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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

April 2024 • Volume 125 • Issue 4

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AM BEST'S MONTHLY INSURANCE MAGAZINE

Parametric Progress

Parametric insurance's swifter settlements can narrow the protection gap, assisting relief efforts after natural disasters, helping farmers and providing coverage for other previously less-insurable risks.

Risk Coverage

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**AMERICA'S
BEST MIDSIZE
EMPLOYERS**

**Forbes
2024**
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Uncovering Tomorrow's Risk Challenges

The April issue reports on emerging risks and growing interest in parametric insurance to tackle less-insurable risks. *Best's Review* also asked AI platforms about the industry's most pressing issue. This issue also includes a ranking of the largest Asia-Pacific insurers.

Risk managers gather in San Diego early next month for the RIMS annual conference. This event typically draws thousands of risk managers from across the country and brokers and insurers who take advantage of this opportunity to meet with clients and gain insight into the latest industry issues.

The industry spends a lot of time thinking about new and evolving risks as well as trying to identify rare and cataclysmic events, known as black swans—so called because of a book by Nassim Taleb called *The Black Swan: The Impact of the Highly Improbable*, published in 2007.

From artificial intelligence and cyber to emerging technologies, PFAs, climate and natural catastrophes, insurers and reinsurers try to stay on top of the new risks as they seek solutions to protect people and businesses from loss.

In many cases, however, the insurance industry is backing away from risks that are very well known but deemed too risky.

Reinsurers have been increasing attachment points, leaving a lot of the risk in the hands of primary insurers, according to AM Best Senior Director Daniel Ryan. Property insurers have been retreating from homeowners coverage in challenging markets like California and Louisiana in recent months and have been holding out for higher rates for auto insurance in many states.

April is Insurance Risk Awareness Month. As risk managers prepare for the RIMS conference, *Best's Review* delves into the topic of risk—risks that are difficult to insure as well as areas where insurers and reinsurers are building for the future.

In “Insurers See Generative AI, Climate and Cyber as Key Risks,” *Best's Review* asked insurers, reinsurers and others in the industry where they are hiring and expanding regarding risk. Insurers have to make choices about where to dedicate resources and where to hire.

Consider generative AI. This was not on anyone's list a few short years ago. Cyber, meanwhile, is certainly not a new risk for the industry. But it continues to evolve and dominate discussions of risk.

In “Parametric Insurance Contracts May Apply to Tougher Risks,” *Best's Review* examines the use of parametric insurance to provide coverage for previously less-insurable risks.

Best's Review continued to test generative AI by asking AI platforms about the single biggest issue facing today's insurance industry. To see how they responded, go to “Leading AI Platforms Disagree on Pinpointing Industry's Most Pressing Issue.”

The April issue also includes a ranking of the largest Asia-Pacific insurers.

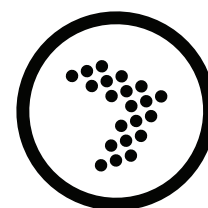
Returning to the RIMS conference, some 10,000 people attended the event last year, with more than 50 countries represented. This year's event runs from May 5-8. Chubb Chairman and CEO Evan Greenberg is scheduled to give the industry keynote address for the second straight year.

In 2025, the conference is scheduled to be held in Chicago for the first time since 2003. The event next year will celebrate RIMS' 75-year history. **BR**

Patricia Vowinkel
Executive Editor
patricia.vowinkel@ambest.com

What's Coming Up

In May, *Best's Review* will publish findings from its *State of the Insurance Defense Counsel* survey and report on the changing insurance media environment. The issue also will include a ranking of the largest P&I clubs.



RISK COVERAGE

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April is Insurance Risk Awareness Month. As risk managers prepare for the RIMS conference, *Best's Review* delves into the topic of risk—risks that are difficult to insure as well as areas where insurers and reinsurers are building for the future.



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Insurers See Generative AI, Climate and Cyber as Key Risks

Insurers launch initiatives to respond to an array of emerging and evolving risks.



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Parametric Insurance Contracts May Apply to Tougher Risks

Parametric insurance contracts, which offer objective “trigger events” and quicker payouts to those who need relief after a catastrophe, are gaining traction in the market.



ISSUES & ANSWERS

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Risk Analytics, Data and AI

Insurers discuss how they're collecting data and utilizing technology to push the industry forward.



LIFE INSURANCE: BEST INTEREST

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California Governor Signs Legislation Requiring ‘Best Interest’ Standard To Reveal Charges on Annuity Sales

Under terms of the new law, producers will be required to act in the best interests of clients by disclosing how the transaction would benefit them and revealing any hidden fees or charges.



LIFE INSURANCE: PPLI

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Senate Committee Report: PPLI Is a Multibillion-Dollar Tax Giveaway

An 18-month investigation found the domestic private placement life insurance market amounts to a \$40 billion tax shelter for a few thousand individuals with a net worth of hundreds of millions or billions of dollars each.



LIFE INSURANCE: GENETIC TESTING

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Delaware Bill Would Ban Life Insurers From Buying Some Consumer Data

The bill would bar life insurers from nonrenewing or rejecting applications based on genetic characteristics, genetic information or the result of any genetic test not in a medical record as a basis for an individual's medical diagnosis.



ARTIFICIAL INTELLIGENCE

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AI-Powered Prying in Social Media Raises Ethical Concerns in Insurance

With social media turning life into an open book, the temptation to use artificial intelligence to gather lifestyle information is great when assessing risks or preventing fraud, insurance leaders say.

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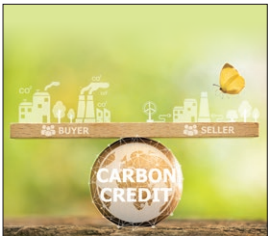
AI QUESTION

- Page 43** **Leading AI Platforms Disagree on Pinpointing Industry's Most Pressing Issue**
Artificial intelligence's large language models have different takes on what is the single biggest issue facing today's insurance industry.



BIRNBAUM INTERVIEW

- Page 45** **After More Than 20 Years, Birnbaum Ends Run as NAIC Consumer Rep**
Over the years, David "Birny" Birnbaum said he achieved some successes on issues such as credit-related insurance, lender-placed insurance and mortgage guarantee insurance. He also cited efforts to expand the data regulators collected through market conduct examinations and to test for racial bias in artificial intelligence.



CEO INTERVIEW

- Page 47** **New Syndicate Tackles Carbon Credits Advancing Climate Goals**
Voluntary carbon credits are tradable intangible instruments issued by a carbon crediting program. A carbon credit represents one metric ton of carbon dioxide reduced, removed or avoided in the Earth's atmosphere.



ASIA-PACIFIC INSURERS

- Page 50** **AM Best: China's Motor Segment Regains Growth Momentum**
AM Best is maintaining a Stable outlook on China's non-life insurance segment. The non-motor lines of business will likely be the main drivers of growth, according to a Best's Market Segment Report.

BEST'S RANKINGS

- Page 53** **Largest Asia-Pacific Insurers – 2024 Edition**
Ranked by 2022 gross premiums written.

Visit news.ambest.com for a full listing of Best's Rankings.

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AM Best To Speak at SIR 2024 Annual Conference in Boston



April 8-11: Verisk Insurance Conference US 2024, Verisk, Orlando, FL, USA. 



April 11-14: NCOIL Spring Meeting, National Council of Insurance Legislators, Nashville, TN, USA. 





April 16: IIF 2024 - ESG in Insurance, Media XPRIMM, Vienna, Austria.  

April 17: AM Best's CEE Insurance Market Briefing - Vienna, AM Best, Vienna, Austria. 

April 17-18: InsurTech Hartford Symposium, InsurTech Hartford, Uncasville, CT, USA.  

April 18: Buffalo I-Day, The Insurance Club of Buffalo Inc., Buffalo, NY, USA.  

April 22-23: Insurance Innovators USA, Marketforce Business Media Ltd., Nashville, TN, USA.  

April 28-30: SIR 2024 Annual Conference, Society of Insurance Research, Boston, MA, USA.    



Scan for a full list of conferences and events.

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April Is Insurance Risk Awareness Month

Insurers are launching initiatives to address new and evolving risks, such as generative artificial intelligence, climate and cyber. *Best's Review* also looks at the rising interest in parametric insurance to cover less-insurable risks. Coverage begins on page 28.



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State Farm Promotes Chief Financial Officer to President as Chairman-CEO Announces Impending Retirement

Northwestern Mutual names successor to retiring CEO, CVS Health appoints permanent CFO and Great West Lifeco leadership shifts as president steps down.

State Farm said Chief Financial Officer Jon Farney succeeded Michael Tipsord as president of State Farm Mutual Automobile Insurance Co.

In his new role, Farney will work with Tipsord, chairman and chief executive officer, to lead State Farm in its longstanding mission to help people manage risks of everyday life, according to the company.

As part of a message to State Farm associates, Tipsord shared that he anticipates retiring sometime during 2024.

Tipsord began his State Farm career in 1988. After serving in a variety of leadership roles, he was named vice chairman and CFO in 2004, and chief operating officer



Jon Farney



Michael Tipsord

in 2011. In September 2015, Tipsord was elected CEO and president. He was elected chairman of the board of State Farm Mutual Automobile Insurance Co. in June 2016, according to his company bio.

Farney, previously senior vice president, treasurer and CFO, joined State Farm in 1993 and has served in a variety of executive leadership roles including assistant vice president,

securities products; assistant vice president, planning and analysis; vice president, financial operations; and operations vice president, underwriting. He was named SVP, treasurer and CFO in January 2016, according to his company bio.

—Staff Report

Northwestern Mutual Appoints Successor to Retiring Chief Executive Officer

Northwestern Mutual named Tim Gerend to succeed John E. Schlifske as chief executive officer at the start of 2025.

Schlifske, 64, announced his plans to retire on Dec. 31, 2024, in accordance with the company's long-standing mandatory retirement age of 65 for senior leadership team members, after 14 years as CEO and 37 total years at Northwestern Mutual, the company said.

Under Schlifske's leadership, Northwestern Mutual experienced historic performance while accelerating its evolution from an insurance company into a provider of comprehensive financial planning, according to the company. During Schlifske's tenure as CEO,



Tim Gerend

Northwestern Mutual's exclusive distribution system grew from approximately 6,000 to nearly 8,000 advisers, the company said.

As part of the leadership change, Gerend will transition from his current role as executive vice president, chief distribution officer and assume the position of president, Northwestern Mutual.

Gerend joined the company in 2002 as an attorney. Throughout the past 22 years, Gerend had a variety of leadership roles spanning law, field compensation and planning, enterprise compliance, and campus planning (NM Tower & Commons).

He became EVP, chief distribution officer in 2018 and is currently responsible for career distribution, marketing and strategic communications.



John Schlifske

CVS Health Interim CFO Takes Permanent Role as CFO Prepares To Step Down

CVS Health said Tom Cowhey, senior vice president of corporate finance and interim chief financial officer, was named to succeed Shawn Guertin as permanent CFO.

The company, whose operations span retail pharmacies, health plans, and primary care, also appointed Mike Pykosz, chief executive officer of Oak Street Health and interim lead of Health Care Delivery, as permanent president of Health Care Delivery.

Guertin is resigning from his role due to family health reasons, the company announced in January. Guertin had been on personal leave since October and will remain on personal leave until he steps down May 31.

Cowhey joined CVS Health in February 2022. He previously served as CFO of Surgery Partners Inc. and



Thomas Cowhey

before that, spent more than 10 years at Aetna in various strategy and finance roles.

Since joining CVS Health, he has overseen investor relations, corporate development, treasury, and finance operations, working closely with CVS Health President and CEO Karen S. Lynch and the executive leadership team to manage the company's overall financial strategy, according to a company statement.

Pykosz joined CVS Health following the acquisition of Oak Street Health on May 2, 2023. As CEO and a co-founder of Oak Street, he built it into a leading multi-payer, value-based primary care platform.

During his time at CVS Health, Pykosz has been focused on continuing to run the Oak Street Health business, while also helping to unify all of CVS Health's care delivery assets, the company said.



Shawn Guertin

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Great-West Lifeco President and Group Head To Retire

Great-West Lifeco announced the retirement of Arshil Jamal from his position as president and group head, strategy, investments, reinsurance and corporate development.

Jamal has been with the company for more than 25 years, serving in a variety of roles, including nine years as president and chief operating officer, Europe and reinsurance, the financial services holding company said.

David Harney, president and chief operating officer, Europe assumed expanded accountabilities to include the company's capital & risk solutions segment. As a result, Raman Srivastava, executive vice president global chief investment officer, reports directly to Paul Mahon, president and chief executive officer, Great-West Lifeco, according to a company statement.

Harney was appointed president and COO, Europe, for Great-West Lifeco in February 2020. Prior to that, he was EVP and CEO of Irish Life Group since 2016. In this role, he led the group's businesses in Ireland, which includes Irish Life Financial Services, Irish Life Assurance, Irish Life Health, the investment companies Irish Life Investment Managers and Setanta Asset Managers, and several leading financial advisory businesses, according to his company bio.

Harney has worked in the company for more than 30 years and has held a number of senior roles over that time, including director of finance, director of marketing, director of sales and managing director of Irish Life corporate business, according to his bio.



David Harney

Gallagher Re Appoints Successor to Retiring International CEO

Gallagher Re named Dirk Spenner to succeed Tony Melia as chief executive officer, international, effective June 1.

Melia is retiring after a career of more than 40 years, the company said.

Spenner joined Willis Re in 1996 and moved to Gallagher Re, through the 2021 acquisition. He



Dirk Spenner

currently runs the Gallagher Re Europe, Middle East, Africa business, which has seen substantial growth over many years, and is the co-head of the global property practice, according to a company statement.

Ascot Group Promotes Executive to Group COO Post

Ascot Group, a specialty insurer and reinsurer, appointed Elizabeth Johnson, who joined the company in 2020, as group chief operating officer.

Johnson is responsible for leading the company's global operational support organization, while also overseeing the Ascot technology, business intelligence, and communications and marketing functions. She will continue to report to Jonathan Zaffino, group chief executive officer and president, the company said.

Johnson joined the organization in 2020 as chief underwriting officer, North America, and in 2022, was promoted to chief operating officer, North America, responsible for overseeing the strategic direction of an integrated underwriting, data and operational organization for the region, according to a company statement.

Johnson joined Ascot from Nationwide, where she was managing director. She also spent more than 20 years at American International Group, where she held several senior underwriting and management roles. She has extensive property/casualty industry experience and a track record of developing and leading successful business operations, the company said.



Elizabeth Johnson

PartnerRe Taps Successor to Retiring CEO

PartnerRe Ltd. named Philippe Meyenhofer to succeed Jacques Bonneau as chief executive officer and take his place on the board of directors.

Bonneau will retire from the company in April after three and a half years as CEO.

As part of the transition, Jon Colello, CEO, property/casualty Americas, will add the role of president of PartnerRe Ltd., with executive responsibility for all nonlife underwriting, reporting to Meyenhofer, the company said.



Philippe Meyenhofer

Meyenhofer joined PartnerRe in 2010 from Transatlantic Re and has held positions of increasing leadership since that time, most recently as a member of the executive leadership team and CEO, specialty lines. He was appointed head of specialty casualty PartnerRe Global in 2013 and head of Europe P/C in 2016 and gained the additional responsibility of deputy CEO P/C in 2018. In 2020, he was named CEO of PartnerRe's specialty lines. Meyenhofer will continue to be based in the company's Zurich office, according to a company statement.

Colello is a member of PartnerRe's executive leadership team and has had executive responsibility for leading PartnerRe's property/casualty business in the United States, Canada and Latin America, and for the company's health business in the United States, since joining the company in 2019. He will continue to be based in Stamford, Connecticut, the company said.

Effective immediately, Christian Mitterer will succeed Meyenhofer as CEO, specialty lines. Mitterer is a member of the executive leadership team and has served in various senior roles since joining PartnerRe in 2012, most recently as CEO P/C Europe, Middle East, Africa, according to the company.

Ingrid Gjonaj was appointed to succeed Mitterer as CEO, P/C EMEA. She also will join the executive leadership team. Gjonaj started with PartnerRe in 2006, and during this time, she has held senior positions in legal, and underwriting in specialty casualty, P/C and currently serves as head of region, Western and Southern Europe, the company said.

Munich Re Specialty Appoints Interim COO to Permanent Post

Munich Re Specialty Insurance named Jeff Marks chief operating officer, a role he previously held on an interim basis.

He will become a member of the company's leadership team, reporting to MRSI President and Chief Executive Officer Sabrina Hart, Munich Re said in a statement.

He is responsible for planning, developing and executing operational strategies and capabilities, MRSI said in a statement.

Marks joined Munich Re Specialty in 2019 as head of service delivery. The role was expanded two years ago to cover service delivery and transformation.

He brings more than 20 years of global firm experience to the position.



Jeff Marks

Aspen Names UK Chief Executive Officer

Aspen Insurance Holdings Ltd. appointed Sarah Stanford as permanent Aspen UK chief executive officer.

She had been named to the role on an interim basis in January, according to the company.

Stanford succeeds Richard Milner, who was appointed CEO of Chaucer and leaves Aspen at the end of the first quarter.

Stanford had served as Lloyd's Syndicate 4711 active underwriter since 2019. Dan Osman will take on her prior role in addition to chief underwriting officer in the U.K. The syndicate represents about 75% of Aspen's U.K. business.

Stanford brings more than 25 years of experience to her new position. She joined Aspen in 2007 and led its international management liability and professional lines.

Earlier, she was an underwriter at Limit MJ Harrington Syndicate 2000/QBE.

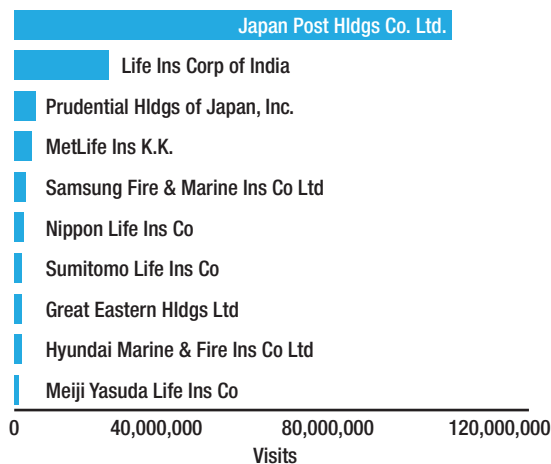


Sarah Stanford

BR

Web Traffic: Visits to Asia-Pacific Insurer Sites

Japan Post Holdings Co. Ltd. leads web analytics provider Semrush's ranking of most-visited Asia-Pacific insurer sites.



Source: www.semrush.com.
Reported traffic for February 2024.



Scan for a full listing of Best's Rankings.

MASTHEAD FORESTAY

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A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ, USA 08858
Phone: +1 908 439 2200

MEXICO CITY

A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON

A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor,
London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM

A.M. Best (EU) Rating Services B.V.
NoMA House, Gustave Mahlerlaan 1212,
1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI

A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC,
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

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SINGAPORE

A.M. Best Asia-Pacific (Singapore) Pte. Ltd
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ADVERTISING

AMERICAS

SENIOR DIRECTOR
Arthur Snyder IV: +1 908 894 8040
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SENIOR ACCOUNT MANAGER
Brian McGoldrick: +1 908 894 9552
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ACCOUNT MANAGER
Suzanne Ruffa: +1 908 399 6275
suzanne.ruffa@ambest.com

EMEA & ASIA-PACIFIC

SENIOR DIRECTOR
Bryan Martyn: +44 207 397 0292
bryan.martyn@ambest.com

SALES INQUIRIES
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EDITORIAL

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EDITOR **Tom Davis**

MANAGING EDITOR **William Borden**

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The Impact of Technology on Insurance: Past, Present and Future

Insurers can benefit by taking a quantitative approach to the impact of technology in the industry over time.

By **Bill Pieroni**

Emerging technologies have long since become a favorite topic of conversation in the insurance industry. However, the echo chamber of buzzwords, hype and hindsight often fails to generate meaningful, actionable insights. Starting this month, we'll take a quantitative approach to the impact of technology in the industry over time. First up: the past.

Early Adopters

Despite its reputation in some circles, the insurance industry has historically been an early mover on adopting new technologies. The result is evident in our current infrastructure, which contains both a considerable amount of accumulated legacy technology and an impressive array of capabilities.

