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AM BEST'S MONTHLY INSURANCE MAGAZINE

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BEST'S REVIEW®

March 2024 • Volume 125 • Issue 3

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AM BEST'S MONTHLY INSURANCE MAGAZINE

Investors Eye DUAEs

Investors have moved into the delegated underwriting authority enterprise sector as they build "great ships" for the future.

DUAE Coverage
Pages 28-42

Adrian Jones, now Acrisure chief of staff for international and global markets

Best's Review Online Archives


Wherever your agency is going, we'll be there.
A lot has changed over the last few years—in the industry, in the market, in the world.
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Investors Take Notice of Delegated Underwriting Authority Enterprises; AI Platforms Give Surprising Responses

This month's issue looks at investment in DUAEs and a new digital MGA lab. It also includes rankings of the largest crop insurers and India insurers. *Best's Review* also asked various AI platforms to identify the 10 most influential people in the insurance industry. The results were unexpected.

Managing general agents are having a moment.

It used to be the insurtechs that captured the industry spotlight. Capital flowed to startups on the premise that insurtechs would transform the industry through cutting-edge technology that improved the customer experience and more.

Global insurtech funding, however, dropped 43.7% in 2023 to $4.5 billion, the lowest since 2018, according to a recent report from reinsurance broker Gallagher Re. Investment in property/casualty insurtechs fell 35.4% to $3.4 billion in 2023, while life/health saw a 59.8% decrease to $1.1 billion.

Overall, there were 422 global insurtech funding deals in 2023, down from 521 in the previous year, the report said.

"Despite lower deal counts and funding, transactions were consistent and continued throughout 2023, indicating a mature and healthy market," said Andrew Johnston, global head of insurtech at Gallagher Re, in a statement.

In the meantime, insurer and investor capital has been moving into the delegated underwriting authority enterprise sector. Announcements of another new MGA startup or expansion of an existing MGA seem to be almost daily events.

March is Delegated Underwriting Authority Enterprise Awareness Month. In this issue, *Best's Review* examines the growing investor interest in DUAEs.

In "Private Equity Pouring Into DUAE Market as Investors Seek Liquidity, Growth," *Best's Review* spoke with industry experts about the investments in the sector.

"The numbers coming in now are dramatically higher than in the past," said Emilio Figueroa, founder and chief executive officer at Indemnity Lab, a company that focuses on investment strategies for private equity and venture capital firms.

"Even companies with modest profits compared to their books are being offered valuations at 20 times EBITDA, a significant increase from two decades ago. This trend is both intriguing and transformative for the industry," he said.

As part of its DUAE coverage, *Best's Review* compiled a list of DUAE investors, with information about recent deals. The coverage also includes a list of DUAEs with AM Best performance assessments.

In "InsurTech NY's MGA Lab Helps Startups Become Fully Operational Digital MGAs," David Gritz, InsurTech NY managing director and co-founder, discusses the origin of the MGA lab.

Other coverage includes rankings of the largest crop insurers and largest India insurers.

For a lighter look at how artificial intelligence platforms responded to a question about the most influential people in the insurance industry, go to "In an Attempt To Fulfill a Simple Request, AI Demonstrates That It's Not the Final Word on Insurance."

AI can "hallucinate," one executive said. BR

Patricia Vowinkel
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What's Coming Up

The April issue of *Best's Review* will look at emerging risks and how the insurance industry is preparing to meet the challenge. The issue will include a ranking of the largest Asia-Pacific insurers.

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BEST'S RANKINGS

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

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AM Best To Speak at CICA International Conference

March 3-5: AIFA Conference, Association of Insurance and Financial Analysts, Naples, FL, USA.

March 5-6: D&O Symposium, Professional Liability Underwriting Society, New York, NY, USA.

March 10-12: CICA 2024 International Conference, Captive Insurance Companies Association, Scottsdale, AZ, USA.

March 13-15: Bermuda Risk Summit 2024, Bermuda Business Development Agency, Hamilton, Bermuda.

March 13-15: Florida Insurance Market Summit 2024, Colodny Fass, Orlando, FL, USA.

March 16-19: NAIC Spring Meeting, National Association of Insurance Commissioners, Phoenix, AZ, USA.

March 17-20: PLRB Claims Conference & Insurance Services Expo, Boston, MA, USA.

March 24-26: CEO Roundtables, NAMIC, Orlando, FL, USA.

Scan for a full list of conferences and events.

Attending Exhibiting Speaking Hosting Sponsoring Video

March Is Delegated Underwriting Authority Enterprise Awareness Month
The delegated underwriting authority enterprise market has become an increasingly attractive destination for private equity investor capital. *Best's Review* examines this burgeoning market, the role of its players, the top DUAEs and who is investing in them. Coverage begins on page 28.

Allianz Chooses Central Europe CEO To Lead Allianz Global Corporate & Specialty SE, Allianz Commercial

Zurich taps group CFO, Markel Group names chief financial officer and Marsh hires U.S. chief growth officer.

Allianz Global Corporate & Specialty SE named Petros Papanikolaou to succeed Joachim Müller as chief executive officer of Allianz Global Corporate & Specialty SE.

Papanikolaou also will assume leadership of Allianz Commercial, Allianz Group's integrated global model for serving the commercial property/casualty insurance segment (mid-corporate, large corporate and specialty customers), according to the company.

Müller led the successful turnaround of AGCS as well as the launch and setup of Allianz Commercial and decided to pursue opportunities outside of Allianz upon the expiration of his contract. He stepped down as CEO as of Dec. 31, 2023, according to a company statement.

