absolutely is. The insurers are starting to adopt this. Underwriting is certainly for most insurance companies the most conservative part of the company. When they make decisions, they have to live with it for 50 years.

What Dave's company is doing is just speeding up the process. It can take easily three months to get a life insurance policy issued, and clearly, today, that's a problem. Of that three months, about 10 hours you spend underwriting. The rest is spent tracking down the record, usually the fax or the mail, and doing the paramed exam.

Dave's company can deliver that record in under a minute. That shrinks that issue time dramatically, and that's what insurers are seeing. They have to get a lot more efficient because if you look at where interest rates are, they're under a lot of earnings pressure from low rates. They've got to get more efficient and better at what they do.

That's also how you're going to grow sales. If you make it easier to buy a life policy, the more people are going to do it.

Is anybody backing you in terms the insurance industry investing in you in any way, or do you see them pretty much as clients?

Dorans: Right now, it's venture capital funded, but we've actually had a number of insurance companies who have venture funds have conversations with us. They're really excited about this idea because they, more than a traditional venture capital fund, can really see the potential benefits of this and see that they can win on both sides of the equation.

If all goes well, what kind of time frame are we talking about? When might this actually be in widespread use?

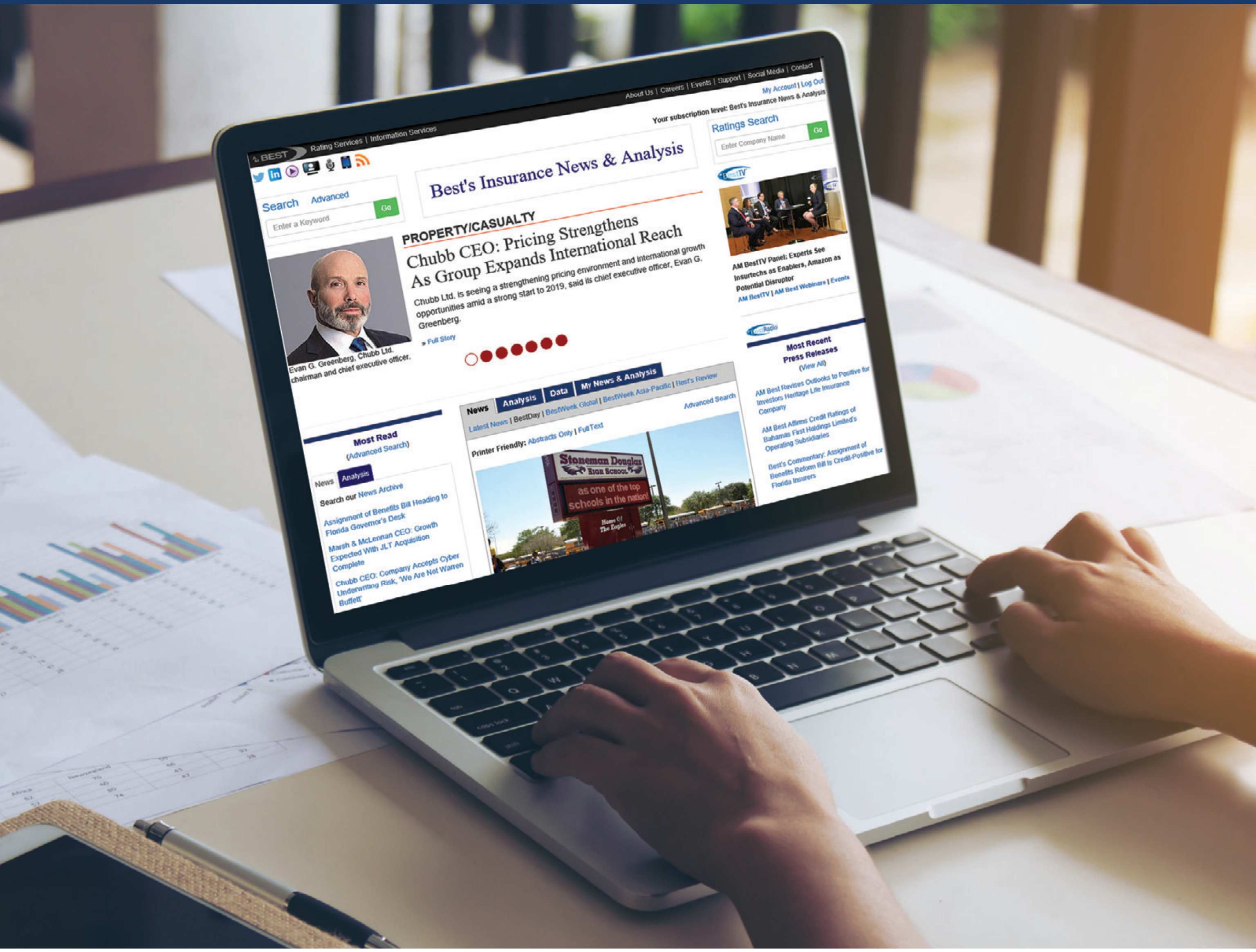
Devine: It's certainly coming up real-time now. There are companies that are starting to do this. I think we'll see it over the next probably two to three years.

If you look back using our X data or prescription data, it really developed over the last 10 years and now that's standard. I certainly think probably within three to five years this will be standard on every insurance application because it's just too easy, it's just too fast. It allows for better risk selection and it allows the policy to get issued a lot faster.

Dorans: When we started this, if you think about, it was a classic chicken-or-egg situation. The idea made all the sense in the world, and you went to insurers and said, "What do you think about this idea? Do you want to sign up?" And they said, "What data do you have?"

Then you went to the data suppliers and said, "Hey, look at this great idea. We can connect you," and they said, "What insurers do you have?" You get kind of stuck.

It's taken a year or a year and a half to cross that bridge, but now we've got some mainstream insurers participating. We've got some data suppliers participating, and we expect the next rounds of progress will go significantly more quickly. BR


Best's Insurance News & Analysis
PROPERTY/CASUALTY
Chubb CEO: Pricing Strengthens As Group Expands International Reach
Chubb Ltd. is seeing a strengthening pricing environment and international growth opportunities amid a strong start to 2019, said its chief executive officer, Evan G. Greenberg.
Evan G. Greenberg, Chubb Ltd. chairman and chief executive officer.
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An Alternative Approach

Health care sharing groups operate outside of the norms of mainstream health insurance. Some say it's time to regulate them.

by Lee McDonald

State insurance legislators and regulators should set standards for networks in which religious and affinity groups support members' medical costs by operating outside of traditional insurance structures, said Kevin McBride, owner and manager of Washington, DC-based McBride Law.

McBride spoke with AMBestTV at the annual conference of the National Council of Insurance Legislators, held in Austin, Texas.

Following is an edited transcript of the interview.

What is the concept of health care sharing?

Health care sharing is a concept by which members of a group that either share common religious beliefs or share common ethical beliefs, either/or, share their health care expenses on a voluntary basis.

Lee McDonald is a group vice president, AM Best. Co. He can be reached at *Lee.McDonald@ambest.com*.

It is sometimes referred to as a replacement for health insurance, it's more complicated than that. It is often bought in lieu of actual health care insurance.

Are they actually health insurance organizations and are they regulated?

No, they're not health insurance organizations. There are safe harbor protections in 30 different states, but there is no formal regulation of health care sharing entities as of yet.

In fact, the NCOIL is looking at a proposed model act that could be adopted by all the states which would, in fact, regulate health care sharing entities and require registration and formal regulation at the state level. Which, by the way, my client, Shareable a technology provider, supports. We provide the backend services by which health care sharing is actually facilitated. We offer those services to other health care sharing organizations who deal directly with customers and bring in members.

You're here at NCOIL, obviously talking about regulation and consumer protection, as well?

Yes. There's a model act that's being proposed by NCOIL. It covers a variety of areas, including consumer protections. One is consumer anti-fraud. We're all in favor of that. We support that in a clear-cut way.

We also have proposed with our suggested edits to the model act additional consumer protections, which make sure that certain disclosures are given to members of health care sharing groups.

For example, health care sharing groups should know exactly where money went on a monthly basis, who made claims for health care assistance, who paid monies to support health care assistance, how much was spent in administrative costs. All of that should be very transparent to every member of a health care sharing organization.

We are championing that agenda plus some additional consumer protections.

What about the issue of financial strength? Do they have to meet any standards? Are they regulated in any way as far as their capital?

There is no capital regulation at the current time. That's a topic that's being discussed here at the committees. The way things currently stand is members contribute certain amounts on a monthly basis to a health care sharing entity. That is held in reserve.

Whatever amount is held by the entity is then available and used for health care sharing. If there is not adequate money for a particular claim, for example for a month, then the money that is available is shared. It's essentially paid out of actual proceeds as available.