However, despite continuing investment in new technologies over time, there is no significant correlation between the level of IT expenditure and performance among insurers. Decades of metrics throughout the industry show us that allocating more dollars to IT does not necessarily drive superior outcomes.

As someone who has spent his entire career



Best's Review columnist **Bill Pieroni** is president and CEO of ACORD. He can be reached at bestreviewcomment@ambest.com.



evaluating, developing and implementing these technologies, I obviously found these results rather disturbing. However, the deeper truth is that when we look at how those technology investments are made and ultimately leveraged, the positive impact is clear for both individual firms and the industry as a whole.

A Dramatic Shift

As an example, let's look at the top 100 North American P/C carriers over the recent decades (2002-2022). In the first half of this period, insurers on average ran a 102.9 combined ratio—that is, they spent \$1.029 for every \$1 generated in premium revenues.

But halfway through this period, we see a clear inflection point. From 2012 to 2022, the industry ran a 99 average combined ratio. This



may sound like a small change to those outside the industry, but it represents the difference between underwriting at a loss and underwriting profitably.

More importantly, the standard deviation of the combined ratio—a measure of volatility and variability—was cut by more than half over this 20-year period. Why is that so significant? While skeptics might point to a more benign rating or catastrophe environment to explain higher overall performance, these profound results tell a different story. Outcomes that more tightly cluster about an improved average imply new shared capabilities across the industry. Over the same period, while most other major variables remained relatively constant, the average insurer IT expenditure per dollar of premiums written increased more than 11%. These new tech

capabilities clearly drove both profitability and consistency of outcomes.

Digital Investment and Outcomes

The positive effects of disciplined investment in tech-centric capabilities are evident on the individual carrier level as well. The annual *ACORD Insurance Digital Maturity Study* has shown that insurers that have successfully digitalized across the value chain—aligning strategy, technology, process and organization around new digital models—materially outperform their competitors in profitability, shareholder returns and premium growth.

How do they do it? In my next column, we'll move on to the present to explore the value potential in much-heralded emerging technologies such as artificial intelligence.

BR

Following Ben Franklin's Adage About Protecting a Prime Asset: Life

In a world where employee life insurance might be a person's only coverage, why can't employers extend the benefit after a layoff?

By **Lance Ewing**

“Do you know the current value of your husband's policy?” the life insurance agent requested of the client.

“I am not sure what that means?” answered the woman.

“If you should lose your husband, what would you get?” patiently asked the agent.

The woman thought for a brief moment, then brightened up, saying, “Probably a poodle.”

Or so the story goes. Life insurance has been a foundational block of the insurance industry for centuries. The first recorded life policy was in 1583 at the Royal Exchange in London. But it was not until 1911—when Pantasote Leather Co. approached the Equitable Life Assurance Society of New York and requested yearly group life insurance for its 121 employees—that original company-paid life insurance policies were created. Prior to this time, policies were issued on an individual basis. It was not until a year later that Montgomery Ward & Co. (one of the largest retailers in the United States at the time) asked Equitable Life for its own group life insurance policy for its employees.

Of course, these premiums were listed as “tax deductible” to the companies providing this



Best's Review columnist **Lance Ewing** is vice president of enterprise risk management for Cotton Holdings Inc. He also is a former president of the Risk and Insurance Management Society. He can be reached at bestreviewcomment@ambest.com.



coverage for their employees. Company-paid group life policies for employees has never looked back.

Today, it is almost expected that most companies or organizations will provide life insurance at no cost for each employee in an amount specified, with limited or no cost to the employee. This is an important employee perk, since 54% of Americans have life insurance and, of that number, 27% obtain that coverage through their employer and have no other coverage, according to LIMRA.

Options are usually on the table for employees to take additional coverage at a cost to themselves deducted from their paychecks. And once an employee leaves a company, voluntarily or involuntarily, very few continue the coverage until they land a new job with a new employer. And that employer again might remain the only source of life insurance for the employee.



INSURANCE

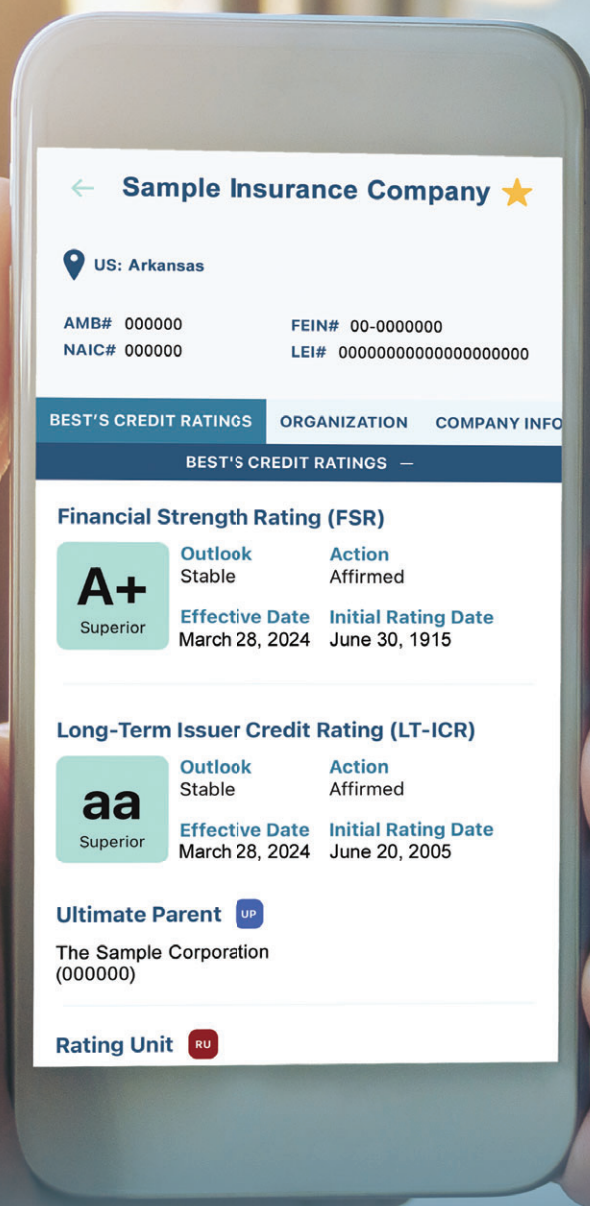
So the question is, when large layoffs occur at companies (2024 examples include, but are not limited to, Macy's Inc., Wayfair Inc., BlackRock Inc.), why are group life insurance companies not providing extended coverage for this same large group of employees that they had been insuring? Instead of each individual employee having to opt into continuing to pay the premiums personally (in most cases 30 days to opt in after no longer being employed), could the carriers not offer an extension of the life coverage to those employees affected for 90-120 days, paid for by the employer?

The employer would pay this as part of the layoff package and help to soften the landing for their employees being let go. This would also go a long way toward building an amicable goodwill bridge between the company and the laid-off employee. It

would clearly benefit the employee as they transition to their new employer's group life insurance plan. Carriers would obviously benefit as this "optional" extension group coverage offered to employers would be priced differently with the same employees in the underwriting pool for a specified period of time.

While not truly a novel notion, providing an extension group life coverage to employers who are laying off employees is something to contemplate as a winning strategy for all three of those affected: the employee, the employer and the life insurance carrier. As Ben Franklin stated, "It is a strange anomaly that men could be careful to insure their houses, their ships, their merchandise, and yet neglect to insure their lives, which surely is the most important of all to their families, and more subject to loss."

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BEST'S REVIEW® ISSUES & ANSWERS: RISK ANALYTICS, DATA AND AI

Insurers discuss how they're collecting data and utilizing technology to push the industry forward.

Interviewed Inside:



Bob Morgan
Philadelphia Insurance Cos.



Arun Balakrishnan
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Perils of Inaccurate ITV

Insurance policies are meant to provide peace of mind, but they can be a source of frustration for both the insured and the insurer if they are built on inaccurate information.

This is particularly true for property coverage and the relationship between the value of the covered property and the coverage provided. As important as this aspect of property insurance is—a concept known as insurance-to-value (ITV)—there is an epidemic of inaccurate information when it comes to property values throughout the insurance industry. The following is an interview with Bob Morgan, Senior Vice President, Underwriting for Philadelphia Insurance Cos., about ITV.

What is “insurance-to-value” and why is that important to an insurance company?

Insurance-to-value is getting the proper values for the coverages provided by the insurance company. It’s a matter of having the right square foot costs versus the exposures. If there’s a deficiency in the insurance-to-value, i.e., the values insured, it may cause losses to be higher than what would be expected, and that may have long-term effects, and that may cause rates to rise.

How has ITV changed in the past five years or so?

In the past five years, there’s been a lot more concentration on using satellite imagery in order to get square footages. In the past, it may have been that the agent would have provided that square foot number. The insured may have provided that square foot number, or the insurance company may have determined the square footage by a physical inspection. It’s more accurate with that imagery information. That’s one of the biggest changes that I’ve seen.

Why is it important that agents should know about ITV?

Because of the emphasis on the ITV, insurance companies are making some changes to the way they provide coverages. They may take a location out of the blanket limit. They may remove an agreed amount. They may provide a margin clause. These are all things that can impact the amount of insurance available if there’s a total loss. Because of that, it could affect the agent’s E&O insurance if the insurance-to-value isn’t appropriate.



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■ Factors Driving Property Valuation:

■ Square Footage

■ Material Costs

■ Labor Costs

Bob Morgan

Senior Vice President, Underwriting
Philadelphia Insurance Cos.



“While an accurate rate is important, the insured value is the foundation on which the ITV is built.”

Visit the Issues & Answers section at bestsreview.ambest.com to watch an interview with Bob Morgan.

Do you think ITV will affect the future of insurance? If so, how?

It’s going to continue to affect the future of insurance. The values going up so much—that’s had an effect on reinsurance because of the amount of concentration of values and the increase in values. That may affect some carriers’ ability to write certain types of accounts due to the amount of value in a single building or in a cluster of buildings. That causes some disruption in the market as to which carriers can write which type of accounts.

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Navigating the Challenges of AI

Arun Balakrishnan, Chairman and CEO of Xceedance, said, “When it comes to AI, ‘measure twice, cut once’ is an effective strategy.”

Following are excerpts from an interview.



How should insurers implement advanced data and analytics to mitigate risk?

Today, vast amounts of external data are available, distinct from traditional insurance datasets. Companies must evaluate how such data aligns with their product needs and aids in risk assessment and rating. Considering their expertise, firms must decide whether to manage analytics internally or partner with external providers. An honest assessment of internal capabilities guides decisions on hiring, partnering, or utilizing external platforms to maximize data and analytics ROI.

What challenges do insurers face when integrating AI-driven risk analytics into their existing systems and processes?

One of the most significant limitations is the legacy architecture of incumbent systems. Sometimes, a company might be new with systems that are not that old, but they acquire a few other companies or MGAs, and suddenly, they have legacy elements in the IT architecture. Most of today's generative AI focuses on processing information in real time—either from in-house data warehouses or external data. But, sometimes, legacy platforms do not allow that. You can only experience the actual value with quick, real-time data integration, extraction, and analysis.

Are there ethical considerations surrounding using AI and predictive analytics in risk assessment?

A lot. Whenever we talk about AI, I reinforce that it's a disruptive technology that can deliver a lot of impact, but the pace of adoption is not important here. The FOMO is not worth it. That's not to say AI models are giving unethical responses. We need to be sure the application of AI caters to the policyholders' best interests without any bias because the multiplier effect of anything going wrong is drastic, given the efficiency of the technology.

Arun Balakrishnan

Chairman and CEO
Xceedance



“We need to be sure the application of AI caters to the policyholders' best interests without any bias because the multiplier effect of anything going wrong is drastic, given the efficiency of the technology.”

Visit the Issues & Answers section at bestsreview.ambest.com to watch an interview with Arun Balakrishnan.

How important are transparency and interpretability in risk analytics powered by AI?

They are essential even without AI. And technology can have more of an advantage here. If you ask an underwriter writing a large commercial book of business why they think the risk is good or bad, they will often cite empirical reasons, but with some caveats: “I don't have a good feeling about it.” “I just don't know.” “I think I know, and that's why it's a problem.” Whereas you can ask AI pointed questions: What is the logic behind your recommendation? What are your sources? There's a better auditability of the thought process because AI is not hesitant about sharing it.



California Governor Signs Legislation Requiring ‘Best Interest’ Standard To Reveal Charges on Annuity Sales

Under terms of the new law, producers will be required to act in the best interests of clients by disclosing how the transaction would benefit them and revealing any hidden fees or charges.

by Terrence Dopp and Timothy Darragh

California Gov. Gavin Newsom recently signed legislation changing disclosure regulations on annuities sales by agents.

The measure, S.B. 263, will overhaul the “best interest” and disclosure requirements for agents selling annuities. Newsom signed the bill Feb. 29 after the legislation earlier in the month cleared the Assembly by a 70-0 vote and then the Senate, by 37-0.

Under terms of the new law, producers will be required to act in the best interests of clients by disclosing how the transaction would benefit them and disclose any hidden fees or charges. State Sen.

Bill Dodd, who sponsored the bill, said it will require annuities producers to put the needs of customers ahead of any money they might make on the deal.

Insurance Commissioner Ricardo Lara partnered with Dodd on the bill, the lawmaker said in a statement.

“My bill is about doing what’s right for people who can least afford to be ripped off,” Dodd said in a statement announcing the legislation’s Senate vote. “Annuities can be important investment tools, but too often there is incentive for abuse or exploitation. That’s why I’m glad to partner with Commissioner Ricardo Lara on my latest consumer protection bill, which requires insurance agents to put the best interests of their clients first—ahead of any

Terrence Dopp and **Timothy Darragh** are senior associate editors. They can be reached at terry.dopp@ambest.com and timothy.darragh@ambest.com, respectively.

sales incentives they might make. If they know an annuity is a bad fit, they will not be able to sell it.”

A committee of the California Senate last year delayed a bill overhauling regulations for agents selling annuities, which consumer advocates said was too heavily influenced by industry lobbyists and didn’t protect the public. While proponents of the measure said the provisions stuck closely to a model law issued by the National Association of Insurance Commissioners, those who criticized the law asserted the changes failed to actively protect consumers.

John Mangan, vice president and deputy, state relations with the American Council of Life Insurers, said the changes will bring California in line with 40 other states, representing 76% of the U.S. population.

Critics of the legislation, such as the Life Insurance Consumer Advocacy Center, had argued amendments to the bill gave agents too much latitude to inject their own financial interests into the process to the detriment of consumers.

The U.S. Department of Labor’s proposed fiduciary rule for investment and savings advice is “a solution in search of a problem,” opponents of the proposed financial standard told a congressional panel Feb. 15.

The evidence is in the lack of evidence, Iowa Insurance Commissioner Doug Ommen told a subcommittee of the House Committee on Education and the Workforce. Through the NAIC, Ommen in 2020 led the development and approval of a model, best interest standard, which is now used by 42 states and growing.

The Biden administration in September proposed a fiduciary rule that it said more appropriately defines when persons who render investment advice for a fee to employee benefit plans and IRAs are fiduciaries within the meaning of federal employee benefit law and the federal tax code.

The Biden administration said the rule was needed to protect consumers from “junk fees” that failed to put the consumer’s interest first and foremost.

The Department of Labor did not provide substantive engagement with state insurance regulators before laying out its proposal, Ommen said.

Ommen and other NAIC members considered setting a fiduciary standard as they were debating the



“Annuities can be important investment tools, but too often there is incentive for abuse or exploitation. That’s why I’m glad to partner with Commissioner Ricardo Lara on my latest consumer protection bill, which requires insurance agents to put the best interests of their clients first—ahead of any sales incentives they might make. If they know an annuity is a bad fit, they will not be able to sell it.”

Bill Dodd
California State Senate

best interest standard, but believed it would box out low- and middle-income retirement savers, he said.

Jason Berkowitz, chief legal and regulatory affairs officer at the Insured Retirement Institute, called for the department to drop the matter entirely. A fiduciary standard, he said, would make it nearly impossible for some consumers to get the products and services that are best for them.

BR



Senate Committee Report: PPLI Is a Multibillion-Dollar Tax Giveaway

An 18-month investigation found the domestic private placement life insurance market amounts to a \$40 billion tax shelter for a few thousand individuals with a net worth of hundreds of millions or billions of dollars each.

by Timothy Darragh

A Senate Finance Committee investigation charged that private placement life insurance policies are being marketed and used as a tax dodge that, while legal, serves as a giveaway to the very rich.

U.S. Sen. Ron Wyden, of Oregon, said the 18-month investigation found the domestic PPLI market amounts to a \$40 billion tax shelter for a few thousand individuals with a net worth of hundreds

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

of millions or billions of dollars each.

“I’m a strong defender of life insurance as a source of financial security for hard-working American families and retirees, but that’s not what’s going on with these tax-dodging private placement policies that are available only to the ultra-wealthy,” Wyden said in a statement. “When you subject these policies to even the slightest bit of scrutiny, it’s clear that this is just a tax shelter for the investments of the mega-rich masquerading as life insurance. None of this is available to middle-class Americans.”

“I’m a strong defender of life insurance as a source of financial security for hard-working American families and retirees, but that’s not what’s going on with these tax-dodging private placement policies that are available only to the ultra-wealthy.”

Ron Wyden
U.S. Senate



According to the report, carriers require commitments of at least \$1 million or more to gain coverage.

Wyden said the scandal is the tax-sheltering benefits are legal.

“The companies weren’t even trying to hide the fact that their PPLI policies were tax dodges for the very top—that’s precisely how they were promoted,” he said. “It’s obvious that this is an abuse of the rules that are intended to protect typical American families, so Congress must change the law to put a stop to it.”

The American Council of Life Insurers said it is reviewing the report.

“PPLI must comply with state and federal requirements for life insurance products, including stringent tests that prevent abuse and avoidance of tax laws, and ACLI supports compliance with and enforcement of these laws,” said Joyce Meyer, ACLI executive vice president, government relations.

The committee sought data from the seven leading providers of PPLI policies in the United States: Lombard International, Zurich American Life Insurance Co., Prudential Insurance Company of America, Investors Preferred, John Hancock, Crown Global Insurance Group and Pacific Life Insurance Co.

Combined, they had 3,061 PPLI policies in force with an average face amount just under \$13 million, the report said.

The investigation found a Prudential brochure, for example, that says investments made through PPLI policies are free from federal income and estate taxes and policyholders can take out cash via loans and withdrawals “without being taxed.”

In a statement, Prudential defended its products and services.

“As we stated in our response to Sen. Wyden, all Prudential life insurance products, including private placement life insurance, meet every federal and state definition of life insurance,” it said. “These federal and state rules provide a robust regulatory framework to, among other things, limit investment orientation and keep financial protection as the principal focus of the product.”

According to the report, the life companies set declining fee rates as policyholders invested more in their PPLI.

Policyholders could borrow against their PPLI at very low rates with no obligation to repay the loan while they are alive, it added.

Finally, the report found the investor control rules designed to curb abuse of PPLI policies are difficult for the Internal Revenue Service to enforce due to a lack of reporting requirements. Individuals who take out PPLI policies are not required to disclose their interest in a PPLI policy anywhere on their tax returns, it said.

Wyden said he is working on legislation to end the tax advantages of PPLI and increase disclosure.

That shows the committee’s priorities are misplaced, said Finseca Chief Executive Officer Marc Cadin.

“We’re very disappointed that once again, a vital tool ensuring Americans’ financial security is under attack,” he said. “Life insurance is life insurance, and it’s taxed appropriately and serves as a crucial component in a family’s financial security. I would like to encourage the Finance Committee to spend more time identifying incentives that encourage more Americans to get a holistic financial plan, rather than attacking segments of this important marketplace.”

BR



Delaware Bill Would Ban Life Insurers From Buying Some Consumer Data

The bill would bar life insurers from nonrenewing or rejecting applications based on genetic characteristics, genetic information or the result of any genetic test not in a medical record as a basis for an individual's medical diagnosis.

by Timothy Darragh

A bill in the Delaware General Assembly would prohibit life insurance companies from buying data from direct-to-consumer genetic testing companies.

If signed into law, H.B. 286 would prohibit life insurers from purchasing information from companies such as 23andMe Holding Co. and Ancestry.

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

In addition, the bill would bar life insurers from nonrenewing or rejecting applications based on genetic characteristics, genetic information or the result of any genetic test not in a medical record as a basis for an individual's medical diagnosis, it said.