Petros Papanikolaou

Since 2015, Papanikolaou had been CEO of Central Europe for Allianz Group, responsible for Allianz national businesses across 11 countries. Prior to that, he was CEO of Allianz Hellas from 2004 to 2015. He was also a general manager in the life, sales and property & casualty business.

Prior to joining Allianz in 1998, Papanikolaou served in various financial management roles for AGF Kosmos. He started his career as an auditor at EY, the company said.

—Staff Report

Zurich Names Group CFO, Benelux CEO

Zurich Insurance Group hired Claudia Cordioli to succeed George Quinn as group chief financial officer and member of the executive committee, subject to regulatory approval.

Claudia Cordioli

Cordioli joins the company on March 1. Quinn decided to step down after 10 years as group CFO and will oversee the completion of Zurich's 2023 Annual Results and will ensure a smooth transition, the company said.

In addition, Zurich appointed Drazen Jaksic as chief executive officer Belgium, Netherlands and Luxembourg (Benelux). He succeeds Dirk De Nil, who was named global head of Zurich resilience solutions in October 2023.

Cordioli previously worked at Swiss Re, where she held multiple roles across finance and the business over the past 20 years. Most recently, she served as group finance director overseeing core finance functions as well as the group's transition to IFRS 17. Between 2020 and 2022, she acted as CFO of the reinsurance business unit. Prior to that, Cordioli was head of Western and Southern Europe, leading Swiss Re's reinsurance business in 15 countries.

Before joining Swiss Re, she worked for several consulting firms, including KPMG, the company said.

Drazen Jaksic

In his new role, Jaksic is responsible for ensuring the region's priorities are aligned with the group's global strategy and will lead approximately 240 colleagues across Benelux. He will be based in Brussels and report to Sierra Signorelli, CEO commercial insurance, according to a company statement.

Jaksic joined Zurich in 2019 as head of accident & health. He has more than 30 years of experience in the insurance industry and has held a number of senior positions with large, multinational insurance companies, the company said.

Markel Group Inc. Taps CFO

Markel Group Inc. named Brian Costanzo to succeed Teri Gendron as chief financial officer of Markel Group.

Brian Costanzo

Gendron left the company on Dec. 31, 2023. Building on Gendron's work, Costanzo will play a key role as the company continues its journey to take full advantage of the insurance, investment and Markel Ventures operations it has built over the past 20 years, the company said.

Costanzo, who had been CFO of Markel's insurance business, will maintain this role in addition to his new role, the company said.

Costanzo has been with Markel Group for 14 years, and he has held several leadership positions, including four years as controller, two years as chief accounting officer, and most recently as CFO of the insurance engine. He has a substantial track record leading high-performing finance teams and ensuring financial discipline. In this combined role, Costanzo will oversee and manage all financial operations for the insurance engine and holding company, according to a company statement.

As part of this transition, Meade Grandis, who had been managing director of accounting policy and reporting, was named chief accounting officer and controller of Markel Group. She has been with the company for 13 years and has more than 20 years of experience in financial reporting, accounting, and audit, the company said.

Everest Names Global Head of Accident and Health, Appoints Latin America Chief Operating Officer

Everest Group Ltd. appointed Glen Browne to global head of accident and health.

Glen Browne

In his new role, Browne, most recently head of international corporate strategy at Everest Insurance, will continue to report to Adam Clifford, co-lead of Everest Insurance International.

Everest also appointed Soledad Muné as chief operating officer, Latin America, Everest Insurance International. She will report to Pablo Korze, regional president, Latin America, Everest Insurance International.

Before his time at Everest Insurance, Browne served as deputy regional president and consumer lines division president at Chubb Asia-Pacific. Browne also served as country president for Ace Insurance Thailand and as chief executive officer of European operations for Cigna. He was also head of A/H at AIG Far East, according to a company statement.

Muné, who took up her new post on Jan. 1, will lead the region's expansion strategy, driving integrated initiatives across claims, information technology, operations, actuarial, and risk functions in Latin America, the company said. She joined Everest's International Insurance division in early 2023 as interim head of international underwriting operations, where she played a key role in advancing the company's international strategic initiatives, according to the company.

Muné has almost 20 years of industry experience and a global perspective, with a strong track record leading high-performing teams, according to the company. Prior to joining Everest, Muné held senior positions at Chubb in both Singapore and the United States, most recently leading personal lines and independent partner distribution for Asia-Pacific.

Securian Financial Taps SVP-Chief Information Officer

Securian Financial named Darrin Hebert as senior vice president and chief information officer, succeeding Pete Berlute.

Darrin Hebert

Berlute now leads Securian Financial's affinity solutions division. Hebert will lead the strategy and direction of Securian Financial's enterprise technology operations, infrastructure, application development and cybersecurity. He also will serve as a member of the company's executive leadership team, strategy council and risk council, the company said.

Hebert has more than 23 years of technology leadership experience with companies including GE Capital and US Bank. Most recently, he served as CIO for Aon's commercial risk and affinity business, where he led teams to digitally transform the company's commercial risk and affinity platforms, the company said.

Marsh Appoints US Chief Growth Officer, Announces Other Leadership Moves

Andy Stirk

Marsh said Andy Stirk joined the company as United States chief growth officer, effective Jan. 16.

Stirk is responsible for leveraging Marsh's deep industry knowledge and expertise to deliver differentiated value to clients across the United States. Based in New York, Stirk will report to Michelle Sartain, president, Marsh US, the company said.

With 20 years of insurance industry experience, Stirk rejoins Marsh from Ascot Group, where he most recently served as chief commercial officer, responsible for distribution, marketing, and sales strategy across Ascot's North American businesses. Prior to his role at Ascot, Stirk was managing director and U.S. and Canada growth leader for Marsh's financial and professional liability practice, according to a company statement.