Are there any states that already have any kind of laws or regulations that govern these?

There are 30 states that actually have what are called safe harbor provisions for health care sharing entities. They pretty much vary. There is no standard

"As it currently exists, basically health care sharing is not regulated with any common set of standards. It's sort of a haphazard, ad hoc approach that is taken very differently from state-to-state."

Kevin McBride
McBride Law

model act. I think that this model act is essentially going to replace the safe harbor provisions.

Safe harbor, as a name, implies at the common sense level. It means that as long as you do certain things, A, B, C, and D, you can operate as health care sharing inside our state. There are 30 states that currently have those safe harbor provisions, but there is really no model that's uniformly applicable across the states.

This model act essentially would purport to replace the safe harbor acts that are currently in existence and provide more actually direct oversight of health care sharing entities at a state level that is agreed to by all the stakeholders so that we register and we interact with the regulators. That's what the proposal is on the table.

As it currently exists, basically health care sharing is not regulated with any common set of standards. It's sort of a haphazard, ad hoc approach that is taken very differently from state-to-state.

Our goal is to make sure that health care sharing is transparent, and clear, and that it's there for the benefit of the members. It's not there to enrich a handful of people, which can happen if it's not done properly.

Currently, the proposal, the model act on the table, would integrate a federal standard that was an exemption to the individual mandate under the Affordable Care Act.

Under that exemption, as is currently written in federal law, only health care sharing entities that have been actively in existence since 1999 would be allowed to register under the model act. We don't like that.

The reason we don't like it is the only entities that have been in existence since 1999 are essentially a handful of traditional Mennonite groups, which have operated the same way for a hundred years, at least, and a small handful of conservative Christian groups.

That's great. They should be able to do health care sharing. We believe that there are other groups, and we know that there are other groups because we're in contact with them that want this type of coverage. We're in contact with a Jewish group in New York, for example, who would like to do health care sharing on the basis of their Jewish faith.

We're in touch with a group of gay rights advocates who would like to do health care sharing based on the unique needs of the gay community. They are currently locked out of participation because they're not conservative Christians.

A big push of what my client is trying to accomplish is to essentially allow regulators to expand the definition of who can participate in health care sharing to include other discrete groups, not just open the door crazy wild to everyone, but open it up to groups who share a common set of ethical beliefs.

Not just religious beliefs, but also ethical beliefs, so that gay rights groups can do health care sharing, Jewish groups, Muslim groups can do health care sharing because, as it's written right now, if we require the 1999 in existence requirement, the only groups that could do health care sharing are the existing conservative Christian groups.

Our group is trying to expand it more broadly in an incremental basis with supervision of state regulators. That's our goal. BR

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Go to *bestreview.com* to watch the interview with Kevin McBride.

GAINING INSIGHT

Epigenetics can uncover how poor health habits can affect future wellness and is being viewed as a potentially powerful underwriting tool.

by Kate Smith

Imagine knowing how much alcohol a policyholder drinks or how many cigarettes they smoke based on a saliva sample rather than a questionnaire. With epigenetics, that's possible.

Samantha Chow, senior life and annuity analyst for Aite Group, and Jon Sabes, CEO of YouSurance and Life Epigenetics, spoke with AMBestTV at InsureTech Connect 2019 about epigenetics and its potential impact on life underwriting.

What is epigenetics?

Sabes: The science of epigenetics is the study of the epigenome which is the epidermis, the upper layer of the genome. It's the study of how extrinsic factors, like smoking, like alcohol, impact gene expression. What we're looking at is the current states of health and wellness based on genetic expression. That's a really interesting insight for life insurance underwriting.

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

How does epigenetics fit into life insurance?

Chow: Obviously, underwriting is the most powerful use case when it comes to epigenetics. Being able to identify the extensive amount of alcohol use, the change in smoking, how that's changed over time, that's one.

Number two would be engagements, something that's after the fact, a testing that's done after the policy has been issued. Any way to engage and help coach on how to improve your health by noting the things that they've seen changed in those epigenetics scores.

"We see insurance carriers really moving to this whole wellness factor. Financial wellness doesn't just include product, wealth and retirement."
Samantha Chow
Aite Group

What are some of the factors you look at in this testing and the insights you gain from it?

Sabes: Our relationship and interest in epigenetics starts with some of the work done by Dr. Steven Horvath out at UCLA. What Dr. Horvath discovered in 2013 is that epigenetics is an amazing predictor of biological aging. It has an incredible signal that is signaling how biology is aging over time.

Really, that's the underlying goal of life insurance underwriting: how are we aging toward all-cause mortality? At that premise, we start to examine epigenetics as a tool for underwriting.

What's interesting and what we learned subsequent to that is epigenetics also tends to pick up a variety of other factors along the current states of health and wellness. We mentioned smoking. An incredibly strong signal as to tobacco use can be found through the epigenome. We're looking at a variety of alcohol health and wellness and disease states.

What we've seen in the scientific literature is some incredible research being done with studies that are associating what we call epigenetic signatures or patterns of DNA methylation that are occurring along the epigenome that are related to cancer, cardiovascular disease, a host of other things that life insurance underwriting cares a lot about.

Is this similar to genetic testing?

Sabes: I would say no, it is not similar to genetic testing. It has the "enetics" word in it. That trips a lot of people up. Genetic testing really is looking at the underlying code of your DNA. That is what you get when you're born. Half from mom and half from dad.

That code is basically static throughout your lifetime. That code will indicate a predisposition for risk of disease, but it really doesn't have any role as to your current disease state.

Epigenetics is the study of how your genes are expressed. An analogy that folks often use is it's like your genetics is your blueprint and your epigenetics is your general contractor. You have a lot of control over managing your general contractor.

If I exercise, if I eat right, if I sleep, my genes tend to express quite well and I tend to look very healthy. If I drink, if I smoke, if I watch an incredible amount of television, my genes tend to express differently. That's really the distinction between genetics and epigenetics.

Are there some concerns around using epigenetics?

Chow: I would say that the first one is the lack of education between what is genetics versus what is epigenetics. They hear that genetics part of it and they think, "Oh, well, this is going to tell someone they've got breast cancer when they may or may not ever have breast cancer."

That's the first fear of using genetics. What they see in that DNA strand may or may not come to fruition. Judging someone on that. It's the education we first have to get past to make them understand what epigenetics truly is.

The insurance carrier obviously wants to know someone's biological age and how healthy they are. To tell a consumer that their biological age is much less than what they may have expected to live to is a fear of, "Oh, maybe I have not given the best customer experience" or what have you.

But if you flip it around, again, and you use it more as a proactive attempt to help them, to coach them, then you've flipped that negative into a positive. We need to make them understand that it's really about

“What we’re looking at is the current states of health and wellness based on genetic expression. That’s a really interesting insight for life insurance underwriting.”

Jon Sabes
YouSurance

health and wellness more so than just your specific DNA makeup.

What are some of the concerns that you hear?

Sabes: It’s fear of the unknown. It’s fear of the new. It’s fear of change. All of those are very reasonable fears to have. I guess it’s been my experience that where technology is responsibly deployed, it’s really improved our lives.

We have a unique opportunity in the industry to improve individuals’ lives. That’s really the baseline role that this technology can serve to play. We’ve seen individuals have an increasing interest in their own health and wellness.

There’s an intuitive curiosity amongst consumers to say, “Why do I develop a particular disease? How is it someone who is, by all means, looking very healthy and going to run their next marathon suddenly dies of a horrible disease?” Or “How is it that two-pack-a-day Charlie is celebrating his 100th birthday? Why is that?”

We all know this intuitively. How can we look at new, more advanced technologies to molecular health and wellness and use these to our collective benefit? From my perspective, there are plenty of reasons to be fearful, but plenty of reasons to be optimistic about how we contribute to society and health and wellness at large.

That’s really where we’re coming from. We want to be out front with people. They’re opting in to receive the benefits of this as opposed to something going on in the background that they have no idea of what this magical technology’s doing in an underwriting context.

Chow: We see insurance carriers really moving to this whole wellness factor. Financial wellness doesn’t just include product, wealth and retirement.

Today carriers think about it in terms of health and how do I make them healthier, how do I help benefit them to make them think better about themselves. It’s global in terms of everybody wanting to be a little bit more healthy and move in that direction. It’s a definite trigger to help further that.

Sabes: Imagine longitudinal testing where people come into a product when they’re 30 and where the science will be when they’re 40. If we have a baseline measure of them at 30 and where the science will be at 40, at 50, or at 60, where the products can evolve to meet the consumers where they’re at in their lives for the relevant needs that they have.

Is this something that would be used at the beginning of a policy when it’s being underwritten and then used again years later? Would policyholders be tested throughout the life of a policy?