"Like many people, I've taken these tests," state Rep. Jeff Spiegelman, the prime sponsor of H.B. 286, said in a Facebook post. "Often, those reports contain a disclaimer stating that knowledge of what you are about to receive may affect your life insurance. I don't think it's fair that information you

“Often, those reports contain a disclaimer stating that knowledge of what you are about to receive may affect your life insurance. I don’t think it’s fair that information you received through a test you paid for can be used by your life insurance company to boost your rates or deny you coverage.”

Jeff Spiegelman

Delaware House of Representatives



received through a test you paid for can be used by your life insurance company to boost your rates or deny you coverage.”

The bill is named after Ericka Byler, a Delaware native who died suddenly at the age of 25 from an undetected congenital heart defect.

“That’s the other reason I think this bill is so important,” Spiegelman said. “Ericka’s issue would probably not have been detected by casual genetic testing, but plenty of people have been alerted to potential health issues by these types of tests. Allowing life insurance companies to set rates, deny coverage, or terminate policies based on this private data could have a chilling effect on the appeal of submitting your DNA for analysis.”

Spiegelman reportedly is working on an amendment or substitute for the bill to include

language saying consumers can allow their genetic data to be released, if they choose to do so.

According to Delaware House Republicans, Florida enacted a law in 2020 that the Delaware bill resembles. In addition, in Illinois and South Dakota, direct-to-consumer genetic testing companies cannot share an individual’s genetic test information with a life insurance company without written consent, it said.

A spokesman for the American Council of Life Insurers said the council is reviewing the bill and is in contact with its sponsors.

The life insurance industry has reached an inflection point, with advances in genomics and an explosion in genetic testing—both clinical and direct-to-consumer—making it necessary for hesitant insurers to embrace the science, some experts say.

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Insurers See Generative AI, Climate and Cyber as Key Risks

Insurers launch initiatives to respond to an array of emerging and evolving risks.

by Anthony Bellano

Insurers have seen the future and are preparing for a world where artificial intelligence, geopolitical tensions, evolving cyber and climate risk and renewable energy play an ever more significant role.

Generative artificial intelligence, for instance, has emerged in the last year or two to become a hot issue as businesses begin to learn the potential use-cases for generative AI, as well as the potential for losses. Other risks, such as cyber, are not new, but threats continue to evolve, challenging insurers to adapt to their customers' needs.

Insurers, reinsurers, brokers and managing general agents have launched a number of new initiatives as they seek to respond to opportunities to provide new types of coverage and risk solutions.

Anthony Bellano is an associate editor. He can be reached at anthony.bellano@ambest.com.

ARTIFICIAL INTELLIGENCE

Munich Re got the jump on AI risk early. It insured its first AI risk in 2018, and its first large language model in 2019, said Michael Berger, head of the Insure AI team at Munich Re.

After meeting with a client in 2018, Munich Re designed an insurance solution that incorporated artificial intelligence to solve the problem, Berger said. Then came the realization that there might be a bigger emerging risk when it comes to relying on AI in process automation and automated decision-making.

Munich Re zeroed in on the issues surrounding AI.

Munich Re officially launched its Insure AI team in 2021 to address the potential risks associated with AI, such as the threat of hacking, stress on the electrical grid, bias in recruitment efforts and, in some cases, simple mistakes.

One such mistake involved Air Canada, which found itself on the hook to pay a customer after its website chatbot erroneously told him he could submit for a partial reimbursement of his travel expenses.

When the airline didn't comply because it claimed it wasn't responsible for the mistake made by the chatbot, the customer sued and won the case in court. There are multiple ways insurance would cover that, Berger said.

"One is for providers of AI systems, and the other is for companies that own AI solutions or have consulting companies build AI solutions for them," Berger said. "The chatbot produced an output, which was clearly factually wrong. The customer made a decision based on this output and resulted in financial losses for the customer and now the airline. This is a classic situation we would cover."

Over the past year, Munich Re has been working to expand its coverage to include, among others, AI discrimination in health care, bank loan limits and terms and conditions, and copyright infringement

surrounding generative AI.

"We do that by building on top of the underwriting and pricing technologies we have developed," Berger said. "For example, when it comes to the discrimination case, on first glance, it might seem different from the performance risk that we insured in the past. However, it's possible to translate these conditions into a form of performance risk of AI. For the protected groups, how will the AI behave for those groups, based on a fairness metric?"

Berger said Insure AI consists of 10 employees who are split between the United States and Munich in order to cover North America and Europe, plus Israel. It consists of underwriting

business managers, who help build coverage for AI use cases, and research scientists to quantify how various models will behave. It covers companies that are developing a diverse range of AI models.

"We wanted to be set up in those markets, in the right time zones, with people on the ground," Berger said

of Munich Re's efforts in North America and Europe. The company also has seen recent interest from India, Japan and China but has no plans to expand geographically just yet.

The increased interest comes internationally as awareness around the risks surrounding AI increases. Artificial intelligence was among the biggest risks listed in Swiss Re's annual *SONAR* (Systematic Observation of Notions Associated with Risk) report, and it was among the prime concerns among the 900 clients Hub International Ltd. surveyed going into the new year.

"Many didn't even have AI as a topic in 2022 going into 2023, and now you look at 2023 going into 2024, it's one of the top five," Hub International Ltd.'s Complex Risk Practice Leader Mary-Beth Hahn said of the survey. "I think it's early to tell, but AI is increasing the sophistication of attacks and ransomware."



CYBER

Liberty Mutual Insurance Co. has been insuring cyber risk for more than 15 years but doubled down on its commitment to cyber insurance in 2023 when it launched its Global Cyber Office to build and scale its cyber capabilities around the world, the company said.

WTW and Hub International Ltd. are among companies also expanding their efforts on cyber.

“It’s a renewed focus,” Liberty Mutual Global Head of Cyber Patrick Thielen said. “It’s a recognition that what generated success and value as the cyber insurance industry was in its infancy 10 years ago isn’t the same set of capabilities that’s going to drive success and add customer value moving forward as our industry reaches maturity.”

Thielen, who was named to this role in May 2023, leads the development and execution of a cyber strategy that helps buyers and brokers across the world better understand, mitigate and manage cyber exposure.

Since his career began in 2003, Thielen has seen the risk evolve from data breaches to ransomware, and expanding regulations that evolved from dealing with how companies address breaches to whether a company has rights to collect data in the first place.

In 2024, many companies are shifting from a cybersecurity setup that’s focused on looking for known threats to using “zero-trust concepts,” like looking for odd patterns in their data, he said.

“As an employee at an organization, I might have access to a certain database, and let’s say I have not accessed that database for a year. And then suddenly, I’m in that database all day. And then tomorrow I’m in that database again. And I’m transferring big files around. It might be legitimate. It probably is legitimate. But it’s worth flagging because it’s unusual,” Thielen said.

“The next frontier in cybersecurity is identifying things that are out of the ordinary, even if they’re not necessarily malicious,” he said.

The way to deal with emerging threats like this is

not just with technology, but through education and culture.

“So, in my example, it’s less efficient to me as a user if my activity’s getting shut down by a rule that says it’s unusual,” Thielen said. “But if there’s value in having a second set of eyes on that type of thing, that can be a very good security control.”

Liberty Mutual is expanding a risk engineering team that keeps tabs on new risk, correlating new potential risk with what’s actually happening, Thielen said. They also work with cybersecurity experts inside and outside the insurance industry to ensure they’re staying up to date on the latest developments coming out of such areas as technology, academia and law enforcement.

“No one person or company or industry is ever going to solve cyber risk,” Thielen said. “It’s important to engage with experts from outside of your own industry and approach this complex space with a high degree of humility.”

Broking and advisory firm WTW, meanwhile, is focused on small and medium-size enterprises,

which it says face substantial cyber risk.

In January, it launched a new cyber solution aimed at North American enterprises with less than \$50 million in annual revenue, including startups and pre-revenue accounts. It has allocated dedicated underwriting staff to focus on the solution, which it says provides quick and easy access to competitive insurance quotes through self-service quoting platforms.

This came a year after WTW launched CyXS, a \$50 million excess layer cyber facility, with the help of Lloyd’s underwriters. The company made CyXS available to WTW clients worldwide who buy excess layer cyber programs. Two lead insurers would deploy capacity on behalf of all the facility insurers, streamlining the underwriting/information requirement process, according to WTW.

Hub also is helping to prepare its clients for the threat of cyberattacks.

“I think there was a 73% increase in cyberattacks



in 2023,” said Hahn. “More of those attacks are happening, and we need to make sure that our clients are prepared.”

Hub is doing that through its Professional and Executive Risk (ProEx) Specialty Practice, which works with clients throughout North America. It

brings together more than 100 Hub specialists to advise clients on how to navigate the changing risk landscape.

In addition to cyber, the practice offers experts in directors and officers, employment practices liability, errors and omissions, and financial lines.

GEOPOLITICAL RISK

Conflicts in Ukraine and the Middle East are creating new exposures for insurers, specifically in marine. In places where there is high risk, such as the Strait of Hormuz, the Red Sea, or Ukraine, insurance premium pricing is increasing, according to Dan Topping, chief investment officer at private equity firm B.P. Marsh & Partners plc.

B.P. Marsh has made three investments in marine, most recently acquiring a 30% stake in Ai Marine Risk Ltd, an MGA based in London.

In 2016, it subscribed for a 25% cumulative preferred ordinary shareholding in The Fiducia MGA Co. Ltd., a U.K. marine cargo underwriting agency specializing in a number of risks including cargo, transit liability, engineering and terrorism insurance.

In 2019, it acquired a 30% stake in London-based specialist marine Lloyd's broker Lilley Plummer Risks Ltd.

“I think if you can be there to provide insurance at an adequate price compared to the risk to allow trade to take place within that risk, that’s something that should be provided,” Topping said. “If you’re going through the Irish Sea on a calm day, that’s going to have one level of risk; whereas, if you’re going through the Red Sea with missiles being fired at you and the U.S. Navy and the Iranian navy being in close proximity, that presents a different risk and a different premium.”

B.P. Marsh isn’t the only one looking at investments in marine MGAs. Rokstone recently received long-term support from Allianz, which provided a \$25 million facility to the MGA to expand its North American marine operations. Rokstone

said it plans to grow the marine portfolio in North America “aggressively” from a startup to \$100 million in five years with a focus on middle-market business.

“When you look at where marine might fall in the pecking order of a large carrier, it might fall three or four or five places down the line,” Michael Nukk, head of marine, North America, Rokstone, said. “That might drive their desire to work with an MGA that can deliver that in a short space of time.”

Allianz plans on expanding its involvement with Rokstone to additional marine lines. He added

Rokstone’s technology, wholesale focus and underwriting will give distribution partners more ways to access Allianz.

“We are developing capacity for cargo construction risks, and particularly looking at the renewable energy sector, whether it’s wind, solar, hydro or renewable fuel technology,” Nukk said.

Alta Signa Europe B.V. said it launched a European marine underwriting division, based in Italy, that will write cargo, hull and machinery, yacht and yards business. It is backed by Alta Signa’s panel of insurance partners, including Axeria IARD, SiriusPoint and Sompo International, the European boutique MGA said in a statement.

Additionally, RSA Insurance and Brit Ltd. launched a cargo consortium to offer up to \$285 million of capacity worldwide for cargo risks. The “Project Cargo” insurance is for cover and protection for equipment that could be lost or damaged in transit, the underwriters said in a statement.

The consortium will provide global coverage including delay in startup and advanced loss of profits and will act mainly as a lead or, where



applicable, follow capacity. There are seven insurers in the consortium, and the cargo will involve

anything related to construction/erection projects by land, sea or air, RSA said.

CLIMATE

Chubb Ltd. last year launched Chubb Climate+ to bring together the company's units that are engaged in traditional, alternative, and renewable energy, climate tech, agribusiness and risk engineering services.

It provides a full spectrum of insurance products and services to businesses engaged in developing or employing new technologies and processes that help reduce the dependence on carbon. It also provides risk management and resiliency services to help those managing the impact of climate change.

The increased frequency and severity of storms is an issue that's posed a problem for insurers over the past few years.

According to Matthew McMullin, Chubb executive vice president Climate+ and energy industry practice leader, North America, the average number of weather-related catastrophe events that hit or exceeded \$1 billion has jumped from 8.5 to 20 in the last five years and hit 28 in 2023.

"As part of our Chubb Climate+ offering, we have a resilience-focused risk engineering team that works with our insureds to help them model out their critical infrastructure, their critical locations and look at potential climate change scenarios for those locations, both current and future looking," McMullin said. "They provide sound physical risk engineering consultation services to these insureds, with recommendations to harden their buildings, to make their organization more resilient."

It's a global endeavor, with established leadership in North America, the United Kingdom, and other parts of the world, said Maria Guercio, Chubb Climate+ senior vice president, climate tech industry practice leader, North America.

Chubb is focused on supporting emerging technologies such as battery innovation and carbon capture, she said. It underwrites for thermal

runaway in lithium-ion batteries, highly combustible hydrogen gas made from electrolyzers and direct air capture equipment.

"Chubb is committed to this space, and we are determined to find viable solutions to help our insureds' scale and commercialization," Guercio said. "We're tackling this with in-depth knowledge. If we don't have knowledge on a specific subject, we go out and seek it."

Hub International Ltd. also has been increasing its focus on climate risk.

It recently launched a high net worth, excess

wildfire program in California designed to help wealthy homeowners secure adequate coverage in areas with an increased risk of wildfire frequency and severity. It's for homes with less than \$30 million in insured value.

HSB, a Munich Re company that provides equipment breakdown and specialty insurance and reinsurance coverages

for various customers such as farmers, businesses, and homeowners, has been developing sensors that can track the rate of temperature change both inside and outside of a building.

This proved helpful for at least one business that had a sensor in place. In this case, an air vent froze while open, HSB Senior Vice President and Head of the Treaty Division Jeff O'Shaughnessy said. "Cold air was able to get into the mechanical room, and it froze pipes. It would have burst them."

But HSB was able to use the sensor it had put in place to track the rate of change and saw what was coming.

According to O'Shaughnessy, HSB told the business owner: "Unless you get there in two hours, you're going to have a freezing, bursting condition."

"They got the alert, they went down, they shut it, they wrapped some of the pipes, and they avoided a loss," he said.



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PARAMETRIC PARADISE: Mangrove forests, such as this in Florida's Everglades National Park, and other natural resources that offer flood protection are increasingly considered for parametric insurance coverage.

Parametric Insurance Contracts May Apply to Tougher Risks

Parametric insurance contracts, which offer objective “trigger events” and quicker payouts to those who need relief after a catastrophe, are gaining traction in the market.

by William Borden

Parametric insurance contracts, which gained traction in developing nations to protect against natural disasters and weather risks, are now finding greater acceptance in a broader range of insurance markets, including cybersecurity, and covering risks in areas where traditional indemnity coverage is difficult to obtain.

The flexibility of the coverage is being applied to risks to protect not only technology, security failures and such natural resources as coral reefs and mangrove trees that serve as protection against storms, but also against hazards in developing nations or in areas that are vulnerable to natural catastrophes, such as Florida for hurricanes and California for earthquakes.

“We’re addressing a problem and we’re providing a

solution,” said Daniel Vetter, head of North America at Descartes. He noted governments are typically buyers of these contracts to address specific needs, such as New York City buying a parametric flood contract for low-income areas for flood insurance.

From a public policy point of view, many state insurance commissioners are interested in the use of parametric contracts—what they can cover and what they do not cover—as well as how they can complement traditional insurance, Vetter said.

Private enterprises see the contracts as an option.

“We’re seeing a lot of large corporates, especially those with real estate footprints in the likes of Florida, Texas or California [natural catastrophe-prone areas] use parametric insurance programs to complement what they may insure in the normal property market,” said Derrick Easton, managing director, alternative risk transfer solutions, Americas, at WTW.

William Borden is managing editor. He can be reached at william.borden@ambest.com.

Speed and Flexibility Add Appeal

Parametric risks help insurers transfer some of their risks in an alternative way by covering a pre-defined event under a contract. The payout occurs if the parameters are met or exceeded based on data from a third-party index, which can be tied to rainfall, heat, earthquake severity or another objective measure. Under the arrangement, the parametric solution can be designed as a legal contract or financial derivative based on the needs of the insured. The rules depend on the host country's regulatory and legal framework about insurable interests and a proof of loss.

While traditional indemnity policies can take months or longer to satisfy some claims, insurance experts say the clearly defined triggers can lead to payments to insureds within a month after the event. The funds can help relief efforts after natural disasters or to help farmers—or those who lend to them—in cases where floods and drought devastate crops.

Jessica Botelho-Young, AM Best associate director and author of a December 2023 Best's Special Report, *Parametric Solutions Offer Risk Management and Loss Mitigation Opportunities*, says parametric insurance typically has been used in developing nations, where governments or nongovernmental organizations seek protection against natural disasters and increased climate risks.

"When you have a catastrophe, especially if you're a developing country in an emerging market, you need that money as soon as possible," said Adil Imani, director of securities for Extreme Event Solutions at Verisk. "You have to start rebuilding infrastructure. You might have to create relief camps and provide emergency supplies, and there's all these costs that you have not accounted for that you need to pay immediately."

AM Best's report by Botelho-Young discussed how Morocco applied this coverage in the aftermath of the Sept. 8, 2023, earthquake that killed more than 2,900 people and led to the displacement of approximately 500,000 others. Many in the region struggled with such basic needs as food, water and shelter; later, those needs evolved into health care, sanitation, education and psychological support. Three years before the disaster, Morocco's government introduced the national Catastrophic Event Coverage Scheme, which aimed to protect against natural and human-made disasters.

"You can't have a parametric product without a



"One thing to think about when contemplating the use of new debt as a capital source after a significant event is, even if you are able to get favorable terms before that event, it's unlikely you can get those same terms after the event."

Cole Mayer
Aon plc

trigger and the trigger has got to be as objective as possible," said Botelho-Young. The contracts can be "bespoke" when it comes to these trigger events and how payments can be arranged, she said.

Catastrophic coverage for the earthquake was established by setting aside between 1.5% and 8% of insurance premiums for property, motor liability and personal liability insurance contracts. The second portion of the program provided coverage to the uninsured through the Solidarity Fund for Catastrophic Events—Fonds de Solidarité Contre les Événements Catastrophiques (FSEC)—to address the disaster coverage gap.

The Morocco earthquake was declared a catastrophic event on Oct. 19, which opened the way for policyholders to make insurance claims and activated the Solidarity Fund to compensate those without insurance. The parametric insurance pool is composed of global reinsurers, with limited participation by Morocco's Société Centrale de Réassurance.

Industry experts pointed to Mexico, Jamaica and other nations using parametric coverage for some risks. These policies are helpful for governments that might face unfavorable terms from the capital markets if they had to borrow quickly to address disaster relief.

“One thing to think about when contemplating the use of new debt as a capital source after a significant event is, even if you are able to get favorable terms before that event, it’s unlikely you can get those same terms after the event,” Cole Mayer, Aon plc’s leader of worldwide parametric

initiatives, said. “Depending on the size and financial strength of your organization, the debt markets will likely factor in the increased risk associated with the fact that you have just been severely impacted.”

Protecting Natural Resources

Beyond humanitarian relief, parametric solutions are seen as a vehicle to mitigate losses of natural resources after a catastrophic event. Property catastrophe writers have a vested interest in supporting biodiversity and environmental

Rapid Growth Highlights the Value of Parametric Insurance

Parametric insurers create contracts for those risks that the traditional property market “may struggle with while also providing broader coverage that protects more of an insured’s loss,” said Derrick Easton, managing director, alternative risk transfer solutions, Americas, WTW.

Parametric insurance offers insureds more objectivity, simplicity, transparency and certainty of claims settlement and can support traditional indemnity products, industry experts say. Daniel Vetter, head of North America at Descartes, said the quick settlement of claims tends to make these contracts “inflation neutral” since a lengthy claims process can lead to escalating costs of materials and labor.

While these contracts have been around since the 1990s, the hardening reinsurance market and expansion to protect against climate change and cyberattacks are among the factors to drive growth in the category, which Allied Market Research projects to reach \$29.3 billion by 2031, an increase from \$11.7 billion in 2021.

