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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

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AM BEST'S MONTHLY INSURANCE MAGAZINE

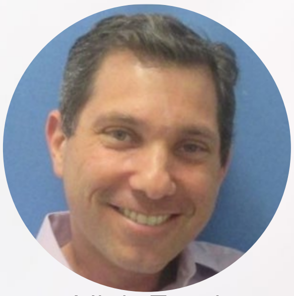
The Many Facets of D&I

Insurance executives and industry experts discuss how social change is driving opportunity. **Pages 27-39**


Vicki Walia


Laura Boylan


Kesa Edwards


Nick Frank


Jake Appel


Doug Ommen


D'Juan Hopewell


Dianne Greene


Patti Griffin

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

The Many Facets of Diversity & Inclusion

The November issue also includes coverage of the homeowners insurtech sector, AM Best's exclusive ranking of homeowners insurers and an excerpt from an AM Best report on three early stage health insurers.

Discussions about diversity and inclusion often focus specifically on the demographics of the workforce and efforts to create a more inclusive environment. But the issues for the insurance industry go much deeper.

Insurers not only employ hundreds of thousands of people but also sell to a wide, diverse consumer base. Insurers make critical decisions daily about how to price products to be competitive, but also account for risk.

Best's Review joined with AM Best TV to talk to industry leaders about the many facets of diversity and inclusion, the steps insurers have been taking to promote diversity and inclusion, problems that have emerged and the challenges that still lie ahead.

Our coverage includes three panel discussions: "Best Practices for Building a Diverse and Inclusive Insurance Workforce," "Advancing Technology Exposes Insurers to Bias Risk," and "How Insurers Profit by Serving a Diverse and Inclusive Customer Base."

Panels discussed Black-owned insurance companies, the need for regulatory and policy changes,and a story about the day after George Floyd's death at one insurance company.

To watch the panel discussions, which aired on AM Best TV in October, go to *www.bestreview.com/d-i*.

The November issue also includes coverage of homeowners insurance, specifically turning an eye to insurtechs and recent startups. In "Homeowners Insurtech Segment Expands Lines, Forms Partnerships, Adds Services," *Best's Review* includes a guide to who's who in homeowners insurtechs.

The insurance industry has been a hotbed of activity, with insurtechs and other new insurance startups launching, forming partnerships, making acquisitions and raising money through public offerings. In the health sector, new entrants are rare. But three early stage health insurance carriers—Clover Health Investments Corp., Oscar Health Inc. and Bright Health Group Inc.—have gone public in 2021.

November is Health Insurance Awareness Month and in this issue, *Best's Review* has included an excerpt from the recently published *Best's Special Report: Public Equity Markets a Capital Lifeline for Three Early Stage Health Insurers.*

In the life insurance sector, sales have been booming, with the industry posting its biggest sales gain since 1983. *Best's Review* explores the reasons for the banner year and examines whether it is sustainable in "Life Insurance Sales Are Up, But for How Long?"

Also, check out "Space Invaders: Recent Private Spaceflights Have Insurers Eyeing New Coverages" for an exploration of new developments in coverage for space tourism.

The 2021 edition of AM Best's *Guide to Understanding the Insurance Industry* will be available on Amazon this month. The guide is an easy-to-follow introduction to the insurance industry for students, new employees, prospects and those who would like to learn more about the industry.

BR

Patricia Vowinkel
Executive Editor
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The Question:

What are some of the most interesting innovations taking place in the insurance industry?

Email your answer to *bestreviewcomment@ambest.com* or scan the QR code to submit your response.

Responses will be published in What Readers Say in a future issue.

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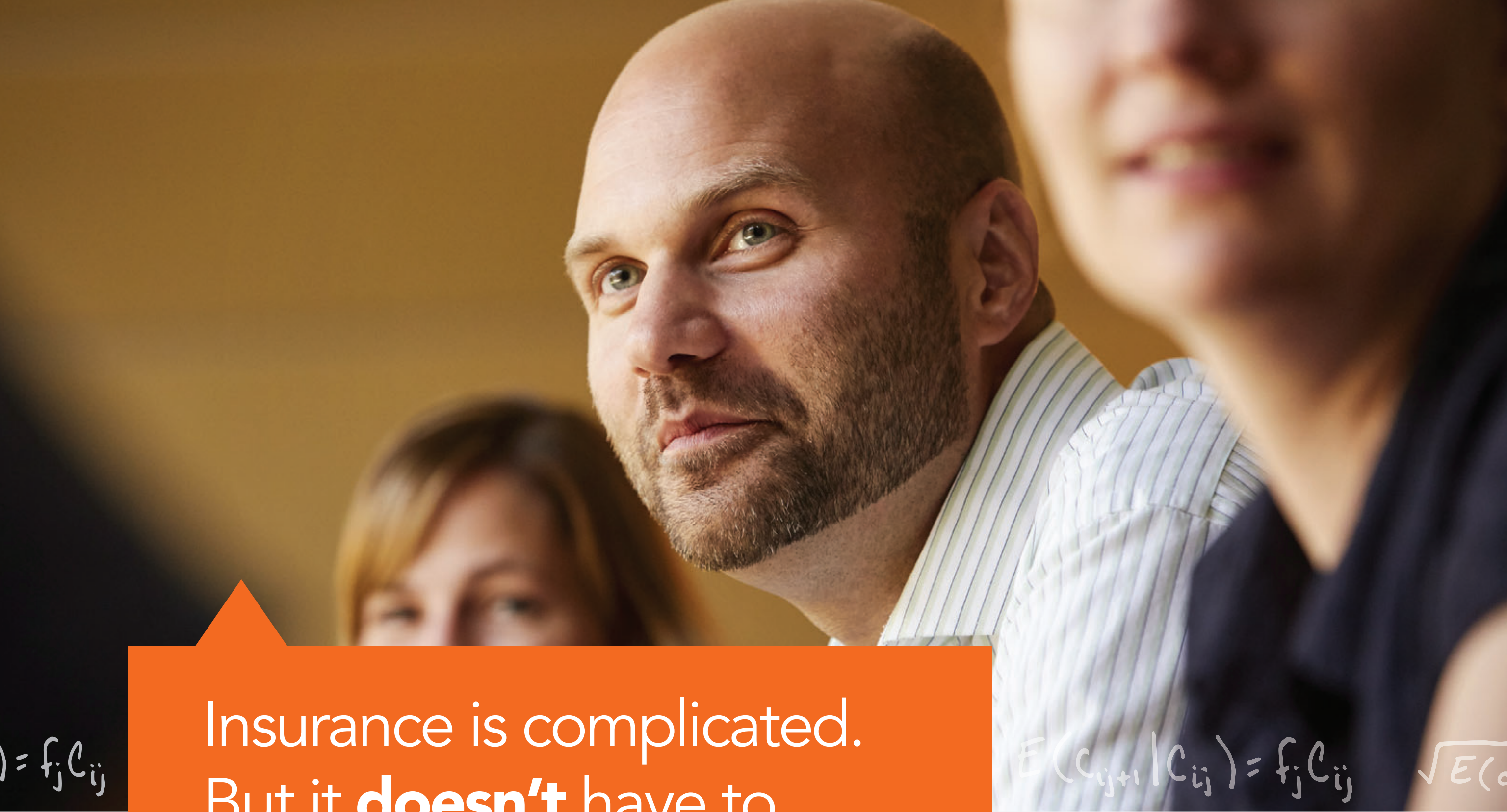

CAS to Hold Annual Meeting in San Diego

Nov. 2-4: 2021 NRRA National Conference, National Risk Retention Association, Chicago.

Nov. 4-5: Annual Meeting and Public Policy Forum, American Academy of Actuaries, Washington, D.C.

Nov. 7-9: Private Risk Management Association Summit, Private Risk Management Association, Rosemont, Ill.

Nov. 7-10: HYBRID. CAS Annual Meeting, Casualty Actuarial Society, San Diego.

Nov. 7-10: VIRTUAL. IRMI Construction Risk Conference, International Risk Management Institute.

Nov. 8-10: VIRTUAL. NASP 2021 Annual Conference, National Association of Subrogation Professionals.

Nov. 8-10: PLUS Conference, Professional Liability Underwriting Society, Dallas.

Nov. 8-10: 2021 National Conference, National Society of Compliance Professionals, National Harbor, Md.

Nov. 8-11: VIRTUAL. ICMIF Digital Americas Conference, International Cooperative & Mutual Insurance Federation.

Nov. 9-10: European Captive Forum, Captive Review, Luxembourg.

Nov. 10, Dec. 8 and 15: VIRTUAL. Nov. 15-17: IN PERSON, National Association of Independent Life Brokerage Agencies, Kissimmee, Fla.

Nov. 14-17: 2021 FICP Annual Conference, Financial & Insurance Conference Professionals, Phoenix.

Nov. 15-17: VIRTUAL. SIRC 2021, Singapore International Reinsurance Conference.

Nov. 16-19: 2021 Annual Marketplace, Wholesale & Specialty Insurance Association, San Diego.

Nov. 17-20: NCOIL Annual Meeting, National Council of Insurance Legislators, Scottsdale, Ariz.

Nov. 30-Dec. 2: VIRTUAL. Cayman Captive Forum, Insurance Managers Association of Cayman.

All events subject to change as organizations monitor developments regarding COVID-19. For a full list of conferences and cancellations, visit *www.bestreview.com/calendar.*

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November Is Health Insurance Awareness Month
Best's Review examines a rare occurrence in the U.S. health insurance space: the emergence of three early stage health insurance carriers. Workers' comp is also a focus, complete with a ranking of the top workers' comp insurers. Coverage begins on page 24.

Insurtech Wefox Hires Former Zurich International Chief Executive Officer as Chief Insurance Officer

Also, Buckle appoints first chief people officer and new European Insurance Advisory Board chairperson begins five-year term.

Berlin-based insurtech Wefox has named Peter Huber, formerly chief executive officer at Zurich International, as chief insurance officer.

Huber joined Zurich in 2013 as CEO for Zurich Global Life Singapore and in 2015 was named president director and CEO of Zurich Topas Life (Indonesia). He was appointed chief executive officer for Zurich International in 2017.

Huber has more than 20 years of industry experience in Europe and Asia and joined Zurich from Swiss Reinsurance Co. Ltd., where he was managing director in the reinsurance division based in Switzerland. Before that, he was regional general manager, life and health for Allianz SE Asia-Pacific, based in Singapore.

He started his career in business consulting with Arthur Andersen and then spent 10 years with Swiss Life in various roles.

Peter Huber

Huber "is the second global insurance industry superstar to join us, following our new COO, Dr. David Stachon, earlier this year," Julian Teicke, a Wefox founder and its chief executive officer, said in a statement. Huber's appointment comes two months after Stachon, a former Generali Group executive, was named chief operating officer of Wefox.

"We clearly stated our intentions back in June when we announced our record-breaking Series C investment round of $650 million: We will invest in technology and growth globally and Wefox will be the No. 1 personal insurer within a decade," Teicke said in a statement. "With Peter's appointment, I truly expect to see those intentions accomplished."

Wefox was founded in 2015 by Teicke, Fabian Wesemann and Dario Fazlic, and is a full-stack digital insurance company. Wefox is the parent company of Wefox Insurance, which is the in-house regulated insurance carrier, according to the company.

—Staff Report

Ryan Specialty Group Underwriting Managers Names Successor to Retiring CEO

Ryan Specialty Group appointed Miles Wuller to succeed Tom Clark as chief executive officer of RSG Underwriting Managers, Ryan Specialty's underwriting management specialty. The promotion, effective Oct. 1, expanded Wuller's role as president of RSG Underwriting Managers.

Miles Wuller

Nick Cortezi will continue his role as chairman of Ryan Specialty's underwriting management specialty, according to a company statement.

Clark, who joined RSG in March, unexpectedly announced his retirement in early September due to personal reasons, according to the company.

A leader in excess and surplus insurance with more than 30 years of experience in the industry, Clark came to RSG from Nationwide E&S/Specialty, where he had served as president since 2015. Before that, RSG said, he was Nationwide's senior vice president, E&S.

Prior to his Nationwide positions, Clark was SVP of field operations for Allied Group Insurance, a role he previously had held for Harleysville Mutual Insurance Co., according to his company bio.

Before Harleysville, Clark held a variety of positions at Fireman's Fund Insurance Co., Treiber Group, Clarendon National Insurance Co. and Cigna, according to his bio.

Wuller joined RSG in 2010, originally as global treasurer leading capital activity and executing RSG's mergers and acquisitions strategy across the specialty space.

Before being named executive vice president of RSG Underwriting Managers, Wuller was senior vice president of RSG Underwriting Managers, where he led the integration of the underwriting group's acquisitions and startups into one unified operating platform.

MS Amlin AG Names Former Swiss Re Exec as Chief Executive Officer

MS Amlin AG hired Robert Wiest to succeed Martin Albers as chief executive officer, effective Jan. 3, 2022.

Robert Wiest

Albers, chairman of the board of directors, is serving as interim CEO after Christopher Beazley stepped down on Aug. 31 to pursue other opportunities outside the company.

Beazley led MS AAG for the past three years. He originally joined MS Amlin in 2007 and has held several leadership roles across the MS Amlin group of companies over the past decade, the company said.

Wiest has over 30 years of industry experience and joins MS Amlin from Swiss Re, where he worked for over 20 years—most recently as chief operating officer. Wiest successfully led business units as the head of global business solutions, head of strategy and operations for Asia, and head of western and southern Europe, the Middle East, and Turkey.

European Insurance Advisory Board Appoints New Chairperson

Petra Hielkema was named chairperson of the European Insurance and Occupational Pensions Authority and began her term on Sept. 1.

Petra Hielkema

The Council of the European Union on May 26 adopted a decision to appoint Hielkema based on the shortlist of candidates drawn up by EIOPA's board of supervisors and following confirmation by the European Parliament. She will serve for five years, and her term can be renewed once, the EIOPA said in a statement.

Prior to joining the EIOPA, Hielkema was division director of insurance supervision at De Nederlandsche Bank, which is responsible for the supervision of the Dutch insurance sector. She joined DNB in February 2007. She was an alternate member of the EIOPA board of supervisors and chair of the EIOPA policy committee.

The EIOPA is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

Foresters Financial Names Successor to Retiring President, CEO

Foresters Financial named Louis Gagnon to succeed James Boyle as president and chief executive officer, effective Jan. 1, 2022.

Louis Gagnon

Boyle will retire in February 2022, coinciding with the fourth-quarter board meetings. Gagnon also will join the board on Boyle's retirement date, according to the company.

Boyle was appointed president and CEO of Foresters Financial in January 2018. With more than 30 years of financial services experience, he spent almost 20 years with Manulife Financial and John Hancock in a variety of roles, culminating in his appointment as president and CEO of John Hancock in 2008. Boyle retired from John Hancock in 2012 and subsequently was involved in private and venture capital investing, according to his company bio.

Boyle led the organization through the pandemic by making it easier for independent agents to conduct business remotely and receive quick underwriting decisions through non-medical and accelerated underwriting, Foresters said.

Gagnon joined Foresters in January 2021 as chief operating officer after more than 30 years with Mercer, most recently as president, U.S. & Canada region, according to a company statement.

Insurtech Parsyl Names Head of Insurance

Insurtech Parsyl named Gavin Spencer as head of insurance to lead the company's growing data-driven insurance division.

Gavin Spencer

Spencer, who has 21 years of maritime and transportation expertise, will be a member of Parsyl's executive leadership team. Based in Denver, he will focus on product and business development of Parsyl's cargo and supply chain insurance solutions, including its digital distribution, according to a company statement.

Spencer joins Parsyl from Marsh, where he was senior vice president, North American logistics leader. In that role, he led Marsh's logistics portfolio and is credited with establishing Marsh's supply chain industry focus.

Beazley Fills New Global Head of Cyber Services Position

Specialty insurer Beazley named Raf Sanchez to the newly created role of global head of cyber services.

Raf Sanchez

Formerly international manager of Beazley breach response services, Sanchez, based in London, transitioned to his new role Oct. 1 and joined the global cyber and tech management team.

Sanchez will direct global risk management and incident response functions, playing a pivotal role in Beazley's cyber ecosystem. He will focus on giving clients the power, autonomy, knowledge and desire to proactively decrease their cyber exposure by investing in and building out their cyber resilience, according to Paul Bantick, global head of cyber & technology at Beazley.

Sanchez joined Beazley five years ago from Bank of America Merrill Lynch where he was assistant general counsel and director for two years. He also was employed at Jardine Matheson and Morgan Stanley, according to his LinkedIn profile.

Sanchez has been integral to the development of Beazley's breach response services, which are a key element of the Beazley Breach Response product that was launched in 2009, the company said. The pre- and post-loss services that BBR's reputation has been built on continue to develop and are increasingly important in the face of rising global cyber threats and severity of attacks, according to a company statement.

MetLife Appoints Chief Marketing Officer

MetLife Inc. named Michael Roberts as executive vice president and chief marketing officer, subject to necessary approvals. He succeeds Esther Lee, who retired at the end of June.

Michael Roberts

Roberts will transition to his new role on Nov. 2. He will lead global brand and marketing with responsibility for designing modern, value-driven marketing solutions to help MetLife build customer relationships and successfully execute on its strategy, according to a company statement.

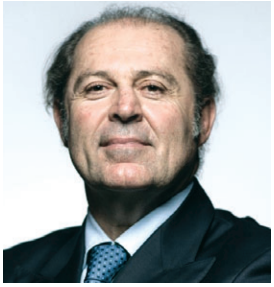
Roberts joins MetLife from Vanguard Group, where he served as CMO for the retail investor group, the company's direct-to-consumer business with more than $2 trillion in assets under management. At Vanguard, he significantly expanded prospect marketing and cross-sell capabilities to drive growth in the company's financial advice business, according to the company.

Prior to Vanguard, Roberts served as the chief marketing and digital strategy officer for Bank of America's merchant services business, where he helped expand noncore-product revenue and significantly improved revenue retention.

Roberts also has held leadership positions in marketing, strategy and operations for firms ranging from Alix Partners and Citigroup to Capgemini and EY, according to a company statement.

Assicurazioni Generali Board Agrees CEO Will Remain in Place for a Third Mandate

The nonexecutive members of the board of Assicurazioni Generali agreed that Philippe Donnet will remain chief executive officer for a third mandate.



Philippe Donnet

The majority of the board also expressed appreciation of the work undertaken and the results achieved by Donnet, welcoming this availability in view of—should the outgoing board proceed with the presentation of a slate for the renewal of the board—his inclusion in the slate as CEO also for the next mandate, according to a board statement.

Donnet joined Generali in October 2013 as country manager of Italy and CEO of Generali Italia S.p.A. In this role, he spearheaded the process of merging the existing Generali brands in Italy, one of the most challenging integration and simplification projects in the European insurance industry, the company said.

He became group CEO of Assicurazioni Generali S.p.A. on March 17, 2016, and was appointed chairman of the board of directors of Generali Italia S.p.A. on May 12, 2016, according to his company bio.

Allianz Life Appoints Chief Diversity and Inclusion Officer

Allianz Life Insurance Company of North America has named Sophia Khan as chief diversity and inclusion officer.

Khan will be responsible for building on and advancing the company's internal and external diversity and inclusion strategy.

Khan has more than 25 years of experience as a global diversity and inclusion executive focused on driving organizational change aligned to business strategies. Prior to joining Allianz Life, she was the vice president, head of global diversity, equity and inclusion at Thomson Reuters, where she built and carried out a D&I global strategy in collaboration with human resources and business segment and region leaders.

Sophia Khan

Prior to that, Khan was senior director, head of global inclusion, diversity and engagement at Medtronic. She has held various leadership roles in D&I and human resources at Wells Fargo, 3M and PepsiAmericas Inc., according to a company statement.

Buckle Names First Chief People Officer

Fintech Buckle named Cheryl Sinclair to the newly created position of chief people officer.

Cheryl Sinclair

Sinclair will be responsible for developing Buckle's human resources strategy, including talent and performance management, according to the company.

Sinclair has more than 20 years of experience in various human resources roles at Farmers Insurance, most recently as assistant vice president, human resources.

Most recently, she was head of talent management for Holland America Group, serving Princess Cruises, Holland America Line, Seabourn and P & O Australia, according to the company.

Acrisure Names Former Walt Disney Executive as Chief Financial Officer

Fintech Acrisure appointed Lowell Singer, former head of investor relations for The Walt Disney Co., as its chief financial officer.

Singer is responsible for the planning, management and execution of the company's finance activities and will report to Greg Williams, co-founder and chief executive officer, the company said.

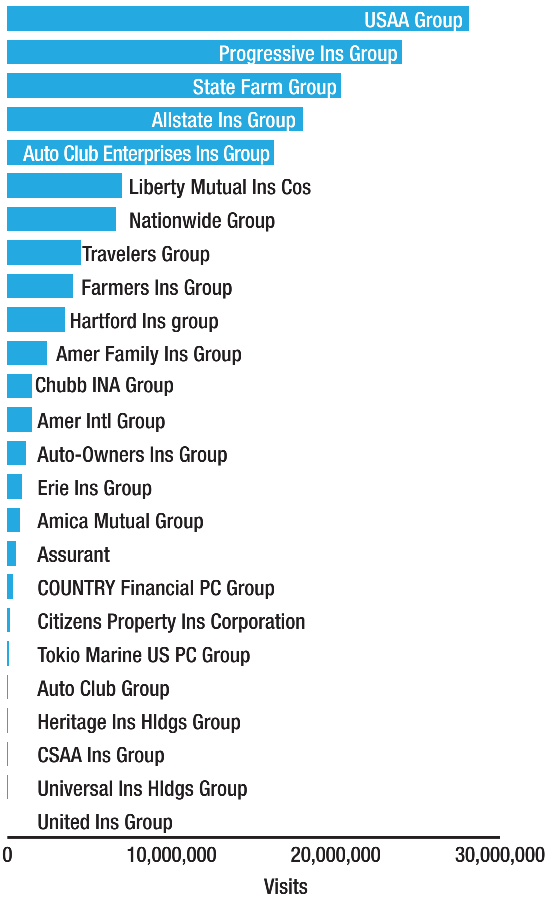
Singer joins Acrisure after 14 years at Disney, where he served as senior vice president of investor relations.