Sabes: That’s all in the works right now. You’re seeing models of engagement. The carriers are very interested. They recognize they missed it in terms of consumer engagement. How are you going to engage? What is the technology? What’s the basis? We think that this is a baseline technology that serves engagement in a meaningful way. I can’t imagine where the tech is going to be. I can’t imagine that it is where it is today, let alone where it’s going to be in 10 years. Remember, 10 years ago, I maybe had a cellphone, I certainly didn’t have a smartphone. BR

AMBestTV

Go to *www.bestreview.com* to watch the interview with Samantha Chow and Jon Sabes.

Standing at a Crossroads

For life insurers, moving into asset management requires facing new options and decisions about where to invest and grow the portfolio, where to harvest and which areas to exit.

by Antonio Rodrigues, Jed Fallis and Andrew Schwedel

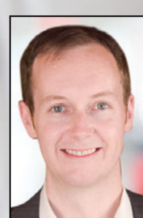
Many life insurers are eager to move into asset management, where revenues have been growing faster than life insurance, generally with a higher return on equity as well. Equity investors also find it easier to assess earnings projections in asset management, so for a given growth rate, asset managers tend to be rewarded with a higher multiple than with straight life insurers.

Spurring the existential reflection are major challenges for life insurers in mature markets. Publicly listed insurers subject to quarterly earnings pressures have been facing competitors with more visibility to underlying cash flows and returns, as well as with longer-term investment horizons. For instance, private equity and pension fund investors such as Guggenheim and Blackstone have crowded into life insurance.

The fact is, life insurers globally have lagged in shareholder value creation in recent years compared with overall market performance, and often have not covered their cost of capital. Since the financial crisis, investors have increasingly balked at the opacity of life insurance financials, because much of what gets booked as earnings is subject to assumptions about

Best's Review contributors **Antonio Rodrigues**, **Jed Fallis** and **Andrew Schwedel** are partners with Bain & Company's Financial Services practice. They are based, respectively, in Toronto, Toronto and New York. They can be reached at *bestreviewcomment@ambest.com*.


Rodrigues


Fallis


Schwedel

Key Points

The Situation:
While life insurers are saddled with financials that lack transparency their competitors prioritize cash flow visibility.

Eyeing a Change:
Life insurers see asset management as a business that can pump up company value by growing revenues thereby attracting investors.

The Reality:
Success for life insurers will likely stem from combining asset management with their unique protection capabilities and providing innovative solutions, for such matters as retirement income and drawing down assets.

interest rates and customers' longevity. Investors are placing greater emphasis on "intrinsic" measures of value such as free cash flow, dividends and the value of in-force and future business.

But while the grass might seem greener in asset management, that industry comes with its own substantial challenges. Fees have steadily eroded as low-cost passive strategies continue to gain market share at the expense of active strategies. In some countries, investor-protection regulations have cut commission revenues, while stricter compliance requirements have created significant costs for client advisers.

To create and sustain value in asset management, insurers will have to develop some new capabilities and make fundamental decisions about their strategy and operations. A focus on underwriting and manufacturing requires product innovation and actuarial chops. Alternatively, a distribution-intensive business requires knowing how to use technology to enhance advisers' productivity in sales and assets under management. The first set of decisions involves where to play, including the mix of products; where to participate along the value chain; and which customer segments and countries to target. Success will likely stem from combining asset management with their unique protection capabilities and providing innovative solutions, for such matters as retirement income and drawing down assets. With those strategic choices made, the next set of choices will determine how to win. To these ends, insurance companies can choose one of the five archetypes that we see standing out in the market.

Product-Focused Manufacturer

This archetype emphasizes product design and capital management. An example is Jackson National, which focuses on variable annuities in the U.S. Jackson's suite of products offer varying investment options, benefit options and fee structures to address investors' needs, such as annuities targeted to ultra-high-net-worth clients. As a leading company in the market, Jackson also ranks first among variable annuity providers in its Net Promoter Score (a key metric of loyalty) from advisers. Jackson has a focused product strategy and a clear sense of how to win: adviser-centered distribution with product leadership, backed by the industry's largest and most productive wholesaling force.

Risk-Focused Investment Manager

Besides the obvious capability of investment management, this archetype tends to succeed through adept mergers and acquisitions, joint ventures and other forms of partnership. A unique partnership with private equity firm Apollo Global Management allows Athene Holding, an annuities firm, to invest in more specialized, higher-margin securitized assets and eventually move to direct origination.

Distribution-Focused Provider

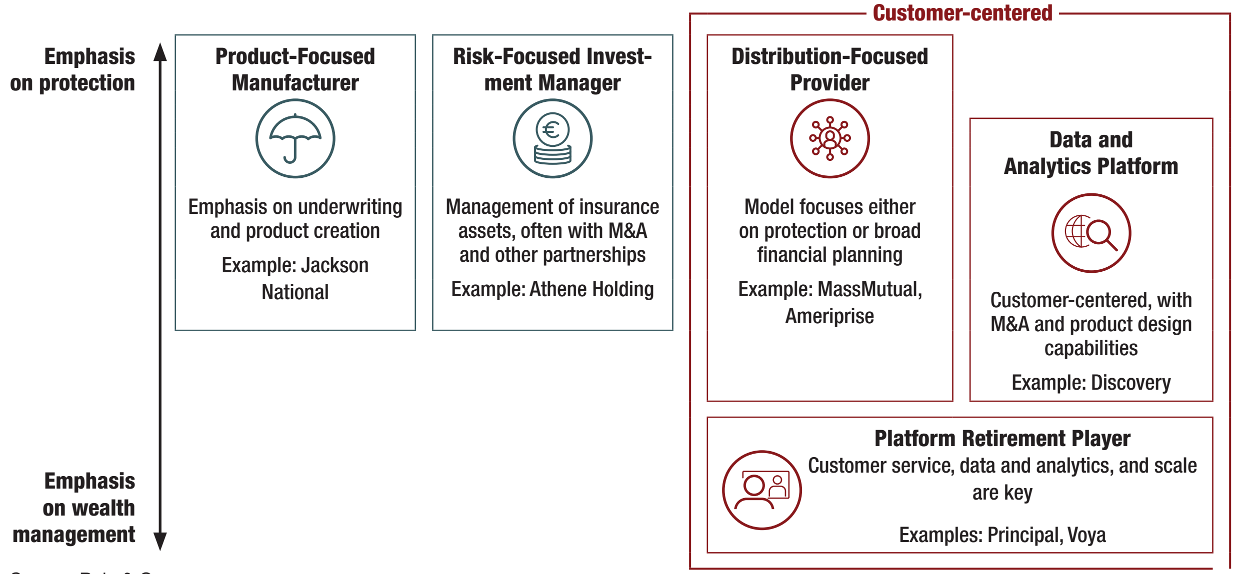
While distribution is the key capability, customer service and relationship management also matter. This archetype comes in two forms, the first being a career agency model focused on protection. For instance, MassMutual is prominent in the U.S. whole life market, but has diversified into a range of protection and advisory products to individuals and employers. In recent years, MassMutual has seen the largest improvement in customer Net Promoter Score among U.S. life insurers. Customer relationships developed through a captive force of more than 8,000 advisers allow MassMutual to excel in cross-selling.

The second form focuses on broad financial planning, as exemplified by Ameriprise. The company started as a wealth manager and entered insurance through M&A. It distributes in the United States through a nationwide network of high-productivity captive and franchisee advisers. In recent years, Ameriprise has explicitly shifted its focus away from insurance and annuities, growing through a series of well-timed acquisitions in an extended bull market. Operating net revenue per adviser grew 8.5% in 2018, extending a history of continual growth

Data and Analytics Platform

Data and analytics capabilities form the backbone of this archetype, supplemented by product design, M&A and partnership skills. Discovery, based in South Africa, is perhaps the most successful example, through its digitally enabled platform called Vitality, a wellness program that rewards policyholders with discounts and perks based on healthy living. Discovery has been building scale globally for Vitality by partnering with incumbents in other countries. Investors have benefited with an average 16% total shareholder return over the past five years.

Five Archetypes Stand Out as Models for Competing in the Market



Source: Bain & Company

Platform Retirement Player

Both traditional insurers and asset-management-oriented companies compete in this arena. Here a company must master customer service and relationship management, data and analytics, and sustainable scale. Voya, for instance, divested its annuities business and exited life insurance in order to emphasize retirement products for companies of all sizes. Voya is using its employee-benefits business and focus on financial wellness to expand the platform of services offered in the workplace market. The strategy has reduced Voya's risk profile and increased free cash flow.

Each archetype poses distinct challenges. For example, some insurers relying on agent networks become detached from customers' priorities. Their cultures traditionally emphasized actuarial and distribution capabilities, and they invested to keep agents happy. Developing close customer relationships will require new muscles and habits.