Cole Mayer, Aon plc’s leader of worldwide parametric initiatives, said that by utilizing an index or parameter to trigger coverage, as opposed to the traditional indemnity approach, “we can address difficult-to-insure exposures because often that index value is much more reliably and easily modeled, which allows the risk capital behind the transactions to be much more comfortable with the risk.”

“In addition to covering these exposures that are traditionally difficult to insure, the parametric approach can also open up access to capital that

wouldn’t otherwise deploy it on a traditional basis,” Mayer said.

Industry experts say writers of parametric contracts need to incorporate feedback about the insured’s needs, assess traditional coverage and examine data to structure the deals to accommodate the risks and what triggers will be used to determine the payout. The downside of these contracts is largely around basis risk, in which there is a mismatch between the value of the coverage and the property being covered.

“If you look at some of the parametric deals that have been placed, there is always a reinsurance broker who’s there as that intermediary supporting the policyholders as well,” said Jessica Botelho-Young, AM Best associate director and author of a December 2023 Best’s Special Report, *Parametric Solutions Offer Risk Management and Loss Mitigation Opportunities*.

“Generally speaking, we need three things to structure a parametric cover: an independent, reliable, third-party data provider who reports data that is well correlated with the risk; historical data; and a robust modeling approach to quantify the risk and market appetite to take the risk,” Mayer said. “That’s the recipe required to structure a parametric cover. Given the prevalence of data now available, we can use a variety of independent third-party indices as long as we can satisfy those other two requirements, and when structured correctly, parametric can solve for exposures that traditional indemnity covers cannot address.”

“When you have a catastrophe, especially if you’re a developing country in an emerging market, you need that money as soon as possible.”



Adil Imani
Verisk

protection to help reduce damage from natural catastrophes. A payment release can be triggered when hurricane speeds reach a certain level, for example, rather than physical damage, allowing policyholders to repair natural protections against storms rather than waiting for damage assessments by an insurer, insurance experts say.

AM Best’s report on parametric solutions detailed how Mexico’s Quintana Roo reef was protected

under this type of coverage with a trigger tied to hurricane wind speeds rather than in response to physical damage. Hawaii’s coral reefs are now covered under these contracts and additional plans are in the works to protect reefs in Southeast Asia and the Pacific. The Nature Conservancy has identified several locations in the Bahamas, Florida and Mexico as potential sites for mangrove insurance pilot projects, the report said.

Parametric Plans May Offer Quicker Resolution After a Cyber Crisis

Greater connectivity among smartphones, computers, transportation vehicles, fitness apps, medical devices, business supply chains and other assorted gadgets can make data gathering easy. The downside is that each connection point creates a new security vulnerability for networks and data to be compromised.

Insurance experts suggest parametric contracts—which use a third party to designate what could trigger a claim—may be an ideal coverage for cybersecurity issues, since these issues typically demand a fast response to contain any potential damage to computer networks and to resume business operations. The clear triggers and faster payouts can aid in the response to cyber issues.

Cloud computing outages, data breaches and ransomware are some of the issues confronting organizations that need to protect customer information, their own intellectual property, strategic plans and other nonpublic information that can affect an organization’s value. Also, the potential for fines tied to privacy regulations from data breaches has elevated the need for protection.

“This is an emerging line of business for parametric,” said Derrick Easton, managing director, alternative risk transfer solutions, WTW.

Cole Mayer, Aon plc’s leader of worldwide parametric initiatives, agreed, describing it as a “new frontier” in coverage for parametric contracts, which have largely been used to cover natural disasters and for crops. “This is something that’s very high on our radar [and] on our clients’ radar as well,” Mayer said.

Recent cyber catastrophe bond offerings are showing signs that the market is getting more comfortable taking on cybersecurity risks, industry observers say.

However, pricing of cyberrisks is a bit more difficult, given the lack of historical data that has been gathered, compared to decades of weather data gathered worldwide.

“As with any new risk, there will be challenges early on in pricing cyber bonds, be it on a parametric or an indemnity basis. But as we saw with hurricane modeling 30 years ago, it’s usually just a matter of time,” said Adil Imani, director of securities for Extreme Event Solutions at Verisk.



“You can’t have a parametric product without a trigger and the trigger has got to be as objective as possible.”

Jessica Botelho-Young
AM Best

WTW created an aquaculture parametric insurance product that covers earthquake, typhoon, excess rainfall and heat stress, Easton said.

Beyond crop insurance and protection against other catastrophes, some government agencies will buy insurance contracts against extreme heat to use proceeds from these contracts to set up cooling stations.

“Extremely Granular” Pricing

Imani said the pricing of these risks can be “extremely granular” since the contracts can be specific with different gradations of triggers with the payouts being tiered depending upon the severity of the catastrophe.

Satellite mapping and public records can account for the location of structures, the type of construction and its overall value. Beyond that, the specificity of weather data provides a foundation to gauge risks, while looking to diversify exposure, Imani said.

“We also have the models that we build that use historical data and by using statistical techniques that are able to account for types of events that have not happened in the past, but are meteorologically possible,” Imani said.

Vetter at Descartes said the advances in data gathering and analytics have opened the door to new parametric products, such as those that cover damage from tornadoes and hail.

“If we’ve got robust, independent [natural catastrophe] or weather data, we can create parametric models and indexes. It is then a question of understanding how resilient an asset or the location is that drives the issue or potential loss the client is facing,” WTW’s Easton said. “If we can understand how a client will suffer loss, we can align that to the modeled probability of such an event occurring.”

“This is really what we’re trying to achieve—a payout table that mimics how a client will suffer loss,” Easton said. “What is really compelling about parametric insurance is that it can cover more of a client’s loss than a typical property policy. That, coupled with a simple claim filing process, allows claims to be paid in days. That liquidity injection from quick claim payment measured in days is a real differentiator and a win for a risk manager as they interact with their finance functions.”

Munich Re, Swiss Re and Axa are among the largest companies writing these contracts, but smaller startups have emerged in the sector. “There’s probably 10 to 15 insurers who are dominating in this space and some are reinsurers,” Easton said. “What you tend to find is that some of those same markets are also actually backstopping a lot of the new, small MGAs.”

While insureds are looking to cover risks with these policies, Easton noted that the insurance-linked securities index earned its highest return in 2023 in a market where the Treasury bills yielded between 4% and 5%. Easton said investors looking to diversify their risks beyond equities, real estate and fixed-income assets have helped. “If you’re a life insurer and you can’t directly participate in property/casualty insurance, going in through the investment arm allows you to access or create some diversification in your investment portfolio.”

“There certainly is an appetite [for parametric risk],” Aon’s Mayer said. “We need to figure out what that parametric trigger is, how robustly it can be quantified and whether there is sufficient appetite for the risk.”

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AI-Powered Prying in Social Media Raises Ethical Concerns in Insurance

With social media turning life into an open book, the temptation to use artificial intelligence to gather lifestyle information is great when assessing risks or preventing fraud, insurance leaders say.

by Lori Chordas

In an era where social media offers a glimpse into individuals' daily lives, the insurance industry is exploring how artificial intelligence may analyze online behavior and set rates based on perceived risks, opening ethical, legal and privacy questions.

Peter Miller, president and chief executive officer of The Institutes, emphasizes the significance of social media in revealing individuals' behaviors, stating, "A lot of their life is on social media."

Insurers, aiming to assess risk accurately, are

considering using AI to scrutinize social media activities for insights into risky behaviors and hobbies.

"It's early days and I think a lot of organizations are just trying to figure out how that works," Miller said. "But they see the potential, and the potential is we can make people's lives better and safer by better understanding what they do and how we can help them manage risk and then get a fair price that matches to that risk. So there are a lot of opportunities."

Miller and North Dakota Insurance Commissioner Jon Godfreed acknowledge the potential fairness of such practices as long as

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



“The potential is we can make people’s lives better and safer by better understanding what they do and how we can help them manage risk and then get a fair price that matches to that risk. So there are a lot of opportunities.”

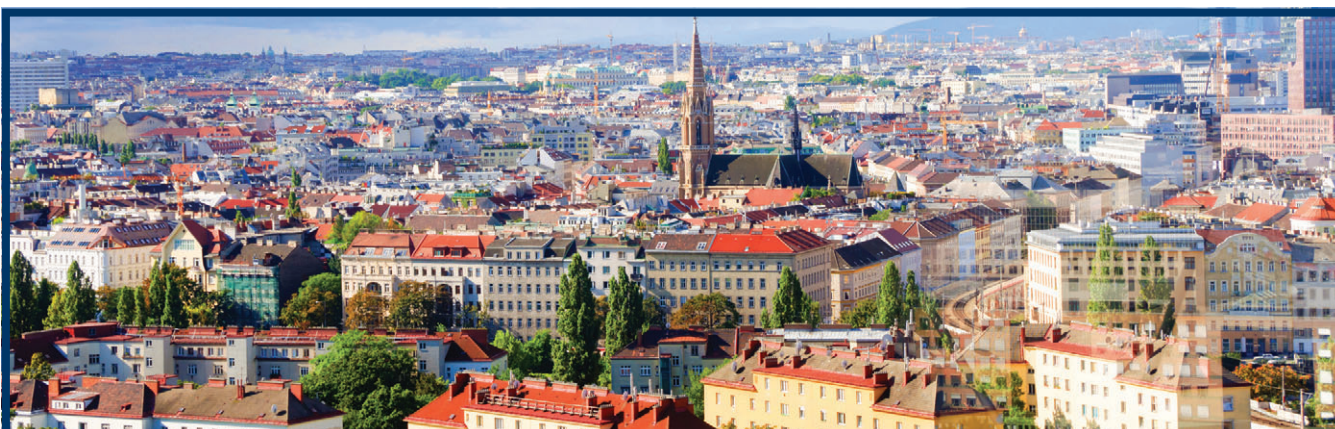
Peter Miller
The Institutes

consumers are aware of the data being used for analysis. However, Godfreed emphasizes the responsibility of consumers to be truthful about their risk exposure, noting that misrepresentation could impact insurance rates.

“As long as our consumers understand what data is being used in their analysis or how they’re potentially being rated or looked at, that could be fair game,” Godfreed said. “But at this point, I don’t think they’re there yet. It comes down to disclosing

what information is being used and how you’re getting it, and that’s a real push and pull with the industry right now and having that discussion of what should be disclosed, what data is acceptable, what’s not acceptable.”

The use of social media data to evaluate risk is not without its challenges. Jason Hopper, associate director at AM Best, suggests that while AI has the potential to improve the accuracy of risk assessment, there are concerns about the ethical implications



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and privacy issues associated with monitoring individuals' online activities.

Damien Philippon, co-founder of Zelros, an AI software vendor focused on the insurance and banking sector, suggests a more positive angle, foreseeing insurance companies playing a preventive role by reaching out to policyholders based on willingly shared data. This approach could involve utilizing various data sources, such as smartphone sensors, connected car information or health-related sensors, to offer timely risk-prevention advice.

"Risk assessment focuses on gaining a deeper insight into the customer's context. Traditionally, and still predominantly practiced today, those of us in the insurance industry have relied on asking the customer numerous questions. This method, from a customer's perspective, can be quite cumbersome," he said.

"This new approach involves initially requesting customers to provide existing documentation, such as contracts, or visual evidence of their assets, like photographs of their homes, cars, or gardens," Philippon explained. "This allows us to extract valuable information efficiently, reducing the need for repetitive questioning. The next phase involves utilizing publicly accessible data without direct inquiries to the customer. For instance, by analyzing satellite imagery, we can determine the proximity of a home to a river, which could affect its risk profile, or identify specific heating systems that might require maintenance or pose potential risks in the future."

The debate also draws parallels with the use of credit scores in underwriting. Godfreed notes that, unlike credit scoring, there isn't a well-established framework for challenging the data derived from social media, raising questions about transparency and accountability.

"As we deploy these new tools and what that

means, we're going to have to look at our old tools that we've been using and maybe remove some of those more controversial pieces in favor of hopefully a more accurate tool," Godfreed said. "The AI scraping and data scraping isn't there yet, but eventually we'll get to that point where it'll be a more accurate source for true risk rating than, say, your credit score."

The discussion extends beyond risk assessment. Insurers can scrutinize social media histories to verify disability claims and detect potential fraud, but Hopper emphasizes the importance of human oversight to prevent biases in machine learning.

Fraud Protection

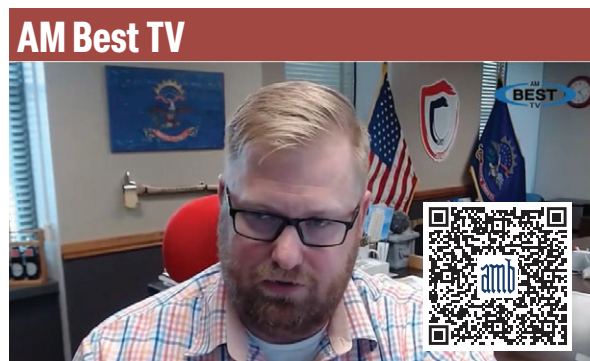
"There is one way we have been hearing insurers using AI from the fraud protection aspect," Hopper said. "I'm thinking specifically workers' comp companies as well as disability companies. Somebody puts in a disability claim and then the insurance companies scour their social media history, maybe find a photo where it might insinuate they may not actually be disabled. Or there could be a case of fraud protection."

Despite the potential benefits, the insurance industry is navigating the delicate balance between improving risk assessment and safeguarding individuals' privacy. As the use of AI in insurance continues to evolve, the industry faces challenges in defining ethical standards, ensuring transparency and addressing the legal implications of monitoring individuals through social media.

Miller said the ability to gather data can help develop "a better rate which would make better products" and an opportunity for insurers to "more accurately price products and help their financials." The premiums can be a signal to customers to show how risky behavior leads to higher costs, he said, noting that insureds need to be aware of what data is being collected and how it's used.

"I think the overarching question is how much return on investment would the insurance company be getting in terms of, you know, it's obviously way costly upfront to apply these different types of technologies, machine learning and AI. It takes time and it takes more money to refine," Hopper said. "And, as I said before, there is still that human intervention and human involvement in the process."

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Scan to watch "Insurance Insiders Question If Digital Footprints Could Be the Next Rate-Setting Frontier."

Note: AI was employed to draft this article from the interview transcript. The content has been revised throughout and cross-checked by Best's Review editorial staff.

Leading AI Platforms Disagree on Pinpointing Industry's Most Pressing Issue

Artificial intelligence's large language models have different takes on what is the single biggest issue facing today's insurance industry.

What is the single biggest issue facing today's insurance industry? Ask three insurance professionals and you're likely to get three different answers.

So it should come as no surprise that three major artificial intelligence large language models also will yield divergent results. Perhaps the real surprise is that Google's Gemini answers in the first person.

Here's how each responded:

ChatGPT-4

Identifying a single biggest issue facing today's insurance industry is challenging due to the diversity of markets and types of insurance. However, if we were to highlight one overarching issue, it might be the impact of climate change on the industry. Climate change poses a profound challenge due to the following reasons:

- **Increased Frequency and Severity of Natural Disasters:** Climate change has led to more frequent and severe weather-related disasters, such as hurricanes, floods, wildfires, and

droughts. These events result in higher claims, putting financial pressure on insurers and leading to increased premiums for policyholders.

- **Unpredictability:** The changing climate makes it harder for insurers to accurately model and predict risk, which is fundamental to the insurance business model. This unpredictability can lead to mispriced policies and potentially significant financial losses.
- **Regulatory and Public Pressure:** There's growing pressure on the insurance industry to support the transition to a low-carbon economy. This includes not only managing their own risks and claims related to climate change but also facing scrutiny about the projects and companies they choose to insure or invest in.
- **Long-Term Liability Risks:** Climate change is also expected to introduce new categories of liability. For example, companies could face lawsuits for contributing to climate change, and insurers might be liable for underwriting such companies.

- **Portfolio Risks:** For insurers with significant investments in real estate or fossil fuels, the transition to a greener economy and the physical impacts of climate change pose substantial portfolio risks.

In essence, the complex and interconnected effects of climate change challenge the traditional insurance model, requiring the industry to adapt through innovation, enhanced risk modeling, and a shift toward more sustainable practices.

Google Gemini Advanced

It's difficult to identify a single biggest issue, as the challenges facing the industry are so deeply intertwined. However, if forced to choose, I'd say the most pressing and universal concern is:

The Rising Cost of Coverage (Driven Especially by Health Care Costs)

Here's why this stands out above the rest:

- **Direct impact on customers:** Rising premiums make it difficult for individuals and businesses to afford essential insurance coverage. This can lead to underinsurance or people opting out entirely, which has ripple effects throughout health and economic systems.
- **Root cause of other issues:** Increasing costs drive the need for innovation and technology adoption as insurers strive for efficiency to keep premiums in check. Climate change adds even more cost pressure, driving a need to adjust risk models.
- **Universal impact:** Unlike technology disruption (which traditional insurers face more acutely) or regulatory hurdles (which vary by region), cost increases are felt across the entire industry, from health to property and casualty insurers.

While technology disruption, climate change, and regulatory burdens are undoubtedly critical issues, rising costs have a unique role as a central

driver for many of the other challenges the insurance industry faces.

Anthropic's Claude

There are a few key issues facing the insurance industry today, but one major overarching one is the impact of technology and data. Specifically:

- Data analytics and artificial intelligence are enabling more precise risk assessment, pricing, and fraud detection, but also raising concerns around privacy and fairness. Insurance companies are grappling with how to use these technologies responsibly.
- Consumer expectations for digital, seamless experiences are rising, forcing insurers to modernize legacy systems and business processes. Adopting new technologies like IoT [Internet of Things] sensors, blockchain, and cloud computing can be complex and costly.
- New competitive threats from insurtech startups using advanced technology to disrupt the industry. Insurers have to figure out how to innovate quickly to keep pace.
- Transitioning from historical actuarial models to more real-time, granular risk insights based on digital data from connected devices and sensors. This requires new data infrastructure and skills.
- Cyberrisk and security is a growing exposure for insurers as they digitize critical systems and collect more customer data. Preventing breaches is an increasing challenge.

So in summary, balancing innovation vs. regulation, legacy vs. cutting-edge technology, and data privacy vs. personalization are all top technological challenges insurers are grappling with today while trying to build digital capabilities and ward off new competition.

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—Staff Reports

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After More Than 20 Years, Birnbaum Ends Run as NAIC Consumer Rep

Over the years, David “Birny” Birnbaum said he achieved some successes on issues such as credit-related insurance, lender-placed insurance and mortgage guarantee insurance. He also cited efforts to expand the data regulators collected through market conduct examinations and to test for racial bias in artificial intelligence.

by Timothy Darragh

For more than 20 years, regulators, insurers and other attendees at national gatherings of the National Association of Insurance Commissioners would hear a man introduce himself in a measured tone that at times hid the passion of the words he would subsequently say:

“Hello, for those of you who don’t know me, my name is Birny Birnbaum and I am the executive director of the Center for Economic Justice...”

During that period of time, Birnbaum—whose first name is David—cajoled, criticized and commended NAIC members via his seat on the NAIC’s roster of consumer representatives. In that measured tone, he would speak, sometimes quite forcefully, about any number of issues, including illustrations used to pitch annuities to consumers, discrimination in artificial intelligence and what constitutes consumers’ best interest.

But no more.

Birnbaum decided his days on the NAIC’s consumer representative panel are over.

“I determined that my efforts would be better spent in places other than attending NAIC meetings,” Birnbaum, 70, said.



Over the years, the NAIC changed, he said, so those meetings seem more like public relations than substantive efforts to move issues forward. Along with that, consumer issues received inadequate attention, as members gave “lip service” to the consumer representatives, he said.

That increased his disillusionment with the NAIC—which had no comment on Birnbaum’s allegations—because consumer groups don’t have the resources to lobby state houses the way the insurance industry does. The NAIC, with the nation’s insurance regulators all in one place, was the place he hoped to create change.

Over the years, Birnbaum said he achieved some successes on issues such as credit-related insurance, lender-placed insurance and mortgage guarantee insurance. He also cited efforts to expand the data regulators collected through market conduct examinations and to test for racial bias in artificial intelligence.

Birnbaum pledged to continue his advocacy for consumers at state houses, on the federal level or perhaps through the International Association of Insurance Supervisors.

One of the issues CEJ is working on is U.S. Rep. Adam Schiff’s INSURE Act, which would establish a Federal Catastrophe Reinsurance Program within the Treasury Department to cap insurers’ liability in the case of a catastrophic event above a threshold to be determined. Insurers dismissed the

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

bill as a misunderstanding of how insurance works, but Birnbaum said Schiff's bill takes "a real market-based approach."