He began his career with J.P. Morgan & Co. Inc. as an associate in corporate finance with an emphasis on media and entertainment. Prior to his most recent role with Disney, Singer worked as an equity research analyst for both Cowen and Co. LLC and Robertson Stephens LLC. Singer also served as a brand manager with Kraft Foods Inc., according to a company statement. BR

Lowell Singer

Web Traffic: Visits to US Homeowners Multiple Peril Writers

USAA and Progressive lead web analytics provider Semrush's ranking of the top U.S. Homeowners Multiple Peril Writers based on 2020 direct premiums written.



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Insurers Up Their Game to Expand Their Brands By Partnering With Sports Teams

Aflac teamed up with two football legends to talk about its mission, and Gainbridge's name is now part of two basketball teams' home arena.

Aflac's Ads Feature Nick Saban, Deion Sanders and Support Commitment to Historically Black Colleges and Universities

The **AFLAC** Duck is flying into America's favorite pastime once again with three TV spots that feature the company's iconic feathered brand ambassador alongside two legendary football coaches, Deion "Prime" Sanders, the head coach at Jackson State University, and The University of Alabama's Nick Saban.

Photo courtesy of Aflac

The campaign introduces Sanders, who along with Saban and the Aflac Duck remind individuals that Aflac helps close the gaps for customers with unexpected medical bills that health insurance doesn't cover.

The new ads also support the insurer's shared commitment to Historically Black Colleges and Universities, 107 institutions of higher learning established before the Civil Rights Act of 1964 that primarily serve the Black population.

Since its founding in 1955, Aflac has had "a long track record of giving back to the communities we serve, communities of color and Historically Black Colleges and Universities," said Aflac Chief Brand and Marketing Officer Shannon Watkins. The company provides financial support to HBCU and their alumni and has made donations to HBCU-focused college football events such as the annual Tuskegee-Morehouse Football Classic and the annual Fountain City Classic game between Albany State University and Fort Valley State University. Recently, Aflac announced that it will donate $75,000 to the Jackson State University Athletic Department for professional development and will become a supporting partner of Sanders' Football Camp.

Home Court Advantage: Gainbridge Secures Naming Rights Agreement to Indiana's NBA and WNBA Venue

The home arena of Indiana's men's and women's professional basketball teams has been renamed Gainbridge Fieldhouse in a new partnership with the direct annuity distributor.

Indianapolis-headquartered **GAINBRIDGE** secured through the multiyear naming rights agreement a new avenue to expand its brand, parent Group 1001 said in a statement.

The National Basketball Association's Indiana Pacers and the Indiana Fever, a part of the Women's National Basketball Association, are based at the venue.

"It really is the 'fieldhouse of the future,' where we'll be hosting a wide range of … sports and entertainment events with new and improved space, infrastructure and technology," Group 1001 President and Chief Executive Officer Dan Towriss said in a statement.

Naming rights and other marketing partnerships are popular with insurers in the United States and globally at varying levels.

American Family Insurance acquired the naming rights in 2019 to Miller Park, home to Major League Baseball's Milwaukee Brewers.

American Family Chairman and CEO Jack Salzwedel said the deal was a smart marketing investment.

State Farm in 2018 scored naming rights to the home stadium of the National Football League's Arizona Cardinals on the heels of a similar agreement with the NBA's Atlanta Hawks. BR

—Renée Kiriluk-Hill

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

Risk Adviser

The Fallout of High-Value Verdicts

Jury awards have gotten out of hand. Insurers and their corporate customers need to pressure legislators to rein in nuclear verdicts.

By **Paul Horgan**

In June 2021, jurors handed down a $222 million verdict against a power company in Kansas, where a plant operator was killed in a steam accident.

The same month, a plaintiff in Illinois who suffered paralyzing injuries when a bar employee forcibly removed him and dropped him on his head, fracturing his vertebrae, won a $51 million verdict against the bar owner.

These are just two recent examples of what is known as a "nuclear verdict," an exceptionally high jury award that exceeds what most would consider reasonable. These types of verdicts are becoming more common and are being driven, in part, by aggressive and effective plaintiff's attorneys and jurors' beliefs that big corporations must be punished for their misdeeds.

These factors, coupled with other societal trends, make up what is commonly called "social inflation." Some of these societal trends hinge on the value of money. When a single lottery winner can take home more than $100 million and CEOs can earn more than $10 million a year, it's not hard to convince a jury that someone who was wronged by a big corporation is due a hefty payout.

Making matters worse is the advent of a litigation finance business model in which third-party investor groups provide capital to law firms involved in personal injury and liability litigation in return for some financial recovery once the lawsuits are resolved.

Plaintiff's attorneys are putting their money behind advertising, appearing on television, in print publications, online and on giant billboards seeking opportunities for actions on everything from auto accidents and medical malpractice to opioid and pesticide use.

Those highway billboards aren't cheap, but they're proving to be worth the investment for plaintiff's attorneys.

The insurance industry has taken notice. It is, after all, the insurance providers that help provide defense counsel for many of these cases. And the rising price of losing big is putting a strain on corporations and their insurers.

Best's Review contributor **Paul Horgan** is head of U.S. National Accounts, Zurich North America. He can be reached at *paul.horgan@zurichna.com.*

So, what can be done to counter this trend?

The good news is that defense counsel have learned from the highly successful tactics of plaintiff's attorneys and, as such, are employing some of the same techniques to win arguments inside the courtroom.

To effect change at the state and federal levels, the insurance industry has aligned itself with other groups, including the U.S. Chamber Institute for Legal Reform and the American Tort Reform Association.

But the insurance industry and a handful of like-minded organizations can't do it alone. Corporations that are most impacted by social inflation and subject to nuclear verdicts will need to be the face of tort reform. The rising cost of liability lawsuits is costing companies billions of dollars, and the issue won't go away until it becomes a priority for the business community. That's why it is critical for corporations to exert pressure on their state and federal legislators to put an end to this.

Just a few years ago, the top verdicts in the United States were measured in the millions of dollars, according to data compiled by TopVerdict.com. Today, it's in the billions. And the median settlement of the top 50 U.S. verdicts rose from $28 million in 2014 to $58 million in 2018, according to a report, *Insurance Marketplace Realities 2020,* from Willis Towers Watson.

This represents an unsustainable trend for corporations and their insurance providers. It's a trend that will cause insurance rates to rise and capacity to shrink. Without a strong defense, nuclear verdicts will become the norm, and the fallout will be devastating. BR

Regulatory/Law

After Record Wildfire Seasons, Insurers Now Feeling the Heat

Homeowners writers in California are bound by the state's far-reaching and retroactive rules regarding policy non-renewals and cancellations.

By Mark B. Robinson and Samuel Licker

(Photo by Justin Sullivan/Getty Images)

Fires continue to rage throughout the West, with California hit especially hard again this year. The Dixie Fire still burning in Northern California is now the biggest in the state's history; as of this writing, dozens of other fires are currently active up and down the Golden State.

Without question, insurance protection is of critical importance to policyholders living in the path of wildfires like these, which have prompted billions of dollars' worth of insurance claims. Consequently, the California Department of Insurance has ensured that homeowners insurance policies issued to property owners in certain fire-prone areas remain in effect.

Leveraging authority under the Insurance Code, California Insurance Commissioner Ricardo Lara issued several mandatory moratoriums on cancellations and non-renewals of residential property insurance policies—more precisely, those insuring premises located in areas subject to states of emergency declared by California Gov. Gavin Newsom on Aug. 18 and Sept. 6, 10 and 28, 2020, among others, in connection with dozens of wildfires that erupted last year.

Given that a one-year expiration applies to Lara's orders, some insurers are itching to issue non-renewal notifications or to cancel policies that no longer comply with underwriting guidelines, or where a given carrier wants to withdraw from offering homeowners insurance in California altogether. Nonetheless, before they take action, insurance companies must understand that they may not notify policyholders regarding non-renewal or cancellation during the pendency of the one-year period, unless that election is wholly unrelated to wildfire activity. This is true even if a

Robinson

Licker

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FIERY DESTRUCTION: A row of trees remains after being burned by the Dixie Fire on Aug. 16, 2021, near Janesville, California. The Dixie Fire is the largest single fire in California state history.

given policy would not be subject to non-renewal until after the one-year moratorium lapses.

As California continues to burn, Newsom has declared additional states of emergency. Thus, before carriers seek to non-renew or cancel policies, they must confirm that policies covered by expiring moratoriums are not captured by another one of Lara's orders triggered by a more recent state of emergency pronounced by the governor, of which there have been several.

Insurers must therefore be mindful not to send unauthorized non-renewal notices to homeowners with insured premises in ZIP codes affected by these or any other recent declarations. Likewise, carriers need to understand that moratoriums issued by Lara are rather far reaching and apply retroactively. In fact, if an insurer non-renews or cancels a policy today that covers property situated in an area that falls under a state of emergency announced by Newsom yesterday, that policy would be subject to reinstatement in the event Lara ultimately orders a moratorium.

Can carriers still issue notices of non-renewal or cancel policies when a moratorium remains in effect? The short answer is yes, but only if the non-renewal or cancellation is based on factors having nothing to do with wildfires, such as nonpayment of premium or insurance fraud. The Insurance Code and the moratoriums themselves specifically restrict non-renewals and policy cancellations "based solely on the fact that [an] insured structure is located in an area in which a wildfire has occurred."

As such, when it comes to policies covering properties impacted by wildfires, insurers have to be well aware of applicable states of emergencies and related orders from the Department of Insurance. BR

The Brokers' Defense Dilemma: To Be or Not to Be a Specialist?

One expert says brokers should provide clients with advice—and then defend themselves in court as experts if they are faced with an errors & omissions claim.

by John Weber

Brokers often present themselves as experts with specialized knowledge about insurance coverages when marketing themselves to potential clients.

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

But when it comes to defending themselves on errors & omissions claims, many brokers back away from describing themselves as experts. This may give them a certain legal advantage in court, but is this really the best approach?

Fred Fisher, president of Fisher Consulting Group Inc., addressed this question in a recent

“If an insurance agent isn’t going to give advice, do they advertise that? Do you know any insurance broker that has ever said, ‘We won’t give you advice, but we will get you what you want?’”

Fred Fisher
Fisher Consulting Group Inc.

AM Best Webinar, “Insurance Defense 101: What Insurers Need From Today’s Counsel.”

In court, insurance agents and brokers are held to a general standard of care of being an “order taker,” Fisher said. “They’re there to diligently obtain the coverage they’re requested to get. That gets elevated to a higher standard of care if they hold themselves out as experts,” he said.

Many brokers and agents, therefore, present themselves as experts in their marketing materials, but then say they were just a conduit, not specialists or experts.

“All of this advertising that I’ve got—and I’ve got plenty of it from wholesalers—say that’s exactly what they do. They’re going to ask the right questions. They’re going to provide the expertise. Then, when they’re sued, suddenly, they’re a conduit,” he said.

“I’ve got a real problem with that.”

If brokers should not present themselves as experts and then claim they were just order takers when sued, should they just avoid giving advice to clients?

No, Fisher said, brokers should give clients advice. “I believe that any insurance broker that’s been in any line of business for more than five years probably knows more about the ins and outs of that coverage than any consumer,” he said.

“Do we expect a consumer to understand that policy form that can be 96 pages plus endorsements?” Fisher asked. “We expect them to read the policy? I actually had a very prominent attorney telling me that I, as an expert, cannot interpret a policy in court. I cannot interpret or say what the intent is. Only a court can do that.

“Yet we hold a consumer to that level, in reading a policy and understanding whether his needs have been met. How do you justify that? That’s an absurdity. It’s wrong. If an insurance agent isn’t going to give advice, do they advertise that? Do you know any insurance broker that has ever said, ‘We won’t give you advice, but we will get you what you want?’”

Consumers, Fisher said, can’t be expected to be the expert. “Who’s in the position of superior knowledge, the agent or the consumer?” he asked. Brokers, therefore, should provide advice to clients, he said. A broker who doesn’t give advice is “going to win a lot of lawsuits,” Fisher said. But he is going to pay a price. His “deductible is going to go up to a quarter of a million dollars because his E&O carrier isn’t going to want to continue defending them successfully, on their money,” he said.

Better for brokers to provide advice to clients and then be prepared to meet the higher standard of care in court if they are sued. “Chances are, however, that by providing the advice, there won’t be a lawsuit. What’s better? Conducting yourself so as to prevent a claim or successfully defending one? I’d rather not have a lawsuit at all,” Fisher said. BR

AM Best TV

Go to *www.bestreview.com* to watch the AM Best Webinar “Insurance Defense 101: What Insurers Need From Today’s Counsel.”

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BEST'S REVIEW®
ISSUES & ANSWERS:
Ecosystem Evolution

Industry experts discuss the business advantages of employing an ecosystem strategy.

Interviewed Inside:

Matt Tierney
Grant Thornton

Andrée Bourgon
Grant Thornton

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Ready

Ecosystem Strategy

Matt Tierney, Global Head of Insurance Practice, and Andrée Bourgon, Head of Insurance Strategy and Transactions with Grant Thornton discussed the insurance ecosystem strategy. Following are excerpts from an interview.

GrantThornton

Matt Tierney
Global Head of Insurance Practice
Grant Thornton

Andrée Bourgon
Head of Insurance Strategy and Transactions, Grant Thornton

What is an ecosystem strategy and why is it prevalent in the insurance industry today?

Tierney: The cornerstone of an ecosystem strategy focuses on adding fee-based, new product and service revenue streams to an insurance organization's traditional underwriting, investment and commission-based revenues. The benefits are important and broad, but the most important fundamental to the ecosystem strategy is the shift to value by creating partnerships, sharing data, investing in startups, all with the eye on how to create value for the insured—by establishing the new reality—of a value-add service provider that is integral to the life of the insured.

Bourgon: I imagine most people recall the days when filing claims came with a certain feeling of guilt or "I did something wrong" or needing to lobby or argue to get reimbursed. Over the past five to 10 years, we have seen a major shift in the claims process to focus on customer experience—happy claims experience drives retention rates. Improved servicing, tech, options all support this concept of adding value to insureds and drives the ecosystem strategy. Insurance organizations are asking themselves: How can I sell services and products that are adjacent to an insurance policy that makes me invaluable to the insured? This adds revenue streams and value, while improving retention.

Insurance organizations are known for their volumes of data; however, they are not well known for being able to harness that data. What role does data play in an ecosystem strategy?

Bourgon: The trend for the value-add ecosystem strategy is being driven by changes in the demand and supply sides. On the demand side, insureds are redefining value based on their experiences in other areas of their lives. On the supply side, demand needs are being met to some degree as some insurtech firms enter the industry with innovative offerings. However, data is at the center of the ecosystem approach as the lever of interconnected services and products, allowing organizations to orchestrate their ecosystem—from deploying smart devices to connecting customers on a single platform. Data is the foundation that allows organizations with distinct capabilities to join together with a shared vision. Data can unlock insight from unstructured data, enable the digitization of distribution channels, improve data delivery times and customer intelligence, all while facilitating a frictionless customer journey. This helps achieve a consistent and engaging experience that organizations can leverage to shift the focus away from being product-centric, to achieve differentiation through being customer-centric lifestyle driven by providing value-based services and products.

How should an organization look at operationalizing an ecosystem strategy?

Tierney: Companies launching an ecosystem should stress test the operational challenges that an acquisition, partnership, investment or new business needs in order to plug into the current operating model. Operational considerations such as stakeholder management, data strategy and security, performance indicators, cultural alignment and financial reporting and controls are all topics that require articulate planning, design and delivery. Bringing your ecosystem strategy alive starts with identifying the opportunities and determining the structure that makes sense for your organization. Then, operationalization requires commitment, a willingness to adapt along the way while designing a solution that your organization will stand behind.

AmTrust: Among Artisan Contractors, Plumbers Account for Most Workers' Comp Claims

The company's workers' comp report also found while older workers have a lower frequency of claims, their injuries are more severe.

by John Weber

Younger, new employees at contracting firms pose the greatest risk for injury and almost a third of workers' compensation claims over 10 years came from the plumbing profession, according to a recent report from AmTrust Financial Services.

Matt Zender, senior vice president Workers' Compensation Strategy at AmTrust, discussed the findings of the *AmTrust 2021 Contractor Risk Report* with AM Best Audio. The report is based on 26,000 workers' compensation claims over 10 years.

AmTrust ranks No. 7 in Best's Rankings of the top workers' compensation writers based on 2020 direct premiums written. Following is an edited transcript of the interview.

What were some of the other key findings of the report?

One of the first things that we noticed that really just kind of jumped right out of the data was the tenure of an employee and the effect that it would have on the frequency of claims.

If you look at younger employees, newer employees, those who were employed less than a year made up a full third of the claims that we saw. That was surprising when you just look at the percentage of employees that they make up otherwise.

It's really clear to us that newer employees have more injuries, and it puts a lot of pressure on these contracting businesses to focus on the retention of the employees. Therefore, they can work with them longer and figure out how to work more safely.

Also, when they do have open positions they need to fill, onboarding is critical for them as well, and the ability for a business to train new employees right away on how to work most safely.

Were there certain trades in particular where you were more likely to see claims than in others?

We went through 26,000 claims over 10 years of history that we have. Our focus was primarily

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> "Plumbers are susceptible to awkward work spaces, so there's a lot of strain injuries that occur. In fact, 31% of our plumbing injuries did involve strains."
> **Matt Zender**
> AmTrust

on what we call artisan contractors, so we were looking at carpenters and plumbers and electrician/HVAC, tile work, and stuff like that. Along those areas, we saw that almost a third of our claims were coming from plumbing, and that's disproportionate versus the percentage of our total book that it is. In other words, we saw more claims coming from plumbers than we did coming from other artisan trades.

Any idea why that would be?

Plumbers are susceptible to awkward work spaces, so there's a lot of strain injuries that occur. In fact, 31% of our plumbing injuries did involve strains.

There's also more height involvement in plumbing than a lot of people think. I tend to think of the old plumber reaching underneath the sink, and that whole scenario, but there's a lot of times when they're involved in some heights, too. Twenty percent of our claims in plumbing came from falls, which was a little surprising to me.

What were the prevalent injuries that artisan contractors are suffering from?

Mostly, we saw a lot of multiple body parts as you might imagine, a ton of low back and a ton of knee. There's also a fair amount involving fingers and the different appendages. Certainly those fingers and wrists and hands are going to be involved in cut claims. There's a lot of blade activity and sharp tools and things that are going to put those at risk as well.

Can you discuss frequency and severity trends?

Those tend to, interestingly, run down some age lines, so that the younger employees—they tend to have a higher frequency of claims. Older employees tend to have a much lower frequency of claims, but then when you look at the severity side, when those older workers do suffer an injury, they tend to be much more severe. The older employees know what to do to avoid a claim, but when they do get injured, it tends to be more difficult for them to bounce back.

What should workers' comp writers be taking away from your report?

A couple of things that we saw [involved] looking at some of the seasonal trends. Most of our claims occurred in the summer; August had 11 of our total claims, for example. If you look at why that is, you might look at a state like Arizona, where you've got some seasonal workers that are maybe working in the agricultural space, say, in the southern part of Arizona. It's hotter, and the harvest season is going to be during the winter, while in the summer, maybe they pick up some work in the contracting space.

Therefore, you would then look at that and say, "Oh, well then it's going to fly right in the face of what I told you before about younger employees and their length of tenure," because these are people that are working, basically, seasonally for you. I think it's important for anybody who's looking at this space to pay attention to the trends. BR

AM Best Audio

Go to *www.bestreview.com* to listen to the interview with Matt Zender.

Best's Rankings

Top 50 U.S. Workers' Compensation Insurers – 2021 Edition

Ranked by 2020 direct premiums written.