Archetypes that depend on strong product design, by contrast, will have to step up their continual innovation by adopting recent technologies such as the Internet of Things, artificial intelligence to optimize risk profiling and price selection, and chat bots for client interactions. John Hancock has shifted to interactive policies that track fitness and health data through wearable devices and smartphones, in partnership with Discovery's Vitality platform. By creating a program based on preventive health and accrued benefits and rewards, Hancock increases engagement and contact with customers.

What's Your Value Creation Story?

An insurer also will need to succinctly communicate to investors how it will create value. More investors want to understand a company's approach to intrinsic value and nontraditional metrics such as free cash flow, not just the traditional metrics of revenue growth, return on investment and dividend growth. This explains why some insurers now incorporate cash metrics into their internal management and external communications. Prudential UK, for example, has made a string of structural changes to grow in a capital-efficient manner, and has spent considerable time educating investors on differing capital flows for new and in-force business.

Many life insurers are at a strategic crossroads, facing new options and decisions about where to invest and grow the portfolio, where to harvest, and which areas to exit. To successfully execute these choices, they must identify which capabilities are critical to develop and master, and which can be "good enough."

Whatever their choices, insurers must do more than get the business basics right. They also must clearly communicate a compelling story to investors, so that investors understand why and how the business is performing and can gauge the model's sustainability. Choosing the right metrics to manage and communicate will give investors confidence that an insurer has made the right strategic and operational decisions through and through. BR

What AM Best Says

Lands of Opportunities

The diverse, expansive Southeast Asia region offers unique challenges and new prospects for the insurance industry.

by Meg Green

Asia Pacific is an enormous region with more than 20 countries. Opportunities for insurers and reinsurers range from the needs of China's vast economy to the nascent, emerging markets of Cambodia and Myanmar.

Scott Ryrie, Co-CEO for AM Best Asia discussed the region's insurance and reinsurance market outlooks for 2020 with AMBestTV.

Following is an edited version of the interview.

"The Japanese want growth and they can't get it in Japan, so they're therefore seeking to grow outside by aggressively entering many, many markets."

Scott Ryrie
AM Best Asia

What are you seeing in the North Asia region?

There's a lot of activity across the whole region. Starting with North Asia, we've got the Chinese market, obviously, which is enormous. The economy is growing, and we're seeing an increasing number of insurance and reinsurance companies across both the life and P/C sectors starting up. The market over the next years to come will certainly grow very, very strongly.

Japan, obviously quite a dormant economy, and has had challenges. They've had several recent large typhoons, Jebi and Hagibis, big numbers for the insurance and reinsurance markets, and that's caused fluctuations in renewal rates, etc., across that part of the renewal, which is presenting challenges for the market, because losses have been very large.

If we move down to other activities in North Asia, we're now seeing what I'm calling an inversion in the global market where instead of European and U.S. markets buying into Asia, some of the Asian markets, particularly the Japanese, Chinese, and the Koreans, are buying businesses in other parts of the world and expanding quite aggressively.

It's a very different situation, a very interesting situation at the moment.

What is driving that change?

Different countries have different reasons. The Japanese want growth and they can't get it in Japan, so they're therefore seeking to grow outside by aggressively entering many, many markets, having

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sometimes joint ventures or starting subsidiaries in other markets.

Has it been a difficult process for companies to buy into different countries?

It can be difficult, because it can be competitive. Obviously, buying a company or starting a company you need to plan and there's always a price involved, and just depends on the price point as to what the success rate is. Yes, plenty of challenges in North Asia.

If we move down to ASEAN (Association of Southeast Asian Nations), very different types of markets, we're seeing more developing markets and what I would call growth markets, because they're underdeveloped, and it depends on which country as to how developed or otherwise they are.

We're also seeing a development of the risk-based capital models for regulatory purposes in many of the countries, which is good because it's causing consolidation, and should cause the companies in those markets to be really more fit and proper in terms of the scale they're playing going forward.

We're also seeing very interesting things happening in two very emerging markets, being Cambodia and Myanmar. We're seeing international life companies invest in both countries and the Japanese go in as well.

There's not much insurance there. There's a pretty poor population, but those companies obviously see a massive growth opportunity, I would say not in the short term, but in the medium-to-long-term. The names of those companies, they're famous names across the world, and not to be ignored.

If we move heading south down to Australia, my home country, there's a couple of things happening there. Firstly, obviously, a terrible drought. One of the worst on record. Lots of debates, is it climate change or otherwise? I don't know, but it's certainly a massive drought causing enormous problems.

As a result of that drought, [as of the date of the interview Dec. 8, 2019] we're seeing huge bush fires. At one stage across New South Wales and Queensland, we had a 1,000-kilometer bush fire front almost joined up. The efforts to fight those fires have been incredible. So far limited loss of life, there has been loss of property, but the challenge is not over.

The other thing happening in Australia has been the Royal Commission. That's caused the market in the life and P/C sectors to really readjust, also the banking sector, and those changes are ongoing.

The third point for Australia is we're getting some risks, particularly far North Queensland, for cyclone being virtually uninsurable because of premium rates. There's talk in the local market now about creating some sort of a pool with the big insurers, with the government. It is going to be necessary, because people need to be able to buy insurance.

We're seeing other types of pools occur, for instance in the U.S. and we need that sort of model in Australia, because people can't go without coverage.

Last but not least, New Zealand. A beautiful country, relatively small population but with a big earthquake problem. There's also insurability problems with earthquake, particularly for Wellington. Rates have gone up, insurers are not that keen to take on that risk, and again the government is involved, the insurers are involved, and some sort of solution is going to be necessary. BR

AMBestTV

Go to *www.bestreview.com* to watch the interview with Scott Ryrie.

How Analytics Aids Compliance Efforts, a Deep Dive into Homeowners Trends

BestWebinars

An AM Best webinar examines how life insurers use predictive modeling to attain compliance. Also, a look at how data is helping homeowners insurers make better decisions.

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. The panel discussed predictive modeling and compliance implications. Panelists also shared their in-depth knowledge of the regulatory environment, and discussed how regulatory changes can be an opportunity for innovation. (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.)

Driving Assistance Systems Will Revolutionize Auto Insurance Market

Experts review how insurers can integrate driving assistance systems to build stronger relationships with policyholders, and improve underwriting. (Now available.)

Webinar Highlights

The Insurance AI Imperative

The insurance industry is being fundamentally transformed by artificial intelligence technologies. A panel of experts will discuss the findings of a recent white paper and what insurers will need to do in an increasingly competitive marketplace. Sponsored by Cognizant.

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. (Now available.)

View These and Other AM Best Webinars

- State of the Surplus Lines Market
- State of the Global Reinsurance Market
- State of the Captive Market
- How Drones, Satellites and Aerial Data-Gathering Are Remaking Claims

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

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Active Shooter Coverage, Levee Risks and Cyberrisk

AMBestTV reports on the annual conference of the National Council of Insurance Legislators, held in Austin, Texas, where topics included active shooter insurance. Video news also includes coverage of the Insurance Industry Charitable Foundation's annual benefit dinner as well as closer look at the nation's levee system and the cyber insurance market.

On Demand

Wilson Elser's Miller: Active Shooter Coverage Enables Rapid Response

Attorney Stuart Miller, Wilson Elser, said new forms of active shooter coverage take precedence over traditional general liability coverages, allowing insureds to quickly access support and resources. Miller spoke with AMBestTV at the annual conference of the National Council of Insurance Legislators, held in Austin, Texas.

Stuart Miller

Insurance Industry Charitable Foundation Honors Tony Markel

The Insurance Industry Charitable Foundation honored Tony Markel, co-vice chairman of Markel Corp., and the company for their charitable work, including helping to raise $1 billion for the City of Hope.

Tony Markel

AM Best's Carter: Cyber Is Both Opportunity and Threat

Cyber is not just an underwriting risk for insurers, but potentially a business continuity risk as well, said Greg Carter, managing director, Analytics EMEA and Asia Pacific, AM Best. He spoke with AMBestTV at the AM Best Insurance Market Briefing–Europe, held in London.

Greg Carter

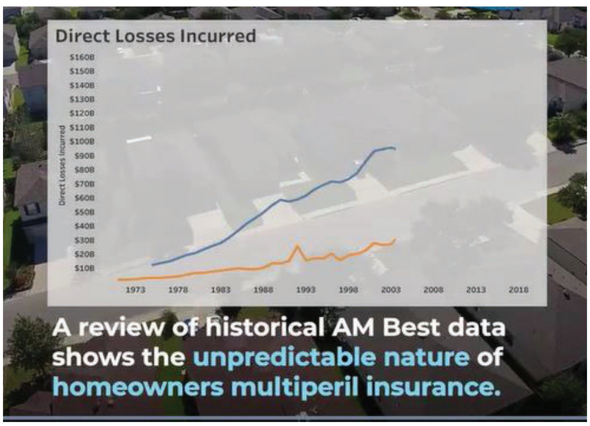
Visit *www.ambest.com/video* to see new and archived video from AMBestTV.