Fellow consumer advocates who have worked with Birnbaum said he'll be missed at the NAIC.

"Birny stepping aside is a huge blow to American insurance consumers," said Bob Hunter, insurance director emeritus at the Consumer Federation of America. "He stopped many industry attempts to adopt anti-consumer proposals."

Birnbaum's intelligence and his willingness to confront issues head-on often didn't endear him to many regulators over the years, said Amy Bach, executive director of United Policyholders. "There were many awkward moments where a regulator would snap at him," she said, saying no other consumer representative would stand in the line of fire like him.

"There's nobody that's going to fill his shoes," Bach said.

"Birny stepping aside is a huge blow to American insurance consumers. He stopped many industry attempts to adopt anti-consumer proposals."

Bob Hunter
Consumer Federation of America

Birnbaum has worked on the regulator side of the aisle, having started at the Texas Office of Insurance Counsel and then the Texas Department of Insurance. He said there are regulators who do a good job keeping consumers' interest in mind, naming Michael Conway in Colorado, Grace Arnold in Minnesota and Andrew Stolfi of Oregon.

While he is done with NAIC meetings, Birnbaum said he will send comment letters when

appropriate to NAIC working groups or committees considering model acts or updated regulations.

There's one other issue to consider about Birnbaum's farewell to the consumer representative group.

Birnbaum once said he was frustrated with the tilt of the organization toward the industry and that he was finished with the NAIC consumer group—in 2009.

That, of course, did not last.

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New Syndicate Tackles Carbon Credits Advancing Climate Goals

Voluntary carbon credits are tradable intangible instruments issued by a carbon crediting program. A carbon credit represents one metric ton of carbon dioxide reduced, removed or avoided in the Earth's atmosphere.

by Renée Kiriluk-Hill

Carbon offset credits are a burgeoning, multibillion-dollar industry that need new carbon insurance company Oka and others to advance climate goals, according to Oka founder and Chief Executive Officer Chris Slater.

"Everyone was talking about the risk," he said of voluntary carbon credits, starting with, "How do you ensure a credit is a ton of carbon dioxide?" The conversation has spiraled out from there, he said, encompassing long-term credibility and a myriad of "what ifs," such as what happens if a wildfire destroys the forest providing the credits.

Oka is drawing on underwriting principles and

ratings factors used in writing construction bonds, warranty products and investment bond insurance. "There are probably about 55 rating factors that we'll use to justify whether we'll put a price on it," said Slater. Experience, credibility, diligence, financial standing and backers of the carbon offsets will come into play.

"We believe we have built a model that captures the risk."

Yet he quickly admitted: "Time will tell. You need a little luck. Make sure you're not greedy."

Voluntary carbon credits are tradable intangible instruments issued by a carbon crediting program. A carbon credit represents one metric ton of carbon dioxide reduced, removed or avoided in the Earth's atmosphere.

"Once registered, VCCs associated with a mitigation project or activity may be acquired by end

Renée Kiriluk-Hill is a senior associate editor. She can be reached at renee.kiriluk-hill@ambest.com.



“It’s really a call to arms to the industry. This is a market that’s going to scale significantly, we just don’t know when or how quickly. I’m hoping we’re a catalyst; we need balance-sheet capital to come into the space.”

Chris Slater
Oka

users or intermediaries who act as brokers,” according to Kristin Johnson, commissioner of the Commodity Futures Trading Commission.

Carbon markets can be established by a government or voluntarily. They are used to help reach goals of the 2015 Paris Climate Accords and other governmental and company sustainability targets.

Late last year, Lloyd’s granted in-principle approval to managing general agent Asta and Oka for a syndicate-in-a-box to insure against buyer-side carbon credit risks. Syndicate 1922 offers coverage against associated financial, reputational, regulatory and climate risk.

Slater previously co-founded broker/managing general agent Simply Business, which Travelers acquired in 2017 for about \$490 million.

In the case of Oka, he said he wanted to create a new product for a completely new market and knew it would be difficult to convince another company’s underwriting team to back his belief in the space.

“Taking balance sheet risk proves that this business can be written profitably ... leveraging 350 years of insurance” experience and rapidly changing technology, he said.

Secondarily, he realized the Park City, Utah-based company could amass unique data on a new market, which would create additional value.

“I haven’t got 40 years of accident data to look at loss history,” said Slater. Oka combs through what is often patchy private and public information on carbon-credit projects, amalgamating it with general catastrophe risk data. It worked with Oliver Wyman to stress test its approach and framework.

“It’s a starting point,” said Slater. “Products last week are not the same products” the company might have written 12 months earlier because they’re changing on better data and Oka’s understanding of the risk.

The syndicate launched in January with the goal of insuring nature-based and technology projects. Oka is initially focused on the U.S. market, where sister company Carbon Insurance Agency distributes its product.

It also partnered with Cloverly, which will offer carbon offset credits pre-wrapped in Oka insurance to more than 300 global businesses.

According to Slater, developers selling carbon credits can enhance the reputation of the credits with embedded insurance, reducing friction and boosting a buyer’s confidence.

Oka will insure across project types, nature-based and engineered, with all-risks policies. Other natural catastrophe risks include infestation, earthquake and flood. Human-induced risks range from leaks and faulty storage to illegal logging.

Slater said he believes Oka will ultimately create more liquidity in the carbon market. “It’s really a call to arms to the industry. This is a market that’s going to scale significantly, we just don’t know when or how quickly,” he said. “I’m hoping we’re a catalyst; we need balance-sheet capital to come into the space.”

Morgan Stanley recently said the voluntary carbon-offset market is expected to grow from \$2 billion in 2020 to about \$250 billion by 2050.

Slater doesn’t worry about competition. “We can’t worry about large insurance carriers eating our lunch. It’s not a winner-take-all market.” Oka has seven full-time employees. Slater said it has a highly skilled startup team experienced in building products.

Slater’s team at Simply Business concentrated on advancing the insurance industry, not disrupting it. “It was always an evolution,” he said, and Oka follows that approach. It was also one of the first B corporations in the United Kingdom, he added. “I believe in building business for good.”

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125
YEARS

BUMPER TO BUMPER IN BEIJING: Roadways entering and exiting the central business district in China's capital city are marked by brake lights and long lines of cars, including a growing number of electric vehicles that has spurred insurance demand for EVs.



AM Best: China's Motor Segment Regains Growth Momentum

AM Best is maintaining a Stable outlook on China's non-life insurance segment. The non-motor lines of business will likely be the main drivers of growth, according to a Best's Market Segment Report.

Editor's Note: The following is an excerpt from a November 2023 Best's Market Segment Report, *Market Segment Outlook: China Non-Life Insurance*. Visit www.ambest.com to access the full report.

Motor premiums grew by 6% in the first nine months of 2023, similarly to the prior year. Our view is that the negative financial impact of the motor comprehensive reforms implemented in 2020 were fully recognized in 2022 underwriting results. In June 2023, the insurance regulator further liberalized pricing of involuntary

motor insurance for non-life insurers. The motor segment still showed strong growth momentum, with premiums expanding by 5.8% in August and 5.6% in September 2023, compared with the same period last year. AM Best expects the Chinese non-life insurers to continue focusing on acquiring good quality business, rather than on business volume, to achieve good underwriting results.

China's non-life market remains dominated by the top three insurers, which together controlled more than two-thirds of the non-life segment's DPW. The concentration is even greater in the

motor segment, with the top three insurers accounting for more than 70% of the line's DPW. Top players have established and leveraged nationwide distribution networks to negotiate for lower acquisition costs in the car-dealer distribution channel. The large portfolios of the top players also enable them to gather information from car owners for analysis (big data). This competitive advantage, coupled with their stronger analytical capabilities, leads to more accurate pricing and better underwriting. Both factors will support sustainable top- and bottom-line growth for the top players, while smaller insurers without any unique competitive advantages will continue to struggle to compete with the larger companies.

Another significant trend is the exponential growth in EV [electric vehicle] sales. With the nation striving to cut carbon emissions in all fields to achieve a green economy, the Chinese government has been providing generous subsidies both to EV manufacturers and for EV purchases over the past 14 years. These efforts have paid off, with the exceptionally high adoption of EVs in China. Statistics from the China Association of Automobile Manufacturers showed that, in the first eight months of 2023, domestic EV new car sales reached 5.37 million, accounting for 29.5% of all new car sales. The growing number of EVs on the road has led to rising demand for motor insurance for EVs. However, EVs differ from traditional internal combustion vehicles with regard to repair and maintenance, as well as drivers' experience. EV repair and servicing costs are higher than gas-powered vehicles' due to expensive parts (especially batteries and specific parts with new technology) and a shortage of qualified repair and maintenance technicians. Moreover, the lack of claims history, combined with differences among EV manufacturers, poses a challenge to accurate pricing and risk assessments.

Agriculture insurance, the third-largest line, with a DPW share of 10% for the first three quarters of 2023, has become increasingly important to the non-life industry. The Chinese government is highly committed to agricultural development, implementing policies to address agriculture, farmer, and rural affairs over the past two decades.

AMBest

On a more positive note, nationwide EV data is available through the National Big Data Alliance of New Energy Vehicles (NDANEV), a not-for-profit organization formed by an EV supervisory and management platform authorized by the Ministry of Industry of Information Technology, EV manufacturers, and EV auto parts suppliers, as well as research institutions. Leveraging the big data platform, technology-savvy insurers might be able to build their own pricing algorithms, conduct target marketing, and offer more customized

services. Although small insurers also try to tap into the opportunities offered by the EV segment, leading insurers will have a competitive advantage to differentiate themselves with better research and development capability, a preferred network of suppliers (chosen by battery manufacturers and EV manufacturers), as well as better actuarial and data analytics resources for more accurate pricing and risk differentiation. Small insurers lacking a competitive edge in either gas cars or EVs have been looking to capture growth opportunities in non-motor lines.

Non-Motor Lines Likely To Drive Future Growth

The market share of the health insurance segment has grown steadily over the past seven years, from 3% of DPW in 2016 to more than 10% since 2021 and a further 13% in the first nine months of 2023. The most prevalent health product, which also is the top contributor to health premium growth, is the high-deductible, high-limit (HDHL) medical indemnity insurance plan, also known as the "million-dollar policy." The typical HDHL product features a high insured sum of more than ¥1 million (\$140,000) and a high deductible of ¥10,000 (\$1,400), allowing for affordable annual premiums, owing mostly to the high deductible. The HDHL product has become prevalent because it addresses the need for supplementary medical

protection of costly surgery and critical illnesses not covered in the current social medical scheme, for the Chinese middle-class population.

However, as the market for HDHL medical insurance plans has gradually gotten saturated in recent years and underwriting profits have declined due to competition, the Chinese non-life segment is seeking alternative ways to drive sales in the health segment, such as introducing new offerings and value-added features. For example, new products may include features such as coverage of multiple critical illness claims; high-end, in-patient treatment coverage; expanded coverage to chronic disease or rare illness; and co-insurance with policyholders for policies with a lower deductible. For new health products, insurers typically reach out to reinsurers for pricing guidance and capacity support, thereby mitigating the new product risks.

Some non-life insurers have sought to acquire new customers by marketing products with very little or no initial premium and free rider protection to attract them into purchasing expensive coverage. Such transactions, defined as mis-selling of financial products by the regulator, have been prohibited to protect consumers' interests. In November 2023, authorities issued two guidelines to further regulate the sales of short-term health insurance products. The new guidelines stipulate that the design of short-term health insurance products should be based on consumers' health protection needs and prohibit upselling without giving customers prior notice.

In addition, insurers should make clear to customers their product deductibles, insurance liabilities and exclusions, surrender conditions, premium payment method, and relevant terms. Existing policyholders should be clearly notified of the updated premium scheme and payment schedule, if there are any material changes in insurance policy terms during the policy period, to avoid mischarging or automatic premium collection before notification. For online channels, insurers should notify policyholders when the application process is completed and should not misguide them to purchase top-up coverage. In the first nine months of 2023, health DPW grew by 10.8%, versus 16.4% over the same period in 2022 and 26.0% in 2021. Heightened competition in the health segment could lead to subdued premium growth and lower underwriting profit margins in comparison with previous years.

Agriculture insurance, the third-largest line, with a DPW share of 10% for the first three quarters of 2023, has become increasingly important to the non-life industry. The Chinese government is highly committed to agricultural development, implementing policies to address agriculture, farmer, and rural affairs over the past two decades. The nation is also striving to sustainably meet domestic demand for food supply. The role of agriculture insurance has become more critical, as it serves as a risk mitigation tool against natural catastrophe events and price fluctuations, to stabilize farmers' income. In accordance with a government policy issued in 2023, the country is aiming to expand the pilot-zone coverage region of total indemnity and income protection under the agricultural insurance scheme for its three main crops—rice, wheat, and corn—as well as products such as soybeans, rapeseed, and fisheries.

The government is also encouraging the capital market to support the development of the agriculture sector, including developing innovative products that combine agriculture insurance with commodity futures. Agriculture insurance is heavily subsidized by the Chinese government, due mainly to farmers' affordability concerns. As of September 2023, the central government provided the agricultural sector ¥47.8 billion in subsidies, while total agriculture DPW reached ¥129 billion. Local governments have also given out subsidies to support the stable development of agriculture products. The total subsidy accounts for around 75% of agriculture premiums. Given its importance to the country and relatively low coverage ratio compared with developed markets, agriculture insurance is expected to remain the main driver of premium growth over the medium term.

The economic recovery in 2023 also led to growth in other lines of business. Performance was supported by a number of favorable factors—among them, the gradual recovery of credit guarantee insurance along with the growing financing needs of SMEs; rising demand for liability coverage due to better public awareness and knowledge of legal issues; and the development of small amount insurance products customized for the e-commerce channel. AM Best expects that non-motor lines will fuel development of China's non-life market over the medium term.

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Best's Rankings**Largest Asia-Pacific Insurers – 2024 Edition**

Ranked by 2022 gross premiums written.

(US\$ Thousands)

Rank	Company	AMB#	Country of Domicile	Gross Premiums Written	Capital & Surplus
1	Ping An Ins (Group) Co of China Ltd	086446	China	\$111,173,487	\$124,035,604
2	China Life Ins (Group) Co	052446	China	108,575,409	27,903,840
3	People's Ins Co (Group) of China Ltd	085320	China	90,399,699	32,034,821
4	Life Ins Corp of India	085485	India	57,767,112	5,557,965
5	China Pacific Ins (Group) Co Ltd	090598	China	57,609,260	32,999,025
6	Dai-ichi Life Hldgs, Inc.	046417	Japan	50,034,196	21,664,421
7	Nippon Life Ins Co	090826	Japan	48,059,169	52,077,298
8	Tokio Marine Hldgs Inc	050962	Japan	38,315,019	27,380,090
9	AIA Group Ltd	052599	Hong Kong	36,519,000	38,096,000
10	China Taiping Ins Group Ltd.	055742	China	32,864,864	5,048,760
11	MS&AD Ins Group Hldgs, Inc.	052662	Japan	30,882,673	30,801,614
12	SOMPO Hldgs, Inc.	052641	Japan	30,212,023	13,983,129
13	Taikang Ins Group Inc.	077638	China	29,283,626	15,383,492
14	Meiji Yasuda Life Ins Co	090828	Japan	27,674,844	27,808,837
15	Prudential Hldgs of Japan, Inc.	058645	Japan	24,547,139	4,275,678
16	China Reins (Group) Corp	090958	China	24,522,619	12,425,251
17	New China Life Ins Co Ltd	091605	China	23,559,651	14,861,594
18	QBE Ins Group Ltd	085434	Australia	20,001,000	8,990,000
19	Sumitomo Life Ins Co	091242	Japan	19,477,434	5,731,307
20	MetLife Ins K.K.	084748	Japan	17,940,761	3,145,297
21	Hanwha Life Ins Co., Ltd.	092839	South Korea	16,505,069	5,354,180
22	Japan Post Hldgs Co. Ltd.	053008	Japan	16,468,120	75,989,097
23	Samsung Fire & Marine Ins Co Ltd	093102	South Korea	16,307,114	8,700,682
24	T&D Hldgs Ltd	052951	Japan	14,962,604	7,443,657
25	Samsung Life Ins Co Ltd	093248	South Korea	14,911,700	17,602,593
26	Cathay Finl Hldg Co., Ltd.	059995	Taiwan	14,442,211	19,533,082
27	Great Eastern Hldgs Ltd	058610	Singapore	13,848,745	7,030,826
28	DB Ins Co., Ltd.	094051	South Korea	13,744,963	4,245,737
29	China Post Life Ins Co Ltd	091551	China	13,207,641	3,157,388
30	Hyundai Marine & Fire Ins Co Ltd	093505	South Korea	12,860,747	3,338,693

Source:  ; data as of Feb. 23, 2024.



AM Best Managing Director Highlights Record Year for Insurance-Linked Securities Amid Cat Bond Renewals

The ILS market grew by \$4 billion last year to its current size of \$100 billion, said Emmanuel Modu, noting most of that growth was based on cat bond issuance, which had a record of \$15 billion this past year.

by Lori Chordas

Factors driving record catastrophe bond issuance include investors' preference for risks attached at higher points and cat bonds' ability to avoid secondary perils, according to

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

Emmanuel Modu, managing director, insurance-linked securities, AM Best.

Modu, who spoke with AM Best TV at the Artemis ILS NYC 2024 conference, said investors also like risk that is more remote and "cat bonds certainly offer that." Following is an edited transcript of an interview.



“We expect growth in cat bonds will probably continue because in 2024, about \$11 billion worth of cat bonds will actually mature. So, we may see a record again this year in cat bonds.”

Emmanuel Modu
AM Best

How did the ILS market perform in 2023?

The ILS market performed really well in 2023, from a returns point of view. Based on some of the market indices we track, the cat bond market returned 20%, which was a record, and the collateralized insurance market returned 14%, which was also a record.

The ILS market grew by \$4 billion last year to its current size of \$100 billion, and most of that growth was based on cat bond issuance, which had a record of \$15 billion this past year. Now, the ILS market has not really grown very much since 2018, when the capacity was \$95 billion. That was because you have a lot of investors pulling out of the market after all the losses that we’ve seen over the past six years.

You talked about record cat bond issuance last year. Can you tell us about some of the factors that impacted that?

As it turns out, investors like risk that is

actually more remote and cat bonds certainly offer that. In addition, cat bonds avoid some of the secondary perils that’s been a problem for the insurance industry for the past seven years. So that has actually spurred on investments in cat bonds.

In addition, you have, basically, cat bond maturities that were quite high in 2023. In 2023, about \$7 billion worth of cat bonds matured, and much of that was recycled back into the cat bond market in addition to the new sponsors that have come in. Also, you have, actually, spreads in cat bonds that have widened considerably, attracting a lot more investors.

Also, expected losses have come down on cat bonds, as well as market value of cat bonds really have increased because Hurricane Ian losses have come in lower than expected, so all those things have led to a heightened interest in the cat bond market.

What are your expectations for the ILS market this year?

We expect growth in cat bonds will probably continue because in 2024, about \$11 billion worth of cat bonds will actually mature. So, we may see a record again this year in cat bonds.

But I think the investor interest will probably keep trickling back in because of the fact that they’ve seen some gains in 2023, although some of them kind of have a wait-and-see attitude this year to see whether the market discipline is going to continue. So overall, there’s optimism, but kind of cautious optimism.

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Scan to watch the interview with
Emmanuel Modu.

For Solar Panel Makers, Tapping Into the Sun's Power Could Have a Dark Side

Best's Underwriting Reports and *Best's Loss Control Reports* provide insights into the risks and lines of coverage solar panel manufacturers need to consider.

The concept may appear simple and practical: Using solar power instead of conventional forms of energy reduces the amount of carbon and other pollutants that are emitted into the environment. Reducing the amount of carbon in the atmosphere translates into less pollution and cleaner air and water, according to the U.S. Department of Energy.

But for those who manufacture the panels that convert sunshine into energy, the insurance needs are great. Most significantly, underwriters should be aware of the potential for property and equipment breakdown, according to a *Best's Underwriting & Loss Control Resources* report titled *Solar Panel Manufacturing*.