2020 Rank	Company Name	2020 Direct Premiums Written ($000)	Market Share (DPW) (%) 2020	2019	2018	Direct Combined Ratio (%) 2020	2019	2018
1	Travelers Group (G)	3,737,454	7.31	7.49	7.38	89.62	82.18	81.63
2	Hartford Insurance Group (G)	2,992,054	5.85	5.99	5.83	87.87	87.10	86.00
3	Zurich Insurance US PC Group (G)	2,495,405	4.88	4.70	4.64	73.16	79.04	72.74
4	Chubb INA Group (G)	2,294,598	4.49	4.32	4.27	45.79	60.25	47.57
5	Liberty Mutual Insurance Companies (G)	2,140,149	4.18	4.35	4.26	90.40	79.18	43.44
6	Berkshire Hathaway Insurance Group (G)	1,998,778	3.91	4.11	4.02	68.43	68.47	74.50
7	AmTrust Group (G)	1,956,224	3.82	3.86	4.54	75.80	79.21	81.45
8	AF Group (G)	1,668,319	3.26	3.10	2.70	86.37	83.03	79.03
9	State Insurance Fund WC Fund	1,610,727	3.15	3.55	3.89	112.64	89.13	88.10
10	Old Republic Insurance Group (G)	1,302,498	2.55	2.51	2.53	81.84	83.04	85.45
11	American International Group (G)	1,188,916	2.32	2.59	2.91	76.73	79.92	99.83
12	Great American P & C Insurance Group (G)	1,165,279	2.28	2.34	2.29	71.99	70.00	76.16
13	W. R. Berkley Insurance Group (G)	1,087,052	2.12	2.24	2.35	80.36	77.93	76.21
14	State Compensation Insurance Fund	1,076,840	2.10	2.14	2.31	166.54	112.20	138.06
15	ICW Pool (G)	964,004	1.88	1.85	1.65	82.64	82.67	85.09
16	Texas Mutual Insurance Company	923,314	1.80	1.90	1.89	109.35	102.75	106.96
17	CNA Insurance Companies (G)	814,943	1.59	1.47	1.38	73.95	68.36	85.25
18	Fairfax Financial (USA) Group (G)	700,029	1.37	1.52	1.60	63.23	65.25	63.30
19	Starr International Group (G)	662,253	1.29	1.24	1.12	64.84	42.68	72.33
20	Arch Insurance Group (G)	631,585	1.23	1.13	1.00	71.37	83.40	75.57
21	Employers Insurance Group (G)	570,760	1.12	1.22	1.27	86.56	87.46	81.55
22	CopperPoint Insurance Group (G)	569,547	1.11	1.00	0.93	85.58	95.18	83.55
23	Pinnacol Assurance	512,025	1.00	1.05	1.08	103.54	99.19	94.67
24	Markel Corporation Group (G)	497,736	0.97	0.98	0.91	71.48	69.68	65.73
25	Everest Re U.S. Group (G)	493,543	0.96	0.98	0.88	72.02	71.55	66.75
26	Erie Insurance Group (G)	465,988	0.91	0.89	0.88	67.08	83.15	60.05
27	SAIF Corporation	458,355	0.90	0.87	0.85	117.30	131.56	89.71
28	Encova Mutual Insurance Group (G)	458,237	0.90	0.81	0.73	80.20	85.72	98.20
29	Sentry Insurance Group (G)	416,672	0.81	0.84	0.81	91.74	92.68	101.20
30	MEMIC Group (G)	394,940	0.77	0.73	0.69	110.68	108.93	107.09
31	Hanover Ins Group Prop & Cas Cos (G)	382,736	0.75	0.70	0.66	69.92	71.20	72.40
32	NJM Insurance Group (G)	381,906	0.75	0.85	0.90	80.39	93.88	93.10
33	Benchmark Insurance Group (G)	364,858	0.71	0.60	0.47	75.87	75.49	77.02
34	Tokio Marine US PC Group (G)	361,649	0.71	0.66	0.62	96.21	88.27	80.16
35	Amerisure Companies (G)	349,940	0.68	0.72	0.74	95.17	99.81	89.26
36	Nationwide Group (G)	344,419	0.67	0.65	0.64	53.99	68.08	91.03
37	Federated Mutual Group (G)	342,188	0.67	0.58	0.53	81.12	85.44	88.09
38	XL Reinsurance America Group (G)	335,439	0.66	0.66	0.59	79.13	79.77	95.74
39	WCF Insurance Group (G)	316,089	0.62	0.57	0.50	115.72	103.40	105.57
40	EMC Insurance Companies (G)	299,818	0.59	0.60	0.61	101.72	89.22	93.66
41	AMERISAFE Insurance Group (G)	295,362	0.58	0.58	0.59	78.80	70.09	86.88
42	Selective Insurance Group (G)	291,015	0.57	0.58	0.58	66.75	64.91	62.84
43	QBE North America Insurance Group (G)	290,709	0.57	0.57	0.60	97.59	84.69	90.00
44	The Cincinnati Insurance Companies (G)	273,502	0.53	0.54	0.55	89.91	80.36	80.90
45	West Bend Mutual Insurance Company	266,449	0.52	0.47	0.47	77.32	75.01	77.64
46	Builders Mutual Insurance Group (G)	263,737	0.52	0.47	0.46	77.38	76.28	63.86
47	Acuity, A Mutual Insurance Company	247,641	0.48	0.46	0.48	78.31	67.95	78.29
48	ProAssurance Group (G)	243,450	0.48	0.48	0.49	74.94	88.04	91.56
49	Auto-Owners Insurance Group (G)	242,898	0.47	0.46	0.51	26.05	50.95	57.17
50	Idaho State Insurance Fund	239,887	0.47	0.43	0.44	107.86	107.39	102.62
	Selection Total	**42,381,916**	**82.84**	**83.41**	**83.05**	**80.51**	**77.55**	**78.60**
	Total US PC Industry (T)	**51,162,172**	**100.00**	**100.00**	**100.00**	**81.92**	**79.27**	**79.85**

Reflects Grand Total (includes Canada and U.S. Territories).
Source: BESTLINK

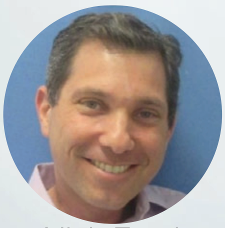
The Many Facets of D&I

Insurance executives and industry experts discuss how social change is driving opportunity.


Vicki Walia


Laura Boylan


Kesa Edwards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AM Best TV

Go to *www.bestreview.com/d-i* to watch the full lineup of programs in *The Many Facets of D&I.*

Best Practices for Building a Diverse and Inclusive Insurance Workforce

Insurers are implementing companywide initiatives, employee resource groups, recruiting and internship programs and community outreach to create a diverse, inclusive workplace culture and heterogeneous workforce.

by Lori Chordas

"We need to be realistic and meet people where they are to ensure everyone feels invested in steering the journey rather than just being a passenger along for the ride."

Kesa Edwards
Farmers Insurance

As COVID-19 continues to drive business operations changes and reshape the future of work, it's also sparking new conversations about diversity, equity and inclusion in the workplace.

Even before the start of the pandemic last year, insurers were busy rolling out new programs aimed at building a heterogeneous workforce. But since the rise of COVID-19, along with last year's nationwide protests and civil unrest sparked by police killings of George Floyd, Breonna Taylor and other Black Americans, there's now an even greater focus and attention being placed on diversity and inclusion initiatives, and "everyone is more attuned to different dimensions of diversity and difference in the workplace," said Vicki Walia, the chief talent and capability officer at Prudential Financial.

Walia was part of a panel of industry employment leaders who recently met with AM Best TV to discuss best practices insurers use to build a diverse and inclusive staff and leadership team. The panel also included Laura Boylan, senior vice president of human resources at Philadelphia Insurance Cos., and Kesa Edwards, who helps oversee Farmers Insurance's enterprise implementation of diversity and inclusion initiatives.

Following is an edited transcript of the discussion with Walia, Boylan and Edwards.

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

"It's important to also come up with ways to support and unleash the potential of your internal teams and make sure they have access to opportunities that support their career goals."

Laura Boylan
Philadelphia Insurance Cos.

How has the focus on DE&I in the workplace changed over the past several years?

Boylan: Today, there is a heightened awareness and focus on diversity, equity and inclusion as a business strategy. In the past, it was easy to say DE&I was important but now it's about the tangible steps companies are taking to embed it into their organizations. There's also greater transparency and open communication about DE&I topics.

What D&I initiatives have your companies implemented to remain competitive and meet the needs of evolving workplace dynamics and expectations?

Edwards: Farmers has had a longstanding commitment to diversity and inclusion, which serves as the foundation of our culture and has helped guide our organization in its broader mission of making a difference in the communities in which our employees live and work. We have been on a D&I journey to live our values for many years, and one of those values is to respect the diversity and potential of every individual and empower employees to be their true selves at work.

We have nine active employee-led employee resource groups across the country, including Farmers Asian Alliance and Farmers Pride. Those groups help us advance our commitments to fostering a dynamic work environment, and support the business by working on recruitment initiatives, retention, career development and more. We also provide diversity and inclusion training that allows employees to embrace their own uniqueness and identify ways to help others feel comfortable doing the same.

Boylan: Diversity, equity and inclusion have always been top priorities at PHLY but recently we recognized that in order for us to make an impactful change, we needed to put a two-prong plan in place that focuses both on short-term and long-term approaches. In the short term, we are building foundational skills across the organization and expanding our internal diversity training courses in areas such as conscious inclusion and inclusive leadership. We have also developed a partnership with INROADS, a nonprofit that creates pathways to careers for ethnically diverse students, where we hire several students each year to take part in our summer internship program. Longer term, we're focusing on incorporating a diversity council that represents all business units across the organization, creating DE&I accountabilities across the company and not just in HR. This council is working to develop goals and actions that support impactful changes and will work with respective stakeholders to achieve them.

Has COVID-19 made diversity and inclusion issues in the workplace more apparent?

Edwards: The pandemic has helped to accelerate some of the trends already underway before COVID-19. It has also challenged us to work together in new ways. Many people have spent considerable time over the course of the pandemic identifying what's really important in their everyday lives and to their long-term career goals. What we've seen over the past 18 months is that diversity and inclusion has emerged as a reinvigorated priority to current and potential employees, our leadership team and our organization's continued success in the long term.

“If you diversify leadership, they will begin diversifying their teams.”
Vicki Walia
Prudential Financial

Walia: I agree, the pandemic has definitely changed the story around D&I initiatives. But what has also really changed the conversation on [DE&I] were last year’s killings of Breonna Taylor and George Floyd. Before that, our efforts were always prioritized, but I think there is now an understanding that we need to do something bigger and bolder.

Have the deaths of George Floyd and Breonna Taylor sparked growing conversations about issues related to racism and inequality?

Edwards: At the time of George Floyd’s death, I was leading one of Farmers’ largest employee resource groups—the Black Professionals Alliance. I came into work the following day and was mentally shaken. At that time, race wasn’t a topic commonly talked about and we weren’t quite sure how to bring up the topic to our leadership team. I was drafting an email to Farmers CEO Jeff Dailey and the alliance’s executive sponsor and was stuck on how to ask for help in bringing awareness to our Black professionals. At that moment, our CEO and the executive sponsor reached out to me to see how they could help our employees and the alliance. The following day, Jeff Dailey and I shared a joint message and an open letter to Farmers’ employees starting an important dialogue around the issue of racism and committing Farmers to standing up for what’s right.

Last year’s events sparked a broader discussion and reflection on our D&I efforts, leading us to ask, “What more can we be doing?” Over the past 14 months, with the support of our leadership team and our employee resource groups, we have had regular dialogues within the organization where our employees can listen, learn and feel empowered to take action. We’ve also developed enterprise-wide initiatives around talent diversity in our supplier relationships.

How are growing conversations about issues related to racism and inequity transforming workplace culture today?

Edwards: It’s been a huge cultural shift in the way that we talk about diversity and inclusion internally, with more dialogue also around issues occurring outside the walls of Farmers and how they impact our employees, especially as it relates to mental health. Since last summer’s events, we’ve continued to communicate openly and transparently with our employees about our commitments. We do this through hosting employee-wide virtual conversations about race. We’re also spurring new ideas and strategies to enhance our diversity in sourcing talent in our organization and the broader community. Last year, our CEO became a proud signatory of the CEO Action for Diversity & Inclusion, which is the largest CEO business commitment to diversity and inclusion in the workplace. As part of that commitment, he pledged to cultivate a workplace where diverse perspectives and experiences are welcome and respected and where employees can feel comfortable and empowered to discuss diversity and inclusion.

What can companies do to recruit and expand their diversity teams and promote more minority leaders?

Walia: As a society, we still tend to have very traditional ideas of what leadership is. We need to start by breaking down that leaders can look and act very differently than traditional leaders. You do that by having role models that you can look up to and say, "They are doing it differently and they are great at it." Three years ago, Prudential set its first diversity commitment which was around how to diversify the ranks of our senior leadership. We tied executive compensation to it because we believe what you measure is what gets done and that should be rewarded. We met our goals because we recognized that this was important and had broad-based accountability for all of our leaders. Not only did we diversify our leadership ranks but also diversified the next level. If you diversify leadership, they will begin diversifying their teams.

Boylan: It's important to also come up with ways to support and unleash the potential of your internal teams and make sure they have access to opportunities that support their career goals. Continue to build those teams internally because they are just as important as bringing in some of that external talent. From the external talent standpoint, there are some traditional ways of recruiting and picking different types of universities and tapping into different populations that may not naturally be responding to or seeing your efforts to attract talent. It's trying to be innovative as well as tapping into talent early on so that, as young adults are making decisions about future career pathways, they begin to think about our industry.

What challenges currently exist around diversity and inclusion in the workplace and what's needed to overcome those challenges?

Walia: Insurance is an industry that values longevity and there's a premium put on the longevity of our talent. One of the things we have to balance with that longevity are the demographics and their skills base. Today, the half-life of skills is four to five years. There becomes this push to refresh the talent pool, but that pool doesn't exist in the market. How do you work with the talent pool you already have? How do you simultaneously diversify that talent pool from both a demographics and skills perspective? That's the fine balance we're all trying to walk right now.

Edwards: One of the challenges I now see is finding the right balance between prioritizing diversity and inclusion initiatives with many other pressing business objectives and getting everyone on board. We know there's much work to be done, so that can be challenging to decide where to start and how to keep the momentum going. But we also recognize that progress won't happen overnight.

We need to be realistic and meet people where they are to ensure everyone feels invested in steering the journey rather than just being a passenger along for the ride.

How do you see the insurance workplace evolving in the coming years, and what will companies need to do to increase their focus on diversity and inclusion to embrace the changing workforce?

Boylan: That's something we all continue to think about and discuss. The increase in digitization, remote workforces and other factors are things we now have to consider. The pandemic has impacted positively or perhaps challenged diversity and inclusion efforts but it's also changed the workplace.

Many of us haven't fully made our way back to the office yet. What's the workplace going to look like in the next 12 to 24 months, and what's the employee experience going to be in that workplace? I'm not sure we know those answers yet, but I have a lot of questions that we're talking about now to help provide some of those answers.

Edwards: The demographic, technological, social and economic changes happening in society at large will influence the workforce in the future. As our current employees, external talent pool and customer base become more diverse, we need to keep evolving to meet the changing needs and the expectations they have for employers that they want to work with. We know those needs and expectations will change over time, and we have to keep up with them. At Farmers, we are focused on building the kind of agile and adaptable culture that can be nimble to adjust to the rapidly changing demands of the marketplace. We view this as an obligation to challenge our own assumptions of what's possible. If there's anything that the pandemic has taught us it's that we are more adaptable than we think. BR

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Advancing Technology Exposes Insurers to Bias Risk

Certain data, such as credit scores, are considered inherently biased and can have unintended consequences, according to a panel of industry leaders and analysts.

by John Weber

"Insurance is the original data and AI business of predicting risk. That's what AI in data analytics does: It allows you to predict things. The problem with some of the data and some of the predictions that are made is if the data is inherently biased."

Nick Frank
Simon-Kucher & Partners

Insurers are relying on data, analytics, algorithms and digital tools to improve the industry's accessibility and efficiency. But those practices are coming under increasing scrutiny for possibly introducing unintended bias.

A panel of insurance industry experts met with AM Best TV to discuss how those exposures may be occurring. The panel included Doug Ommen, Iowa insurance commissioner and chair of the National Association of Insurance Commissioners' Big Data and Artificial Intelligence Working Group; Jake Appel, chief strategist for O'Neil Risk Consulting & Algorithmic Auditing; and Nick Frank, partner in the consulting firm of Simon-Kucher & Partners. Following is an edited transcript of the discussion.

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

Are we putting too much emphasis on data, sometimes to the detriment of the consumer?

Frank: I would say yes. I think that if you use the wrong type of data that is inherently biased because of historical reasons, that data, such as credit scores, can have unintended consequences and unintended biases especially depending on how the data is weighed.

What should we do about that?

Frank: I think the smartest thing and the thing that most companies that I work with use [is] segmentation or pricing or packaging or underwriting. They try to have data more closely [related] to the activities that they're trying to create insights [for]—for example, user-based insurance.

If you think about credit scores as an example, it was a proxy for theoretically how responsible someone is or how well they behave. Instead

“We audit algorithms particularly for issues relating to ethics, bias and discrimination. For us, an audit fundamentally starts by asking this question: For whom does this fail?”

Jake Appel
O’Neil Risk Consulting & Algorithmic Auditing

of using a proxy, using UBI data or user-based insurance, their braking, their driving habits, things of that nature actually have a stronger correlation to the potential risk and the potential losses for proper pricing and tiering purposes.

Do you think that we should somehow be looking at data and analytics a little bit differently?

Frank: Insurance is the original data and AI business of predicting risk. That’s what AI in data analytics does: It allows you to predict things. The problem with some of the data and some of the predictions that are made is if the data is inherently biased.

For example, what happened traditionally in the U.S.’s past—related to redlining and certain properties not being able to be covered by insurance or mortgages—created depressed areas which then created a ZIP code having a worse rating for your potential insurance than another ZIP code.

We assume that data and analytics are the answer to just about everything when it comes to insurance. Perhaps, sometimes it’s giving us the wrong answer. Would that be an accurate statement?

Appel: I certainly agree. Those techniques do sometimes lead us in the wrong direction. I would say it’s less an issue with the data science techniques themselves and more that we sometimes ask the wrong question or aim it at the wrong thing.

An example of that from the insurance world is Optum Health Insurance, which had a program to refer certain complicated medical patients to a concierge program that would help them coordinate care. They only had a limited number of spots for that program. They used an AI predictive algorithm to figure out which of their policyholders would benefit the most from this program.

They trained that algorithm to identify the patients for whom concierge service would create the biggest cost savings. That makes sense. Thinking about developing that program and how to make it most useful from a bottom-line perspective—it’s like saying, “How can we save the most dollars on medical costs?” It seems like, to a first approximation, a reasonable approach.

What the data scientists didn’t recognize in doing that was that, historically, different patients with the same level of medical complexity are treated differently. In particular, African-American patients are undertreated for any given level of sickness compared to white patients.

Your company does something called algorithm audits. What exactly is that?

Appel: We audit algorithms particularly for issues relating to ethics, bias and discrimination. For us, an audit fundamentally starts by asking this question: For whom does this fail? By this, we mean a particular algorithm or model being deployed in a particular context. We insist on fixing a specific use case.

Once we’ve got that use case, we identify the stakeholders—that is, anybody who has a stake in how that algorithm performs. We interview them to hear their concerns, to elicit their concerns. Once we have a sense of their concerns, then we

“The reality is that we are a diverse country. Our educational systems have become more diverse. Are we where we want to be? No.”

Doug Ommen
Iowa Insurance Division

can create statistical tests, monitors and other ways of measuring whether those concerns are being realized in the way the algorithm’s being deployed. To the extent they are being realized, we can come up with ways of mitigating those issues.

Who’s getting these audits and why are they getting them?

Appel: Most of our clients are private companies in regulated industries. There are some public agencies and nonprofits. For the most part, it’s private companies. Why are they doing it? Occasionally, we get a mission-driven client who simply wants to do the right thing. I wish there were more of those. More often, it’s because companies are scared.

In particular, they’re scared that they may be running afoul of a particular law or regulation. In that case, it’s often the legal department or the compliance department that call us up. In other cases, they’re simply scared of a bad headline. There are so many areas where algorithms operate but where there are not obvious compliance guidelines, laws, rules, etc.

What are you learning from these audits?

Appel: I would say we’re learning three big lessons. The first lesson is that there are virtually no incentives for any individual company to choose a reasonable or high rule definition of fairness. For that reason, we feel, as a company, that it’s a case for regulatory or possibly coordinated action by companies. People need to establish the guardrails.

If it’s going to be anything other than the lowest common denominator, it’s got to come from outside individual companies. That’s the first lesson. The second lesson we’ve learned is that companies are really afraid of breaking particular laws and particular rules.

We do some other work aside from our audit-work assisting; for instance, attorneys general investigating suspected cases of algorithmic misbehavior, let’s say. Those investigations usually boil down to this: Did the algorithm break this particular law?

What we’re seeing is that the best low-hanging fruit for enforcement and real action around these issues is translating existing laws into specific rules that can be applied to algorithms. That’s the second lesson.

Finally, the third lesson is, we’re finding out, again and again, something that we’ve known from the literature for a long time, which is that it’s not sufficient to worry about the data going in. We have to look at the outcomes—the decisions or scores produced by the model—to assess whether it’s fair.

The NAIC recently conducted a survey as it pertains to data and analytics. Can you tell us a little bit about that survey?

Ommen: The charge or another way of saying it is the assignment that’s been given to the big data and artificial intelligence working group is to gather facts that are related to the topics the panelists have been talking about, including information concerning the extent of AI system use by the insurers so that we and other NAIC workstreams can develop.

Then, we’ll openly debate well-informed regulatory policy. We did meet on July 9 and developed a strategy for moving forward with our investigation. Since that time, a smaller investigative group has met a number of times as we’ve put together our plan.

What we decided is to issue a fairly comprehensive survey of over 180 national private-passenger auto carriers to conduct an analysis on that particular segment of the market to evaluate both the use and—as other panelists have mentioned—what I would describe as the governance associated with the use of AI in big data to take a careful look at gathering that information, as I mentioned, in order to better be able to debate the public policy aspects of the issues.

Is there so much attention, however, given to data and analytics that we're not seeing the forest for the trees? The forest, of course, being risk-based insurance.

Ommen: Again, these are very sensitive issues. Part of our challenge, as we've moved away from much more public rating and underwriting systems, is by using data we are creating this question, these concerns. Is the data measuring race? Is it measuring economic disparities that you might be able to [address] because of historical differences that relate somehow to race?

Is it simply measuring risk disparities that can also be correlated to race? In other words, the world of 2021 is a very different world than the world when I was in high school. The reality is that we are a diverse country. Our educational systems have become more diverse. Are we where we want to be? No.

What do we do about all this data and analytics?

Ommen: I've been chairing this working group now for a number of years. We've had many public discussions. Probably the most important thing is, do not stop. We got behind. There are many who say we are still behind. I would say that the insurance business is continuing to evolve and change. Many of these technologies are incredibly valuable in order to properly price risk.

Do we have to take great care when it comes to the assignment of risk?

Appel: It made me think of the fiasco in the last few months or another tweetstorm maybe around Lemonade insurance and personalized assessment of risk that used some components of facial analysis. I'm not an expert on this exact tweetstorm.