Marsh also made a series of senior appointments across its United Kingdom and global placement leadership team that were effective Jan. 1.

Tom Davies was appointed placement leader, U.K.; Adam Russell has been named strategy and planning leader, global placement; Winsee Cheung has been named portfolio solutions leader, U.K.; and Jason Mills has been named as placement leader, Marsh Specialty U.K., the company said.

In his new role, Davies will work closely with Marsh's global placement leadership to continue to develop placement solutions that challenge the insurance market to meet the evolving needs of clients. He will continue to be a member of the global placement executive committee and will join Marsh's U.K. executive committee.

Davies will be based in London and report to John Donnelly, global head of placement, Marsh, and Chris Lay, chief executive officer, Marsh McLennan U.K., according to a company statement.

Davies previously was global CEO of Bowring Marsh, Marsh's international placement business. He brings over 30 years of experience in retail and wholesale broking to the role, having started his career with Marsh in 1989, the company said.

Gallagher Fills New Chief Commercial Officer Post

Nepomuk Loesti

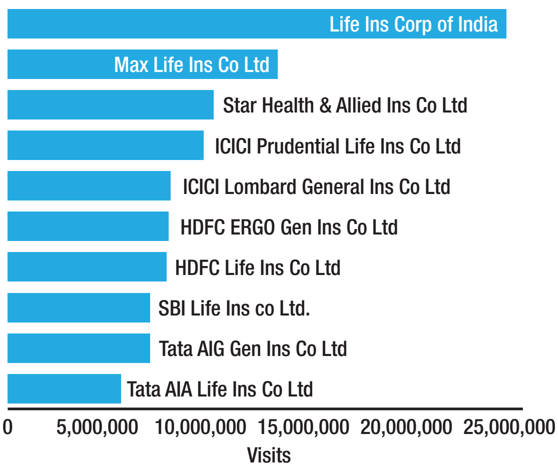
Gallagher hired Nepomuk Loesti as chief commercial officer of its European broking operations.

In this newly created role, Loesti will support the expansion of Gallagher in Europe, outside of the United Kingdom, as the broker looks to build on its existing operations in Sweden, Norway, Switzerland, Liechtenstein and Türkiye. He will report to Alex Nagler, chief executive officer of Europe. Loesti will play a key role in driving the growth strategy of Gallagher in the region overall and work with the existing teams to explore further product and service opportunities, the company said in a statement.

Loesti joins Gallagher from American International Group Inc., where he spent the past 17 years in a variety of roles. Most recently, he held the position of head of financial lines for Europe, Middle East and Africa.

Web Traffic: Visits to India Insurer Sites

Life Ins. Corp. of India leads web analytics provider Semrush's ranking of most-visited India insurer sites.



Source: *www.semrush.com.*
Reported traffic for January 2024.

Scan for a full listing of Best's Rankings.

Axis Capital Hires Head of Investor Relations and Corporate Development

Cliff Gallant

Axis Capital Holdings Ltd. appointed Cliff Gallant as head of investor relations and corporate development.

Gallant most recently served as vice president of investor relations and corporate development at Hippo Insurance, where he built the organization's investor relations program. Previously, Gallant served as senior vice president of investor relations at National General Insurance prior to its sale to Allstate, where he then joined the company's corporate development team.

Gallant also served as a portfolio manager at Philadelphia Financial, research analyst at Nomura, and managing director at Keefe, Bruyette and Woods, among other roles, according to a company statement.

Axa UK and Ireland Taps Permanent CEO for Retail

Alain Zweibrucker

Axa United Kingdom and Ireland named Alain Zweibrucker to succeed Anna Fleming, interim chief executive officer, as permanent CEO of Axa retail, effective Jan. 2, and subject to regulatory approval. Zweibrucker also becomes a member of the U.K. and Ireland management committee and will report to Tara Foley, CEO of Axa U.K. and Ireland.

Fleming will return to her former role as chief operating officer at Axa retail. Foley was previously CEO of Axa retail before being appointed to her current role in September 2023.

Zweibrucker has worked at Axa for 25 years and has held senior property/casualty insurance roles in a number of markets. He joins Axa U.K. and Ireland from Axa Switzerland, where he was chief financial officer and a member of the company's executive committee for the past seven years.

Zweibrucker started his career as an actuary at Axa Portugal before moving to an Axa group role in Paris as property/casualty actuary director and then to Axa Germany for roles as head of financial control, chief risk officer and head of property/casualty retail, according to a company statement. BR

MASTHEAD

FORESTAY

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At Large

Insurers Are Ready To Provide a New Level of Protection

Data and advanced analytics can help insurers and insureds reduce the risk of accidents. Cheaper data storage and the proliferation of connected devices will make it easier.

By **Peter L. Miller**

Insurance executives know some of their happiest customers are the ones who never have a claim. The insurance leaders I talk to seek a world where we can predict most accidents and prevent them from occurring. They know accident prevention is the future of insurance.

The claim that doesn't occur leads to a better customer experience and builds brand loyalty. Fewer claims lets insurers redeploy human and capital resources to achieve top-notch claim handling. It also lets companies refocus on areas where risk is growing, like cyberthreats.

The shift from detect and repair to predict and prevent comes from a convergence of technological trends I've called the "Golden Triangle of the Data Revolution." They include:

Data capture: Whether it's a smartphone gathering driving data or a robotic dog that reads factory gauges, technology is making data easier and cheaper to collect.

Data storage: Cloud technology makes data storage cheaper.