"Special exposures include a number of ignition sources, the daily use of highly sophisticated machines, and the extended length of time needed to replace production equipment," according to the report description.

The creation of the network of electrical components that convert sunlight into electricity, or "solar systems," is a highly complex, scientific process, but also an industry that is seeing a surge in the United States due to the inclusion of federal tax credits stipulated in the 2022 Inflation Reduction Act. The cost to install solar power has dropped by more than 40% over the last decade, driving this power source to account for nearly half of new electric generating capacity in 2023, the Solar Energy Industries Association said.

Recurrent Energy, a subsidiary of Canadian Solar Inc. and a global developer and owner of solar and



energy storage assets, announced in a February press release that it has secured \$160 million in financing for a project that will "significantly expand the amount of renewable energy capacity installed in Louisiana."

In October 2023, Indiana Gov. Eric Holcomb announced that Canadian Solar also will build an \$800 million solar cell manufacturing plant in the southern part of the state that will create 1,200 jobs.

Best's Underwriting Reports has identified 12 lines of coverage for solar panel manufacturers: Automobile Liability; Automobile Physical Damage; General Liability; Premises and Operations; General Liability: Products - Completed Operations; Environmental Impairment Liability; Workers' Compensation; Crime; Property; Business Interruption; Inland Marine; Equipment Breakdown; and Cyber Insurance.

Best's Hazard Index ranks the risk of exposure for the lines of business as Low (1-3), Medium (4-6), High (7-9), and Very High (10).

Following are excerpts from the Lines of Coverage report that shows the highest index rankings:

Best's Hazard Index

Line of Coverage	Best's Hazard Index
Property	8
Equipment Breakdown	8
Business Interruption	7
Cyber Insurance	7
Equipment Breakdown	5

Lines of Coverage

Property

Solar panel manufacturers (including those that produce solar cells) will have a serious property

exposure. Ignition sources will include faulty wiring, malfunctioning electrical equipment, ovens used

in producing silicon wafers and/or solar panels, and, possibly, smoking. The fire load will include finished and unfinished solar panels or solar cells, raw materials, production equipment, adhesives, packaging materials, laminates, Ethylene Vinyl Acetate (EVA), laboratory equipment (if there is an on-site laboratory), flammable chemicals, polyester or fluoropolymer materials used in backsheets, as well as office furniture and equipment. Silicon and silica dust can cause an explosion (and can also sometimes spontaneously combust) under certain circumstances. Computers will be covered here.

Equipment Breakdown

Due to highly sophisticated production machinery, the Equipment Breakdown exposure for solar cell and panel manufacturers will be serious. This equipment will be very expensive to replace. Most companies have large power generators on site. Modern manufacturing plants will utilize an array of robotic machinery and laser cutting equipment. Many equipment manufacturers will make service representatives available who specialize in repairing and maintaining specific machinery. This equipment should be continually monitored by qualified employees (preferably those trained by the equipment manufacturer) during work shifts to ensure its proper operation. The underwriter should investigate the availability of new machinery, as well as the availability of replacement parts.

Loss Control

On-Site Inspection:

- What are the age, construction, and condition of the company's building(s)?
- What hazards are posed by any adjacent buildings?
- What is the layout of the premises?
- What safety devices does the insured have in place on its boilers?
- Is there an alarm system to indicate when liquid levels are low?
- Are boilers separated from production areas and placed in their own fire division?

Business Interruption

Business Interruption exposure for solar cell and solar panel manufacturing will be substantial. Given that the insured will likely occupy custom-built or considerably modified buildings, they will choose to repair the premises rather than relocate in the event of a loss. Replacing production equipment or rebuilding the facility will take an extended period of time. A large loss can cripple production for a year or more and can result in millions of dollars of lost revenue.

Cyber Insurance

For solar cell and panel manufacturers, the Cyber Insurance Liability exposure will be substantial. Cyber Insurance covers a unique set of exposures in that both third- and first-party losses may occur. Exposures include both internal and external attempts to steal (e.g., through hacking) confidential client information. Computer viruses could corrupt or outright destroy data. Denial-of-service (DoS) attacks can shut down an insured's operation for great lengths of time if the company's network is inadequately protected. First-party coverage will protect the insured against its own lost data or business revenue, while third-party coverage will protect the insured against outside claims resulting from negligence or inadequacies regarding the reliability and/or security of the insured's computer network or website; both types of coverage are advisable.

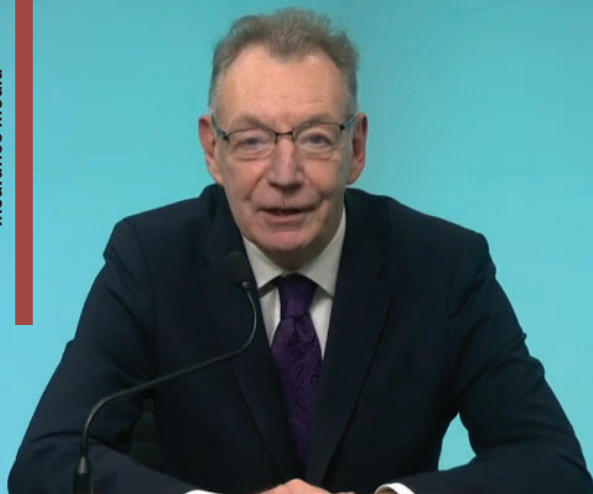
• Items To Investigate:

- Is the insured more dependent on location or reputation for its business?
- In the event of a loss, is the insured more likely to repair, rebuild, or relocate?
- Does the insured store valuable information on a computer network that can be accessed through the internet?
- Has an outside party been commissioned to periodically test its electronic security protocols, and/or confer with any outside experts to review its security policies whenever they are revised? **BR**

– Anthony Bellano



Scan for more on this and other risk classifications in Best's Underwriting & Loss Control Resources.



JUST CHILL: Clockwise from left, John Weber, AM Best, speaks with Craig Pretzinger and Jason Feltman, hosts of *The Insurance Dudes Podcast*, about what they hope to accomplish with their long-running production.



For Insurance Dudes, Podcast Is Totally Awesome Way To Connect With Agents

Hosts Craig Pretzinger and Jason Feltman discuss how *The Insurance Dudes Podcast* attempts to help with the challenge of running a consistently profitable and productive agency that can be—from one dude to another—the life of the party.

by John Weber

Dude, where's my insurance podcast? Ask Craig Pretzinger and Jason Feltman. After years of struggling in the business, they finally found their righteous path to predictable and consistent growth with *The Insurance Dudes Podcast*.

The podcast's hosts, who currently work as captive agents, launched the production five years ago to help other agents find their own paths to creating—well, in dudespeak—a totally awesome agency.

Pretzinger acquired his agency 15 years ago and Feltman, as he put it, “bought an agency for way too much money at the time” about six or seven years ago, presenting challenges for the dudes duo to succeed. The two collaborated on developing sales approaches for agencies that are being used today.

Feltman had reached out to Pretzinger about a

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

sales program his agency was using and the two were both hosting separate podcasts at the time.

“We had one or two episodes apiece. This conversation went so well that we talked a few more times. We're like, well, why don't we just do this together?” Feltman said. “So that's when we formed *The Insurance Dudes* and then we came up with that sales system and, man, it was funny, too, because we hadn't met, until a year or a year and a half after we started the podcast, in person.”

AM Best TV spoke with Pretzinger and Feltman about their journeys in insurance and broadcasting. Following is an edited transcript of the interview.

Tell us a little bit about the podcast and how you came up with the name *The Insurance Dudes*.

Feltman: We saw a lot of podcasts going on and it was like, hey, we both like talking to people. Then

“We’re dudes—our vernacular is pretty ‘dude-y,’ as Craig would say. So we just decided to interview other agents and really just learn ... some of the secrets of what they’re doing on sales, but just to get to know a lot of people and to talk to a lot of people.”

Jason Feltman
The Insurance Dudes Podcast



when we decided to do it together, we said, you know, let’s do something a little different.

We’re dudes—our vernacular is pretty “dude-y,” as Craig would say. So we just decided to interview other agents and really just learn ... some of the secrets of what they’re doing on sales, but just to get to know a lot of people and to talk to a lot of people.

Right around six months into it, we realized that if we recorded on and released them [episodes] on a consistent basis, that we were starting to see more and more people listen to us. Prior to that, it was like my mom and maybe Craig’s mom and that’s about it.

We had a lot of random people on at the beginning, but then throughout time, it was like, how can we serve these agents? How can we be more involved with building a community for the agents?

Who are your guests on the podcast?

Pretzinger: We’ve had tons of agents. In the early days, there were a lot of insurance agents to talk to them about ... how they were growing, the different things they were doing. We didn’t have necessarily the best strategy [early on] on acquiring new guests and we were just hitting people on Instagram—just literally pinging them on Instagram or Facebook, sending them a little blurb about what we do.

We got William Hung [a former contestant] from *American Idol*. So we’ve had some random guests but also we had fun trying to tie it back to our world. Because everybody still touches insurance at some point, right? They have to have insurance so it’s interesting to bring it in that way.

What sort of feedback are you getting from

your listeners?

Feltman: People seem to really like it. I haven’t heard too much negativity. I mean every once in a while you’ll get that stuff on the internet, but I personally love it. We should probably push it a little bit more to get more polarity in there ... I don’t think that the agents that are negative on the industry as a whole—they tend to be kind of put off by us.

What are some of the big questions that you’re hoping to answer for your listeners?

Pretzinger: We want to introduce concepts that we weren’t familiar with back just a few years ago and that we weren’t using to really manage our business and make it work well. So, concepts like customer lifetime value, acquisition costs, and then the different types of leads—we really break down all of these different things because all of these components are really important if you want to be successful. It’s interesting because a lot of agents, including both Jason and me, really, really struggle buying leads and effectively getting results with them.

BR

AM Best TV



Scan to watch the interview with
Craig Pretzinger and Jason Feltman.



DEVASTATION: People survey tornado damage in Fairdale, Illinois. Rate increases for homeowners insurance have escalated amid greater frequency and severity of such natural disasters.

Largest Illinois Homeowners Carriers Enact Double-Digit Rate Hikes, Driven by Construction Material and Labor Costs

The five largest insurer groups were approved to enact at least 31 rate increases since the latter part of 2023, according to Best's State Rate Filings.

by Renée Kiriluk-Hill

The largest homeowners insurers in Illinois are enacting double-digit rate increases, with the five largest groups writing two-thirds of the market approved to enact at least 31 rate hikes since the second half of 2023, according to Best's State Rate Filings.

Homeowners insurers nationally have widely sought, and regulators have approved, rate increases as repair and rebuilding costs outpaced economic inflation, compounded by the greater frequency and severity of natural disasters, said Scott Holeman, director of media relations, Insurance Information Institute.

"Home insurers had their worst underwriting performance since 2011 last year," he said. "They paid \$1.12 of expenses for every dollar of premium taken in, according to our projections. That's not a sustainable business model."

Nine of the 10 states with the worst 2012-2022 median direct combined ratio for U.S. homeowners/farmowners are landlocked, according to a Best's Market Segment Report.

Severe storms accounted for \$60 billion of an estimated \$100 billion of 2023 natural catastrophe losses, Swiss Re said at the start of December 2023, the first time the peril has caused that level of loss for the industry.

They're hitting in states with the already highest median direct combined ratios for the decade, places like No. 1 Nebraska, 121.9; No. 2 Colorado, 112.8; and No. 5 Illinois, 97.3. South Dakota, Montana, Wyoming, New Mexico, Iowa, Georgia and Idaho round out the top 10 list.

Holeman said insurers in places like Illinois—where wind storms, hail, tornadoes and more cause losses—are impacted by the COVID-19 pandemic's surge in prices in

addition to post-event price surges. Major storms send a lot of homeowners in search of building supplies and labor at the same time, pushing costs and claims higher, Holeman said. "The payouts have been much higher" from catastrophes, he added.

And overall construction materials and labor rates rose 55%, nearly four times greater than the consumer price index increase from 2019 through 2022, said Holeman.

Allstate got the nod for nine multiperil rate increases across seven of its businesses in Illinois, according to Best's State Rate Filings. The four starting this year ranged from the effective 45.6% increase for apartments/condominiums by Allstate Insurance Co. to an effective 18.8% for Allstate Indemnity Co. for tenants/renters.

Nationally, Allstate reported a \$624 million underwriting loss last year for branded homeowners, compared with a \$701 million underwriting income a year earlier, according to a U.S. Securities and Exchange Commission filing.

Farmers Insurance Group, the fourth-largest writer of homeowners in the state, was approved for 14 rate hikes for subsidiaries. Most hikes are in the mid-to-high teens. They range from a low overall effective rate of 5.4% for Foremost Insurance Co.'s mobile/manufactured home policyholders to a high of 30% for Farmers Direct Property and Casualty Insurance Co.'s various subline homeowners.

Approved rate hikes in Illinois followed a similar range for American Family companies. Four rate approvals were bookended by Homesite Insurance Co. of Illinois rates rising an overall 5.6% in November while American Family Insurance Co. plans to have a 30% hike for its multiperil homeowners policyholders.

Holeman said carriers and the institute are helping spread awareness of risk mitigation.

BR

Photo by Bruce Leighty/Getty Images

Renée Kiriluk-Hill is a senior associate editor. She can be reached at renee.kiriluk-hill@ambest.com.

Illinois Homeowners Multiperil Approved Rate Filings by Overall Effect With Increases of 15% or Greater

Based on an effective date beginning July 1, 2023, through Feb. 1, 2024.

Group Name	Company Name	AMB#	Overall Effect	Effective Date	Program	Best's State/Line - P/C, US Market Share %
Allstate Insurance Group	Allstate Insurance Group	000008	45.60%	1/15/2024	Apartments/ Condominiums	12.55%
Allstate Insurance Group	Allstate Insurance Company	002017	45.60%	1/15/2024	Apartments/ Condominiums	1.73%
	Branch Insurance Exchange	020956	45.00%	10/27/2023	Non-Specific	0.01%
Clear Blue Insurance Group	Clear Blue Insurance Group	018868	40.00%	11/1/2023	Non-Specific	0.38%
Clear Blue Insurance Group	Rock Ridge Insurance Company	020623	40.00%	11/1/2023	Non-Specific	0.38%
Nationwide Prop & Cas Group	Nationwide Prop & Cas Group	005987	35.10%	7/9/2023	Various Sublines	1.46%
Nationwide Prop & Cas Group	Nationwide Insurance Company of America	002513	35.10%	7/9/2023	Various Sublines	0.67%
Nationwide Prop & Cas Group	Nationwide Prop & Cas Group	005987	35.00%	7/9/2023	Various Sublines	1.46%
Nationwide Prop & Cas Group	ALLIED Property and Casualty Ins Co	001772	35.00%	7/9/2023	Various Sublines	0.25%
Nationwide Prop & Cas Group	AMCO Insurance Company	002014	35.00%	7/9/2023	Various Sublines	0.27%
Allstate Insurance Group	Allstate Insurance Group	000008	35.00%	7/17/2023	Non-Specific	12.55%
Allstate Insurance Group	MIC General Insurance Corporation	002669	35.00%	7/17/2023	Non-Specific	0.50%
Grange Insurance Pool	Grange Insurance Pool	003917	33.40%	11/22/2023	Non-Specific	0.15%
Grange Insurance Pool	Grange Indemnity Insurance Company	011777	33.40%	11/22/2023	Non-Specific	0.10%
Allstate Insurance Group	Allstate Insurance Group	000008	31.90%	1/15/2024	Apartments/ Condominiums	12.55%
Allstate Insurance Group	Allstate Insurance Company	002017	31.90%	1/15/2024	Apartments/ Condominiums	1.73%
	Homeowners of America Ins Co	013125	30.40%	9/15/2023	Non-Specific	0.03%
Farmers Insurance Group	Farmers Insurance Group	000032	30.00%	10/20/2023	Various Sublines	6.53%
Farmers Insurance Group	Farmers Direct Prop and Cas Insurance Co	002496	30.00%	10/20/2023	Various Sublines	0.92%
Selective Insurance Group	Selective Insurance Group	003926	29.20%	1/31/2024	Non-Specific	0.15%
Selective Insurance Group	Selective Insurance Co of South Carolina	002019	29.20%	1/31/2024	Non-Specific	0.15%
Farmers Insurance Group	Farmers Insurance Group	000032	29.00%	12/1/2023	Various Sublines	6.53%
Farmers Insurance Group	Farmers Casualty Insurance Company	003288	29.00%	12/1/2023	Various Sublines	0.84%
Allstate Insurance Group	Allstate Insurance Group	000008	28.20%	1/15/2024	Apartments/ Condominiums	12.55%
Allstate Insurance Group	Allstate Indemnity Company	002018	28.20%	1/15/2024	Apartments/ Condominiums	2.10%
Spinnaker Insurance Group	Spinnaker Insurance Group	018968	28.00%	10/13/2023	Various Sublines	0.34%
Spinnaker Insurance Group	Spinnaker Insurance Company	022321	28.00%	10/13/2023	Various Sublines	0.33%
Travelers Group	Travelers Group	018674	25.30%	12/15/2023	Various Sublines	4.93%
Travelers Group	TravCo Insurance Company	011300	25.30%	12/15/2023	Various Sublines	3.47%
Allstate Insurance Group	Allstate Insurance Group	000008	25.00%	11/13/2023	Non-Specific	12.55%
Allstate Insurance Group	Encompass Insurance Company	011794	25.00%	11/13/2023	Non-Specific	0.02%
Berkshire Hathaway Ins Group	Berkshire Hathaway Ins Group	000811	25.00%	9/1/2023	Various Sublines	0.26%
Berkshire Hathaway Ins Group	AmGUARD Insurance Company	000293	25.00%	9/1/2023	Various Sublines	0.26%
Farmers Insurance Group	Farmers Insurance Group	000032	23.70%	12/1/2023	Mobile/Manufactured Home	6.53%
Farmers Insurance Group	Foremost Property and Casualty Ins Co	001897	23.70%	12/1/2023	Mobile/Manufactured Home	0.04%
W. R. Berkley Insurance Group	W. R. Berkley Insurance Group	018252	23.20%	11/25/2023	Various Sublines	0.23%
W. R. Berkley Insurance Group	Berkley Insurance Company	003630	23.20%	11/25/2023	Various Sublines	0.23%
Farmers Insurance Group	Farmers Insurance Group	000032	23.10%	11/12/2023	Non-Specific	6.53%
Farmers Insurance Group	Farmers Group Prop and Cas Insurance Co	003733	23.10%	11/12/2023	Non-Specific	0.24%
Farmers Insurance Group	Farmers Insurance Group	000032	21.80%	7/1/2023	Non-Specific	6.53%
Farmers Insurance Group	Foremost Insurance Co Grand Rapids, MI	002189	21.80%	7/1/2023	Non-Specific	0.63%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.70%	10/9/2023	Non-Specific	5.29%
Liberty Mutual Insurance Cos	Insurance Company of Illinois	004938	21.70%	10/9/2023	Non-Specific	1.20%
Selective Insurance Group	Selective Insurance Group	003926	21.50%	12/15/2023	Various Sublines	0.15%
Selective Insurance Group	Selective Insurance Co of South Carolina	002019	21.50%	12/15/2023	Various Sublines	0.15%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.40%	12/15/2023	Non-Specific	5.29%
Liberty Mutual Insurance Cos	Safeco Insurance Company of Illinois	002709	21.40%	12/15/2023	Non-Specific	0.85%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.30%	9/19/2023	Non-Specific	5.29%