Suffice to say, Lemonade was using some way of assessing risk that maybe had some validity to it but which, on its face, was hard for someone to understand why, I don't know, the way my face appeared in the particular little video snippet that I submitted or something might have anything to do with my risk level.

There's been such a push to rely on data and analytics in the insurance industry. What should the industry be doing so as not to marginalize further some of its most vulnerable consumers?

Frank: The thing we all do as professionals in insurance with datasets, and AI, and analytics, is we want to know what data doesn't just correlate but is causal to a particular risk or outcome—making sure that your data-like number of citations or previous accidents is strongly correlated to the risks that we underwrite. As long as people are focused on trying to remove biases, that's an important thing.

Where do we go from here?

Frank: It's through the project teams who are building the algorithms like my teams, being very focused on having open dialogues about whether the data that they're using or the insights that come out of that data are going to negatively impact one group or the other.

Appel: The goal of algorithmic auditing as we're doing it now is to bring to the forefront those ethical dilemmas and questions. Is it OK to be charging a female doctor slightly more or less likely to underwrite her because she represents a larger risk?

Ommen: By and large, many Americans are very willing to accept the risk associated with being classified as male or classified as female. You can look at the life insurance market as an example. My wife and I may be the same age by date of birth but because of our gender, we're not the same age based on mortality.

What we have to do is take great care as we look at those things that, as described earlier, are morally acceptable or socially acceptable and compare that to what is economically acceptable for a 63-year-old male like myself looking to buy insurance. BR

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How Insurers Profit by Serving a Diverse and Inclusive Customer Base

Insurers say they're working to reach consumers of all backgrounds now that social change is driving opportunity.

by John Weber

"Specific to the insurance industry and the risk management industry, I'm happy to say that we are experiencing a shift."

Dianne Greene
Verisk Analytics

Some insurers are meeting demographic and societal changes by providing new products and services designed to serve diverse communities. Insurers say they want to reach consumers of all backgrounds who are searching for ways to protect their homes, their businesses and their lives.

A panel of insurance industry leaders recently met with AM Best TV to discuss how social change is driving opportunity. The panel included Patti Griffin, former chief product officer at Duck Creek Technologies and a board member at insurance payments company One Inc., and Jewelers Mutual Insurance Group; Dianne Greene, global head of inclusion, diversity and belonging at Verisk Analytics; and D'Juan Hopewell, co-founder of InsureBlack.

Following is an edited transcript of the discussion.

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

Can you give us a brief overview of InsureBlack—what it is and how it came to be?

Hopewell: InsureBlack really comes out of a deep history, a history that I really wasn't aware of. In fact, Black insurance companies, historically, were the largest Black-owned businesses in the country and the only ones that reach industry scale.

In our communities, the capital for mortgages, “When you look at the data on Black wealth, I don’t know that hope is a luxury we can still afford.”

D’Juan Hopewell
InsureBlack

business development—all these things came out of these companies. When we looked at that, we said, “Well, why not revive that, why not do something about that.” InsureBlack is a platform that helps consumers connect with Black agencies from across the country to protect their home, life, business and everything that matters.

Have Black and minority communities traditionally been underserved when it comes to insurance product offerings?

Hopewell: Black folks have been focused on survival—the immediate needs of, let’s say, employment, and, yes, justice. There’s not the luxury sometimes to think beyond that and say, “Twenty years from now, this product can help my children in this way,” when today, I’m trying to get my children to navigate this complex lottery into a school. You have that. [However,] we’ve historically had a world where no one’s actually creating products to service Black people. That’s generally still the case today. What exists and what doesn’t exist, there’s still a gap there.

Do you think the insurance industry is or has been missing an opportunity?

Hopewell: My father is a preacher, believe it or not, and one of the other things that he did was he cleaned carpet. He had a client that got rich by, I think, putting copy machines in law offices. He told my dad, “The way you get rich is you find a need and you fill it.” Very, very simple. In this industry, there’s a place where specific, measurable large-scale consumer-driven need meets responsible, innovative and diverse product solutions. That place is called opportunity.

Are you hopeful that things are changing? What changes would you like to see, particularly when it comes to product offerings?

Hopewell: In this industry, I don’t know that the appetite has been there to tailor products toward Black families.

When you look at the data on Black wealth, I don’t know that hope is a luxury we can still afford. It would take real systematic changes in product design, underwriting and knowledge distribution channels to inspire hope.

What does diversity and inclusion look like in the insurance industry?

Greene: Specific to the insurance industry and the risk management industry, I’m happy to say that we are experiencing a shift. We are taking incremental steps to address systemic and economic disparities. We are not seeing huge results just yet, but it’s a start.

Insurance companies are starting to amplify their focus and to create D&I accountability within their organization—as I said, rethinking the term diversity to also include diversity of thought and diversity of experiences so that we can innovate faster and we can meet consumer needs.

There are a bunch of studies out there. I won’t go into too many of them. On the U.S. side, the Bureau of Labor Statistics data helps us to know where we have the greatest opportunity. I would say globally, it’s in women in insurance.

In the U.S., it’s women in insurance and also underrepresented ethnicities within the insurance industry: Blacks and African Americans, the Latinx population, and Asian. For the U.S. women, let’s just

"In recent years, as we've seen new types of businesses emerging, new ways of doing business, and a different type of shared economy that we're living in—it's created opportunities for new types of insurance products to be introduced."

Patti Griffin
One Inc.

talk about that a little bit. We're making up 47% of the industry. Yet when you look at executive and senior levels, we're only representing 20%.

If you go further and you look at the entry level, we're very well represented. Particularly in clerical roles for insurance claims and policy processing, the number is somewhere around 80%.

What that tells us is we're not having issues acquiring female talent. What happens once they are acquired? Where's the development, the mentorship, the sponsorship for women in our organizations?

The same is true for underrepresented ethnicities—Blacks, African Americans, Latinx, and our Asian population. What is good is that insurance companies are recognizing that without the internal structures and the accountability measures in place to help support and navigate the employee life cycle, longevity and career satisfaction will be lacking for these individuals.

Is the insurance industry making strides to meet the needs of a diverse community?

Greene: Let me say three things. One, we need more data analytics and insights in the insurance industry.

The second thing is we need to recognize that people with different needs worldwide need to be addressed. We need to remove barriers to entry in our workforce.

The third piece, which is a big piece, is the need for regulatory and policy changes in insurance—an agreement at the industry level for those changes to be measured and executed.

Is there a way for insurers to be servicing potential customers who may be uninsured or underinsured?

Griffin: From a customer service perspective, providing options to customers and making it easy and simple for them to do business with you is important. One example is payments. For various reasons, there are groups of people who don't use traditional banking. The term that's sometimes used for this is "unbanked."

They do not have traditional bank accounts. There's no bank account for funds to be deposited into or a banking relationship which allows them to cash a check without paying a fee. Sometimes check-cashing fees can be 15%. These folks are unbanked. The question is, how do you service these customers?

The key to this customer service need is offering diverse payment options based on how the customer wants to make a premium payment or how they want to be paid for a claim.

It's about offering the customer options and particularly digital options. When you think about digital payments, most people are familiar with PayPal, for instance—that's been around for some time. There are options like Venmo, where you can send and accept payments to [and] from other people. We can make purchases now that are not on Amazon, but we can pay for them using Amazon Pay through our Amazon account.

Digital wallets are becoming more common, using your phone to make payments and the use of Apple Pay and Google Pay. There are virtual cards which work similar to a physical credit or debit card, but without actually having a plastic card.

You used the term unbanked. Who is unbanked?

Griffin: It's anyone who doesn't have a traditional bank account or a banking account relationship.

Do you think insurers should be looking to develop products for a diverse customer base, whether that diversity means people of color, the LGBTQ community, women-owned businesses, millennials, or any number of other people across our broad mosaic?

Griffin: In recent years, as we've seen new types of businesses emerging, new ways of doing business, and a different type of shared economy that we're living in—it's created opportunities for new types of insurance products to be introduced.

One area where we have an opportunity to serve small businesses, particularly minority small businesses, is in the types of insurance products that are offered. For example, there are new types of business emerging with people moving their business to work out of their home or starting businesses which they are running out of their home. We are seeing the line blur between personal and commercial use of the home. With this comes the opportunity to offer new and innovative insurance products.

This all begs the question, then: Why aren't more insurers offering these types of products and services?

Griffin: If you consider that some older legacy systems were introduced more than 14 years ago, you can begin to imagine how hard it would be for those older systems to support the introduction of new insurance products and the type of customer service that's required today.

The ability to pay with digital methods and having a standard communication method of text messaging wasn't something that was contemplated when older legacy systems were developed. The underlying technology needs to support what we're talking about here today, and also, the products and customer preferences that will be desired in the future.

What's a good first step for the insurance industry to take to change things?

Hopewell: You have to start with: Who are we talking to? Who are we incorporating? Who are we including in that process?

Greene: The challenge becomes when you don't go out looking for the right expertise. You don't go out looking for underrepresented talent, for them to give the experience and for them to share the experiences so that we can do better.

Griffin: Know the customer or the customer that you want to serve and know their needs.

Could the first changes that need to come take place in hiring practices so as to better understand the need for change?

Greene: I am a strong believer that we have to get diversity, equity and inclusion in our people practices and policies within our organizations. That's at the starting point: The sourcing of candidates, the hiring process, the candidate experience, onboarding. What happens when they're here?

Ten years from now, are we still in the same place where we are today? Or is the issue resolved or somewhere in between, making strides but not quite there yet?

Griffin: I would say making strides, but not 100% there. If you look historically at the prior five or 10 years and the pace of change we have seen—I don't know that we will be able to claim victory 10 years from today. I wish we would, but I don't know that we will have.

Greene: I agree with her 100%. Listen, this is difficult work. It is difficult to move the needle on all things diversity, equity, and inclusion related. It does not happen overnight. It doesn't happen even within six months. You've got to be pragmatic and prescriptive about what you're doing.

Hopewell: I believe that it was after Bloody Sunday in Selma, 1965. Lyndon Johnson gets up before Congress and he says the words, "We shall overcome," which in that moment of history was like saying "Black Lives Matter" today. It's a big moment.

Then the country is burning again in a couple of years. Then last summer, the country is burning again. History dictates that we go through cycles of progress and regression. I don't know that I'm big enough to stand against history, but we do the work. BR

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Public-Private Partnerships Bring Solutions to Covering Emerging Risks Worldwide

Novel classes of risk on the horizon could create a situation that is just too large for the insurance industry to handle on its own. Partnerships between the public and private sectors, such as those in Florida and California, could step in as needed to fill any gaps.

by Terrence Dopp

Tim Richison remembers the night in 1996 in a San Francisco hotel bar when he and a group of others from California's insurance industry, Legislature and state regulators jotted down on several cocktail napkins the initial structure that would form the California Earthquake Authority.

The problem was simple: After the 1994 Northridge earthquake, homeowners insurers were balking at providing the earthquake coverage California required them to offer along with normal property policies. Some pondered pulling out of the homeowners market altogether. As a result, the public sector created a structure where, in partnership with the private sector, it would aggregate the risk and provide that component of an insurance policy.

As Richison, the former chief financial officer of the CEA, sees it, the organization is a good example of a tailored approach used to alleviate a localized or regional issue rather than creating one overarching insurance solution under the climate change heading.

With climate change accelerating catastrophes and exacerbating some historical perils such as hurricanes and wildfires, the insurance industry is likely to explore new public-private partnerships to cover a range of hazards that have grown too large for companies to take on themselves, Richison said.

Insurers and government entities in the U.S. and Europe have begun working on public-private partnerships to address pandemic risk. Convex Chief Executive Stephen Catlin last year called on

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Key Points

Problem: Climate change has made a host of extreme weather, such as California wildfires and rain storms in the Northeast U.S., both more severe and more costly.

Potential: Insurers could balk at covering emerging risks if they deem them too large or price them out of the reach of many consumers.

Solution: The answer could lie in the creation of new partnerships between the public and private sectors designed to defray the costs involved in covering these risks.

the insurance community to be proactive in finding a long-term solution to pandemic losses that has become known as Pandemic Re. It was designed to develop a public-private partnership solution for pandemic losses. Catlin said the effort would be a natural follow-up to Pool Re, the U.K.'s terrorist pool.

Meanwhile, in the U.K, Pool Re launched Re:New, an advisory group it said will explore how to protect the U.K. economy from systemic risks. Bringing together experts from insurance, government, industry, academia and elsewhere, Re:New will examine how the insurance industry, private sector, public sector and the public can work to better protect the United Kingdom from the economic consequences of systemic risks such as climate change and cyberterrorism, Pool Re said in a statement.

Re:New will develop recommendations in the form of reports focusing on how the country can become more resilient before the next systemic risk strikes, considering the intellectual, commercial and political challenges faced by the insurance industry and related fields, Pool Re said.

AM Best believes a combination of innovation, public-private partnerships and third-party investors can create the conditions for insurers to consider coverage of what are now uninsurable risks, AM Best Senior Director Carlos Wong-Fupuy said during an AM Best Rendez-Vous de Septembre market briefing. In the meantime, third-party investors have shown more interest in assuming some risk because interest rates remain low, he said. Analysts at the briefing also said the new entrants to the market have shown underwriting discipline that has benefited reinsurers with healthy pricing.

Regional Issues

In the Northeast U.S., Richison said, emerging patterns may cause concerns over the intensity of thunderstorms or flooding situations. An example of the growing peril came in September when Hurricane Ida lashed the U.S. and its remnants caused heavy rains and flooding across the Northeast. Verisk's AIR estimated Ida-related damage would total $30 billion.

In the West, the issue involves droughts and resulting wildfires that have proven more costly than in the past. Since the beginning of the year, more than 7,800 wildfires have burned more than 2.48 million acres in California, according to Cal Fire.

"You can break the climate risk down into components as it affects each particular region of the United States," said Richison, who helped found and lead the CEA. "When you do that, then it becomes

AM Best believes a combination of innovation, public-private partnerships and third-party investors can create the conditions for insurers to consider coverage of what are now uninsurable risks.

Carlos Wong-Fupuy
AM Best

a risk that you can get your arms around a little bit and you can put some science behind it. And you can possibly be able then to provide insurance from a public-private perspective and then spread the risk around the world through the reinsurance industry."

Richison said public-private partnerships make sense when facing new perils for which the industry doesn't have a wide swath of experience to model things like frequency, severity and accurate pricing. Like the changing planet, public-private partnerships also are not a monolithic bloc and can take on various structures or forms.

Differences

Two states have emerged as shining examples of public-private partnerships to solve problems that had stymied the industry.

In California, the intent was to have the state assume a portion of coverage, the aforementioned earthquake policies, that private insurers argued had become too costly for them to handle on their own.

In Florida, where hurricanes have long been a damaging and costly issue, the state took two parallel measures to address adverse impacts on both the industry and cost of coverage.

It created the Florida Hurricane Catastrophe Fund, a tax-exempt state trust fund that provides reimbursement to residential property insurers for a portion of their Florida catastrophic hurricane losses. Funding is derived primarily from premiums paid by residential property insurance companies, and, in some circumstances, revenue bonds backed by emergency assessments on a variety of property and casualty insurance premiums.

The Sunshine State also created Citizens Property Insurance Corp., an insurer of last resort that provides homeowners policies to those who are unable to secure them on the private market. The costs of that program are then spread to all statewide policyholders through post-catastrophe assessments.

On the federal level, the biggest example is the National Flood Insurance Program, which was created to fill the void left when private insurers were no longer willing to take on flooding risk in areas where it is a repeated threat. Under the program, homeowners pay premiums to the agency and, as needed, the agency can petition Congress to replenish its funds.

Christopher Graham, senior industry analyst with AM Best, said states have used public-private partnerships in areas such as workers' compensation or automobile insurance, which are ripe for such structures because they are compulsory. Risk is growing more expensive in some cases, he said.

Graham cited flooding coverage in areas where hurricanes are most prominent in both frequency and severity. Florida serves as a case in point: While it has about a third of the value at risk, only 15% of all private U.S. flood insurance is written in the state. Texas and Louisiana also stand out as states where the amount of insurance written is less than the property exposed, he said.

In a recent Best's Market Segment Report, *Appetite for Flood Risk Among Private Insurers Still Small*, Graham found the flood coverage market is slowly shifting toward more private sector involvement, although 70% of overall flood premium is commercial exposure.

"It seems that where the private carriers have gotten involved in flood coverage, it's been away from the coastal areas," he said. "That tells me there's a little bit of hesitancy on the part of the private carriers to get involved with flood insurance in hurricane-prone states."

He pointed to the remnants of Hurricane Ida as an example of distinct perils arising in different locations. States such as New Jersey and New York, which are not typically associated with frequent hurricane flooding, were hit more acutely than the usual suspects.

"It's hard to forecast flood," he said. "This is why it's always been deemed commercially uninsurable by the insurance industry in general. I think we're seeing it here."

In the case of the two Florida entities, both have benefited from having the ability to levy post-event assessments on all homeowners policies statewide if they need to replenish their accounts. As for the NFIP, it retains the ability to take in federal money if it finds itself low on funding.

Glenn Pomeroy, the current chief executive officer of the CEA, said those funding mechanisms are strong points of the programs. Ensuring such a structure is vital to the long-term viability of any public-private undertaking, he said.

Regardless of the structure, he said, entities such as the CEA serve a vital purpose and will prove an important part of the larger insurance industry.

Pomeroy said as risks continue to grow and the insurance industry struggles to juggle consumers' needs for coverage with its own ability to effectively provide it, he sees public-private partnerships stepping into the breach as in his home state.

"You couldn't just sit by while all the companies just decided to not sell homeowners insurance anymore," Pomeroy said. "You wouldn't have any housing market pretty soon." BR

Homeowners Insurtech Segment Expands Lines, Forms Partnerships, Adds Services

This sector is adding term life, pet insurance and e-scooter coverage to its array of products.

by Renée Kiriluk-Hill

Some growing insurtechs are targeting new homeowners insurance business by adding services that help predict and prevent claims and ease repair processes for unavoidable events. Companies also are expanding lines and forming partnerships as they expand geographically.

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“Insurance shouldn’t be only a piece of paper that pays you back, or not, when you have a disaster,” said Luko Chief Executive Officer Raphaël Vullierme. “Insurance has to go further and provide all of the care, tools and advice people need to avoid disasters at home.”

He and others in the field said that’s the type of business they’re building. Luko’s fully integrated home care platform will help policyholders with suggestions and connections for maintenance and repairs, which can also improve claims costs, he said.

In May, insurtech Hippo acquired Spinnaker Insurance Co. and Spinnaker President and CEO Torben Ostergaard said the Hippo subsidiary is committed to vertical growth in homeowners, utilizing technology.

Carriers “have to be smarter at using technology to help the consumer. Technology has advanced tremendously the past 10 years and will continue to advance,” he said.

Climate volatility has impacted where, how frequently and when events happen, said Hippo President Rick McCathron, elevating the importance of modeling and new data sets that can quickly adjust to change. Escalating interior water losses also can be managed through the Internet of Things—a strong focus for Hippo.

In McCathron's view, insurance companies need to adapt, or they will be left behind.

Attila Toth, CEO and co-founder of climate risk analysis insurtech Zesty.ai, agreed artificial intelligence is rapidly moving the homeowners business forward.

"A few years ago, artificial intelligence was just the shiny new thing on the radar of a few innovation departments of large carriers. Today, AI is in full production for underwriting and rating across many insurance carriers and reinsurers," Toth said.

Partnerships between insurtech and legacy companies are instrumental, he said. "In a few short years, AI will be so transformative across the entire policy life cycle that people won't think twice about it," said Toth.

The following are a sampling of insurtechs aiming to grow in the homeowners and related areas.

Porch

Founded: 2013
Headquarters: Seattle
What they do: Started as a home services marketplace but now provides software and services to more than 11,000 home-related businesses, including real estate, moving, home inspection, utility and warranty. In April, Porch acquired property/casualty writer and managing general agent Homeowners of America Insurance Co. in a $100 million deal. It recently said it will acquire Civil Service Employees Insurance Co. from Covéa in a $48.6 million cash deal to gain entry into California, add umbrella and automobile insurance to its homeowners products and expand its footprint.
Founder: Chairman and CEO Matt Ehrlichman
Key Investors/Funding: Merged last year with special purpose acquisition company PropTech Acquisition Corp. (NASDAQ: PRCH).

Luko

Founded: 2018
Headquarters: Paris
What they do: Co-founders Raphaël Vullierme and Benoit Bourdel initially worked on smart home devices to track energy consumption then moved to insurance. The company has more than 150,000 policyholders in Europe. It currently writes homeowners, renters, landlord, mortgage and e-scooter coverage in France and homeowners and renters in Spain. Luko plans to expand geographically next year.
Founders: CEO Vullierme and Chief Technology Officer Bourdel
Key Investors/Funding: The company has raised $83 million, led by Accel Partners, EQT Ventures, Founders Fund and SpeedInvest. The last round was Series B at the close of 2020.
Insurance partners: Munich Re and Swiss Re

TypTap Insurance Group Inc.

Founded: 2016
Headquarters: Tampa, Florida
What they do: The carrier started with private flood and expanded to homeowners. It operated in 25 states at press time.
Founders: Started as a direct residential flood subsidiary of HCI Group Inc.
Parent/President: The subsidiary of publicly traded HCI is led by President Kevin Mitchell.
Funding: Plans an initial public offering of a to-be-determined size and price, HCI said in August. It submitted a confidential draft registration statement on Form S-1 with the U.S. Securities and Exchange Commission.