Legislative Uncertainty Puts Levee Protection at Risk

Insurers say the nationwide levee system is a key element in flood protection, and ought to be adequately funded by reauthorizing the Water Resources Development Act in the current U.S. Congress.

Historical Data Shows Homeowners Coverage Is Not for the Faint of Heart

A review of U.S. homeowners insurers' incurred losses between 1971 and 2018 shows that storms, fires and earthquakes can wreak havoc in surprising locations.



New Auto Law Adds Fee Schedules, Could Bring Uncertainty

Industry experts talk with AMBestRadio about the new no-fault auto law in Michigan. New fee schedules take effect next year.

Mitchell Exec: Michigan's New No-Fault Auto Law Brings Drastic Changes, but Insurers Have Time to Adjust

Michele Hibbert-Iacobacci, senior vice president, regulatory compliance management, Mitchell International, said Michigan's new no-fault auto law, which adds fee schedules for the first time, is expected to save money but could bring uncertainty as Michigan's claims personnel adapt to new regulations. The law's new fee schedules take effect July 2, 2021.

Go to your favorite podcast player and subscribe to AMBest Radio.

Best's Credit Rating Actions

This edition lists all Credit Rating actions that occurred between December 1 and December 31, 2019. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH								
⇅	H	All Savers Insurance Company *UnitedHealth Group Incorporated*	009556	A a+	Positive Positive	A a+	Stable Stable	Indiana
⊕	L	American Health and Life Insurance Co *OneMain Holdings, Inc.*	006062	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Texas
⇅	H	AmeriChoice of New Jersey Inc *UnitedHealth Group Incorporated*	064214	A a+	Positive Positive	A a+	Stable Stable	New Jersey
New	L	Athene Co-Invest Re Affiliate Intl Ltd. *Athene Holding Ltd.*	071795	A a	Stable Positive			Bermuda
New	L	Athene Life Re International Ltd. *Athene Holding Ltd.*	071794	A a	Stable Positive			Bermuda
⚑	H	Cigna Life Insurance Company of New York *Cigna Corporation*	006538	A u a u	Positive Positive	A a	Stable Stable	New York
⇅	H	Dental Benefit Providers of CA Inc *UnitedHealth Group Incorporated*	064716	A a+	Positive Positive	A a+	Stable Stable	California
⇅	H	Golden Rule Insurance Company *UnitedHealth Group Incorporated*	006263	A a+	Positive Positive	A a+	Stable Stable	Indiana
New	L	Gulf Guaranty Life Insurance Company *Gulf Guaranty Life Insurance Company*	008081	B++ bbb	Stable Stable	NR nr		Mississippi
⇅	H	Health Plan of Nevada Inc *UnitedHealth Group Incorporated*	068619	A a+	Positive Positive	A a+	Stable Stable	Nevada
⊕	L	Independence Life and Annuity Company *Sun Life Financial Inc*	006547	A- a-	Stable Stable	B++ bbb+	Stable Stable	Delaware
⚑	L	Life Insurance Company of North America *Cigna Corporation*	006645	A u a u	Positive Positive	A a	Stable Stable	Pennsylvania
⇅	H	MAMSI Life and Health Insurance Company *UnitedHealth Group Incorporated*	006046	A a+	Positive Positive	A a+	Stable Stable	Maryland
⇅	H	MD-Individual Practice Association Inc *UnitedHealth Group Incorporated*	068606	A a+	Positive Positive	A a+	Stable Stable	Maryland
⇅	L	Modern Woodmen of America	006737	A a+	Stable Stable	A a+	Stable Negative	Illinois
⊕	L	MONY Life Insurance Company of America *AXA Equitable Holdings, Inc.*	008091	A a+	Stable Stable	A a	Stable Stable	Arizona
⇅	H	National Pacific Dental Inc *UnitedHealth Group Incorporated*	068837	A a+	Positive Positive	A a+	Stable Stable	Texas
⇅	H	Neighborhood Health Partnership Inc *UnitedHealth Group Incorporated*	064001	A a+	Positive Positive	A a+	Stable Stable	Florida
⇅	H	Nevada Pacific Dental *UnitedHealth Group Incorporated*	064826	A a+	Positive Positive	A a+	Stable Stable	Nevada
⇅	H	Optimum Choice Inc *UnitedHealth Group Incorporated*	068764	A a+	Positive Positive	A a+	Stable Stable	Maryland
⇅	H	Oxford Health Insurance, Inc. *UnitedHealth Group Incorporated*	060022	A a+	Positive Positive	A a+	Stable Stable	New York
⇅	H	Oxford Health Plans (CT) Inc *UnitedHealth Group Incorporated*	068933	A a+	Positive Positive	A a+	Stable Stable	Connecticut
⇅	H	Oxford Health Plans (NJ) Inc *UnitedHealth Group Incorporated*	068934	A a+	Positive Positive	A a+	Stable Stable	New Jersey
⇅	H	Oxford Health Plans (NY) Inc *UnitedHealth Group Incorporated*	068716	A a+	Positive Positive	A a+	Stable Stable	New York
⇅	H	PacifiCare of Arizona Inc *UnitedHealth Group Incorporated*	064218	A a+	Positive Positive	A a+	Stable Stable	Arizona
⇅	H	PacifiCare of Colorado Inc *UnitedHealth Group Incorporated*	068639	A a+	Positive Positive	A a+	Stable Stable	Colorado

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH (CONTINUED)								
⇅	H	PacifiCare of Nevada Inc *UnitedHealth Group Incorporated*	064219	A a+	Positive Positive	A a+	Stable Stable	Nevada
⇅	H	Physicians Health Choice of Texas, LLC *UnitedHealth Group Incorporated*	064777	A a+	Positive Positive	A a+	Stable Stable	Texas
⇅	L	Royal Neighbors of America	007010	A- a-	Positive Positive	A- a-	Stable Stable	Illinois
⇅	H	Sierra Health & Life Insurance Co Inc *UnitedHealth Group Incorporated*	007370	A a+	Positive Positive	A a+	Stable Stable	Nevada
⊕	L	Sun Life and Health Insurance Co (US) *Sun Life Financial Inc*	008474	A+ aa	Stable Stable	A+ aa-	Stable Stable	Michigan
⊕	L	Sun Life Assurance Company of Canada *Sun Life Financial Inc*	007101	A+ aa	Stable Stable	A+ aa-	Stable Stable	Ontario
—	L	U.S. Financial Life Insurance Company *AXA Equitable Holdings, Inc.*	008492	A- u a- u	Negative Negative	A a	Stable Stable	Ohio
⇅	H	UHC of California *UnitedHealth Group Incorporated*	068705	A a+	Positive Positive	A a+	Stable Stable	California
⇅	H	Unimerica Insurance Company *UnitedHealth Group Incorporated*	009065	A a+	Positive Positive	A a+	Stable Stable	Wisconsin
⇅	L	Unimerica Life Insurance Company of NY *UnitedHealth Group Incorporated*	060392	A a+	Positive Positive	A a+	Stable Stable	New York
⇅	L	United Heritage Life Insurance Company *United Heritage Mutual Holding Company*	006472	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Idaho
⇅	H	UnitedHealthcare Benefits of Texas Inc *UnitedHealth Group Incorporated*	068706	A a+	Positive Positive	A a+	Stable Stable	Texas
⇅	H	UnitedHealthcare Community Plan *UnitedHealth Group Incorporated*	064439	A a+	Positive Positive	A a+	Stable Stable	Michigan
⇅	H	UnitedHealthcare Community Plan of Ohio *UnitedHealth Group Incorporated*	064874	A a+	Positive Positive	A a+	Stable Stable	Ohio
⇅	H	UnitedHealthcare Ins of the River Valley *UnitedHealth Group Incorporated*	064827	A a+	Positive Positive	A a+	Stable Stable	Illinois
⇅	H	UnitedHealthcare Insurance Co of IL *UnitedHealth Group Incorporated*	060071	A a+	Positive Positive	A a+	Stable Stable	Illinois
⇅	H	UnitedHealthcare Insurance Co of NY *UnitedHealth Group Incorporated*	060108	A a+	Positive Positive	A a+	Stable Stable	New York
⇅	H	UnitedHealthcare Insurance Company *UnitedHealth Group Incorporated*	008290	A a+	Positive Positive	A a+	Stable Stable	Connecticut
⇅	H	UnitedHealthcare Life Insurance Company *UnitedHealth Group Incorporated*	007771	A a+	Positive Positive	A a+	Stable Stable	Wisconsin
⇅	H	UnitedHealthcare of Alabama Inc *UnitedHealth Group Incorporated*	068500	A a+	Positive Positive	A a+	Stable Stable	Alabama
⇅	H	UnitedHealthcare of Arizona Inc *UnitedHealth Group Incorporated*	068847	A a+	Positive Positive	A a+	Stable Stable	Arizona
⇅	H	UnitedHealthcare of Arkansas Inc *UnitedHealth Group Incorporated*	068914	A a+	Positive Positive	A a+	Stable Stable	Arkansas
⇅	H	UnitedHealthcare of Colorado Inc *UnitedHealth Group Incorporated*	068848	A a+	Positive Positive	A a+	Stable Stable	Colorado
⇅	H	UnitedHealthcare of Florida Inc *UnitedHealth Group Incorporated*	068782	A a+	Positive Positive	A a+	Stable Stable	Florida
⇅	H	UnitedHealthcare of Georgia Inc *UnitedHealth Group Incorporated*	068893	A a+	Positive Positive	A a+	Stable Stable	Georgia
⇅	H	UnitedHealthcare of Illinois Inc *UnitedHealth Group Incorporated*	068532	A a+	Positive Positive	A a+	Stable Stable	Illinois
⇅	H	UnitedHealthcare of Kentucky Ltd *UnitedHealth Group Incorporated*	068690	A a+	Positive Positive	A a+	Stable Stable	Kentucky
⇅	H	UnitedHealthcare of Louisiana Inc *UnitedHealth Group Incorporated*	068661	A a+	Positive Positive	A a+	Stable Stable	Louisiana
⇅	H	UnitedHealthcare of Mississippi Inc *UnitedHealth Group Incorporated*	060118	A a+	Positive Positive	A a+	Stable Stable	Mississippi
⇅	H	UnitedHealthcare of New England Inc *UnitedHealth Group Incorporated*	068891	A a+	Positive Positive	A a+	Stable Stable	Rhode Island
⇅	H	UnitedHealthcare of New York Inc *UnitedHealth Group Incorporated*	068856	A a+	Positive Positive	A a+	Stable Stable	New York