Data analysis: Artificial intelligence makes analyzing data easier, faster and cheaper. Actuaries used to gather data and test their hypotheses. Now, AI can explore data and quickly find the correlations and causations that insurers crave.

Best's Review contributor **Peter L. Miller** is president and chief executive officer of The Institutes. He can be reached at *bestreviewcomment@ambest.com.*

Personal insurers are in a terrific position to deliver on a predict-and-prevent approach. Consumers are more comfortable sharing data with insurers than ever before, especially if they understand the benefits.

It started with the pandemic. Consumers saw how their premiums could fall if insurers knew they were driving less. They began to embrace telematics and data-sharing in general.

Now, almost 90% of policyholders will share additional personal data with insurers—an increase of 17 percentage points from two years earlier—according to a survey by Capco, a consulting firm specializing in financial services.

What's driving the willingness to share? Cheaper premium (46%) or more personalized services (41%)—areas where AI can make a big difference.

With more information, insurers can better

predict when accidents will happen. They can communicate the appropriate preventive steps. That increases the value an insurer provides. For example:

Telematics: Insurers have started to feed telematics information back to drivers. They tell how well drivers perform on key skills—if they accelerate too much or take corners too sharply. That helps the consumer become a safer driver. A Cambridge Mobile Telematics study found that risky drivers who embraced telematics could see bodily injury claims fall 5.5%.

Smart sensors: There are devices that plug into an electrical outlet and detect fire hazards. When a hazard is found, the homeowner is automatically notified via smartphone, along with ways to remediate. One major insurer is giving consumers these devices to help prevent the 50,000 electrical fires that occur annually. It's good for business and for communities.

These executives are flipping the traditional script. Instead of helping consumers recover from an accident, they predict the accident and help consumers prevent it from happening.

It's a critical moment for insurers and agents. Artificial intelligence has been around for a while, with about half of all organizations adopting it in some form, according to a McKinsey Global Survey released in 2022. Now the emergence of generative AI—ChatGPT and other large language models—will hyper-personalize business transactions. It will let companies and agents talk specifically about what the consumer cares about, be it driving safely or preventing electrical fires, in language they can understand.

Technology can drive a shift from the old paradigm—detect and repair—to the new—predict and prevent. Embracing it makes good business sense and is the right thing to do. BR

Defusing the Pension Time Bomb: Lessons From Pension Risk Transfer

Converting assets into an annuity can help retirees transfer the risk of living longer than expected to an insurer as public pension programs face challenges.

By **David Lipovics**

Actuaries have long predicted that as large populations age, retirement savings would come under pressure—a so-called "pension time bomb." With some of the world's largest public and private pension systems in decline, this fuse now looks shorter than ever.

As retirees are left to invest and save on their own, they may find themselves unprepared to live comfortably in old age. Insurers, in theory, already offer a solution: guaranteed lifetime income products. By converting assets into an annuity, retirees can transfer the risk of living longer than expected to an insurer. Yet, the individual annuity market had only recently shown strength after years of weakness in a low-interest-rate climate. Pension risk transfer, a related product line, may provide clues.

Forging a Path Forward

Through PRT solutions, employers have been purchasing guaranteed lifetime income protection for their defined benefit pension plans at record rates in both the U.S. and the U.K. With PRT, the underlying life insurance product mirrors a guaranteed lifetime annuity but is bought by corporations for a group of retirees. Insurers can draw several important lessons from the PRT path to improve guaranteed lifetime annuities:

- **Lesson No. 1: Regulation matters**

Retirees are often forced into binary decisions at retirement (e.g., withdraw a lump sum or buy an annuity), and often choose the default: the withdrawal of cash lump sum(s) in most markets. Backed by a coherent legal and regulatory framework, employers would be more likely to embed lifetime annuity products in their defined contribution plans, making the choice of an annuity more likely.

- **Lesson No. 2: Incentives matter**

Previously, employers ensured retiree lifetime income, but now with defined contribution plans

Best's Review contributor **David Lipovics** is senior vice president, head of institutional markets at Reinsurance Group of America Inc. (RGA). He can be reached at *bestreviewcomment@ambest.com.*

the risk has transferred to employees, with employers only providing the infrastructure for retirement savings vehicles that are otherwise independent.

Through tax or other corporate incentives, employers could be encouraged to change this dynamic and implement group lifetime income protection products as part of their defined contribution plans. The result could be transformative.

• **Lesson No. 3: Consumer bias matters**

In the DB market, the value of transferring retirement responsibilities to insurers is widely recognized, but individual behaviors remain entrenched. Encouraging informed retiree decisions is now a global focus.