Hippo

Founded: 2015
Headquarters: Palo Alto, California
What they do: Started as a managing general agent and is licensed in 37 states. In 2020, the company acquired Spinnaker, which writes personal lines and, in a recent expansion, commercial lines, starting with homeowners association cover in Arizona.
Founders: CEO Assaf Wand and Eyal Navon
Key Investors: Became a public company in August after combining with SPAC Reinvent Technology Partners Z, which changed its name to Hippo Holdings Inc. (NYSE: HIPO)
Funding: Gained more than $550 million by combining with Reinvent Technology.
Insurance partners: Ally Financial subsidiary Motors Insurance Corp. and Incline P&C Group, in addition to Spinnaker

Zesty.ai

Founded: 2015
Headquarters: Oakland, California
What they do: Artificial intelligence-powered climate risk analysis for properties. The company uses more than 200 billion data points, including aerial imagery, weather and real estate data, to generate property-specific risk scores for personal and commercial lines businesses.
Founders: CEO Attila Toth and Head of Product Kumar Dhuvur
Key Investors/Funding: Luxembourg-based private equity fund Blamar led a $13 million Series A round at the end of 2018.
Insurance partners: Works with half of the 100 largest U.S. property/casualty insurers and global reinsurers and brokers. Farmers Insurance, Cincinnati Insurance, Amica Insurance and Berkshire Hathaway Homestate Cos. are some top customers. Also partners with Aon and the Insurance Institute for Business & Home Safety.

Kin Interinsurance Network

Founded: 2016
Headquarters: Chicago
What they do: Started as an MGA then launched a homeowners carrier, starting in Florida. The company also writes on its own paper in Louisiana and plans to launch its own product in California, where it is an MGA. Ahead of a planned special purpose acquisition company (SPAC) transaction, it expects to finalize a stock purchase agreement with a shell carrier with 43 state licenses.
Founders: CEO Sean Harper and Chief Technology Officer Lucas Ward
Key Investors/Funding: Plans to become a public company in the fourth quarter by merging with Omnichannel Acquisition Corp. in a deal that implies a $1.03 billion valuation.
Insurance partners: At the request of their reinsurance partners, Kin has not revealed partners.

Lemonade Inc.

Founded: 2015
Headquarters: New York
What they do: Started with renters and homeowners and has expanded to pet and life insurance products in most U.S. states. The company also offers contents and liability in Germany, France and the Netherlands. Term life insurance is sold through a partnership with insurtech Bestow. It plans to add personal auto.
Founders: Co-CEOs Daniel Schreiber and Shai Wininger
Funding: Lemonade went public with a July 2020 initial public offering.
Reinsurance partners: Hannover Re and Swiss Re BR

Best's Rankings

U.S. Homeowners Multiple Peril - 2020 Top Writers – 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

2020 Rank	2019 Rank	Company / Group	AMB#	2020 Direct Premiums Written	% Change in Premiums	Market Share (%) 2020	Market Share (%) 2019	Market Share (%) 2018	Adjusted Loss Ratios 2020	Adjusted Loss Ratios 2019	Adjusted Loss Ratios 2018	% of Company Premiums
1	1	State Farm Group	000088	$19,717,032	5.4	17.8	17.9	18.4	71.5	58.8	61.9	29.8
2	2	Allstate Ins Group	000008	9,773,497	2.3	8.8	9.2	9.2	54.9	51.9	68.3	24.9
3	4	USAA Group	004080	7,362,747	7.7	6.7	6.6	6.2	69.2	68.4	83.4	29.9
4	3	Farmers Ins Group	000032	7,152,993	1.4	6.5	6.8	7.0	71.7	40.9	75.5	30.2
5	5	Liberty Mutual Ins Cos	000060	6,991,283	3.6	6.3	6.5	6.7	59.9	51.0	51.3	19.3
6	6	Travelers Group	018674	4,866,357	14.7	4.4	4.1	3.8	60.5	55.8	69.3	16.9
7	7	Amer Family Ins Group	000124	4,442,467	9.5	4.0	3.9	3.7	62.3	61.8	65.7	39.2
8	8	Nationwide Group	005987	3,344,181	3.1	3.0	3.1	3.2	75.4	57.5	76.8	18.1
9	9	Chubb INA Group	018498	3,113,149	4.1	2.8	2.9	2.9	56.4	62.5	91.9	12.9
10	12	Progressive Ins Group	000780	1,897,225	15.2	1.7	1.6	1.4	77.2	67.0	66.7	4.5
11	10	Auto-Owners Ins Group	004354	1,830,043	3.5	1.7	1.7	1.7	62.5	56.2	71.1	19.7
12	11	Erie Ins Group	004283	1,809,611	3.6	1.6	1.7	1.7	62.2	68.5	66.0	23.8
13	13	Universal Ins Hldgs Group	018752	1,432,075	17.8	1.3	1.2	1.1	67.2	82.3	100.6	94.4
14	14	Amer Intl Group	018540	1,109,704	0.5	1.0	1.1	1.2	48.0	86.3	219.0	8.2
15	16	CSAA Ins Group	018460	980,648	3.6	0.9	0.9	0.9	77.8	25.1	164.3	24.7
16	17	Amica Mutual Group	018522	948,950	0.4	0.9	0.9	0.9	63.0	57.3	65.5	40.6
17	18	United Ins Group	018881	935,027	8.6	0.9	0.8	0.8	84.2	67.1	102.4	65.5
18	15	Hartford Ins Group	000048	926,852	-2.6	0.8	0.9	1.0	10.3	44.0	88.1	7.5
19	20	Heritage Ins Hldgs Group	018891	901,569	12.3	0.8	0.8	0.8	53.7	63.6	70.2	82.8
20	19	Auto Club Enterprises Ins Group	018515	855,256	0.6	0.8	0.8	0.8	42.0	52.4	48.3	19.1
21	22	Tokio Marine US PC Group	018733	833,398	17.3	0.8	0.7	0.6	57.9	67.7	65.4	9.1
22	21	COUNTRY Financial PC Group	000302	754,557	2.7	0.7	0.7	0.7	79.9	65.2	60.5	28.3
23	23	Assurant P&C Group	018523	753,966	6.9	0.7	0.7	0.7	49.9	38.6	52.2	9.0
24	31	Citizens Property Ins Corporation	011712	749,996	44.1	0.7	0.5	0.5	48.1	73.8	75.6	63.4
25	24	Auto Club Group	000312	725,443	2.9	0.7	0.7	0.7	76.9	65.6	54.5	27.3
		Top 25 Writers		**$84,208,026**	**5.6**	**76.2**	**76.5**	**76.8**	**64.8**	**57.0**	**72.1**	**21.2**
		Total U.S. P/C Industry		**$110,520,148**	**6.0**	**100.0**	**100.0**	**100.0**	**66.8**	**58.5**	**72.7**	**15.2**

Reflects Grand Total (includes Canada and U.S. Territories).

Source: BESTLINK – State/Line (P/C Lines) - P/C, US; data as of: Sept. 17, 2021

U.S. Homeowners Multiple Peril - Top Writers by State, Canada and U.S. Territories - 2020 – 2021 Edition

Ranked by 2020 direct premiums written.

($ Thousands)

State	2020 Rank	2019 Rank	No of Cos	Direct Premiums Written	% of Grand Total	% Premium Change	ALR[1]	DDCCE[2]	Market Share Agency Writer[3]	Market Share Direct Writer[4]	Leading Writer	% Market Share	Second Leader	% Market Share
AL	23	23	221	$1,948,057	1.8	6.6	92.2	1.8	25.4	74.6	State Farm Group	27.4	Alfa Ins Group	13.3
AK	51	51	82	178,366	0.2	4.4	47.5	0.9	9.8	90.3	State Farm Group	32.4	USAA Group	18.9
AZ	24	24	237	1,899,870	1.7	5.8	54.3	1.2	28.0	72.0	State Farm Group	16.7	Farmers Ins Group	12.8
AR	31	31	193	1,022,006	0.9	4.6	78.6	0.9	22.1	78.0	State Farm Group	26.5	Farm Bureau Mutual Ins Co of Arkansas	13.9
CA	3	3	248	9,931,535	9.0	8.8	38.6	2.4	31.1	68.9	State Farm Group	17.8	Farmers Ins Group	15.0
CO	12	12	214	2,944,066	2.7	8.2	70.1	1.0	22.6	77.4	State Farm Group	20.0	Liberty Mutual Ins Cos	12.0
CT	26	26	224	1,625,173	1.5	3.8	62.7	1.2	53.2	46.9	Chubb INA Group	9.4	Liberty Mutual Ins Cos	8.8
DE	45	45	181	313,025	0.3	4.4	77.0	1.6	37.4	62.6	State Farm Group	25.2	Liberty Mutual Ins Cos	10.7
DC	50	50	151	179,422	0.2	4.5	43.4	1.1	51.4	48.6	State Farm Group	21.0	Travelers Group	21.0
FL	1	2	251	11,108,804	10.1	10.2	70.6	6.7	83.1	16.9	Universal Ins Hldgs Group	10.5	Citizens Property Ins Corporation	6.8
GA	6	6	283	3,792,645	3.4	6.1	72.7	1.3	28.6	71.4	State Farm Group	25.3	Allstate Ins Group	13.2
HI	43	43	90	438,418	0.4	5.5	36.6	1.5	50.9	49.1	State Farm Group	30.7	Heritage Ins Hldgs Group	12.4
ID	41	42	167	457,083	0.4	7.5	62.8	1.0	25.6	74.4	Liberty Mutual Ins Cos	15.5	State Farm Group	14.7
IL	5	5	299	4,118,834	3.7	5.3	82.6	1.0	22.0	78.0	State Farm Group	32.9	Allstate Ins Group	13.0
IN	18	18	249	2,149,226	1.9	3.8	61.2	1.0	34.8	65.2	State Farm Group	24.0	Allstate Ins Group	9.0
IA	33	33	210	893,963	0.8	5.0	259.5	2.6	41.6	58.4	State Farm Group	25.2	Nationwide Group	11.6
KS	28	28	202	1,300,242	1.2	3.4	39.2	0.5	27.5	72.5	State Farm Group	20.8	Amer Family Ins Group	15.1
KY	29	29	216	1,282,737	1.2	2.4	52.6	1.1	25.6	74.4	State Farm Group	23.7	KY Farm Bureau Group	20.7
LA	21	21	217	2,060,408	1.9	5.1	249.9	3.8	40.6	59.4	State Farm Group	25.2	Allstate Ins Group	11.0
ME	39	39	180	470,674	0.4	4.5	37.3	0.6	46.4	53.6	State Farm Group	12.0	Liberty Mutual Ins Cos	11.0
MD	19	19	209	2,090,072	1.9	6.5	65.2	1.2	42.5	57.5	State Farm Group	17.2	USAA Group	12.7
MA	13	13	267	2,678,377	2.4	4.2	36.3	1.0	74.8	25.2	MAPFRE North America Group	12.6	Liberty Mutual Ins Cos	9.1
MI	10	9	203	3,026,802	2.7	3.8	57.2	1.1	40.0	60.0	State Farm Group	16.2	Auto-Owners Ins Group	14.6
MN	15	15	228	2,438,671	2.2	5.4	83.1	0.7	30.8	69.2	State Farm Group	25.5	Amer Family Ins Group	14.9
MS	30	30	194	1,074,344	1.0	4.9	88.0	1.6	26.1	74.0	State Farm Group	25.5	Southern Farm Bureau Casualty Group	15.2
MO	16	16	214	2,332,066	2.1	4.2	66.6	0.9	20.2	79.8	State Farm Group	25.2	Amer Family Ins Group	15.4
MT	44	44	149	409,143	0.4	9.1	64.5	1.1	22.4	77.6	State Farm Group	23.9	Liberty Mutual Ins Cos	15.8
NE	34	34	185	874,734	0.8	5.5	58.9	0.5	34.7	65.3	State Farm Group	23.0	Farmers Mutual Ins Co of Nebraska	10.9
NV	35	35	212	710,140	0.6	7.1	50.1	1.3	24.9	75.1	State Farm Group	18.7	Farmers Ins Group	13.7
NH	42	41	194	454,957	0.4	4.0	37.1	0.8	42.6	57.4	Liberty Mutual Ins Cos	13.5	Allstate Ins Group	9.9
NJ	11	11	261	2,969,677	2.7	3.5	57.9	1.7	37.5	62.5	Allstate Ins Group	12.1	NJM Ins Group	10.6
NM	37	37	198	613,008	0.6	5.8	44.3	0.9	22.1	77.9	State Farm Group	19.7	Farmers Ins Group	17.7
NY	4	4	292	5,861,865	5.3	4.1	49.6	1.5	52.8	47.2	Allstate Ins Group	17.1	State Farm Group	12.9
NC	9	10	238	3,105,409	2.8	7.6	63.6	1.1	44.7	55.3	State Farm Group	16.5	North Carolina Farm Bureau Ins Group	12.1
ND	47	47	165	241,602	0.2	5.2	30.6	0.3	30.8	69.3	State Farm Group	15.0	Amer Family Ins Group	12.5
OH	8	8	286	3,162,971	2.9	3.6	65.6	1.3	45.5	54.5	State Farm Group	20.3	Allstate Ins Group	11.1
OK	25	25	206	1,832,664	1.7	4.0	64.9	1.1	17.8	82.2	State Farm Group	28.5	Farmers Ins Group	16.5
OR	32	32	193	974,625	0.9	6.0	197.9	1.8	20.1	79.9	State Farm Group	21.3	Farmers Ins Group	16.3
PA	7	7	307	3,649,913	3.3	3.7	58.1	1.8	47.9	52.1	State Farm Group	17.5	Erie Ins Group	15.2
RI	40	40	180	461,863	0.4	4.9	48.9	1.4	45.0	55.0	Amica Mutual Group	15.9	Allstate Ins Group	12.2
SC	22	22	248	1,967,487	1.8	6.3	54.7	1.3	47.8	52.3	State Farm Group	19.9	Allstate Ins Group	9.3
SD	46	46	176	298,054	0.3	7.0	109.0	0.6	39.7	60.4	State Farm Group	19.4	Amer Family Ins Group	12.0
TN	17	17	244	2,308,397	2.1	5.0	85.3	1.4	27.5	72.5	State Farm Group	23.5	TN Farmers Ins Cos	18.7
TX	2	1	293	10,831,836	9.8	6.6	56.1	1.6	34.3	65.7	State Farm Group	18.1	Allstate Ins Group	13.4
UT	36	36	181	657,769	0.6	7.6	87.3	1.2	33.6	66.5	State Farm Group	16.4	Farmers Ins Group	12.7
VT	49	49	174	219,091	0.2	3.0	32.1	0.4	58.7	41.3	VT Mutual Group	12.4	Liberty Mutual Ins Cos	11.8
VA	14	14	261	2,638,147	2.4	5.8	53.6	0.9	38.7	61.3	USAA Group	19.1	State Farm Group	17.1
WA	20	20	221	2,075,808	1.9	5.8	55.7	1.8	27.1	72.9	State Farm Group	17.2	Liberty Mutual Ins Cos	13.1
WV	38	38	170	472,594	0.4	1.9	52.5	1.5	47.0	53.0	State Farm Group	25.8	Erie Ins Group	18.3
WI	27	27	256	1,601,466	1.4	3.7	44.5	0.9	42.7	57.3	Amer Family Ins Group	21.9	State Farm Group	16.3
WY	48	48	160	237,833	0.2	7.1	76.7	0.5	18.0	82.0	State Farm Group	21.5	Farmers Ins Group	18.7
Guam	53	53	12	19,565	0.0	1.6	8.6	1.1	96.1	3.9	Chung Kuo Ins Co, Ltd GUB	32.4	Amer Intl Group	24.3
Puerto Rico	52	52	23	93,648	0.1	0.6	70.1	8.9	99.3	0.7	Universal Ins Group of Puerto Rico	54.4	MAPFRE North America Group	31.8
U.S. Virgin Is.	54	54	18	12,332	0.0	1.5	-37.7	5.6	97.8	2.2	Underwriters at Lloyd's, London (VI)	65.4	Guardian Ins Group	21.8
Canada	57	57	11	49	0.0	-9.4	-99.9	-99.9	0.0	100.0	FM Global Group	100.0	Hartford Ins Group	0.0
Other	55	55	32	8,267	0.0	-7.5	184.5	-40.3	100.0	0.0	Amer Intl Group	72.6	Chubb INA Group	27.2
N. Mariana Is.	56	56	5	347	0.0	37.2	-4.7	-5.1	100.0	0.0	Tokio Marine US PC Group	50.0	First Net Ins Co	24.4
Grand Total			**1,091**	**$110,520,148**	**100.0**	**6.0**	**66.8**	**2.0**	**40.8**	**59.3**	**State Farm Group**	**17.8**	**Allstate Ins Group**	**8.8**

1. ALR: Adjusted loss ratio is direct losses incurred divided by the difference between direct premium earned and dividends paid to policyholder.
2. DDCCE: Direct defense and cost containment expense ratio is the former allocated loss adjustment expense (ALAE) ratio.
3. Insurers that distribute primarily through independent agents.
4. Insurers that distribute primarily through a direct-selling system or an exclusive agency system.

Note: Data for some companies in this report has been received from the NAIC.
Ratios of 999.9 and -99.9 are maximum and minimum values, respectively.
Source: BESTLINK – State/Line (P/C Lines) - P/C, US; data as of: Sept.17, 2021

Life Insurance Sales Are Up, But for How Long?

Life insurers posted their biggest sales gain since 1983 during the first half of 2021, as they hoped to leave behind a year marked by uncertainty caused by the pandemic. But is it a one-off gain or the beginning of a sustained trend for an industry that was fighting the "low-for-long" interest rate environment even before a novel disease upended life as we know it?

by Terrence Dopp

A "clearing in the trees" was how MetLife Inc. President and Chief Executive Officer Michel Khalaf summed up the company's uptick in group life sales results in the second quarter of 2021. While the world often focuses on backward-looking economic indicators or current conditions, he said the figures pointed to a rosy future.

Group sales were 39% higher than they were in the first half of 2020. Similar sales increases across lines were seen in Latin America, Asia and Europe, the Middle East and Africa, he told a group of analysts during a second quarter earnings conference call in August. "And if current trends hold, 2021 will be a record sales year," Khalaf said.

The COVID-19 pandemic boosted demand for protection policies as people grew more focused on their own mortality, analysts say. But with case rates dropping in recent months and the

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market's priorities changing, industry leaders are now wrestling with this question: Can the growth sustain itself?

Bruno Caron, associate director with AM Best, said the recent sales figures should be viewed with a degree of realism, as higher sales don't negate other challenges such as the "low-for-long" interest rate environment.

Life insurance pricing, regardless of the chassis involved, centers around two assumptions: mortality and interest rates. Five to 20 years down the road, Caron said, profitability will be determined by those two numbers.

Caron noted the recent reduction in U.S. life expectancy due to COVID-19, saying: "Is that going to be a general wake-up call? I doubt it. We have to be prudent in forecasting sales.

"At the end of the day, the fundamentals driving demand for life insurance—demographics—have not changed fundamentally," he said.

Caron didn't cite specific estimates of future sales. Rather, he said, the demand for investment-focused products and protection policies saw a pandemic bump but could modulate closer to historic levels in the future.

Key Points

Sales: Life insurers were buoyed when sales in the first half of 2021 posted their highest growth since 1983 across all lines of business, according to LIMRA data.

Base: Broadening out the market seemed to be a facet of the numbers as face values per policy and the age of consumers came down, injecting the prospect that the industry is starting to eat into the "protection gap" and find a previously untapped supply of customers.

Reality Check: Even as the data is a hopeful sign, other underlying conditions such as interest rates and mortality remain unchanged, and consumer demand can revert to historic levels as the pandemic wanes.

"We've seen some elevated interest from millennials, elevated interest from women and elevated interest from Black Americans. Those are three demographics—age, gender and race—where we've seen some spiked levels of demand and interest."

David Levenson
LIMRA

Continued Rise in Business

It wasn't just MetLife and it wasn't only group life where insurers have been crowing lately. The rise also goes beyond one quarter.

Insurers issued $1.43 trillion in group life-issued business in 2020, according to the most recent Best's Rankings report for the segment. MetLife jumped from No. 3 to No. 2 based on 2020 sales, with $150.9 billion for the year, up 19.1%. Leading the category for another year was Hartford Life & Accident Insurance Co. with $322.7 billion in group life sales, up by 68%.

Total life insurance issued by the industry during the period rose 5.5% to $3.32 trillion based on 2020 sales, according to the AM Best data. There was some movement among the top 10 companies in the rankings: Hartford took the top spot with a 68% rise in total life issued valuation to $322.73 billion and the biggest drop in the top 10 was Prudential of America Group, which fell from No. 4 to No. 7 in the rankings with an 18.3% drop in total life issued to $137.9 billion.

According to LIMRA data from the first six months of 2021, life insurance sales are mostly up for a variety of different products individually as well as the industry total.

The total number of life insurance policies sold rose 8% in the first six months of the year and marked the highest such growth since 1983, LIMRA said. And there were other indicators in that same data that pointed to positive signs: Total U.S. life insurance premium increased 21% in the second quarter 2021, the largest year-over-year increase since third quarter 1987; in addition, it was up 18% for the first half of 2021 compared to the prior year.

Much of the current growth comes from eating into the so-called protection gap, the 102 million Americans that LIMRA estimates currently don't have any life insurance. That group, often younger and less wealthy than the traditional market for products with an investment component, has long been eyed as a new frontier.

"Given the COVID pandemic—that has certainly raised a lot of people's attention to ensuring that their loved ones would be properly protected," David Levenson, president and CEO, LIMRA, LOMA and LL Global, said during a recent AM Best TV interview.

Levenson said the growth is reflective of what happened following the Spanish flu pandemic of 1918, which, according to the Centers for Disease Control and Prevention, infected upward of a third of the world's population and resulted in 675,000 deaths in the U.S. alone. Back then, sales saw "meaningful" growth in the double digits for three to five years.

As the world shuttered in 2020, life insurers sought change to keep doing business that included shifting more of the process online, issuing policies without invasive paramedical exams and changing their marketing approach. The shift also forced the industry to learn to move at a swifter pace to stay alive.