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

Rating Action	Business Type	Company Name/ *Ultimate Parent*	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
U.S., CANADA AND BERMUDA LIFE/HEALTH (CONTINUED)								
⇅	H	UnitedHealthcare of North Carolina Inc *UnitedHealth Group Incorporated*	068572	A a+	Positive Positive	A a+	Stable Stable	North Carolina
⇅	H	UnitedHealthcare of Ohio Inc *UnitedHealth Group Incorporated*	068580	A a+	Positive Positive	A a+	Stable Stable	Ohio
⇅	H	UnitedHealthcare of Oklahoma Inc *UnitedHealth Group Incorporated*	068582	A a+	Positive Positive	A a+	Stable Stable	Oklahoma
⇅	H	UnitedHealthcare of Oregon Inc *UnitedHealth Group Incorporated*	068707	A a+	Positive Positive	A a+	Stable Stable	Oregon
⇅	H	UnitedHealthcare of Pennsylvania Inc *UnitedHealth Group Incorporated*	064104	A a+	Positive Positive	A a+	Stable Stable	Pennsylvania
⇅	H	UnitedHealthcare of Texas Inc *UnitedHealth Group Incorporated*	068841	A a+	Positive Positive	A a+	Stable Stable	Texas
⇅	H	UnitedHealthcare of the Mid-Atlantic *UnitedHealth Group Incorporated*	068987	A a+	Positive Positive	A a+	Stable Stable	Maryland
⇅	H	UnitedHealthcare of the Midlands Inc *UnitedHealth Group Incorporated*	068892	A a+	Positive Positive	A a+	Stable Stable	Nebraska
⇅	H	UnitedHealthcare of the Midwest Inc *UnitedHealth Group Incorporated*	068560	A a+	Positive Positive	A a+	Stable Stable	Missouri
⇅	H	UnitedHealthcare of Utah, Inc. *UnitedHealth Group Incorporated*	068770	A a+	Positive Positive	A a+	Stable Stable	Utah
⇅	H	UnitedHealthcare of Washington Inc *UnitedHealth Group Incorporated*	068591	A a+	Positive Positive	A a+	Stable Stable	Washington
⇅	H	UnitedHealthcare of Wisconsin Inc *UnitedHealth Group Incorporated*	068824	A a+	Positive Positive	A a+	Stable Stable	Wisconsin
⇅	H	UnitedHealthcare Plan of River Valley *UnitedHealth Group Incorporated*	068702	A a+	Positive Positive	A a+	Stable Stable	Illinois
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
☑	P	Alaska National Insurance Company *Alaska National Corporation*	002648	A a+	Stable Stable	A u a+ u	Developing Developing	Alaska
⊕	P	Alliance Indemnity Company *Farmers Alliance Mutual Insurance Co*	003666	A a	Stable Stable	A- a-	Positive Positive	Kansas
⊕	P	Alliance Insurance Company Inc *Farmers Alliance Mutual Insurance Co*	003048	A a	Stable Stable	A- a-	Positive Positive	Kansas
⇅	P	Allied Insurance Company of America *Nationwide Mutual Insurance Company*	011541	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	ALLIED P & C Ins Co *Nationwide Mutual Insurance Company*	001772	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Iowa
—	P	Amalgamated Casualty Insurance Company	000117	B++ bbb	Stable Stable	B++ bbb+	Negative Negative	District of Columbia
⇅	P	AMCO Insurance Company *Nationwide Mutual Insurance Company*	002014	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Iowa
New	P	Blue Hill Specialty Insurance Company *Progressive Corporation*	022322	A+ aa	Stable Stable	NR nr		Illinois
⇥	P	Chubb Atlantic Indemnity Ltd *Chubb Limited*	086200	NR nr		A++ aa+	Stable Stable	Bermuda
⇅	P	Colonial County Mutual Insurance Company *Nationwide Mutual Insurance Company*	010346	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Texas
⊕	P	CopperPoint American Insurance Company *CopperPoint Mutual Insurance Holding Co*	014225	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint Casualty Insurance Company *CopperPoint Mutual Insurance Holding Co*	013986	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint General Insurance Company *CopperPoint Mutual Insurance Holding Co*	013987	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint Indemnity Insurance Company *CopperPoint Mutual Insurance Holding Co*	014226	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint Insurance Company *CopperPoint Mutual Insurance Holding Co*	014958	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint National Insurance Company *CopperPoint Mutual Insurance Holding Co*	014227	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⊕	P	CopperPoint Premier Insurance Company *CopperPoint Mutual Insurance Holding Co*	013813	A a	Stable Stable	A- u a- u	Positive Positive	Arizona

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	CopperPoint Western Insurance Company *CopperPoint Mutual Insurance Holding Co*	013988	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⇅	P	Crestbrook Insurance Company *Nationwide Mutual Insurance Company*	001987	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Depositors Insurance Company *Nationwide Mutual Insurance Company*	001872	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Iowa
⊕	P	Farmers Alliance Mutual Insurance Co *Farmers Alliance Mutual Insurance Co*	002010	A a	Stable Stable	A- a-	Positive Positive	Kansas
⚑	P	FD Insurance Company *NORCAL Mutual Insurance Company*	013063	A u a u	Negative Negative	A a	Stable Stable	Florida
⇥	P	First Mutual Insurance Company	010128	NR nr		B++ bbb	Negative Negative	North Carolina
⇅	P	Freedom Specialty Insurance Company *Nationwide Mutual Insurance Company*	013981	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
—	P	Governmental Interinsurance Exchange	003827	B++ bbb+	Stable Stable	A- a-	Stable Stable	Illinois
⇅	P	Harleysville Insurance Co of New York *Nationwide Mutual Insurance Company*	012051	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Harleysville Insurance Co of NJ *Nationwide Mutual Insurance Company*	001921	A+ aa-	Stable Stable	A+ aa-	Negative Negative	New Jersey
⇅	P	Harleysville Insurance Company *Nationwide Mutual Insurance Company*	000643	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Harleysville Lake States Insurance Co *Nationwide Mutual Insurance Company*	000603	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Michigan
⇅	P	Harleysville Preferred Insurance Company *Nationwide Mutual Insurance Company*	003779	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Harleysville Worcester Insurance Company *Nationwide Mutual Insurance Company*	002483	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇥	P	Le Mars Insurance Company	000556	NR nr		A a	Negative Negative	Iowa
⇅	P	Loudoun Mutual Insurance Company	000664	A a	Negative Negative	A a	Stable Stable	Virginia
⚑	P	Medicus Insurance Company *NORCAL Mutual Insurance Company*	013758	A u a u	Negative Negative	A a	Stable Stable	Texas
⊕	P	MountainPoint Insurance Company *CopperPoint Mutual Insurance Holding Co*	022107	A a	Stable Stable	A- u a- u	Positive Positive	Arizona
⇅	P	National Casualty Company *Nationwide Mutual Insurance Company*	003007	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
—	P	National Fire and Casualty Company *WBL Corp*	002879	B++ bbb+	Stable Stable	A- a-	Stable Stable	Illinois
⇅	P	Nationwide Affinity Insurance Co of Amer *Nationwide Mutual Insurance Company*	011802	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Agribusiness Insurance Co *Nationwide Mutual Insurance Company*	003539	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Iowa
⇅	P	Nationwide Assurance Company *Nationwide Mutual Insurance Company*	000277	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide General Insurance Company *Nationwide Mutual Insurance Company*	002356	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Insurance Company of America *Nationwide Mutual Insurance Company*	002513	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Insurance Company of Florida *Nationwide Mutual Insurance Company*	012238	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Lloyds *Nationwide Mutual Insurance Company*	002855	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Texas
⇅	P	Nationwide Mutual Fire Insurance Company *Nationwide Mutual Insurance Company*	002357	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Mutual Insurance Company *Nationwide Mutual Insurance Company*	002358	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Nationwide Property & Casualty Ins Co *Nationwide Mutual Insurance Company*	002594	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⚑	P	NORCAL Mutual Insurance Company *NORCAL Mutual Insurance Company*	003644	A u a u	Negative Negative	A a	Stable Stable	California