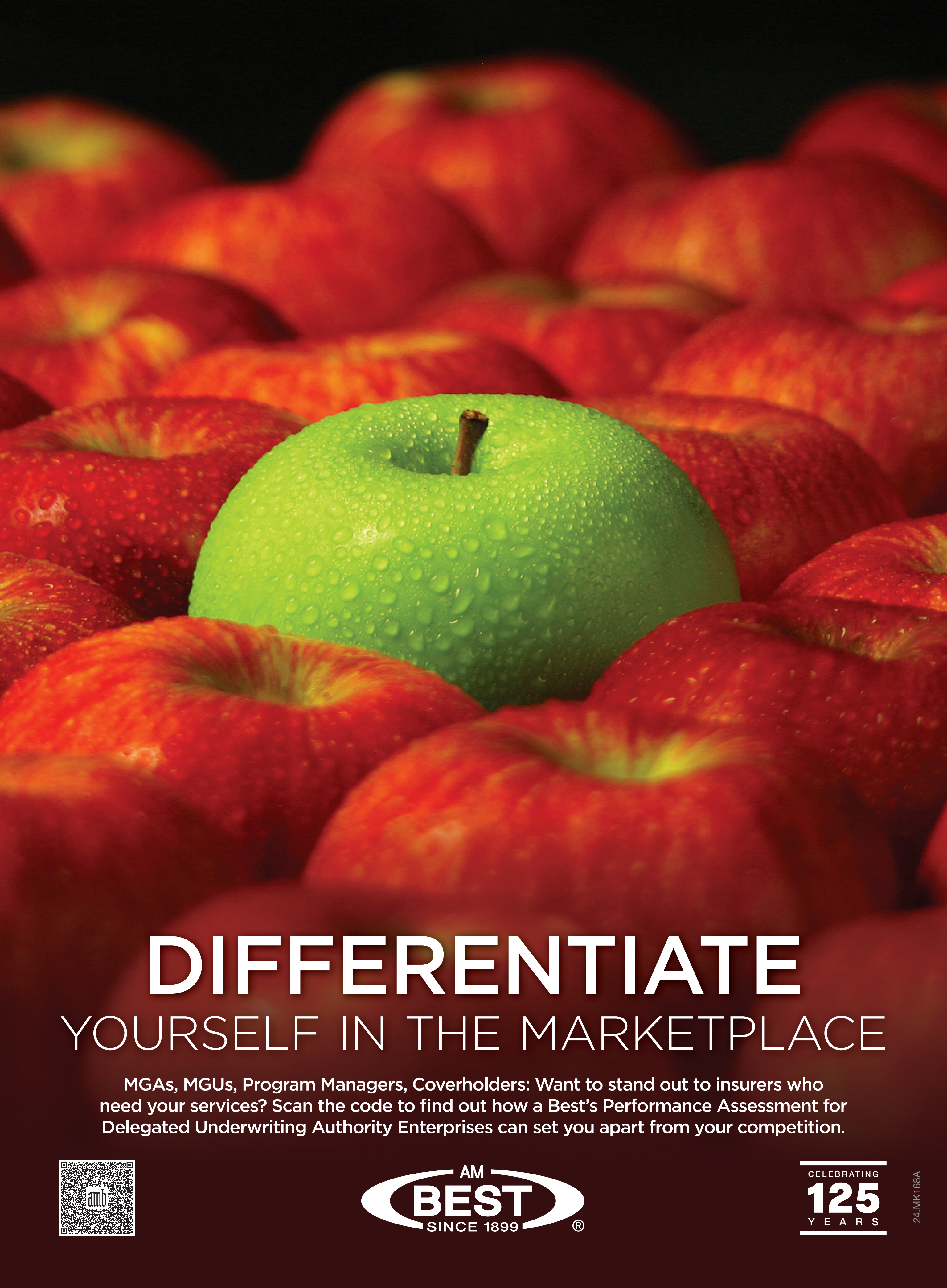
Research suggests that increased financial literacy, through simplified language in forms and websites and better access to qualified financial advice, could have a noticeable impact on retirement savings.

Various charitable and community service organizations; financial institutions and commercial banks; consumer groups; and governments have launched initiatives to break down barriers to consumer financial education in a bid to close the retirement savings gap.

A Call to Action

With public and employer-sponsored pensions waning, individuals must increasingly shoulder the burden of saving for retirement.

The magnitude of the resulting protection gap will only become evident over decades—and at that point it will be too late. Insurers' experience in the PRT market shows a path to increasing security and stability through guaranteed lifetime annuities. BR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BEST'S REVIEW®

ISSUES & ANSWERS:

EXCESS AND SURPLUS LINES

Insurers discuss how artificial intelligence and data-driven analytics are impacting the sector in various ways.

Interviewed Inside:

Stephen Decker
PHLY E&S Insurance Solutions

John Anthony
Nationwide E&S/Specialty

View past Issues & Answers sections at
https://bestsreview.ambest.com/issuesanswersarchive.html

E&S Is a 'PHLY Special'

Stephen Decker, AVP, PHLY E&S Insurance Solutions, said that artificial intelligence, among other things, is having a huge impact on the surplus lines sector. "The industry is making tremendous strides in the use of data, analytics, technology and AI, and you're seeing it especially when it comes to modeling," he said. Following are excerpts from an interview.

PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

Stephen Decker
Assistant Vice President
PHLY E&S Insurance Solutions

"We're definitely in growth mode. In the last five years, we've seen double-digit growth in the E&S marketplace year over year."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with Stephen Decker.

What are some of the biggest challenges facing the industry and how does that relate to surplus lines?

It's a very challenging market right now. We're in the midst of an extremely hard market for just about every line of business. Looking at the casualty lines of business, everyone's concerned about capacity and limits, particularly for excess casualty. On the property side of the house, we've seen record natural disasters, year over year, creating some really challenging conditions there as well. As for how this relates to surplus lines, the E&S market has traditionally been the so-called safety valve of the industry, providing capacity and providing creative solutions in challenging times. The E&S market has really grown in the last few years as it continues to provide the solutions that have eluded the standard lines carriers.

What's the market outlook for E&S?

We're definitely in growth mode. In the last five years, we've seen double-digit growth in the E&S marketplace year over year. In 2018, the total E&S marketplace was around $34 billion. By the end of 2022, it was just under $100 billion. Given the current market conditions, that growth trend is expected to continue.

Are there any particular risks or emerging risks that you're keeping an eye on?