"The growth in the industry is reflective of a pretty horrific event—this horrible pandemic we're all wrestling with," said Levenson, referring to the entire industry. "What I don't know is how people think about this three years or five years or even 10 years from now when there are different priorities in consumers' lives."

Across-the-Board Growth

In the term life category, which had about 22% market share, new premium increased 8% in the second quarter of 2021 and new policy count was up 2% over the same quarter a year earlier. In all, eight in 10 carriers reported positive premium growth across life segments, LIMRA said.

"According to the 2021 Insurance Barometer study, 36% of Americans said they planned to purchase life insurance this year. For the second consecutive quarter, we see this purchase intent translate into strong sales results," Levenson said in a LIMRA press release. "Following the record life insurance sales in the first quarter, most companies are reporting significant growth in premium and policy sales in the second quarter. Eight in 10 carriers reported positive premium growth, including each of the top 10 carriers."

Whole life new premium jumped 25% in the second quarter and policy count increased 5% from the prior year, LIMRA said. Whole life product sales experienced the largest growth in terms of absolute dollars and policies sold, and three-fourths of whole life carriers reported positive growth.

After 18 months in which direct-to-consumer sales of term policies marked the reality of doing business in a pandemic, whole life sales growth in the second quarter was driven by independent and affiliated agent sales as the vaccines became available and businesses resumed normal operations, LIMRA found.

"We've seen some elevated interest from millennials, elevated interest from women and elevated interest from Black Americans," Levenson said. "Those are three demographics—age, gender and race—where we've seen some spiked levels of demand and interest."

Neil Sprackling, head of U.S. life and health at Swiss Re, said the signs are definitely pointing in

"What's happened over the last 18 months has put a sustainable edge to the sales which we have not seen in 30 years."

Neil Sprackling
Swiss Re

the right direction for life insurers beyond the strict metric of sales numbers.

He points to changes in Section 7702 of the IRS tax code that made insurance more favorable.

Specifically, the federal government reduced the ratio of face value to premiums, allowing people to place more money in tax-advantaged life insurance accounts. Sprackling said the move came at short notice but was a positive step in that it injects a more sustainable interest rate assumption into the insurance world.

He said companies with career agencies remain in a strong position in terms of distribution, and the agent force has quickly and successfully pivoted to the current sales environment that allows more of the process to be done digitally than in the past. Sprackling said in-person sales will recover and that process has already begun as some social distancing restrictions have been lifted.

Sprackling and Swiss Re have been working with Plum to develop a recently launched platform to assist intermediaries in the digital term life market. The idea is to create a system that streamlines the process for intermediaries and helps them navigate the process more efficiently with the goal of increasing sales of protection-focused products.

As a result, Sprackling said he's cautiously optimistic during a recent discussion over the prospects of the future life insurance climate.

"If we had done this a year ago I probably would not have been able to say that," he said. "We've not had the kind of year we've been having this year for a long, long time in terms of a meaningful uptick in sales."

Products that are very exposed to interest rate changes remain challenging and companies are making changes in their lineups in response. Still, Sprackling said the scope of the sales figures can't be overlooked.

As a reinsurer, Sprackling said Swiss Re is now seeing business increases as a knock-on impact.

Sprackling said much of the growth has centered on term, whole life and final expense policies, which have struggled to post growth in previous years but are now seeing respectable levels of growth.

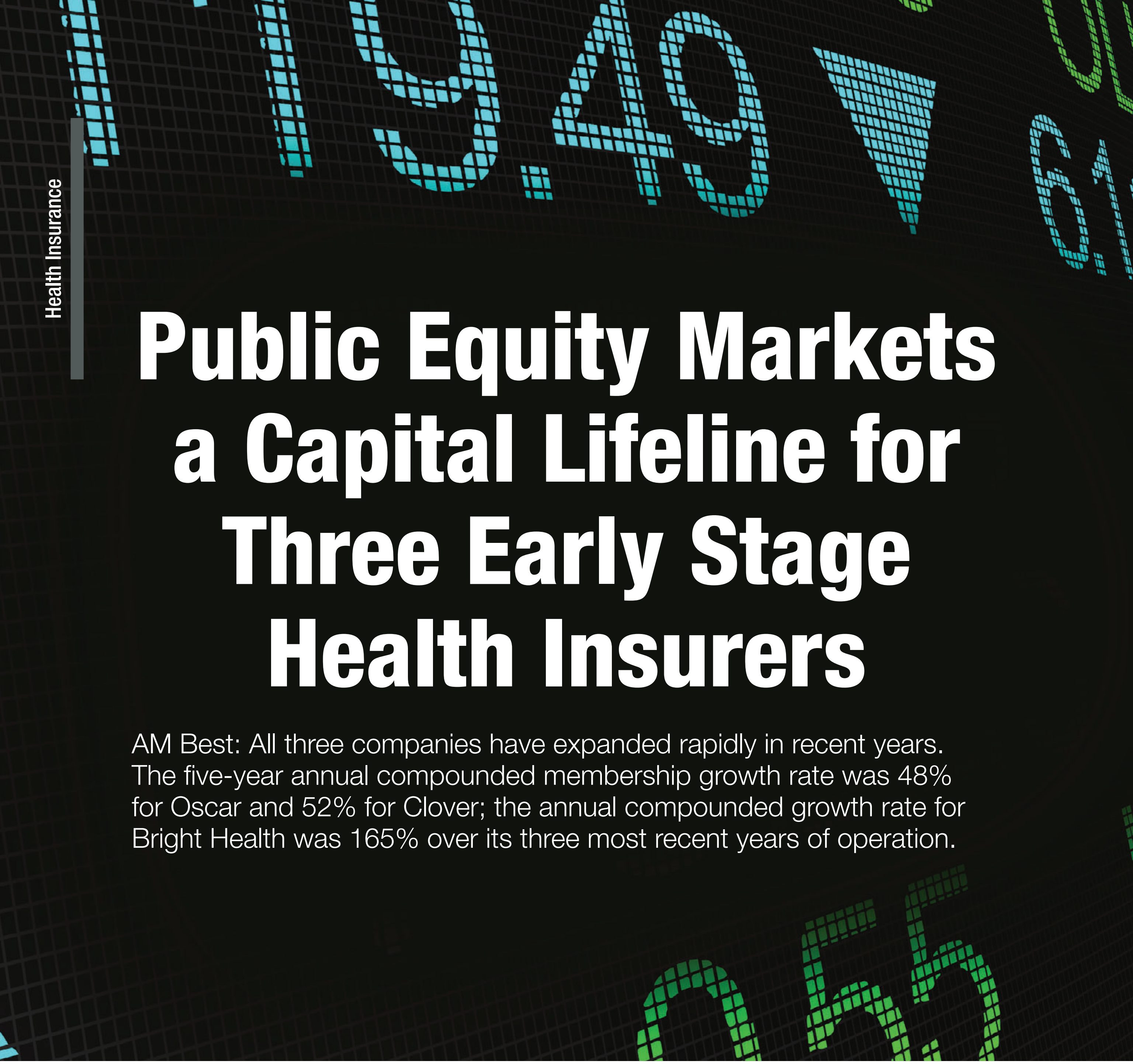
Declines in the average age of policyholders and face values are proof the new growth is coming from eating into that pool of uninsured people and growing the market. Tapping new markets is key to making a sales bump become a trend and a larger market, he said.

"What's happened over the last 18 months has put a sustainable edge to the sales which we have not seen in 30 years," he said.

"What we all want to see is that this can become something that is long-term sustainable. I'm not suggesting that everything is suddenly going to be double digits."

Levenson, of LIMRA, called the recent jump in sales a pleasant sign; whether it turns into a long-running trend is largely in the hands of the life insurance industry itself, he said.

"Our industry continues to evolve and get smarter in how we reach customers," he said. "All of those things will make it easier to do life insurance for years to come. And I think that will contribute to the sustainability of the effort and the success in reaching those 102 million people." BR



Public Equity Markets a Capital Lifeline for Three Early Stage Health Insurers

AM Best: All three companies have expanded rapidly in recent years. The five-year annual compounded membership growth rate was 48% for Oscar and 52% for Clover; the annual compounded growth rate for Bright Health was 165% over its three most recent years of operation.

Editor's Note: The following is an excerpt from the *Best's Special Report: Public Equity Markets a Capital Lifeline for Three Early Stage Health Insurers*. Go to *www.ambest.com* to access the full report.

New entrants to the U.S. health insurance industry are rare, especially for Major Medical or Medicare Advantage (MA). These markets have been dominated by large publicly traded companies and Blue Cross Blue Shield organizations. Surprisingly, not one, but three early stage health insurance carriers—Clover Health Investments Corp., Oscar Health Inc., and Bright Health Group Inc.—have gone public in 2021. These three companies share some attributes, such as a value proposition focused on using proprietary software to improve patient and provider outcomes, rapid membership growth, and a current inability to turn a profit, due in part to the startup nature of operations. They also have key differentiating features, including the markets in which they operate, the development of non-insurance businesses, the factors driving current unprofitability, and the capital management strategy employed to support the growth and manage losses.

Clover Insurance Group, the consolidation of Clover Health Investments Corp. statutory filing

subsidiaries, offered MA plans in eight states, serving 58,000 members as of year-end 2020, but its business is concentrated in New Jersey. The company's value proposition is centered on its proprietary technology platform the "Clover Assistant," a tool designed to assist providers in making clinical decisions. Clover's strategy is to attract physicians to its network by providing them with data insights powered by artificial intelligence (AI), which will allow them to provide better care more economically. Some of the savings can then be passed on to members in the form of low-cost or zero-premium MA plans.

Oscar Insurance Group, the consolidation of Oscar Health Inc.'s statutory filing subsidiaries, provided individual/family plans, small group plans, and limited MA plans to just over 400,000 members in 14 states as of year-end 2020. Oscar is focused primarily on the individual market, but began building more attractive offerings for small groups. In 2020, the company formed a partnership with Cigna Corp. to gain access to its provider network in a number of jurisdictions. Like Clover, Oscar's value proposition lies in lowering care and administrative costs through a proprietary software platform. The platform is designed to reduce medical expenses by more actively engaging with members to focus on preventive health, manage chronic conditions, and avoid increased morbidity, as well as to direct individuals to more efficient providers. Also like Clover, the insights are driven by AI systems applied to proprietary data sets.

Bright Health Insurance Group, the consolidation of Bright Health Group Inc.'s statutory filing subsidiaries, offered individual, small group, and MA plans to just under 200,000 members in 12 states as of year-end 2020. Like the other two companies, Bright Health has built a proprietary software platform aimed at lowering costs by improving care coordination between providers. Unlike the other two companies, Bright Health is actively marketing its software platform to providers under the brand NeueHealth.

Capital Accumulation Lags Premium Growth

All three companies have expanded rapidly in recent years. The five-year annual compounded membership growth rate was 48% for Oscar and 52% for Clover; the annual compounded growth rate for Bright Health was 165% over its three most recent years of operation. This rapid increase in membership, combined with consistent net losses, requires a capital management strategy to ensure solvency. The strategies of these three companies have some similarities as well as material differences.

All three groups are accumulating capital at a much lower rate than they are growing premiums, indicating they are stretching their balance sheets to accommodate growth. Oscar's five-year compounded annual premium growth rate exceeded its capital growth by 18% and Clover's, by 36%, with Oscar's net premiums written (NPW) growing from $126.5 million in 2015 to $437.4 million in 2020 and Clover's, from $52.5 million to $665.7 million. Oscar's capital and surplus (C&S) improved to $60.6 million in 2020 from $37.5 million at year-end 2015, and Clover's, to $79.4 million from $21.6 million. Oscar's C&S had fallen from a peak of $142.0 million in 2018 to $130.8 million in 2019, likely due in part to one-time ceding commissions from the purchase of additional reinsurance. From 2017 through year-end 2020, Bright Health experienced compound annual premium growth in excess of capital growth of 110%, driven heavily by the acquisition of Universal Care Inc., in 2020. C&S grew to $241.7 million as of year-end 2020, from just $27.2 million at year-end 2017.

Premium leverage at year-end 2020 was 8.4x for Clover, 7.2x for Oscar, and 4.8x for Bright Health. Clover and Oscar thus compare unfavorably with other publicly traded insurance groups such as Anthem Inc., CVS Health (Aetna), UnitedHealth Group Inc., and Cigna Corp., which together averaged premium leverage of 6.0x (peer data based on statutory consolidations of entities rated by AM Best).

Risk-Based Capitalization Depends on Equity, Parent Contributions, and Reinsurance

Bright Health and Oscar were moderately capitalized in 2020 from a risk-based-capitalization (RBC) (at the Company Action Level, CAL) perspective, with consolidated RBC of 430% for Bright Health and 653% for Oscar. However, the RBC of both companies has been highly volatile at both the consolidated level and the individual statutory entity level. Bright Health's consolidated RBC was 475% in 2017, which increased to 798% in 2018, before falling over the next two years to 430% in 2020. At the statutory entity level, RBC in 2020 ranged from as low as 169% at Bright Health Insurance Co. of Tennessee to 10,100% at Bright Health Company of Georgia. The year 2020 represents the highest regulatory capital position in Oscar's history, up from just 172% in 2016. The disparity in capitalization among statutory entities is similar to Bright Health's.

Oscar California was excluded from the RBC calculation because California is not an RBC state. The plan is compliant with the state's Department of Managed Health Care Tangible Net Equity requirements but has negative total equity due to a large amount of debt outstanding against a subordinated line of credit extended by the holding company to the plan to support its expanding operations. The volatility both over time and among entities seems to be due to a combination of mostly negative operating results and the timing of periodic capital injections from the parent company. Clover is the most thinly capitalized (consolidated RBC of 163% in 2020) of the three but has experienced the least amount of volatility, with its RBC ranging between 163% and 214% between 2017 and 2020.

All three companies rely on capital contributions from their parent holding companies to maintain sufficient equity. From year-end 2015 through year-end 2020, the three groups had accumulated just under $1.5 billion in contributed surplus combined. This does not include funds raised through equity offerings currently held at the parent company level, an estimated $2.6 billion in additional capital including preferred shares through year-end 2020. Oscar's 2021 public offering raised $1.3 billion and Bright Health's, $1.4 billion, for additional funds available to insurance subsidiaries at their parent companies. Clover also received over $600 million in net additional funding from a private investment in public equity (PIPE) in the first quarter 2021. Both companies also use surplus notes, $40.0 million for Clover and $15.7 million for Oscar, to augment unrestricted capital. In both cases, the notes are held by related parties.

In addition to raising funds from equity holders, Oscar and Bright Health also use reinsurance to manage capital. Oscar and Bright Health use reinsurance to alleviate the pressure of premium growth relative to enrollment growth, as a way to manage capital while still expanding their operational scale. Oscar retained only 32% of gross written premium in 2020, an amount that has declined from close to 100% in 2015. The company's share of ceded premium in 2020 was one of the highest in the industry and accounted for about 3% of total health insurance ceded premium. It uses high-quality counterparties such as Odyssey Reinsurance Co., Berkshire Hathaway Specialty Insurance Co., and AXA France Vie.

Reliance on highly rated reinsurers further alleviates balance sheet risks. The use of reinsurance has allowed Oscar to gain additional scale (member growth of 48.4% CAGR since 2015) while limiting additional underwriting risk (NPW growth of just 28.2% CAGR). Bright Health retains 89% of gross written premiums, which is down from 98% in 2017. BR

U.S. Property/Casualty - 2020 Asset Distribution – 2021 Edition

Ranked by 2020 total admitted assets.

($ Millions)

2020 Rank	2019 Rank	Company/Group	AMB#	Nonaf-filiated Bonds	% of Assets	Nonaf-filiated Common Stocks	% of Assets	Affiliated Bonds & Stocks	% of Assets	Cash & Short-Term Invest-ments	% of Assets	Total Admitted Assets	Gross Yield on Invested Assets 2020	2019	2018
1	1	Berkshire Hathaway Ins	000811	$4,645	1.1	$230,145	53.4	$27,854	6.5	$52,672	12.2	$431,195	3.0	3.6	4.1
2	2	State Farm Group	000088	108,724	47.5	74,413	32.5	14,543	6.4	5,442	2.4	228,712	2.5	2.8	2.7
3	3	Liberty Mutual Ins Cos	000060	50,991	52.2	1,498	1.5	8,558	8.8	2,999	3.1	97,742	2.8	3.5	6.9
4	4	Travelers Group	018674	63,508	73.6	115	0.1	1,388	1.6	2,998	3.5	86,325	3.5	3.9	3.9
5	5	Chubb INA Group	018498	50,214	65.3	2,997	3.9	71	0.1	1,146	1.5	76,848	4.0	4.1	3.7
6	6	Amer Intl Group	018540	38,536	58.0	74	0.1	2,540	3.8	1,437	2.2	66,468	3.6	4.1	4.5
7	7	Allstate Ins Group	000008	38,903	61.4	1,609	2.5	4,960	7.8	1,116	1.8	63,334	3.5	3.9	4.2
8	8	USAA Group	004080	24,620	41.9	5,760	9.8	13,900	23.6	100	0.2	58,813	3.3	3.3	3.4
9	10	Progressive Ins Group	000780	34,567	62.1	3,985	7.2	810	1.5	1,150	2.1	55,704	2.5	3.2	3.0
10	9	Nationwide Group	005987	20,099	36.7	76	0.1	7,029	12.8	1,380	2.5	54,819	2.9	3.5	3.4
11	11	Hartford Ins Group	000048	31,007	65.4	522	1.1	120	0.3	1,111	2.3	47,394	3.7	4.2	4.1
12	12	CNA Ins Cos	018313	35,621	79.0	195	0.4	840	1.9	1,282	2.8	45,104	4.8	5.2	5.6
13	13	Farmers Ins Group	000032	21,996	57.3	777	2.0	48	0.1	975	2.5	38,414	3.3	3.9	3.6
14	14	Zurich Ins US PC Group	018549	17,270	54.0	1,079	3.4	0	0.0	586	1.8	31,954	3.3	3.4	3.3
15	15	Tokio Marine US PC Group	018733	20,217	65.4	175	0.6	1,102	3.6	840	2.7	30,898	4.6	4.7	4.7
16	16	Fairfax Financial (USA) Group	003116	7,419	27.2	1,082	4.0	3,343	12.3	5,667	20.8	27,247	2.4	2.6	2.3
17	17	Swiss Reins Group	003262	14,409	54.9	402	1.5	0	0.0	3,614	13.8	26,244	2.0	2.8	2.7
18	18	Auto-Owners Ins Group	004354	16,570	63.2	4,894	18.7	715	2.7	596	2.3	26,201	2.7	2.9	3.1
19	19	Amer Family Ins Group	000124	15,230	58.3	2,663	10.2	566	2.2	500	1.9	26,134	7.7	5.3	7.2
20	21	FM Global Group	018502	7,819	32.2	7,653	31.5	2,424	10.0	1,065	4.4	24,273	1.6	2.2	2.1
21	22	W. R. Berkley Ins Group	018252	11,059	47.6	634	2.7	1,348	5.8	2,477	10.7	23,253	4.5	3.2	6.7
22	20	Munich-Amer Hldg Corp Cos	018753	15,652	70.4	100	0.4	108	0.5	882	4.0	22,245	2.6	3.0	2.9
23	25	Erie Ins Group	004283	10,779	49.2	4,420	20.2	296	1.4	663	3.0	21,928	3.2	3.7	3.7
24	24	State Ins Fund WC Fund	004029	17,270	81.2	1,842	8.7	0	0.0	448	2.1	21,265	2.9	3.2	3.1
25	26	Alleghany Corp Group	018640	13,222	63.0	1,861	8.9	1,076	5.1	917	4.4	20,972	2.6	2.9	2.7
		Top 25 Insurers		**$690,347**	**41.8**	**$348,973**	**21.1**	**$93,641**	**5.7**	**$92,061**	**5.6**	**$1,653,484**	**3.2**	**3.6**	**3.9**
		Total U.S. P/C Industry		**$1,138,389**	**47.5**	**$425,096**	**17.7**	**$102,060**	**4.3**	**$143,272**	**6.0**	**$2,397,553**	**3.1**	**3.5**	**3.7**

Source: BESTLINK — Statement File - P/C, US; data as of: Aug. 16, 2021

Best's Rankings

U.S. Life/Health – Industry 2020 Investment Returns – 2021 Edition

(2020 to 2011)

	Pre-Tax Investment Total Return	Gross Yield	Net Yield	Bonds	Common Stock	Preferred Stock	Mortgages	Contract Loans & Premium Notes	Cash & Short-Term Investments
2020	4.70%	4.50%	4.10%	4.22%	6.20%	5.52%	4.42%	5.92%	1.07%
2019	4.90	4.82	4.40	4.46	7.48	5.74	4.64	5.99	2.62
2018	4.50	4.98	4.50	4.44	9.23	5.71	4.57	6.00	2.09
2017	4.60	4.98	4.50	4.49	7.10	5.77	4.69	5.97	1.33
2016	4.10	4.94	4.50	4.64	5.33	5.78	4.89	5.96	0.90
2015	4.40	5.05	4.60	4.71	6.21	5.99	5.14	5.83	0.49
2014	5.50	5.23	4.80	4.88	4.78	6.42	5.40	6.01	0.47
2013	4.60	5.29	4.90	4.99	5.61	6.66	5.64	6.02	0.45
2012	5.10	5.34	4.90	5.20	4.82	6.41	5.94	6.09	0.38
2011	5.80	5.53	5.10	5.41	4.60	6.51	5.99	6.27	0.28

U.S. Life/Health – Top 25 Insurers' 2020 Investment Returns – 2021 Edition

Ranked by 2020 total admitted assets.