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	NORCAL Specialty Insurance Company *NORCAL Mutual Insurance Company*	003744	A u a u	Negative Negative	A a	Stable Stable	Texas
⊕	P	Pacific Compensation Insurance Co *CopperPoint Mutual Insurance Holding Co*	012572	A a	Stable Stable	A- a-	Stable Stable	California
⚑	P	Pacific Pioneer Insurance Company *Pacific Pioneer Insurance Group Inc*	011133	B+ u bbb- u	Developing Developing	B+ bbb-	Stable Stable	California
⊕	P	Petroleum Marketers Management Ins Co	012451	A a	Stable Stable	A- a-	Positive Positive	Iowa
⚑	P	Preferred Physicians Med RRG, Mut Ins Co *NORCAL Mutual Insurance Company*	011056	A u a u	Negative Negative	A a	Stable Stable	Missouri
⇅	P	Qatar Reinsurance Company Limited *Qatar Insurance Company Q.S.P.C.*	092611	A a	Negative Negative	A a	Stable Stable	Bermuda
⇅	P	Safeway Insurance Company *Safeway Financial Holding Company*	000819	A a	Stable Stable	A a	Negative Negative	Illinois
⇅	P	Safeway Insurance Company of Alabama Inc *Safeway Financial Holding Company*	010688	A a	Stable Stable	A a	Negative Negative	Illinois
⇅	P	Safeway Insurance Company of Georgia *Safeway Financial Holding Company*	000217	A a	Stable Stable	A a	Negative Negative	Georgia
⇅	P	Safeway Insurance Company of Louisiana *Safeway Financial Holding Company*	011986	A a	Stable Stable	A a	Negative Negative	Louisiana
⇅	P	Scottsdale Indemnity Company *Nationwide Mutual Insurance Company*	001931	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Scottsdale Insurance Company *Nationwide Mutual Insurance Company*	003292	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Scottsdale Surplus Lines Insurance Co *Nationwide Mutual Insurance Company*	012121	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Arizona
⇥	P	Sheboygan Falls Insurance Company	000831	NR nr		A a	Negative Negative	Wisconsin
⇅	P	Sublimity Insurance Company *United Heritage Mutual Holding Company*	003614	B++ bbb	Stable Stable	B++ bbb	Negative Negative	Oregon
⊕	P	Triton Insurance Company *OneMain Holdings, Inc.*	003298	B++ bbb	Stable Stable	B+ bbb-	Stable Stable	Texas
⇅	P	United Heritage Property & Casualty Co *United Heritage Mutual Holding Company*	010062	B+ bbb-	Stable Stable	B+ bbb-	Negative Negative	Idaho
⇅	P	Veterinary Pet Insurance Company *Nationwide Mutual Insurance Company*	001722	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Victoria Fire & Casualty Company *Nationwide Mutual Insurance Company*	000671	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Victoria National Insurance Company *Nationwide Mutual Insurance Company*	012059	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
⇅	P	Victoria Select Insurance Company *Nationwide Mutual Insurance Company*	011689	A+ aa-	Stable Stable	A+ aa-	Negative Negative	Ohio
New	P	Westfield Champion Insurance Company *Ohio Farmers Insurance Company*	020640	A a+	Stable Stable	NR nr		Ohio
New	P	Westfield Premier Insurance Company *Ohio Farmers Insurance Company*	020641	A a+	Stable Stable	NR nr		Ohio
New	P	Westfield Superior Insurance Company *Ohio Farmers Insurance Company*	020642	A a+	Stable Stable	NR nr		Ohio
New	P	Westfield Touchstone Insurance Company *Ohio Farmers Insurance Company*	020643	A a+	Stable Stable	NR nr		Ohio
⊕	P	White Pine Insurance Company *Conifer Holdings, Inc.*	004127	B++ bbb	Negative Negative	B+ bbb-	Stable Stable	Michigan
EUROPE, MIDDLE EAST AND AFRICA								
⚑	C	Al Ittihad Al Watani Soc Gen Asr Proche *Nasco Ultimate Holding Limited*	090592	B+ u bbb- u	Negative Negative	B+ bbb-	Stable Stable	Lebanon
—	C	Bankers Assurance S.A.L. *Nasco Ultimate Holding Limited*	092115	B+ u bbb- u	Negative Negative	B++ bbb	Stable Stable	Lebanon
⇅	C	Barents Reinsurance S.A. *Standard Capital Shareholdings, Inc.*	094889	A a	Negative Negative	A a	Stable Stable	Luxembourg
New	P	Insurance House P.S.C.	092966	B+ bbb-	Stable Stable	NR nr		United Arab Emirates
⇅	C	Middle East Insurance Company Plc	089837	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Jordan

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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
EUROPE, MIDDLE EAST AND AFRICA (CONTINUED)								
⇅	P	Qatar Insurance Company Q.S.P.C. *Qatar Insurance Company Q.S.P.C.*	078335	A a	Negative Negative	A a	Stable Stable	Qatar
⚑	C	TM hf. *TM hf.*	083936	B++ u bbb+ u	Developing Developing	B++ bbb+	Stable Stable	Iceland
New	P	Universal Insurance Co (Guernsey) Ltd	071705	B+ bbb-	Stable Stable			Guernsey
ASIA PACIFIC								
⇥	P	Asia Capital Reinsurance Group Pte. Ltd.* *ACR Capital Holdings Pte. Ltd.*	078461	NR nr		B++ u bbb+ u	Negative Negative	Singapore
⇥	P	Asia Capital Reinsurance Malaysia Sdn* *ACR Capital Holdings Pte. Ltd.*	090756	NR nr		B++ u bbb+ u	Negative Negative	Malaysia
⇥	P	Capital General Insurance Company Ltd** *Capital Insurance Group Limited*	092953	NR nr		C ccc	Negative Negative	Papua New Guinea
⇥	L	Capital Life Insurance Company Limited *Capital Insurance Group Limited*	092954	NR nr		C- cc	Stable Stable	Papua New Guinea
New	P	China Reinsurance (Hong Kong) Co Ltd	071783	A- a-	Stable Stable			Hong Kong
⊕	L	Lifetime Income Limited *Retirement Income Group Limited*	094359	B bb	Stable Stable	B- bb-	Stable Stable	New Zealand
☑	P	Pacific International Insurance Pty Ltd *Badger International (Pty) Ltd*	078302	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	Australia
☑	P	Provident Insurance Corporation Limited *HWI Nominees Limited*	092486	B bb+	Stable Stable	B u bb+ u	Negative Negative	New Zealand
CARIBBEAN AND LATIN AMERICA								
⚑	C	Acerta Compañía de Seguros, S.A. *Acerta Holdings, S.A.*	092691	B+ u bbb- u	Negative Negative	B+ bbb-	Stable Stable	Panama
⚑	P	Armour Secure Insurance S.A. de C.V. *Trebuchet Group Holdings Limited*	091459	B u bb u	Developing Developing	B bb	Stable Stable	Mexico
⇥	L	Aseguradora Patrimonial Vida, S.A. C.V.	078092	NR nr		C++ b+	Stable Stable	Mexico
⇅	P	Barents Re Reinsurance Company, Inc. *Standard Capital Shareholdings, Inc.*	091083	A a	Negative Negative	A a	Stable Stable	Cayman Islands
☑	C	Guardian General Insurance Limited *NCB Financial Group Limited*	086364	A- a-	Stable Stable	A- u a- u	Negative Negative	Trinidad and Tobago
☑	L	Guardian Life of the Caribbean Limited *NCB Financial Group Limited*	084191	A- a-	Stable Stable	A- u a- u	Negative Negative	Trinidad and Tobago
⊕	P	One Alliance Insurance Corporation *ATRIO Puerto Rico Holding Corporation*	022389	B bb+	Stable Stable	B bb	Negative Negative	Puerto Rico
⇅	L	Pacifico Compañia Seguros y Reaseguros *Credicorp Ltd.*	077318	A- a-	Positive Positive	A- a-	Stable Stable	Peru
⇥	P	Terra Brasis Resseguros *Brasil Plural*	092722	NR nr		B++ u bbb u	Developing Developing	Brazil