One of the biggest is climate risk. While it's technically not new or emerging, it's becoming more challenging. We've seen a lot of natural disasters. We had gone through a cycle of fewer natural disasters, and, as a result, a lot of capacity came into the market. Rates continued to get depressed in a very competitive environment. When the natural disasters eventually returned, like they always do, insurers and especially reinsurers felt the pain. The market has definitely shifted quite a bit with the return of natural disasters. One of the things that we've also seen that's newer to the industry is the so-called convective storm exposure. On top of that, you've got economic inflation. The cost of labor, the cost of materials—when these losses do happen, it costs more to settle the claims.

What separates PHLY E&S from its competitors?

We have a few things that separate us. First and foremost is our financial strength. We're one of the few A++ rated carriers. We're in a current challenging market where you need to be sure that your carrier is going to be in business and be able to pay your claims. PHLY definitely has a reputation for that. We're in a very strong position there. We're also a very service-oriented company. Customer service is very important to us. We do our best to turn around things quickly, pick up the phone, answer our policyholders and agents who need us, and work off limited information sometimes.

We're not always going to have every piece of information on an account, particularly on small business accounts. We try to gather the most relevant information and turn around a quote, maybe subject to some things, just to get something on the table for our agents.

Data-Driven E&S

John Anthony, Senior Vice President, Contract P&C and Excess, Nationwide E&S/Specialty, said he sees an ever-expanding opportunity in the surplus lines sector, "which is one of the things that we're looking to sophisticate on within the risk selection process to be able to handle a lot of these new and dynamic risks." Following are excerpts from the interview.

Nationwide®

- Fortune 100 company
- AM Best Rated A (Excellent)
- 6th largest U.S. domiciled Excess and Surplus insurer

John Anthony
Senior Vice President, Contract P&C and Excess
Nationwide E&S/Specialty

"At Nationwide, we believe that our data-advanced analytics and modeling journey is that of collaboration and insight. We're looking to bolster our already superior industry relationships."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with John Anthony.

What recent market trends or shifts have you observed in the E&S sector?

We've seen less differentiation between the standard market and surplus lines. Many of the standard carriers have purchased or added a surplus line carrier to their portfolio, and the gap between the two markets is not as wide as it used to be. The growth in the surplus line market indicates that many of the classes of business that were once staples of that standard market are now being handled by those surplus lines carriers due to the flexibility that the surplus lines market provided in evaluating a risk. We also see things like coastal-exposed business and severe convective storm-exposed business where standard carriers are exiting the market because of the volatility and the increase of the storms that we're seeing due to some climate change activity.

What emerging risks or industries are increasingly seeking E&S coverage?

Recently, we've seen the emergence of cybersecurity, artificial intelligence, things such as cannabis, and some products in heavier manufacturing in a new and innovative product manufacturing space. We have the ability to adapt our appetite to take advantage of these opportunities as they're emerging before they may have the industry data around them that standard companies need to feel comfortable writing that business. We place a heavy amount of diligence and scrutiny on a lot of our emerging risks, but we are always looking to take advantage of a newer opportunistic marketplace.

How are regulatory changes influencing the excess and surplus lines market?

Recently, we've seen a lot of social and economic macro-environmental factors driving our marketplace from a regulatory perspective. I truly believe that the regulatory environments in most areas see the value of E&S and are trying to balance consumer protection, but also an advantageous regulatory environment to bring in capacity where there may be a lack of opportunities for insureds to place their homes or their businesses.

What makes Nationwide a leader in the E&S space?

There are a lot of things that make Nationwide a leader in the E&S market space. Our financial strength, our specialized underwriting expertise, the breadth and depth of our product and appetite, superior engagement model with our distribution partners—all of those factors combine to make us a market leader. Our ability to leverage and our nimble framework that we've built our portfolio off of allow us to adapt to an ever-changing and dynamic marketplace with a consistent underwriting philosophy. It allows us to be a steady force in that market, giving the partners and the policyholders the assurance that they can rely upon us in perpetuity.

Share this edition at ***https://bestsreview.ambest.com/issuesanswersarchive.html***.

AM Best: Private Equity, Investment Managers Continue To Seek Returns by Entering Life and Annuity Segment

Today's model incorporates different variations of ownership in the life and annuity market while private-equity firms seek consistent cash flows from the sector, according to AM Best analysts.

by John Weber

Strong annuity premium growth and transactions have driven up the value of assets as new strategies are likely to emerge with private equity entering the life and annuity market, said AM Best Associate Director Jason Hopper and Industry Research Analyst Kaitlin Piasecki.

Hopper and Piasecki, referencing a December 2023 Best's Special Report, *Private Equity and Investment Managers Continue To Enter Life/Annuity Market*, said the role of private-equity-owned insurers has continued to increase as they've put together teams of insurance professionals that can navigate the regulatory issues of each state. Following is an edited transcript of an interview with Hopper and Piasecki.

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

Assets of private-equity-owned insurers increased in 2022. What's driving that?

Piasecki: There were a few key drivers.

> "The majority of our private-equity-owned rated companies—the majority have assessments of very strong and strongest for the balance sheet. These companies do tend to have larger allocations to private placements, structured securities, NAIC 2 bonds, as well as cash and short term [holdings] as a liquidity buffer than the industry as a whole."
>
> **Jason Hopper**
> AM Best

Specifically, there was strong annuity growth at both Athene and Global Atlantic, and then there was American National Group's acquisition by Brookfield Corp. and Fortitude Re's strategic partnership with the Carlyle Group.

The year 2009 was a milestone in the progression of this segment. How have things changed since then?