($ Thousands)

2020 Rank	2019 Rank	Company/Group	AMB#	Total Admitted Assets	Pre-Tax Invest-ment Total Return	Gross Yield	Net Yield	Bonds	Common Stock	Preferred Stock	Mortgages	Contract Loans & Premium Notes	Cash & Short-Term Invest-ments
1	1	Prudential of America Group	070189	$680,214,029	3.20%	3.79%	3.20%	3.76%	1.19%	6.88%	3.92%	4.81%	1.44%
2	2	MetLife Life Ins Companies	070192	455,631,385	4.70	5.00	4.60	4.12	28.83	5.04	4.19	5.22	0.92
3	3	New York Life Group	069714	371,524,092	4.80	4.32	3.90	3.94	1.89	4.61	4.25	5.28	0.66
4	5	Massachusetts Mutual Life Group	069702	352,025,659	6.00	4.67	4.30	4.28	6.14	4.19	4.57	6.34	1.93
5	4	TIAA Group*	070362	341,257,483	4.30	4.76	4.30	4.49	2.07	4.64	4.14	4.16	0.16
6	6	AIG Life & Retirement Group	070342	327,189,170	5.40	4.62	4.40	4.68	2.84	4.67	4.23	5.85	4.63
7	8	Lincoln Finl Group	070351	315,122,559	4.30	4.48	3.80	4.39	11.09	5.96	4.25	5.68	0.54
8	7	Northwestern Mutual Group	069515	308,874,476	5.30	4.63	4.20	3.78	3.91	5.98	4.22	6.64	0.85
9	9	John Hancock Life Insurance Group	069542	302,129,970	8.30	4.77	4.10	4.25	1.14	0.00	4.82	6.15	0.43
10	10	Jackson Natl Group	069578	297,086,121	-1.00	5.31	4.70	3.96	3.39	0.00	4.04	8.78	1.07
11	11	Equitable Life Group	070194	241,971,513	5.90	1.99	1.70	3.69	6.68	6.88	4.22	5.37	1.01
12	12	Aegon USA Group	069707	233,782,746	5.00	5.06	4.60	4.34	1.67	7.73	4.46	5.67	1.01
13	13	Principal Finl Group Inc.	020516	224,987,817	4.10	4.29	4.00	3.90	0.98	6.26	4.23	4.97	0.69
14	14	Nationwide Mutual Life Group	070822	210,862,179	2.90	4.32	4.00	3.90	3.42	2.24	4.26	4.74	0.57
15	15	Brighthouse Ins Group	070516	207,293,956	7.40	4.33	3.90	4.17	5.44	6.03	4.28	4.33	0.99
16	16	Allianz Life Ins Group	070187	177,603,524	3.90	4.11	3.90	4.26	4.34	0.00	4.33	5.01	0.54
17	17	Pacific Life Group	069720	166,957,014	3.30	3.90	3.60	4.29	2.60	6.07	5.16	4.83	0.48
18	18	Voya Finl Group	070153	144,394,924	4.60	5.19	4.80	4.90	117.13	6.28	4.31	5.54	0.52
19	19	Talcott Resolution Group	070116	126,988,913	4.00	4.64	4.40	4.37	14.05	7.01	4.28	5.66	0.77
20	20	Ameriprise Finl Group	069689	125,213,551	6.60	4.16	4.00	4.09	26.56	0.00	4.38	3.71	0.63
21	23	Athene US Life Group	070478	115,011,458	4.70	5.12	4.60	4.41	4.30	5.25	4.87	6.40	0.59
22	21	Sammons Enterprises Group	070533	113,633,438	4.00	4.88	4.40	4.49	2.43	5.04	4.58	5.46	2.58
23	22	Thrivent Finl for Lutherans	006008	109,324,607	4.60	4.44	4.30	3.77	6.02	5.66	4.59	7.18	0.67
24	27	Global Atlantic Group	069786	94,300,324	4.30	4.02	3.80	3.75	3.26	4.35	4.67	4.99	1.81
25	24	Protective Life Group	069728	90,488,814	4.40	4.48	4.10	4.31	13.96	4.65	4.83	5.63	0.51
		Top 25 Insurers		**$6,133,869,722**	**4.68**	**4.50**	**4.18**	**4.17**	**7.15**	**5.16**	**4.33**	**5.85**	**1.04**
		Total U.S. Life/Health Industry		**$8,152,533,334**	**4.70**	**4.50**	**4.10**	**4.22**	**6.20**	**5.52**	**4.42**	**5.92**	**1.07**

* TIAA's assets are significantly understated. Most of its separate account assets are in affiliate, CREF.
Note: Data for some companies in this report has been received from the NAIC.
Source: BESTLINK Statement File - L/H, US; data as of: Sept. 27, 2021

AM Best: Total Dedicated Reinsurance Capacity Increased Sharply in 2020

The 7% increase is wholly attributable to the rises in traditional reinsurance capital.

by John Weber

Dedicated reinsurance capacity in 2020 topped $517 billion and was driven by a 7% increase on the traditional side, said Dan Hofmeister, senior financial analyst, AM Best. The analysis is part of AM Best's annual Global Reinsurance Market Segment Report, *Global Reinsurance Outlook Remains Stable in a More Uncertain World.*

Following is an edited transcript of the interview with AM Best TV.

As the global reinsurance market has evolved, so has the capital supporting this business. With various forces impacting capital levels, they are also impacting the utilization of that capital. The report notes that total dedicated reinsurance capacity increased sharply in 2020. What are the factors that drove this?

The 7% increase that we witnessed this year to $517 billion is really wholly attributable to the rises in traditional reinsurance capital. The third-party capital remained relatively flat, due to the trapped capital and loss creep from prior years, although we have seen some renewed appetite from insurance-linked securities investors in the first half of this year.

In particular, in cat bonds, we would expect a slight increase as this year ends, but it's still a little bit of early days for that. The majority of the rise in traditional reinsurance capital actually comes from the 10 largest reinsurers, whose capital rose roughly 12% in 2020.

That growth stems mostly from the recovery and then rise in the investment values through the second half of the year following many of those stimulus packages that we've seen implemented worldwide. Then, in addition to that, with the rates being lower due to these stimulus packages, we witnessed an influx of new debt in private equity capital into the market.

However, the impact of those two factors was much less pronounced than the investment market impact.

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

> "The majority of the rise in traditional reinsurance capital actually comes from the 10 largest reinsurers, whose capital rose roughly 12% in 2020."

Dan Hofmeister
AM Best

AM Best has noted 2020 was a year of extraordinary losses stemming from the COVID-19 pandemic, as well as continued pressure from hardening market conditions. Doesn't the increase in capital in 2020 contradict these statements?

It's a good question. Not necessarily, although I would admit that at first we were a bit skeptical when we saw the results. The first half of 2020 certainly had its challenges, but the second half of the year was highlighted by the stimulus packages that we just mentioned, which began the recovery in the investment values.

Additionally, the group of companies that we're talking about here have highly sophisticated and time-tested enterprise risk management programs in place, which are designed specifically to withstand abnormal years, such as 2020.

While many of these international reinsurers were impacted by event cancellation and business interruption losses, many of them also benefited from reduced frequency of claims in the personal lines sector as well.

All in all, while the combined ratios were well over 100 for the year, we generally saw positive ROEs within the sector contributing to that capital increase.

The report mentions that capital utilization increased in 2020. What does that mean for the industry?

Now, I think this is actually the most critical point in the report, and probably the most important, in my opinion, as well. Our measure of the total dedicated reinsurance capital is really an absolute figure while the capital utilization measure takes into account the amount of risk retained at the companies as well.

What we've found is that, even though capital is continuing to rise in recent years, the level of capital required to maintain Best's Capital Adequacy Ratio levels has increased at a more rapid rate. Part of that is explained by the increase in capital requirements from asset risk.

This results in lower buffers between the strongest and very strong BCARs for many of the market participants, which is where we see those hardening market conditions and those loss-affected operating results coming into play.

What does AM Best foresee for 2021?

We've estimated roughly 3% growth in 2021 to $441 billion from $429 billion in just the traditional reinsurance capital, although we think that there's going to be some extra there from the third-party reinsurance capital as well.

I think the biggest lesson in 2020 is that a lot can happen throughout the year. While we were conservative with this estimate, I think the second half of the year could really change a lot. The first half of the year's gone well for a lot of reinsurers. They've bolstered capital levels, and the larger uncertainty, I think, is going to be around the capital utilization levels.

As these companies start to increase the premium levels that we've seen throughout the year, that could put some temporary stress on the BCAR levels if the operating results don't begin to improve as well. BR

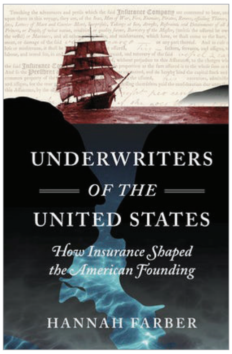
AM Best TV

Go to *www.bestreview.com* to watch the interview with Dan Hofmeister.

New Book Chronicles the History of Insurers' Role in the Rise of the US

Author offers a look at how insurers supported the expansion of American maritime expertise and economic development.

Underwriters of the United States—How Insurance Shaped the American Founding



Hannah Farber's new book, *Underwriters of the United States—How Insurance Shaped the American Founding*, chronicles insurers' contributions to the birth of the United States.

Farber, an assistant professor of history at Columbia University, reports how during the American Revolution, U.S. maritime insurers used their position at the pinnacle of global trade to help shape the new nation. Following is an edited transcript of an interview with AM Best TV.

What inspired you to write the book?

During graduate school, I was looking for stories of dashing adventures on the high seas and the new republic. What I found, strangely, was a large number of references to insurance.

During the American Revolution, insurance was a tremendously wealthy business, one of which American merchants and the British government were very aware. I discovered a big business that was closely entangled with the political conflicts of the time, the political life of the empire and the rebelling colonies, and with the United States as it formed shortly thereafter.

How did the 18th-century marine insurance business contribute to the making of the U.S.?

Marine insurance at that time was not an actuarial business but a business conducted through a coordinated group of people with much expertise about how the merchant world functioned and how political events might unfold.

What fascinated me about this story was the constant risk of capture that American merchants faced between the outbreaks of the American Revolution through the end of the Napoleonic Wars.

During that time, there was tremendous political risk but also an opportunity for merchants to work together to form insurance groups and share their risks amongst each other, while also making money.

What do you hope people will take away from the book?

It's important for everyone to listen to the language that big financial industries are using when they talk about their relationships with the government.

During the 18th century, insurance companies and their founders invested their funds in the United States by buying U.S. securities and betting on American merchant ships. The U.S. became a financially solvent country with a functional merchant fleet, which paid off for insurers. That's a story about the founding of our nation that's rarely told because we like to think of people having purely patriotic motivations to take risks on behalf of their country. BR

AM Best TV

Go to *www.bestreview.com* to watch the interview with Hannah Farber.

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

App Helps Keep Work Environments Safe From COVID-19

Safe2Work can help “overworked HR departments” wade through the COVID-19 crisis, the app’s creators say.

Jacob Sipko

Bryan Stonecipher

Safe2Work App

Employers are looking for efficient ways to keep work environments safe from COVID-19. Optis, a division of the managed care provider Genex Services, has developed Safe2Work, an app-enabled, web-based health screening program designed to help stop the spread of workplace illness.

Jacob Sipko, vice president of sales for the Southwest region of Genex, and Bryan Stonecipher, president of Optis, spoke to *Best’s Review* about how the Safe2Work app provides risk mitigation and helps ensure employers and employees that, when they go to work, they’re safe. Following is an edited transcript of an interview with Sipko and Stonecipher.

What inspired you to launch the app?

Sipko: Following the lockdown and essential businesses reopening, we were starting to get a lot of calls at Genex—being a managed care leader and knowing we have clinical tools available—on, “How can we safely reopen?”

How does the app work?

Stonecipher: If you log in every day, [you] do a self-assessment using the CDC guidelines. [It asks:] “Do you have a fever? Are you coughing?” Any other guidelines on there, you can say no and it says, “Go on, head to work.” If you say yes, then it actually gets deeper into what you have: “What’s your fever? Are you dizzy, loss of taste, anything of that nature?”

If you do, it actually tells you, “OK, here are the next steps that need to take place.” Based on what the company wants, you could go immediately to call a doctor.

How does this app assist in terms of absence management and risk mitigation?

Stonecipher: It has the ability to really reach out and help a lot of overburdened, overworked HR departments right now, because they’re a little lost right now. They’re really trying to figure out how to handle this. Especially with the second wave moving in again, it’s still leaving everybody out on an island.

How will this benefit someone as he or she returns to the office or job site amid the COVID pandemic?

Stonecipher: It allows for the company to track it, to help ensure that people who are coming in the facilities are clear. If they do come in one day and it’s clear, and the next day, they feel they’ve got symptoms, they know who was inside the facilities during that day

Does it address leave management?

Stonecipher: We take the system and work it around whatever your heart desires, where you flow. BR

—Tom Davis

Tom Davis is managing editor. He can be reached at *tom.davis@ambest.com.*

AM Best TV

Go to *www.bestreview.com* to watch the complete interview with Jacob Sipko and Bryan Stonecipher.

Top Content Includes Features on Cryptocurrency, Coverage of Insurance Commissioners

Other trending content includes webinars on the state of the surplus lines market and on the reinsurance market.

Trending: *Best's Review*

Global Brokers

1. Top Global Insurance Brokers - 2021 Edition
2. Cryptocurrency: Insurance Industry Tests the Waters With New Initiatives
3. New Reinsurers Enter the Market Amid a Rise in Innovation, Abundant Capital and a Market-Changing Pandemic
4. Cryptocurrency Opens New Frontier for Life Insurers
5. Taking a Leap: Life Insurers Attract New Agents Seeking to Make Career Moves

Trending: BestWire $

Jim Donelon

1. Louisiana Commissioner: State Farm's Opposition to Ida Order is 'Unconscionable'
2. NY Superintendent Lacewell Resigns, Is Cited in Attorney General's Report on Cuomo
3. University Seeks $63.1 Million From FM Global for COVID-19 Business Interruption Losses
4. Insurance Industry Loses 800 Jobs in August, Is Fifth Consecutive Month of Jobs Decline
5. Washington Insurance Commissioner, APCIA Continue Sparring Over Credit Scoring Order

Trending: AM Best Webinars

Surplus Lines

1. State of the Surplus Lines Market
2. Emerging Trends and the Wholesale Insurance Market: How the Industry is Adapting
3. AM Best's Reinsurance Market Briefing - Rendez-Vous de Septembre
4. Insurance Defense 101: What Insurers Need From Today's Counsel
5. AM Best's Briefing: Global Reinsurance Market Perspectives

Trending: AM Best TV - News Coverage

Vaccine Mandates

1. Travelers: EPL Claims Over Vaccine Mandates on the Rise
2. Everest Re: Demand Plus Exposure Growth Creates Opportunity for Reinsurers, Insurers
3. TrustedChoice.com: A Staggering One-Third of Phone Calls to Insurance Agents Go Unanswered
4. Attorney: Homeowners Excess Liability Can Cover Defamation, Slander Claims
5. Swiss Re: Insurers Can Help Reduce World's Carbon Footprint

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These were the top trending items from July 23-Sept. 23. 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 *www.bestreview.com* or by visiting AM Best's home page at *www.ambest.com*.

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Trending Research Includes Reports on Global Reinsurance, Captives

AM Best also issues a report on U.S. property/casualty mutuals and comments on six-month 2021 results for property/casualty and life/annuity.

Trending: Best's Special Reports


Property/Casualty

1. First Look: Six-Month 2021 Property/Casualty Financial Results $
2. Costly Claims Litigation Drives Up Carrier DCC Expenses $
3. First Look: Six-Month 2021 Life/Annuity Financial Results $
4. Personal Cyber Insurance Moves Beyond Identity Theft $
5. Risk-Adjusted Capitalization Continues to Increase for Life/Health Industry $

Trending: Best's Market Segment Reports


Reinsurance

1. Global Reinsurance Outlook Remains Stable in a More Uncertain World
2. Captives' Flexibility and Control Enable Them to Outperform Commercial Peers $
3. Expanding Opportunities Boost Surplus Lines Growth and Spur Improved Operating Profits $
4. COVID-19 Forges a Double-Edged Sword for US Property/Casualty Mutuals $
5. Canada Insurance: P/C Segment Remains Resilient, L/A Segment Outlook Turns to Stable $

Trending: Best's Commentary


Social Inflation

1. Boy Scouts of America Dispute Reveals Myriad Social Inflation Concerns
2. Hurricane Ida Losses Manageable for the Insurance Industry
3. Henan Flood Losses Expected to be Manageable for China Insurers
4. HSBC's Acquisition of AXA Singapore Highlights Singapore Life Insurance Growth Prospects

Trending: AM Best TV - Research Coverage


Caribbean

1. COVID-19 Served Effectively as the Caribbean's 'Major Catastrophe in 2020'
2. Litigation Drives Up Carriers' Defense and Cost Containment (DCC) Expenses
3. Munich Re Takes Top Spot on List of World's 50 Largest Reinsurers
4. Insurers Increased Private Equity Investments in 2020
5. ESG a 'Primary Factor' in 13% of Global Rating Actions Over 12-Month Period

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These were the top trending research and commentary reports from July 23 to Sept. 23.

$ Payment or subscription required.

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Panelists Examine the Relationship Between Next-Gen Telematics and Vehicle Build Data

Professionals also discuss underwriting trends in the cyber and property markets as well as active risk management programs.

Streaming Live

How Next-Gen Telematics and Vehicle Build Data Are Driving Better Risk Assessment for Auto Insurers

Vehicle technology has changed a lot over the last few years with big developments in the areas of telematics and advanced driver-assistance systems (ADAS). What are the key differences between the two and how can their data insights be optimized for the auto insurance use case? Panelists will discuss how telematics data from connected vehicles and vehicle build information from ADAS can work together to provide more power to predict driving risk today and in the future. **This complimentary AM Best Webinar is sponsored by LexisNexis Risk Solutions.**

Tuesday, Nov. 9, 2 p.m. ET

On Demand

AM Best's Briefing – Cyber: A Study of Aggregation Risk in the US Property Market

AM Best and industry experts from Aon and CyberCube discuss a recent study examining cyber exposures in the U.S. property market that may be currently unaccounted for in ERM frameworks. The panel also examines the latest underwriting trends in the cyber market and the property market as it relates to cyber; analyzes the results of the stress test, and provides a brief overview of the modeling and the rating implications of the stress scenario.

How Active Risk Management Drives Better Insurance Underwriting

An active risk management program is the best way to stay on top of changing risks and be ready to address potential loss ratio and premium leakage on your renewal book. A panel of insurance experts and data scientists explores best practices, types of changes to look for, and the data that helps in understanding potential problems before they arise. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

What Insurers Need to Know About Next-Gen Cyberthreats

Cyberrisk continues to evolve as scams, ransomware and phishing exploits become more sophisticated, targeting new areas of vulnerability. Experts in (re) insurance and digital forensics explore emerging cyberrisks and what insurers must do to address them. **This complimentary AM Best Webinar was sponsored by Munich Re.**

Dishing on Data: Advice From Data Scientists on How to Leverage Traditional and Nontraditional Data Sources

As the industry strives to innovate and exceed customer expectations, the use of different types of data sources is a key driver to success. A panel of industry experts examines the current data landscape, explores new data sources and discusses how to use existing data sources in new ways. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

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

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 *www.bestreview.com.*

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

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Everest Re CEO: Companies Investing in Data and Analytics Can Identify Profitable Niches

Also, industry professionals discuss the U.S. life insurance protection gap and the rise of indemnity claims during the COVID-19 pandemic.

On Demand

Everest Re: Demand Plus Exposure Growth Create Opportunity for Reinsurers, Insurers

Companies that spent significant capital on data, analytics and technology are better positioned to price and identify niches and segments that can be profitable, said Juan Andrade, president and CEO, Everest Re Group Ltd.

Juan Andrade

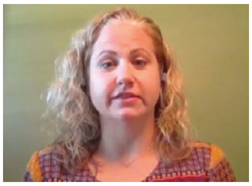
Swiss Re: US Life Insurance Protection Gap at $25 Trillion

A new study from Swiss Re concludes the average U.S. household needs an additional $500,000 in life insurance following the loss of a breadwinner, said Heather Majewski, head of life & health solutions for the Americas, Swiss Re.

Heather Majewski

Mitchell International: Indemnity Claims Dominate During Pandemic

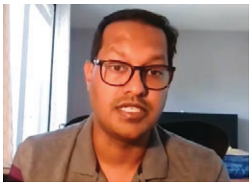
Data shows that 73% of COVID-19 workers' compensation claims since the beginning of the pandemic were indemnity only, said Tina Queen, senior manager of product management, Mitchell International. Indemnity claims are lost wages expected to be paid to a worker recovering from a work-related injury or illness.



Tina Queen

AIR: Storms Like Hurricane Ida Are Changing Cat Models

Slower-moving and wetter storms such as Hurricane Ida are becoming more common, said Karthik Ramanathan, vice president and principal engineer, AIR.



Karthik Ramanathan

Visit *www.ambest.com/ambtv* to see new and archived video from AM Best TV.

CEO: COVID-19 Changed Attitudes About Life Insurance and Retirement Investing

Also, AM Best Audio explores how and why more insurers are embracing the idea of touchless claims and the process for implementation.

COVID-19 Illustrates Need for Life Insurance to Consumers

Chris Blunt, president and CEO of Fidelity & Guaranty Life, discusses the findings of a new report on how the pandemic is shifting attitudes regarding life insurance and retirement investing.

Unlocking the Value of Touchless Claims

Andrew Schwartz, an analyst on Celent's North America property and casualty team, explains how and why more insurers are embracing the concept of touchless claims and the steps needed to implement them into their claims departments. BR

Visit *www.ambest.com/ambaudio* to listen to new and archived audio from AM Best Audio.