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
⇥	ACR Capital Holdings Pte. Ltd.***	051892	nr		bb+ u	Negative	Singapore
☑	Guardian Holdings Limited	087118	bbb-	Stable	bbb- u	Negative	Trinidad and Tobago
⊕	Sun Life Financial Inc	050913	a	Stable	a-	Stable	Ontario
⇅	UnitedHealth Group Incorporated	058106	a-	Positive	a-	Stable	Minnesota
⇥	XL Group Ltd	046310	nr		a-	Stable	Bermuda
⇥	XLIT Ltd.	058361	nr		a-	Stable	Cayman Islands

* Ratings were downgraded to B++/bbb+ from A-/a- and placed under review on December 9, 2019. Ratings were withdrawn on December 9, 2019.

** Ratings were downgraded to C/ccc from C+/b- on December 13, 2019. Ratings were withdrawn on December 13, 2019.

***Rating was downgraded to bb+ from bbb- and placed under review on December 9, 2019. Rating was withdrawn on December 9, 2019.

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.

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.

Rating Disclosure – Use and Limitations

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

Financial Size Category

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

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

Class	Adj. PHS ($ Millions)	Class	Adj. PHS ($ Millions)
I	Less than 1	IX	250 to 500
II	1 to 2	X	500 to 750
III	2 to 5	XI	750 to 1,000
IV	5 to 10	XII	1,000 to 1,250
V	10 to 25	XIII	1,250 to 1,500
VI	25 to 50	XIV	1,500 to 2,000
VII	50 to 100	XV	2,000 or greater
VIII	100 to 250		

For the most current version, visit www.ambest.com/ratings/index.html. BCRs are distributed via the AM Best website at *www.ambest.com*. For additional information regarding the development of a BCR and other rating-related information and definitions, including outlooks, modifiers, identifiers and affiliation codes, please refer to the report titled "Guide to Best's Credit Ratings" available at no charge on the AM Best website. BCRs are proprietary and may not be reproduced without permission.

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

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

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

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

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

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

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

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

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

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Cyber Evolution

The industry breaks new ground by planting cyberrisk in the capital markets.

Cyberrisks are finding a home in the capital markets in the form of collateralized reinsurance.

Last month, Beazley and RenaissanceRe said they've launched a new product that provides Beazley with additional catastrophe cover for cyber events, provided by capital structured by RenaissanceRe. "I'm aware of four companies that have done ILS transactions in cyber," Tom Johansmeyer, head of PCS, said.

"This placing of cyber catastrophe risk into the capital markets opens up a new, larger source of capital to support Beazley's rapidly growing affirmative cyber offering in excess of levels currently available in the traditional reinsurance market," the companies said in a statement.

Also the week of Jan. 6, AkinovA, the electronic marketplace for the transfer and trading of reinsurance risk, completed what it referred to as a first-of-its-kind parametric cyberrisk transfer on Dec. 23, 2019, the company said in a statement. Hiscox developed, structured, and provided capital for the transaction with broker Guy Carpenter. It's a quarterly cyber parametric instrument, the companies said. PCS, a Verisk business, is the reporting agent. The transaction was carried out electronically with full regulatory oversight from the Bermuda Monetary Authority, the marketplace said. AkinovA has an insurance regulatory sandbox license that was issued by the BMA in May 2019.

Hudson Structured Capital Management has also underwritten cyberrisk transactions with collateralized reinsurance, in addition to other market participants who haven't been publicly named, Johansmeyer said. Property catastrophe coverage continues to represent the bulk of reinsurance in insurance-linked securities. While collateralized reinsurance isn't considered a traditional 144A cat bond—typically viewed as a more liquid instrument that can be traded in the secondary market—these collateralized cyber transactions are similar to a "private" cat bond, and a step in the right direction, Johansmeyer said.

—Meg Green

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A Repeat Performance

Munich Re: Typhoons in Japan are the costliest natural catastrophes for the second year in a row.

Global natural catastrophic insured losses declined to $52 billion last year as severe tropical storms, where much of the damage is caused by flooding, dominated, Munich Re said in a 2019 recap. That compared to $80 billion in 2018. Typhoons Faxai and Hagibis in Japan were the costliest natural catastrophes for insurers. Carriers incurred estimated losses of $17 billion from the Sept. 9 and Oct. 12 storms. Extreme rainfall in October from Hagibis inflicted insured losses of approximately $10 billion.

Insurers in Japan paid ¥746.4 billion (US$6.8 billion) in claims through Dec. 9 on claims related to Faxai and Hagibis, General Insurance Association of Japan Chairman Yasuzo Kanasugi said in December.

"The typhoon season shows that we must consider short-term natural climate variations as well as long-term trends due to climate change. In particular, cyclones are becoming more frequently associated with extreme precipitation, as with Hagibis in Japan in 2019 and Hurricane Harvey in 2017 in the U.S.," Munich Re Chief Climate and Geoscientist Ernst Rauch said in the report.

While it was the second year of record-setting losses from typhoons in Japan, U.S. insurers incurred far fewer wildfire losses and were largely spared losses from Hurricane Dorian, the most damaging Atlantic storm, which made landfall in the Bahamas Sept. 1. Insurers incurred about $4 billion of losses from Dorian, said Munich Re. Insured losses in the United States during the 2019 hurricane season reached about $2 billion, dropping the U.S. share of global catastrophe losses four points lower than the long-term average of 35%.

The number of tornadoes slightly exceeded the average and snow melt and severe storms in spring triggered severe flooding in the Midwest and other Mississippi River regions, Munich Re said, estimating insured losses at $14 billion.

—Renée Kiriluk-Hill

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For the People

Insurers and brokers are adding a new position to the C-suite—the chief people officer.

by Lori Chordas

Richard Branson understands the value of people. "A company's employees are its greatest asset and your people are your product," Branson, the co-founder of Virgin Group, has been widely quoted as saying.

That idea is gaining traction in the insurance industry. Insurers and brokers have been taking a closer look at their human resources departments and adding a new post—chief people officer—to the C-suite.

Aon in October named Lisa Stevens, formerly of Wells Fargo, as its first CPO. In her role, she will continue to build upon the work of Aon's human resources leadership team and define colleague engagement and culture strategy.

Aspen in September named Mohinder Kang, formerly with U.K.'s Post Office Ltd., chief people officer. Kang transitioned into his role in November and leads the human resources team.

Some may see the CPO as just another fancy title in the C-suite. But Valerie Frederickson, the founder and CEO of executive HR search and consulting firm Frederickson Partners, begs to differ. As the top rung on an organization's HR ladder, CPOs play an integral role in developing and recruiting best-in-class talent and creating a safe and successful company culture, she said.

While some organizations use the CPO title interchangeably with roles such as chief HR officer and senior vice president of HR, others draw a clearly defined line between the positions, Frederickson said.

There is a difference, said Allison McEachern, CPO of RogersGray, a top independent insurance agency based in Massachusetts. "At times the traditional HR function seems very black and white, focused largely on policy, process and rules. But the CPO position is a strategic shift in how companies view people, culture and workplace practices," she said.

After many lengthy discussions, RogersGray's senior management team made "the purposeful decision" to change the name of its senior-level HR position to CPO to reflect the company's culture and its core values that employees are the heart of its business, McEachern said.

Recruiting experts say CPOs need to possess a number of qualities, including empathy, authenticity, an innovative mindset, and leadership and storytelling skills. Companies also look for CPO candidates with competencies in data analytics, metrics and artificial intelligence, along with a full range of HR skills, including talent and recruitment.

"However, the focus on culture and digital transformation are the primary requirements innovative companies are now asking for in their chief people officers," said Frederickson.

A global shortage of HR talent, however, will force companies to compete for a "limited segment of experienced HR executives with these new modern skills," she said.

Frederickson anticipates that over the next five years the CPO title will replace the chief human resources officer title in nearly 90% of insurance companies. "And with that change in title," she said, "comes an increased focus on using employees and talent as a differentiator and tool used to outperform the competition." BR

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