Piasecki: Given the rise in rates since March of 2022, the pricing environment and credit cycle are quite different than in 2009, which is when Apollo created Athene. We're likely to see new strategies emerge. Today's model incorporates different variations of ownership of the insurance partner and oversight of the group's investment portfolios. PE firms with long-term goals like the consistent cash flows and assets that insurance companies can provide.

How does AM Best view the new entrants that are acquiring life/annuity writers?

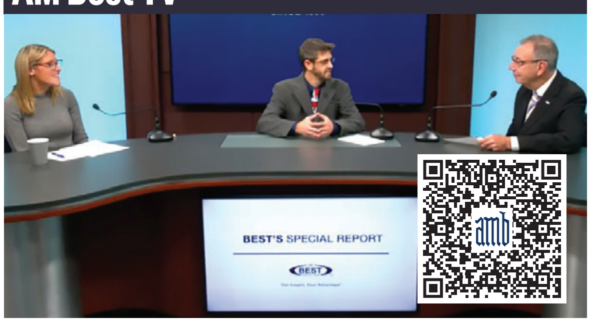
Hopper: AM Best views more favorably companies that have some history in the insurance business, private-equity firms that put together a strong team of insurance professionals that can navigate the complex and varying operating and regulatory frameworks of each state.

That is something we look more favorably upon. As Kaitlin mentioned, insurance is a long-term play, so companies need to have that long-term vision and plan. Customer and capital support is also necessary and not something that should be left by the wayside, if you will.

How have some of these rated entities performed through the prism of AM Best building block assessments?

Hopper: The majority of our private-equity-owned rated companies—the majority have assessments of very strong and strongest for the balance sheet. These companies do tend to have larger allocations to private placements, structured securities, NAIC 2 bonds, as well as cash and short term [holdings] as a liquidity buffer than the industry as a whole. Seventy-five percent of our private-equity-owned insurance companies have an adequate operating performance, and 14% have a favorable business profile. Most of these companies are concentrated in the annuity business, which is highly competitive. BR

AM Best TV



Scan to watch the interview with Jason Hopper and Kaitlin Piasecki.

New TruStage CEO Seeks Novel Ways of Reaching End Customer

Terrance Williams says the company's approach will be to offer products to fill a need as customers are entering different stages of their lives.

by Terrence Dopp

Photo courtesy of TruStage Financial Group Inc.

Terrance Williams sees the start of 2024 as a milestone. That's when the new TruStage Financial Group Inc. president and chief executive officer shifts to what he calls operating mode after he embarked on a "listening tour" during the first few months of his tenure.

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

First up: figuring out how to shift to what he describes as a "horizontal" way of relating to customers and fostering more of a connection with credit unions and their members as part of a five-point program to drive TruStage's growth.

In other words, TruStage—like any life insurer or financial services company—traditionally offers products designed for customers at every life stage, but those offerings actually take place at disconnected touch points. Williams sees TruStage looking at customers on the arc of their lives and offering products that fill a need as customers are entering new stages. He envisions suggesting an income protection product in light of a loan or proposing an annuity product as customers near retirement age.

"What we have the ability to do differently is to find new ways to connect with the end customer," he said. "It's about maintaining long-term relevance."

Williams, formerly Allstate's president of protection products and services, took over as head of TruStage in early October 2023 when his predecessor, Robert Trunzo, retired after two decades with the company.

Since then, Williams has spent time meeting employees and internal leadership, the heads of credit unions, and end customers.

TruStage, a mutual insurance, investment and technology solutions firm that ended 2022 with $5.2 billion in total revenue and $32 billion in assets under management, was formerly known as Cuna Mutual Group prior to a recent rebranding.

TruStage and Cuna Mutual Group are the marketing names for Cuna Mutual Holding Co., a mutual insurance holding company, its subsidiaries and affiliates. Insurance products are issued by CMFG Life Insurance Company and its subsidiaries and affiliates.

TruStage focuses on people earning between $40,000 and $120,000, a group referred to internally as "hard-working Americans." The company, based in Madison, Wisconsin, was founded as Cuna Mutual Society with its primary thrust as moving insurance protection to credit unions members with outstanding loan balances.

The aim of the rebranding, which saw about a dozen Cuna Mutual banners brought under the TruStage moniker, was to streamline that focus and become a one-stop outlet for protection and financial products geared toward a population that doesn't have access to the bespoke banking and advisers that wealthier people do.

During his listening tour and subsequent meetings with credit union executives, Williams said he found a perception that his appointment brought some apprehension, because it was viewed as a departure from the company's roots. He said he intends to follow through with the same corporate mission and sees credit unions as integral to TruStage and how it operates.

"We have to go down this path because it's about maintaining long-term relevance and the ability to do that really requires that we are not just trying to garner a larger share of someone's wallet, but that we are truly leaning into our promise when you think about really being there for our members throughout their life."

Terrance Williams
TruStage Financial Group Inc.

"We can cover the entire spectrum from a life-based standpoint," Williams said.

Credit union customers have a closer relationship with their financial institutions than can often be found at a large commercial bank.

As a result, Williams said that relationship fosters the ability to realize the "horizontal" organization he's envisioning, even if he admits every step in getting there isn't yet clear.

From a technology standpoint, he said the answer will lie partly in expanding the use of artificial intelligence as well as breaking down the walls of discrete systems to harvest all data available and be more integrated.

"We have to go down this path because it's about maintaining long-term relevance and the ability to do that really requires that we are not just trying to garner a larger share of someone's wallet, but that we are truly leaning into our promise when you think about really being there for our members throughout their life," he said.

The shift won't be done in a matter of months, but Williams said the planning should start this year.

It's part of a five-point shift he envisions for TruStage.