Group Name	Company Name	AMB#	Overall Effect	Effective Date	Program	Best's State/Line - P/C, US Market Share %
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Company	002283	21.30%	9/19/2023	Non-Specific	0.02%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.10%	9/19/2023	Non-Specific	5.29%
Liberty Mutual Insurance Cos	LM Insurance Corporation	010765	21.10%	9/19/2023	Non-Specific	0.23%
Liberty Mutual Insurance Cos	Liberty Mutual Personal Insurance Co	013107	21.10%	9/19/2023	Non-Specific	1.83%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.00%	11/23/2023	Non-Specific	5.29%
Liberty Mutual Insurance Cos	Liberty Mutual Fire Insurance Company	002282	21.00%	11/23/2023	Non-Specific	0.27%
Liberty Mutual Insurance Cos	Liberty Mutual Insurance Cos	000060	21.00%	9/19/2023	Non-Specific	5.29%
Liberty Mutual Insurance Cos	Peerless Indemnity Insurance Company	002088	21.00%	9/19/2023	Non-Specific	0.32%
	Rockford Mutual Insurance Co	003612	20.03%	7/25/2023	Non-Specific	0.21%
Amica Mutual Group	Amica Mutual Group	018522	20.00%	11/1/2023	Various Sublines	0.29%
Amica Mutual Group	Amica Mutual Insurance Company	002162	20.00%	11/1/2023	Various Sublines	0.29%
Nationwide Prop & Cas Group	Nationwide Prop & Cas Group	005987	19.90%	7/1/2023	Various Sublines	1.46%
Nationwide Prop & Cas Group	Crestbrook Insurance Company	001987	19.90%	7/1/2023	Various Sublines	0.25%
Hanover Ins Group P&C Cos	Hanover Ins Group P&C Cos	004861	19.80%	7/21/2023	Various Sublines	1.11%
Hanover Ins Group P&C Cos	Citizens Insurance Company of Illinois	012023	19.80%	7/21/2023	Various Sublines	1.11%
Farmers Insurance Group	Farmers Insurance Group	000032	19.70%	10/27/2023	Non-Specific	6.53%
Farmers Insurance Group	Farmers Insurance Exchange	002171	19.70%	10/27/2023	Non-Specific	2.72%
Andover Companies Pool	Andover Companies Pool	000166	19.60%	10/6/2023	Non-Specific	0.15%
Andover Companies Pool	Cambridge Mutual Fire Insurance Company	002054	19.60%	10/6/2023	Non-Specific	0.13%
Andover Companies Pool	Andover Companies Pool	000166	19.10%	10/6/2023	Non-Specific	0.15%
Andover Companies Pool	Merrimack Mutual Fire Insurance Company	002055	19.10%	10/6/2023	Non-Specific	0.02%
Farmers Insurance Group	Farmers Insurance Group	000032	19.10%	7/1/2023	Non-Specific	6.53%
Farmers Insurance Group	Foremost Insurance Co Grand Rapids, MI	002189	19.10%	7/1/2023	Non-Specific	0.63%
	Badger Mutual Insurance Co	000192	19.00%	12/1/2023	Non-Specific	0.09%
Allstate Insurance Group	Allstate Insurance Group	000008	18.80%	1/15/2024	Tenants/Renters	12.55%
Allstate Insurance Group	Allstate Indemnity Company	002018	18.80%	1/15/2024	Tenants/Renters	2.10%
Allstate Insurance Group	Allstate Insurance Group	000008	18.30%	10/13/2023	Non-Specific	12.55%
Allstate Insurance Group	Encompass Home and Auto Ins Co	012535	18.30%	10/13/2023	Non-Specific	0.19%
American Family Ins Group	American Family Ins Group	000124	17.60%	12/13/2023	Non-Specific	6.24%
American Family Ins Group	Homesite Insurance Company of Florida	022142	17.60%	12/13/2023	Non-Specific	1.52%
Munich-American Hldg Corp Cos	Munich-American Hldg Corp Cos	018753	16.60%	10/17/2023	Non-Specific	0.24%
Munich-American Hldg Corp Cos	American Modern Property & Casualty Ins	003285	16.60%	10/17/2023	Non-Specific	0.20%
Pekin Insurance Group	Pekin Insurance Group	000754	15.30%	8/25/2023	Non-Specific	1.14%
Pekin Insurance Group	Farmers Automobile Insurance Assn	002395	15.30%	8/25/2023	Non-Specific	0.96%
Pekin Insurance Group	Pekin Insurance Company	002396	15.30%	8/25/2023	Non-Specific	0.18%
Farmers Insurance Group	Farmers Insurance Group	000032	15.20%	10/27/2023	Non-Specific	6.53%
Farmers Insurance Group	Farmers Insurance Exchange	002171	15.20%	10/27/2023	Non-Specific	2.72%
Munich-American Hldg Corp Cos	Munich-American Hldg Corp Cos	018753	15.10%	11/8/2023	Apartments/ Condominiums	0.24%
Munich-American Hldg Corp Cos	American Modern Property & Casualty Ins	003285	15.10%	11/8/2023	Apartments/ Condominiums	0.20%
Chubb INA Group	Chubb INA Group	018498	15.00%	10/12/2023	Non-Specific	1.78%
Chubb INA Group	Bankers Standard Insurance Company	004333	15.00%	10/12/2023	Non-Specific	0.29%
Goodville Mutual Ins Group	Goodville Mutual Ins Group	018839	15.00%	1/1/2024	Various Sublines	0.05%
Goodville Mutual Ins Group	Goodville Mutual Casualty Company	003143	15.00%	1/1/2024	Various Sublines	0.05%
Travelers Group	Travelers Group	018674	15.00%	9/22/2023	Liability	4.93%
Travelers Group	TravCo Insurance Company	011300	15.00%	9/22/2023	Liability	3.47%
Auto Club Group	Auto Club Group	000312	15.00%	7/1/2023	Non-Specific	1.10%
Auto Club Group	MemberSelect Insurance Company	002140	15.00%	7/1/2023	Non-Specific	0.96%

Note: The State Rate listings include multiple rows with the filing company (or companies) and its group together.
Source: Best's State Rate Filings; data as of Feb. 28, 2024.

—Patricia Vowinkel



Scan for the full list or to get more on this and other Best's State Rate Filings.



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Authors: Cultivating Effective Habits Can Produce Fruitful Results

Q4intelligence's Kevin Trokey and Wendy Keneipp discuss methods to grow a business and how to thrive.

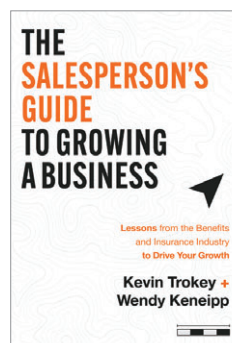


Kevin Trokey



Wendy Keneipp

The Salesperson's Guide to Growing a Business: Lessons from the Benefits and Insurance Industry to Drive Your Growth



While insurance professionals generally don't get to choose their results, they get to select the habits that determine those results, said Q4intelligence founding partner and coach Kevin Trokey and partner and coach Wendy Keneipp. The two also are the authors of the book *The Salesperson's Guide to Growing a Business*:

Lessons from the Benefits and Insurance Industry to Drive Your Growth, which discusses ways to drive growth and business success.

Following is an edited transcript of an interview with Trokey and Keneipp.

Can you tell us about your book?

Trokey: We built the book around what we call the Q4i Growth Platform, which is built on four pillars: marketing, sales, service and leadership.

How can insurance professionals and aspiring entrepreneurs make their business stand out from their competitors?

Keneipp: That involves having control over the way you work and understanding your business at a very foundational level, so that you know how to make changes, what types of changes to make and how those changes will resonate with your buyers.

How do individuals' habits determine their results and what are some effective habits and those to avoid?

Trokey: The personality traits of many business owners are that they're quick starts and are easily distracted. We chase shiny squirrels all over, and in a lot of ways that tendency serves us very well. But it also gets us distracted.

How can agency owners involve their teams in the business?

Keneipp: Engaging your team comes back to the vision, understanding and having a robust look at your business model. Understand what your organization is all about, where it's going and how you are going to get there. **BR**

—Lori Chordas



Scan to watch the interview with Kevin Trokey and Wendy Keneipp.

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

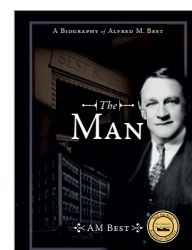
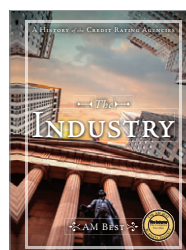
AM Best Business Trilogy

AM Best details the history of AM Best, the history of credit rating agencies, and the life of Alfred M. Best.

The Company—A History of AM Best

The Industry—A History of Credit Rating Agencies

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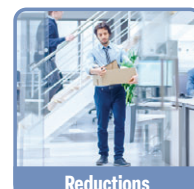
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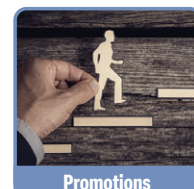
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5. Insurance Leaders Combat Climate Risks Through Innovation, Collaboration



Life

These were the top trending items from Dec. 22, 2023-Feb. 22, 2024. Mobile app articles were the top stories from Feb. 1-29, 2024. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

The above content can be viewed on demand at bestsreview.ambest.com or by visiting AM Best's home page at www.ambest.com.

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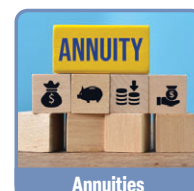
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Trending Research Includes Special Reports on Annuity Surrenders and Parametric Solutions

Other trending research includes reports on farm bureaus, cyber and P&I clubs and a commentary on IFRS 17.

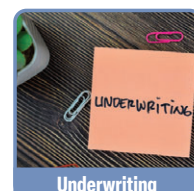
Trending: Best's Special Reports

1. Annuity Surrenders Up Through 3Q23, Beating Premium Growth \$
2. P/C Insurers Cut Expenses in the Wake of Deteriorating Personal Lines Results \$
3. US Economy: Soft Landing May Experience a Bumpy Road \$
4. Parametric Solutions Offer Risk Management and Loss Mitigation Opportunities



Trending: Best's Market Segment Reports

1. Farm Bureau Insurers Navigate Underwriting Challenges \$
2. Cyber: Growth Potential and Pricing Environment Support Appetite Across Some European (Re)insurers
3. P&I Clubs: Improving Underwriting Results but Further General Increases Needed To Keep Up With Inflation
4. Market Segment Outlook: Japan Non-Life Insurance



Trending: Best's Commentary

1. Frequently Asked Questions: IFRS 17
2. Despite Heightened Risks, Casualty Reinsurance Renewals See Modest Price Changes
3. Strong Recovery in Total Reinsurance Capital Countered by Surplus Distributions
4. Frequently Asked Questions: AM Best's Country Risk Evaluation of China



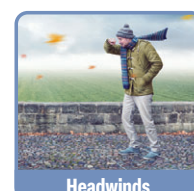
Trending: Best's Research Via AM Best Mobile App

1. Market Segment Report: Surety Growth and Profitability Bolstered by Public Projects \$
2. 2024 Best's Rankings: Top 20 P/C Managing General Agents — 2024 Edition
3. 2024 Best's Rankings: World's Largest Insurance Companies-Allianz SE Leads With \$1.1 Trillion in Net Non-Banking Assets \$
4. Best's Market Segment Report: P&I Clubs: Improving Underwriting Results but Further General Increases Needed To Keep Up With Inflation



Trending: AM Best Analytical Briefings

1. AM Best's Briefing - Delegated Underwriting Authority Enterprises: Headwinds & Tailwinds
2. AM Best's Briefing - Captives: Insurance Review and Current Conditions
3. AM Best's Briefing - Cyber: Moderating Pricing & Cautious Underwriting, Even as Risks Resurface
4. AM Best's Briefing - Medical Professional Liability Sector: The State of the US Market



Trending: AM Best TV - Best's Research

1. Farm Bureau Insurers Are Navigating Underwriting Challenges
2. Transition, Hard Market Steer Focus to Capital Management
3. IFRS 17 Frequently Asked Questions
4. P/C Insurers Cut Expenses in the Wake of Deteriorating Personal Lines Results



These were the top trending research and commentary reports from Dec. 22, 2023-Feb. 22, 2024. Mobile app reports were from Feb. 1-29, 2024.

\$ Payment or subscription required.

Best's News & Research Service subscribers can download PDF copies of all Best's Special Reports, Best's Commentaries and Best's Market Segment Reports along with supporting spreadsheet data at www.ambest.com.

Note: Best's Research includes Best's Special Reports, Best's Market Segment Reports, Best's Commentary and AM Best Analytical Briefings.



Insurance Adjusters Panel Explores Strategies for Building, Retaining Experienced Workforce

Professionals also examine auto insurance quote manipulation and discuss how insurers are managing social inflation and mass tort risk.

Streaming Live

Inside the Evolving Independent Insurance Adjuster Business Model

A panel of independent insurance adjusters share their strategies on attracting and retaining new and experienced staff. Participants include Daniel Herbert, president/CEO, Three Griffins Inc.; Michael J. Marsh, RPA, CPIA, CIA, CIU, president, Midland Claims Service Inc.; Brian A. Schneider, president, Schneider & Associates Claim Services; and Bill Schulenberg, president, Apple Adjusters Inc. **This AM Best Webinar is hosted by Best's Insurance Professional Resources.**

Wednesday, April 3, 2 p.m. ET.

On Demand

Solving the Profitability Puzzle – Addressing Auto Insurance Quote Manipulation

Quote manipulation can indicate higher claims risk as individuals provide incorrect information to appear less risky. Unchecked, widespread quote manipulation can lead to better customers subsidizing riskier ones; inflated premiums that drive away good customers; and greater risks of adverse selection. New research suggests that up to 8% of new shopping events could be subject to auto insurance quote manipulation by individuals misrepresenting their garaging address. A panel of data scientists and insurance experts examines how carriers can identify garaging address mismatches to better support underwriting and profitability. Moderator John Weber, AM Best, is joined by Jon Atteberry, director, Data Science; Jennifer Kostyrna, director, Product Management; and Katie Raftelis, senior product manager, Driving Risk Violations Product Management Team, all of LexisNexis Risk Solutions. **This AM Best Webinar was sponsored by LexisNexis Risk Solutions.**



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AM Best's Briefing – Casualty: How Insurers Are Managing Social Inflation and Mass Tort Risk

Senior AM Best research staff and industry experts explore recent developments in casualty insurance and reinsurance. Topics include factors such as social inflation and mass torts influencing increased severity in their casualty books and corrective actions that have been taken; partnering with reinsurers for risk and capital management as reinsurers look to deploy capital to casualty risks in a better interest rate environment; and implications for the market and ratings. John Weber, senior associate editor, AM Best, moderates the discussion with panelists Amanda Lyons, executive managing director, Aon; Sridhar Manyem, senior director of industry research and public relations, AM Best; and Mia Finsness, global executive underwriting officer, Markel.

AM Best's Briefing – 2024 Outlook: Is the Industry Equipped To Manage Increasing Uncertainty?

AM Best analysts discuss 2024 outlooks and key factors that will impact the insurance industry. Topics include how insurers navigate a fragile stock market, geopolitical uncertainty, interest rate responses from the Federal Reserve and economic inflation. The panel also examines how social inflation, increasing climate risk and a hard reinsurance market will impact the property/casualty segment. Outlooks discussed include delegated underwriting authority enterprises; health; life/annuity; property and casualty – commercial lines; and property and casualty – personal lines. Moderator Stefan Holzberger, chief rating officer, is joined by panelists Joseph Burtone, director, personal property/casualty; Michael Lagomarsino, senior director, commercial property/casualty; Michael Porcelli, senior director, life/annuity; Sally Rosen, senior director, health; Greg Williams, senior director, delegated underwriting authority enterprises; and Carlos Wong-Fupuy, senior director, reinsurance.

Best's Review delivers a comprehensive package of property/casualty and life/health insurance industry news, trends and analysis monthly. Find us on the internet at bestsreview.ambest.com.



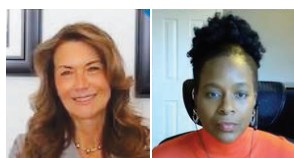
IBI Officials: Prevalence of Long COVID Spurs Increasing Disability Claims, Work Absences, Health Expenses

Also, professionals examine challenges facing farm bureau insurers and discuss the importance of a nonjudgmental workplace environment.

On Demand

IBI's McDevitt and Bonner: Long COVID Spikes Disability Claims, Work Absences

Integrated Benefits Institute President Emeritus Kelly McDevitt and Researcher Carole Bonner said nearly one in five U.S. adults experiences persistent symptoms months after their initial COVID diagnosis, spurring a rise in disability claims and health costs.



Kelly McDevitt Carole Bonner

AM Best: Farm Bureau Insurers Are Navigating Underwriting Challenges

AM Best Senior Financial Analyst Christopher Lewis discusses a recent Best's Market Segment Report, which found farm bureaus' incurred loss ratios are worse than the insurance industry's through the third quarter of 2023.



Christopher Lewis

AM Best's Keenan: Workplace Culture Should Support Business Strategy

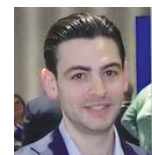
Andrea Keenan, executive vice president & CSO, AM Best, stressed the importance of a nonjudgmental work environment. Keenan spoke with AM Best TV at the Sixth Annual Emerging Leaders Conference, held in San Antonio.



Andrea Keenan

Howden Tiger's Rosenberg: Diversification, Liquidity Help Shape Investor ILS Strategies

Mitchell Rosenberg, managing director, ILS, Howden Tiger Capital Markets & Advisory, said investors are diversifying portfolios through various access points to the ILS sector, based on risk tolerance and return objectives. Rosenberg spoke with AM Best TV at the Artemis ILS NYC 2024 conference.



Mitchell Rosenberg



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MSCI Report: Florida, California Markets Could Face More Expensive Policies, Fewer Choices as Insurers Retreat

Also, AM Best Audio explores atmospheric rivers and what the insurance industry should be doing to counter the effects of this weather phenomenon.

MSCI Reveals Sustainability, Climate Trends To Watch for in 2024

Meggan Thwing Eastman, managing director, global head of ESG policy and product research at MSCI Inc., discusses a company report that shows with some insurers retreating from Florida and California, more expensive policies and fewer options could result.

Atmospheric Rivers Increasing Flood Risk

John Dickson, president of Aon Edge, a private flood insurance provider, discusses how much water atmospheric rivers are dumping on North America and how the insurance industry should be reacting. **BR**



Scan to listen to new and archived audio from AM Best Audio.