This edition lists all Credit Rating actions that occurred between Sept. 1 and Sept. 30, 2021. 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

				Current		Previous		
Rating Action	**Business Type**	**Company Name/ Ultimate Parent**	**AMB#**	**FSR ICR**	**Outlook/ Implications**	**FSR ICR**	**Outlook/ Implications**	**Domicile**
AMERICAS LIFE/HEALTH								
Rating Affirmation	L	Best Meridian Insurance Company BMI Financial Group, Inc.	060007	A- a-	Negative Negative	A- u a- u	Negative Negative	Florida
Outlook Change	H	Bupa Insurance Company British United Provident Association Ltd	008449	B++ bbb+	Stable Negative	B++ bbb+	Stable Stable	Florida
Under Review	L	Coralisle Life Assurance Company Ltd. Edmund Gibbons Limited	086817	A u a u	Developing Developing	A a	Stable Stable	Bermuda
Under Review	L	Coralisle Medical Insurance Company Ltd. Edmund Gibbons Limited	086818	A u a u	Developing Developing	A a	Stable Stable	Bermuda
Outlook Change	L	Genworth Life and Annuity Insurance Co Genworth Financial, Inc.	006648	B bb+	Stable Negative	B bb+	Stable Stable	Virginia
Outlook Change	H	Heartland Fidelity Insurance Company	076359	A- a-	Stable Stable	A- a-	Positive Positive	District Of Columbia
Upgrade	H	Highmark Choice Company Highmark Health	068833	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	Highmark Inc. Highmark Health	064010	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	Highmark West Virginia Inc. Highmark Health	064415	A a+	Stable Stable	A a	Stable Stable	West Virginia
Upgrade	H	HM Health Insurance Company Highmark Health	006128	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	HM Life Insurance Company Highmark Health	009063	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	HM Life Insurance Company of New York Highmark Health	060209	A a+	Stable Stable	A a	Stable Stable	New York
Under Review	L	Prudential Annuities Life Assurance Corp Prudential Financial, Inc.	008715	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Arizona
Rating Affirmation	H	Unified Life Insurance Company	060366	B+ bbb-	Negative Negative	B+ u bbb- u	Negative Negative	Texas
Upgrade	H	United Concordia Companies, Inc. Highmark Health	050692	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	United Concordia Dental Plans of CA Highmark Health	064008	A a+	Stable Stable	A a	Stable Stable	California
Upgrade	H	United Concordia Dental Plans of PA Highmark Health	064353	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Upgrade	H	United Concordia Dental Plans, Inc. Highmark Health	065705	A a+	Stable Stable	A a	Stable Stable	Maryland
Upgrade	H	United Concordia Ins Co of New York Highmark Health	060255	A a+	Stable Stable	A a	Stable Stable	New York
Upgrade	H	United Concordia Insurance Company Highmark Health	008651	A a+	Stable Stable	A a	Stable Stable	Arizona
Rating Withdrawal	L	Upstream Life Insurance Company* Upstream Holdings, Inc.	008094	NR nr		C++ u b u	Negative Negative	Texas
AMERICAS PROPERTY/CASUALTY								
Upgrade	P	Agency Insurance Co of Maryland, Inc. Agency Holding Company of Maryland, Inc.	010792	A- a-	Stable Stable	B++ bbb+	Positive Positive	Maryland
Outlook Change	P	ALPS Property & Casualty Insurance Co ALPS Corporation	011054	A- a-	Positive Positive	A- a-	Stable Stable	Montana
Rating Withdrawal	P	American Sentinel Insurance Company LD Investments LLC	004740	NR nr		B+ u bbb- u	Developing Developing	Pennsylvania

* Ratings were downgraded to C++/b from B+/bbb- on September 29, 2021. Ratings were withdrawn on September 29, 2021.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type: P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
Outlook Change	P	Ardellis Insurance Ltd. UFP Industries, Inc.	075126	A- a-	Positive Positive	A- a-	Stable Stable	Bermuda
Outlook Change	P	Armed Forces Insurance Exchange	003240	B+ bbb-	Negative Negative	B+ bbb-	Stable Stable	Kansas
Upgrade	P	Ascot Bermuda Limited Canada Pension Plan Investment Board	095290	A a+	Stable Stable	A a	Stable Positive	Bermuda
Upgrade	P	Ascot Insurance Company Canada Pension Plan Investment Board	020561	A a+	Stable Stable	A a	Stable Positive	Colorado
Upgrade	P	Ascot Specialty Insurance Company Canada Pension Plan Investment Board	011545	A a+	Stable Stable	A a	Stable Positive	Rhode Island
Initial Rating	P	ASMI Auto Insurance Company The Allstate Corporation	020938	A- a-	Stable Stable			Illinois
Outlook Change	P	Carolina Re, Ltd. James River Group Holdings, Ltd.	095935	A- a-	Stable Stable	A- a-	Negative Negative	Bermuda
Downgrade	P	Casualty Underwriters Insurance Company American Sheep Industry Association Inc.	010770	B bb+	Stable Stable	B+ bbb-	Negative Negative	Utah
Downgrade	P	Civil Service Employees Insurance Co Société de Groupe d'Assurance Mut Covéa	000274	B+ u bbb- u	Developing Developing	A- a-	Stable Stable	California
Upgrade	P	Comm Hosp Alt for Risk Transfer (A RRRG)	075520	A a	Stable Stable	A- a-	Positive Positive	Vermont
Under Review	P	Coralisle Insurance Company Ltd. Edmund Gibbons Limited	086816	A u a u	Developing Developing	A a	Stable Stable	Bermuda
Rating Withdrawal	P	Crusader Insurance Company** Unico American Corporation	001889	NR nr		C++ u b u	Negative Negative	California
Downgrade	P	CSE Safeguard Insurance Company Société de Groupe d'Assurance Mut Covéa	001963	B+ u bbb- u	Developing Developing	A- a-	Stable Stable	California
Initial Rating	P	ECMI Auto Insurance Company The Allstate Corporation	020939	A- a-	Stable Stable			Illinois
Initial Rating	P	ESMI Auto Insurance Company The Allstate Corporation	020940	A- a-	Stable Stable			Illinois
Outlook Change	P	Falls Lake Fire and Casualty Company James River Group Holdings, Ltd.	022509	A- a-	Stable Stable	A- a-	Negative Negative	California
Outlook Change	P	Falls Lake National Insurance Company James River Group Holdings, Ltd.	014313	A- a-	Stable Stable	A- a-	Negative Negative	Ohio
Rating Affirmation	P	FD Insurance Company ProAssurance Corporation	013063	A- a-	Stable Stable	A- u a- u	Developing Developing	Florida
Rating Withdrawal	P	Fergus Reinsurance Limited	071688	NR nr		B+ bbb-	Stable Stable	Bermuda
Initial Rating	P	First Indemnity of America Insurance Co ABSCO Ltd. Corporation	002688	A- a-	Stable Stable	NR nr		New Jersey
Upgrade	P	Highmark Casualty Insurance Company Highmark Health	010086	A a+	Stable Stable	A a	Stable Stable	Pennsylvania
Rating Withdrawal	P	Inland Mutual Insurance Company	000515	NR nr		B++ bbb+	Stable Stable	West Virginia
Outlook Change	P	James River Casualty Company James River Group Holdings, Ltd.	013985	A- a-	Stable Stable	A- a-	Negative Negative	Virginia
Outlook Change	P	James River Insurance Company James River Group Holdings, Ltd.	012604	A- a-	Stable Stable	A- a-	Negative Negative	Ohio
Outlook Change	P	JRG Reinsurance Company Ltd. James River Group Holdings, Ltd.	088623	A- a-	Stable Stable	A- a-	Negative Negative	Bermuda
Outlook Change	P	Lawyers Mutual Liability Ins Co of NC	003848	A a	Stable Stable	A a	Stable Positive	North Carolina
Rating Affirmation	P	Medicus Insurance Company ProAssurance Corporation	013758	A- a-	Stable Stable	A- u a- u	Developing Developing	Texas
Initial Rating	P	Next Insurance US Company Next Insurance, Inc.	023286	A- a-	Stable Stable	NR nr		Delaware

** Ratings were downgraded to C++/b from B/bb+ on September 24, 2021. Ratings were withdrawn on September 24, 2021.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type: P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
Rating Affirmation	P	NORCAL Insurance Company ProAssurance Corporation	003644	A- a-	Stable Stable	A- u a- u	Developing Developing	California
Rating Affirmation	P	NORCAL Specialty Insurance Company ProAssurance Corporation	003744	A- a-	Stable Stable	A- u a- u	Developing Developing	Texas
Rating Affirmation	P	Preferred Physicians Med RRG, Mut Ins Co ProAssurance Corporation	011056	A- a-	Stable Stable	A- u a- u	Developing Developing	Missouri
Outlook Change	P	Restoration Risk Retention Group, Inc.	076779	A a	Stable Positive	A a	Stable Stable	Vermont
Outlook Change	P	Stonewood Insurance Company James River Group Holdings, Ltd.	012636	A- a-	Stable Stable	A- a-	Negative Negative	North Carolina
Outlook Change	P	Wayne Cooperative Insurance Company	010531	A- a-	Positive Positive	A- a-	Stable Stable	New York
EUROPE, MIDDLE EAST & AFRICA								
Initial Rating	P	Ørsted Insurance A/S Ørsted A/S	091639	A- a-	Stable Stable	NR nr		Denmark
Under Review	C	Union Insurance Company P.J.S.C.	090357	B++ u bbb u	Negative Negative	B++ bbb	Stable Stable	United Arab Emirates
ASIA-PACIFIC								
Outlook Change	P	ERGO Insurance Pte. Ltd. Munich Reinsurance Company	091559	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	Singapore
Outlook Change	C	General Insurance Corporation of India General Insurance Corporation of India	086041	B++ bbb+	Stable Stable	B++ bbb+	Stable Negative	India
Rating Affirmation	P	Hyundai Insurance (China) Co., Ltd.	090079	B++ bbb	Stable Stable	B++ u bbb u	Developing Developing	China
AMERICAS								
Under Review	L	Atlantic Medical Insurance Limited Edmund Gibbons Limited	086819	A u a u	Developing Developing	A a	Stable Stable	Bahamas
Rating Affirmation	L	Best Meridian International Ins Co SPC BMI Financial Group, Inc.	086911	A- a-	Negative Negative	A- u a- u	Negative Negative	Cayman Islands
Under Review	P	British Caymanian Insurance Company Ltd Edmund Gibbons Limited	086808	A u a u	Developing Developing	A a	Stable Stable	Cayman Islands
Downgrade	L	BUPA México Cía de Seguros SA de CV British United Provident Association Ltd	078090	C++ b+	Stable Stable	B++ bbb+	Stable Stable	Mexico
Under Review	C	Coralisle Insurance (BVI) Ltd. Edmund Gibbons Limited	083012	A u a u	Developing Developing	A a	Stable Stable	British Virgin Islands
Under Review	P	Massy United Insurance Ltd. Massy Holdings Ltd.	086916	A- u a- u	Developing Developing	A- a-	Stable Stable	Barbados
Under Review	P	Security & General Insurance Company Ltd Edmund Gibbons Limited	086820	A u a u	Developing Developing	A a	Stable Stable	Bahamas
Upgrade	C	Seguros Suramericana S.A. Grupo de Inversiones Suramericana S.A.	087145	A a	Stable Stable	A- a-	Positive Positive	Panama

Holding Companies

Rating Action	Company Name	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
Outlook Change	James River Group Holdings, Ltd.	055488	bbb-	Stable	bbb-	Negative	Bermuda
Rating Withdrawal	Unico American Corporation***	058482	nr		ccc- u	Negative	California

*** Rating was downgraded to ccc- from b on September 24, 2021. Rating was withdrawn on September 24, 2021.

Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type: P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

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.

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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.
Poor	c	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.

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

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

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

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

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

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 Version 121719

Acquisitions, Name and Ownership Changes and State Action

Spartan Plan VA, Fidelity Mohawk and Wilson Mutual are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

LIFE/HEALTH

Name Change

Spartan Plan VA Inc. (AMB# 062216), Glen Allen, Va. This company changed its name to Alignment Health Plan of Virginia Inc., on June 15, 2021.

Acquisitions & Ownership Changes

Central Health Plan of California Inc. (AMB# 064929), Diamond Bar, Calif. This company was acquired by Bright Health Company of California Inc., from AHMC Central Health LLC on April 1, 2021.

Spartan Plan VA Inc. (AMB# 062216), Glen Allen, Va. This company was acquired by Alignment Healthcare USA LLC from Spartan Plan Holdings LLC on June 1, 2021.

PROPERTY/CASUALTY

Name Changes

Brookwood Insurance Co. (AMB# 012334), North Liberty, Iowa. This company changed its name to BHHC Special Risks Insurance Co. on Jan. 6, 2021.

Capitol Insurance Co. (AMB# 004033), Lafayette Hill, Pa. This company changed its name to Glacier Insurance Co. on April 1, 2021.

Fidelity Mohawk Insurance Co. (AMB# 001803), Branchville, N.J. This company changed its name to POM Insurance Co. on June 1, 2021.

Workmen's Auto Insurance Co. (AMB# 000980), Brea, Calif. This company changed its name to Orion Indemnity Co. on Aug. 19, 2021.

Acquisitions & Ownership Changes

Phenix Mutual Fire Insurance Co. (AMB# 002339), Columbus, Ohio. This company converted from a mutual to a stock insurance company and became a wholly owned subsidiary of Encova Holdings Inc., a 100% owned subsidiary of Encova Mutual Holding Co. Inc., as part of a reorganization to a mutual holding company structure on Jan. 1, 2021.

Wilson Mutual Insurance Co. (AMB# 001964), Columbus, Ohio. This company converted from a mutual to a stock insurance company and became a wholly owned subsidiary of Encova Holdings Inc., a 100% owned subsidiary of Encova Mutual Holding Co. Inc., as part of a reorganization to a mutual holding company structure on Jan. 1, 2021.

State Action

Emergency Physicians Insurance Exchange Risk Retention Group (AMB# 076166), South Burlington, Vt. This company was placed in rehabilitation on Feb. 26, 2021. BR

UK Regulator Launches Investigation Into Gallagher/Willis Re Deal

Arthur J. Gallagher & Co. said CMA's move is part of the usual regulatory oversight for any significant acquisition.

The United Kingdom's Competition and Markets Authority has opened an antitrust investigation into the impact of the proposed Arthur J. Gallagher & Co.'s acquisition of Willis Re's treaty business over whether it will impede competition in U.K. markets.

The CMA is considering whether the deal "will result in the creation of a relevant merger and, if so, whether the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services," the CMA said in a statement seeking public comments. The comment window closed Oct. 19.

The CMA set a Nov. 29 deadline to announce whether to refer the merger for a Phase 2 investigation, it said. The transaction is expected to close in the fourth quarter of 2021, pending regulatory approvals in multiple jurisdictions.

In a statement, Gallagher said the move by the CMA was part of the usual regulatory oversight. "The announcement today from the CMA is a standard part of the process for any significant acquisition," it said.

Earlier this year, AJG announced it would acquire the Willis Re combined operations for an initial gross consideration of $3.25 billion, and potential additional consideration of $750 million subject to certain third-year revenue targets, the company said. AJG intended to finance the transaction using cash on hand, including the $1.4 billion of net cash raised through a May 17 follow-on common stock offering and $850 million of net cash borrowed via its May 20 30-year senior note issuance, short-term borrowings and additional free cash generated before close, the company said at the time.

The Willis Re treaty business has a client list of more than 750 insurance and reinsurance carriers, operates in 24 countries and places more than $10 billion in annual premiums, the company said. About 45% of Willis Re's ceded treaty business is in North America, 40% in the United Kingdom and 15% around the rest of the world including Australia, Singapore, Japan, Germany and elsewhere.

AJG announced the deal shortly after Aon terminated its $30 billion Willis Towers Watson acquisition. The merger was struck, Aon said, after it was presented with unacceptable U.S. Department of Justice antitrust remedies, which would have crippled its U.S. businesses, and a litigation time line that stretched too far into the future.

—Frank Klimko

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Panel: Cyber Insurers Must Be Agile in a Market in Its Infancy

Pricing, lack of historical data and capacity are many of the challenges cyber writers are facing.

The cyber insurance marketplace is still in its infancy and requires agile insurers aware of the threat environment and their customers' needs, a panel of experts said during an online presentation in September.

Models are helpful in setting direction or strategy, but they cannot precisely assess cyberrisk because the field is still young, said Sridhar Manyem, director of research and analytics, AM Best. "The static risk model is not going to be enough," he said during the panel. The cyberthreat environment is "hugely dynamic and the risks are constantly evolving. So you need to make your models agile."

Speakers addressed the Inside P&C North America conference panel, "Cyber: New Risk Comes of Age."

Evan Taylor, senior vice president at NFP, said there is opportunity for companies to develop new models for cyber coverage. "I think modeling for cyber … is still in its infancy compared to other lines of coverage," he said. "Things are getting better, but there simply isn't a ton of historical data to use from a modeling standpoint. So I think there's a lot of room for development here."

In the same vein, Manyem said pricing cyberrisk also is "very much in its infancy still."

Unlike other lines of insurance such as workers' compensation, where employers can measure their risk based on the number of employees, there remains "no consistent unit of exposure" for cyberrisk, he said.

Pricing is only one of the issues cyber insurers have to consider, said Elizabeth Johnson, chief underwriting officer, North America, Ascot Group. Insurers need to take a holistic view, she said. "This particular segment and product can't just be about pricing," Johnson said. "It has to be about all the other elements that go into it—terms and conditions, risk selection, portfolio makeup and making sure that you're partnering with the right client."

As to whether managing general agencies are finding enough capacity to cover the risk, panelists said MGAs are in challenging times. "Capacity is definitely going to be a struggle," Taylor said.

"I think the commitment is still there," Manyem said. "I think it's just … the frequency and severity of cyber losses probably has made them deploy capital a little bit more prudently. They're a very important point of the value chain."

MGAs that offer extra value to their customers through prevention and incident response planning and the like will differentiate themselves from the pack, he said. "Over time, companies are going to take them up on that because it will drive premium," he said.

Meanwhile, companies looking for coverage should expect to bear more of the cost through coinsurance and sublimits, Taylor said. "I think that's going to continue for the next several years," he said.

Panelists also said MGAs and insurers that are willing to work with small and medium-sized companies that lack the personnel and resources for full information technology staffs will find opportunity for growth.

"We need to focus on ways to bring in new buyers," said Erica Davis, managing director and global co-head of cyber at Guy Carpenter. "That's one way we'll see MGAs become more successful … We need to make the coverage more relevant and more accessible to those in order to develop a really robust and sustainable cyber market."

For small and medium-sized businesses, the question is how are they going to spend their risk management dollar, Taylor added. It could be through purchasing insurance or in hiring an IT expert, he said, noting it's up to brokers to understand companies' needs and to educate them on how to best fill those needs.

It is also up to insurers to make sure they are up to the task of understanding the rapidly changing landscape, Manyem said. Insurers need to do a better job attracting talent to the industry, especially talent well versed in technology and the risks involved, he said.

The panelists also said government involvement with the industry would help grow the market. Industry leaders and government can get together to frame a more comprehensive solution, just like TRIA encouraged 20 years ago for carriers to take on more commercial risk, Manyem said. BR

—Timothy Darragh

MASTHEAD
BACKSTAY

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Space Invaders: Recent Private Spaceflights Have Insurers Eyeing New Coverages

The anticipated rise of space tourism and several billionaires' recent ventures into space have insurers examining products that for the first time would offer bodily injury coverage to spaceflight travelers.

by Lori Chordas

On July 20, Amazon founder Jeff Bezos reached new heights while spending 11 minutes between the Earth's atmosphere and outer space during his company Blue Origin's first crewed launch. While the mission was a risk in and of itself, news reports say Bezos and his two-member crew upped the risk ante by flying into space without insurance.

Insurers have long been offering third-party liability insurance to commercial space operators for property damage to satellites, rockets and unmanned spaceflights in what the Organization for Economic Cooperation and Development reports is now a roughly $800 million annual market. However, industry experts say none is yet offering liability insurance for private space passengers.

But several companies are hoping to soon change that.

Under the brand of Xinsurance, Prime Insurance Co. hopes to enter the budding space tourism market by providing solutions for space travelers. For decades, Prime Insurance has been providing customized liability coverages to businesses and individuals who live a lifestyle or participate in activities that make them difficult for traditional carriers to insure. Space tourism is a "risk category where there's a need," said J. Parker Lindsey, senior vice president, in a statement in June when the company launched a unique mission of its own by offering to insure Bezos and his crew.

NASA astronauts are typically insured by U.S. taxpayers, but Blue Origin, the space company Bezos founded in 2000, isn't legally required to offer insurance to its passengers, reports cite.

Prior to the maiden flight in New Shepard, his company's fully automated rocket, "Bezos said he was unable to get insurance," said Rick J. Lindsey, Prime Insurance Co. chairman, president and CEO. "Xinsurance offered to insure him and his crew" against bodily injury if something were to go awry, "but [Bezos] never followed up on the offer," he noted.

The company's move into the market comes as the space market in general—and space tourism in particular—is expected to grow in the coming years. Bank of America expects that over the next decade the space industry will triple in size and become a $1.4 trillion market.

Axa XL also hopes to soon begin offering a new line of coverage that would insure bodily injury for space travelers. "However, that type of coverage is more nuanced because we need to carefully bound and understand the specific risks involved in all aspects of human space flight, such as the training regimen, informed consent and waivers, and the mission itself including the launch, flight and landing," said global head of space underwriting Chris Kunstadter.

Axa XL currently provides coverage for prelaunch and launches, satellites, space stations, and other areas of spaceflight, he said.

NASA astronauts receive life insurance through government programs. Private astronauts must purchase their own coverage—typically about $2 million to $5 million of individual cover—through the traditional market, said Insurance Information Institute spokeswoman Loretta Worters. BR

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