This edition lists all Credit Rating actions that occurred between Feb. 1 and Feb. 29, 2024. 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		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS LIFE/HEALTH								
Downgrade	L	777 Re. Ltd. MTCP LLC	074522	C- u ccc- u	Negative Negative	B u bb u	Negative Negative	Bermuda
Under Review	L	American Retirement Life Insurance Co The Cigna Group	008831	A u a+ u	Developing Developing	A a+	Stable Stable	Ohio, USA
Outlook Change	L	Amica Life Insurance Company Amica Mutual Insurance Company	007464	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Rhode Island, USA
Downgrade	L	Atlantic Coast Life Insurance Company Advantage Capital Partners, LLC	006132	B++ u bbb u	Negative Negative	B++ bbb+	Stable Stable	South Carolina, USA
Under Review	H	Bravo Health Mid-Atlantic, Inc. The Cigna Group	064697	A u a u	Developing Developing	A a	Stable Stable	Maryland, USA
Under Review	H	Bravo Health Pennsylvania, Inc. The Cigna Group	064743	A u a u	Developing Developing	A a	Stable Stable	Pennsylvania, USA
Under Review	H	Cigna HealthCare of Colorado, Inc. The Cigna Group	068864	A u a+ u	Developing Developing	A a+	Stable Stable	Colorado, USA
Under Review	H	Cigna National Health Insurance Company The Cigna Group	006203	A u a+ u	Developing Developing	A a+	Stable Stable	Ohio, USA
Upgrade	L	Gerber Life Insurance Company Western & Southern Mutual Holding Co	007299	A+ aa	Stable Stable	A a+	Stable Stable	New York, USA
Under Review	H	HealthSpring Life & Health Ins Co, Inc. The Cigna Group	060673	A u a u	Developing Developing	A a	Stable Stable	Texas, USA
Under Review	H	HealthSpring of Florida, Inc. The Cigna Group	064756	A u a u	Developing Developing	A a	Stable Stable	Florida, USA
Upgrade	L	Independence Life and Annuity Company Sun Life Financial Inc.	006547	A a	Stable Stable	A- a-	Positive Positive	Delaware, USA
Under Review	H	Loyal American Life Insurance Company The Cigna Group	006671	A u a+ u	Developing Developing	A a+	Stable Stable	Ohio, USA
Under Review	H	Medco Containment Ins Co of New York The Cigna Group	010747	A u a+ u	Developing Developing	A a+	Stable Stable	New York, USA
Under Review	H	Medco Containment Life Insurance Company The Cigna Group	006449	A u a+ u	Developing Developing	A a+	Stable Stable	Pennsylvania, USA
Outlook Change	L	Nassau Life and Annuity Company Nassau Financial Group, L.P.	009072	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Connecticut, USA
Outlook Change	L	Nassau Life Insurance Company Nassau Financial Group, L.P.	006922	B++ bbb	Stable Positive	B++ bbb	Stable Stable	New York, USA
Outlook Change	H	Nassau Life Insurance Company of Kansas Nassau Financial Group, L.P.	006977	B++ bbb	Stable Positive	B++ bbb	Stable Stable	Kansas, USA
Rating Withdrawal	H	North American Insurance Company	060015	NR nr		B++ bbb	Stable Stable	Oklahoma, USA
Initial Rating	L	NYLIFE Insurance Company of Arizona New York Life Insurance Company	068015	A++ aaa	Stable Stable	NR nr		Arizona, USA
Under Review	H	Provident American Life & Health Ins Co The Cigna Group	006932	A u a+ u	Developing Developing	A a+	Stable Stable	Ohio, USA
Downgrade	L	Sentinel Security Life Insurance Company Advantage Capital Partners, LLC	007040	B++ u bbb u	Negative Negative	B++ bbb+	Stable Stable	Utah, USA
Under Review	H	SILAC Insurance Company SILAC, Inc.	006342	B+ u bbb- u	Negative Negative	B+ bbb-	Negative Negative	Utah, USA
AMERICAS PROPERTY/CASUALTY								
Upgrade	P	American Heartland Insurance Company United Equitable Group, Ltd.	011662	C ccc+	Stable Negative	C- ccc-	Stable Negative	Illinois, USA
Outlook Change	P	American Select Insurance Company Ohio Farmers Insurance Company	002069	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Nonlife); L = Life; H = Health; T = Title; C = Composite.
Opinion Modifiers: u = Under Review; sf = Structured Finance; i = Indicative Credit Rating Modifier; s = Syndicate Credit Rating Modifier

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
Outlook Change	P	Amica Mutual Insurance Company Amica Mutual Insurance Company	002162	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Rhode Island, USA
Outlook Change	P	Amica Property and Casualty Insurance Co Amica Mutual Insurance Company	011610	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Rhode Island, USA
Upgrade	P	Aspire General Insurance Company Alder Investments, LLC	022030	B++ bbb	Stable Stable	B+ bbb-	Positive Positive	California, USA
Outlook Change	P	California Earthquake Authority	012534	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	California, USA
Outlook Change	P	Canopius Reinsurance Limited Fidentia Fortuna Holdings, Ltd.	078185	A- a-	Stable Stable	A- a-	Negative Negative	Bermuda
Outlook Change	P	Canopius US Insurance, Inc. Fidentia Fortuna Holdings, Ltd.	013830	A- a-	Stable Stable	A- a-	Negative Negative	Delaware, USA
Under Review	P	Casualty Underwriters Insurance Company American Sheep Industry Association Inc.	010770	C++ u b u	Negative Negative	C++ b	Negative Negative	Utah, USA
Under Review	P	Consolidated National Insurance Company Ambac Financial Group, Inc.	021266	A- u a- u	Developing Developing	A- a-	Stable Stable	Colorado, USA
Outlook Change	P	Fidelis Insurance Bermuda Limited Fidelis Insurance Holdings Limited	093763	A a	Stable Stable	A a	Negative Negative	Bermuda
Rating Affirmation	P	GuideOne America Insurance Company GuideOne Mutual Holding Company	001854	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Affirmation	P	GuideOne Elite Insurance Company GuideOne Mutual Holding Company	001870	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Affirmation	P	GuideOne Insurance Company GuideOne Mutual Holding Company	002404	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Affirmation	P	GuideOne National Insurance Company GuideOne Mutual Holding Company	014334	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Affirmation	P	GuideOne Property & Casualty Ins Co GuideOne Mutual Holding Company	011577	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Affirmation	P	GuideOne Specialty Insurance Company GuideOne Mutual Holding Company	002403	A- a-	Negative Negative	A- u a- u	Negative Negative	Iowa, USA
Rating Withdrawal	P	Indiana Lumbermens Insurance Company	000508	NR nr		A- a-	Stable Stable	Indiana, USA
Under Review	P	Nevada General Insurance Company Western National Mutual Insurance Co	011692	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Nevada, USA
Initial Rating	P	NLADA Mutual Insurance Company, a RRG Minnesota Lawyers Mutual Insurance Co	021650	A a	Stable Stable	NR nr		District of Columbia, USA
Outlook Change	P	Ohio Farmers Insurance Company Ohio Farmers Insurance Company	002381	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Old Guard Insurance Company Ohio Farmers Insurance Company	004499	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	PEMCO Mutual Insurance Company	002415	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Washington, USA
Initial Rating	P	Relsure Vermont, Inc. Related Companies, LP	021471	A- a-	Stable Stable			Vermont, USA
Under Review	P	Southern Mutual Church Insurance Company	001847	A u a u	Negative Negative	A a	Stable Stable	South Carolina, USA
Rating Withdrawal	P	Trusted Resource Underwriters Exchange ¹	020873	NR nr		B++ u bbb+ u	Developing Developing	Florida, USA
Downgrade	P	United Equitable Insurance Company United Equitable Group, Ltd.	002460	C ccc+	Stable Negative	C++ b	Negative Negative	Illinois, USA
Upgrade	P	United Frontier Mutual Insurance Company Allegany Co-op Insurance Company	001911	A a	Negative Negative	A- a-	Stable Stable	New York, USA
Rating Affirmation	P	Validus Reinsurance, Ltd. RenaissanceRe Holdings Ltd	078113	A a	Stable Stable	A u a u	Developing Developing	Bermuda
Outlook Change	P	Westfield Champion Insurance Company Ohio Farmers Insurance Company	020640	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA

¹ The ratings were downgraded from a-/A- to bbb+/B++ on Feb. 14, 2024, and subsequently withdrawn.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Nonlife); L = Life; H = Health; T = Title; C = Composite. **Opinion Modifiers:** u = Under Review; sf = Structured Finance; i = Indicative Credit Rating Modifier; s = Syndicate Credit Rating Modifier

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
Outlook Change	P	Westfield Insurance Company Ohio Farmers Insurance Company	002382	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield National Insurance Company Ohio Farmers Insurance Company	004043	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield Premier Insurance Company Ohio Farmers Insurance Company	020641	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield Select Insurance Company Ohio Farmers Insurance Company	021169	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield Specialty Insurance Company Ohio Farmers Insurance Company	020985	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield Superior Insurance Company Ohio Farmers Insurance Company	020642	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Westfield Touchstone Insurance Company Ohio Farmers Insurance Company	020643	A a+	Stable Negative	A a+	Stable Stable	Ohio, USA
Outlook Change	P	Wisconsin Mutual Insurance Company	003524	A a	Negative Negative	A a	Stable Stable	Wisconsin, USA
EUROPE, MIDDLE EAST & AFRICA								
Initial Rating	P	Coverys Limited Medical Professional Mutual Insurance Co	043295	A a	Stable Stable			United Kingdom
Outlook Change	P	Fidelis Insurance Ireland DAC Fidelis Insurance Holdings Limited	071417	A a	Stable Stable	A a	Negative Negative	Ireland
Outlook Change	P	Fidelis Underwriting Limited Fidelis Insurance Holdings Limited	093764	A a	Stable Stable	A a	Negative Negative	United Kingdom
Under Review	P	Folgate Insurance Company Limited Hadron Holdings, LP	087350	B u bb+ u	Positive Positive	B bb+	Stable Stable	United Kingdom
Initial Rating	P	Marco Re Limited OCM Luxembourg OPPS XI	094441	A- a-	Stable Stable	NR nr		Guernsey
Rating Affirmation	P	Validus Reinsurance (Switzerland) Ltd. RenaissanceRe Holdings Ltd	078516	A a	Stable Stable	A u a u	Developing Developing	Switzerland
ASIA-PACIFIC								
Rating Affirmation	P	Fubon Insurance Co., Ltd. Fubon Financial Holding Co., Ltd.	086888	A a	Negative Negative	A u a u	Negative Negative	Taiwan
Rating Affirmation	P	Fubon Insurance Vietnam Co., Ltd. Fubon Financial Holding Co., Ltd.	052949	B++ bbb+	Stable Stable	B++ u bbb+ u	Negative Negative	Vietnam
Rating Withdrawal	P	Shanghai Electric Insurance Limited ² Shanghai Electric Holding Group Co Ltd	074578	NR nr		B++ bbb+	Stable Stable	Hong Kong
Initial Rating	L	Well Link Life Insurance Company Limited Well Link Insurance Group Holdings Ltd	074928	B+ bbb-	Stable Stable	NR nr		Hong Kong
AMERICAS								
Rating Withdrawal	P	AXA XL Resseguros S.A. AXA S.A.	094263	NR nr		A+ aa-	Stable Stable	Brazil
Upgrade	P	CG United Insurance Ltd. Edmund Gibbons Limited	086916	A a	Stable Stable	A- a-	Positive Positive	Barbados
Initial Rating	P	Fianzas Avanza S.A. de C.V.	071746	B++ bbb	Stable Stable	NR nr		Mexico

Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
Outlook Change	Nassau Companies of New York, Inc.	050888	bb	Positive	bb	Stable	Delaware, USA
Outlook Change	Fidelis Insurance Holdings Limited	033824	bbb	Stable	bbb	Negative	Bermuda

² The ratings of bbb+/B++ were affirmed on Feb. 7, 2024, and subsequently withdrawn.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Nonlife); L = Life; H = Health; T = Title; C = Composite. **Opinion Modifiers:** u = Under Review; sf = Structured Finance; i = Indicative Credit Rating Modifier; s = Syndicate Credit Rating Modifier

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

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

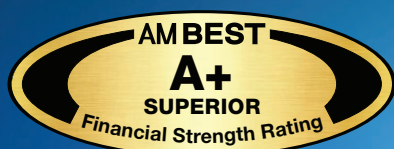
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Best's Long-Term Issuer Credit Rating (Long-Term ICR) Scale

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.
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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.

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s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
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Connecticut Law Firm Wins Defense Verdict

Russo & Gould successfully defended a case against a restaurant, where a person fell and sought an award of \$23 million in damages.

A Connecticut court ruled in favor of a West Haven landmark restaurant in a lawsuit filed by a patron who claimed to have fallen and sought \$23 million in damages.

Cecil Floyd and Audrey D. Medd, both of Russo & Gould LLP, recently won a jury verdict in New Haven Superior Court in a lawsuit filed by James and Lisa Pue against Jimmie's Inc., a waterfront restaurant in existence for approximately 99 years that is also known as Jimmies of Savin Rock. The jury deliberations took four hours, Russo & Gould said.

In the lawsuit, Pue, James L. et al vs. Jimmie's, Incorporated et al, the plaintiff alleged that, as a result of a slip and fall on a wet floor in the defendant's restaurant on Dec. 13, 2019, James Pue sustained multiple injuries including a traumatic brain injury, spinal cord damage, cervical myelomalacia and a displaced orbital fracture, Russo & Gould said in a statement

posted its website. The plaintiff claimed that the defendant created the condition by mopping the floor while patrons were still in the restaurant, failed to post a warning sign, and failed to perform a proper inspection of the area, the lawsuit said.

The defendant's attorneys contended that James Pue failed to provide evidence there was any slippery substance on the floor where he fell. The defendant contended that there was no water condition and that, instead, the plaintiff tripped as a result of a pre-existing health condition, Russo & Gould said in a statement posted online.

Founded in 1996, Russo & Gould LLP provides legal counsel and representation on a wide range of civil liability and insurance matters. Offices are located in New York, New Jersey, Pennsylvania and Connecticut. The firm is a qualified member in Best's Recommended Insurance Attorneys - General Defense.

Two Cooper & Scully Attorneys Certified in Texas Insurance Law

The lawyers are among the first group in Texas to receive certification in the specialty of insurance law by the Texas Board of Legal Specialization.

Two attorneys at Cooper & Scully were among the first in the state to receive a board certification in insurance law by the Texas Board of Legal Specialization, the law firm said.

Robert J. Witmeyer and Summer Frederick, based

in the firm's Dallas office, are among the first group of 52 lawyers in Texas to become certified in this specialty after sitting for the bar exam in October 2023. The Texas Supreme Court approved the creation of aviation law and insurance law certifications at the end of 2022.

Witmeyer counsels clients in complex coverage matters, the law firm said. He has extensive experience analyzing coverage issues involving commercial auto, commercial property, directors & officers, excess and umbrella, general liability, and professional liability policies, with a substantial portion of his practice dedicated to construction defect claims. These claims often involve significant coverage issues such as allocation of damages, number of occurrences, and trigger of coverage.



Summer Frederick

Frederick represents insurers and agents in disputes involving commercial general liability, first-party property, automobile, trucking, and professional liability insurance. She defends insurers against lawsuits alleging contractual and extra-contractual liability and bad faith, and regularly assists clients with matters related to policy interpretation, Cooper & Scully said.

The state's board describes insurance law as the practice of law dealing with the determination and regulation of issues arising in respect to various policies of insurance, including commercial general liability; casualty; directors and officers liability; excess/umbrella; extra-contractual liability; employment practices; advertising injury; life, health, and disability; professional liability; environmental impairment liability; property; personal lines; title; marine; cyber; and reinsurance. Potential issues include coverage, regulatory, oversight, public policy, the sale of policies of insurance, what qualifies as an insurance indemnity



Robert Witmeyer

agreement, and consumer protection. The practice can include dispute resolution, transactional work, counseling and advice, and regulatory work, among other areas.

To gain insurance law certification in Texas, an attorney must practice law full time for at least five years as an active member of the state bar and have at least three years of

insurance law experience with an annual minimum of 30% involvement in industry matters. Certification also requires receiving references from lawyers in the field; completing 60 hours of continuing legal education in insurance law; passing a six-hour exam; and meeting all of the state's standards for certification.

Founded in 1993, Cooper & Scully has grown into a trial and appellate firm of more than 40 lawyers with offices in Dallas, Austin, Houston and San Francisco. The firm's litigation experience includes such legal areas as insurance coverage, appellate, business transactions, construction, employment, health care, intellectual property, medical malpractice, pharmacy, products liability, professional liability, transportation and trusts and estates. Cooper & Scully is a qualified member in Best's Recommended Insurance Attorneys - General Defense.

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Nick Charteris-Black, Managing Director	+44 20 7397 0284	nick.charteris-black@ambest.com	London	EMEA
Edem Kuenyehia, Director	+44 20 7397 0280	edem.kuenyehia@ambest.com	London	Sub-Saharan Africa
Riccardo Ciccozzi, Director	+44 20 7397 0309	riccardo.ciccozzi@ambest.com	London	Southern Europe
William Mills, Senior Director	+44 20 7397 0323	william.mills@ambest.com	London	Northern Europe
Róisín Gallagher, Associate Director	+44 20 7397 0261	roisin.gallagher@ambest.com	London	Europe
Carlos De la Torre, Senior Director	+52 55 7903 5420	carlos.delatorre@ambest.com	Mexico City	LATAM & CAR
Rob Curtis, Managing Director	+65 9633 6118	robert.curtis@ambest.com	Singapore	AP
Johnathan Wong, Analyst	+65 8940 9780	johnathan.wong@ambest.com	Singapore	AP
KaiJun Chan, Analyst	+65 9824 2401	kaijun.chan@ambest.com	Singapore	AP
Simon Saensurin, Associate	+65 8907 0874	simon.saensurin@ambest.com	Singapore	AP
Vasilis Katsipis, General Manager	+971 4375 2782	vasilis.katsipis@ambest.com	Dubai	MENA; South & Central Asia

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Brian Schlesinger, Associate Director	+1 908 894 9586	brian.schlesinger@ambest.com	USA (NJ)	BMU; CAR; LATAM; USA (Eastern Region) & US Territories (PR & VI)
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Debbie Giordano, Account Manager	+1 908 335 0938	debbie.giordano@ambest.com	USA (PA)	USA (Mid-Atlantic Region)
Danny Heffernan, Senior Account Manager	+1 908 894 9560	christopher.heffernan@ambest.com	USA (GA)	CAR; LATAM; USA (South Central Region) & US Territories (PR & VI)
Sue Kjaer, Senior Account Manager	+1 908 894 9557	sue.kjaer@ambest.com	USA (MA)	USA (New England Region)
Mark Kuhlman, Senior Account Manager	+1 908 894 9561	mark.kuhlman@ambest.com	USA (TX)	USA (Western Region & TX)
Patrick McCahill, Account Manager	+1 908 268 0765	patrick.mccahill@ambest.com	USA (NJ)	USA (South Atlantic Region & NY)
Jennifer Rudy, Senior Account Manager	+1 732 266 8644	jennifer.rudy@ambest.com	USA (MI)	CAN & USA (North Central Region)
Sutton Wescott, Account Manager	+1 908 698 2960	sutton.wescott@ambest.com	USA (IL)	USA (IL)
Bryan Martyn, Senior Director	+44 7970 799332	bryan.martyn@ambest.com	London	EMEA; AP & US Territories (AS, GU & MP)
Aidan Porter, Senior Account Manager	+44 7702 947679	aidan.porter@ambest.com	London	UK
Darren Hewitt, Account Manager	+44 20 7397 0303	darren.hewitt@ambest.com	London	EMEA; AP & US Territories (AS, GU & MP)

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James McMyne, Senior Account Manager	+1 908 399 1550	james.mcmyne@ambest.com	USA (NJ)	BMU; CAN; CAR; LATAM; USA & US Territories (AS, GU, MP, PR & VI)
Bill Carey, Account Manager	+1 908 328 3303	william.carey@ambest.com	USA (NJ)	BMU; CAN; CAR; LATAM; USA & US Territories (AS, GU, MP, PR & VI)

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Don't Get Carried Away With 2023 Cat Bond Returns

After a strong 2023, cat bonds are still likely to see strong demand. As terms weaken for new bonds, investors need to be cautious about risks, AM Best and others warn.

by William Borden

Catastrophe bonds had a banner year, with the Swiss Re Cat Bond Index showing nearly a 20% gain in 2023—very strong for a fixed-income investment.

Before anyone considers rolling their retirement plan and tapping into this market, it's not that simple. It's reserved for professional investors, and the notion that "past performance doesn't guarantee future results" also comes into play.

"One year's worth of return is not enough for ILS investors at this point, because they've felt the segment has generally underperformed over the past six years," said Emmanuel Modu, AM Best managing director.

"They need more evidence that risk-adjusted spreads are sustainable and that there is more discipline in terms of risk selection."

While 2023 was a banner year, investors have faced a lot of pain in this category where investors faced losses. Hedge funds, sovereign wealth funds, pensions and family offices buy these bonds to diversify assets and generate returns independently of the typical fixed-income investment, where the biggest risks are default, inflation or changing interest rates.

Modu says there may be a record in 2024 cat bonds as at least \$11 billion worth mature this year and more money might be poised to enter the field to meet increased reinsurance capital demand.

Modu said 2023's success was largely because the level of natural catastrophe losses absorbed by the reinsurance market in the year was relatively low. "In addition, deals are being structured with higher

attachment points, which require increased levels of losses to trigger cat bonds."

Much like the traditional fixed-income market, cat bonds have their own standards around spread to expected loss, giving a sense about risk-adjusted spreads and the vulnerability of the capital to be paid to cover a catastrophe. "The idea of loss multiples is quite important because it's an indicator. It's how

you see the cycle in this market," Modu said.

Modu says the first half of 2023's 5.10 average loss multiple, also known as risk-adjusted spread, may indicate the peak of the reinsurance market's hardening trajectory since Hurricane Ian. That loss multiple has dropped since then, indicating slightly less pricing discipline among

investors—even the professional money managers.

Scott Stewart, finance professor at Cornell University's Samuel Curtis Johnson Graduate School of Management, says professional money managers sometimes fall into the trap of chasing performance against their benchmark funds, where they are ranked against industry averages within a specific asset class.

When fixed-income assets gain a lot of attention, Stewart says, "investors are stretching for yield. They are willing to compromise a bit more." In a hot bond market, new issues can become "covenant light," giving lenders less security about financial ratios and the use of cash, Stewart says. The parallel in the cat bond market is narrowing loss multiples.

"ILS managers and reinsurers just wrapped up a year of huge profits," Modu said. "They're probably awash with cash they may want to deploy back into the market. This probably means that prices will continue to decline. Now what's going to temper this decline is if investors hold the line on terms and conditions and risk selection."



William Borden is managing editor. He can be reached at william.borden@ambest.com.

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