Other components include making a stronger investment in talent; updating core technology; practicing greater efficiency; and prioritizing those areas deemed ripe for growth. In some cases, Williams sees the goals as integrated. For instance, he said improving TruStage to be more integrated also will hasten improvements to the company's core technology.

"We're an organization that offers all of these solutions, but think about it—I can't grow everything at 15%. It's not logical," Williams said. "We've got to figure out how we create a framework that really allows us to prioritize and make decisions based on what's in the best interests of the organization but also in the best interests of the end consumer, who has a need for a specific product."

For some cases, that means focusing more attention on those business areas and products most positioned to see the biggest growth. In other cases, it could mean being happy with market-rate growth or, even in some cases, not looking at it as a growth opportunity.

Life insurance and annuities products aimed at the middle market are prime examples of where Williams sees the largest growth potential in the near term. While other companies are off chasing large singular accounts, he said a basic need exists for that segment in terms of insurance and annuities, and TruStage is primed to see scale.

In some cases, he said there will be product lines where TruStage may not be able to compete or hasn't previously made needed investments. In those limited instances, Williams said the company might not prioritize growth in that area.

"That means that we'll be very strategic in how we make decisions around what we invest in," Williams said. "It means that every solution that we offer we won't have a target of growing at 10%. I may be very bullish on a given solution based on the economic environment, based on our current capabilities compared to competitors, or a litany of other areas. We should be growing this at 12% but this over here—for us to really be effective in this space—it requires that we invest a quadrillion dollars in the next year. We can't afford to do that, so we're comfortable with market-level growth for that solution." BR

AM Best: US Individual Life Payout Ratios Decline

Renewal premiums continue to dominate the individual life premiums in the U.S., but the affordability of life insurance may be an issue due to inflation and other economic factors, according to a recent Best's Special Report.

Editor's Note: The following is an excerpt from the Jan. 9 Best's Special Report, *US Individual Life Payout Ratios Down*. Visit *www.ambest.com* to access the full report.

In 2022, first-year premium growth, following a record high level in 2021, dropped significantly year over year, partly attributable to the impact of inflation on household budgets. Renewal premium growth also declined moderately. Renewal premium growth had been consistently positive over several years, having increased in 2021 to its highest point in a decade, as many policyholders valued retaining coverage during a pandemic. Companies across the industry typically saw higher policy persistency ratios.

Renewal premiums continue to dominate the individual life premiums U.S. life insurers receive, which highlights the long-term nature of the business and the importance of maintaining financial strength and maximizing policy owner satisfaction and retention. The affordability of life insurance may be an issue in light of rising expenses due to inflation and other economic factors.

Insurers over the last decade have used incrementally more reinsurance for individual life business, when measured by the amount of reserves they cede to other companies. Ceded reserves as a percentage of gross reserves rose from 24.5% in 2012 to 33% in 2016 (when companies such as Hannover Life Reassurance Co and AIG had anomalous large cessions) and have been relatively stable since then.

Shifts in Premium Distribution by Product

Whole life premiums still constitute the majority of insurers' individual life premiums, owing to the higher costs associated with longer-term nature of the coverage, in contrast to term insurance, which has a set period of time. The face amounts of whole life policies can vary widely. On the high end, for example, participating whole life policies, particularly those sold by mutuals, can be targeted to higher net worth individuals. The final expense product has also grown in attractiveness as the population ages, and retirees seek additional mortality protection.

In 2021, changes to the IRS Code Section 7702 led to a boost in sales for permanent life insurance products such as universal life. The changes allowed policy owners to pay more premiums for less permanent death benefits without triggering MEC (modified endowment contract) status, which incurs unfavorable taxation on lifetime distributions. With the rising interest rates experienced in 2022, insurers that had not lowered premiums generated wider profit margins.

Term life insurance was incrementally more popular in 2022, as it provides mortality coverage at the lowest possible cost—a great value when one's budget is constrained by inflation. Variable life products, which can transfer investment risk to the policy owner from the insurer, were less popular in 2022, given the uncertain investment markets. Indexed life, which can provide some downside protection to investment volatility for consumers in exchange for a capped upside, made up a marginally larger share of total premiums in 2022.

Changes in Market Share

The top whole life companies saw little volatility between 2021 and 2022. The large mutuals continue to dominate this space. Competition from new players declined somewhat in 2022, as the top four whole life writers each moderately increased their market shares year over year. This may be due partly to the costs of maintaining and growing a captive career sales force, which smaller companies have less scale to achieve efficiently. Total premiums declined for whole life in 2022, which indicates that smaller players are scaling back from or exiting the market. MetLife was new to the top five in 2022, replacing Prudential Financial.

> "Insurers over the last decade have used incrementally more reinsurance for individual life business, when measured by the amount of reserves they cede to other companies."
> **AM Best**

In contrast, the level of competition in the term life market remained heated. Though there are no new companies among the top five term writers in 2022, the top four each experienced a slight reduction in market share. Other insurers may well have sought to grow premium opportunistically through term sales during a period of rising demand for life insurance owing to the COVID-19 pandemic. The top four players also likely recognized the greater mortality risk embedded in their larger blocks and may have limited capacity under their enterprise risk management limits. Nevertheless, term life remains more of a commodity-like product, for which companies with economies of scale are typically able to offer the most competitive premium rates. AM Best expects intense competition to continue, as players seek to achieve critical mass.

Three new insurers broke into the top five universal life writers and three new insurers broke into the top five variable life writers in 2022. Aegon USA, Protective Life and Lincoln Financial were the new insurers in the top five for universal life and Prosperity Life, Pacific Life and Lincoln Financial for variable life. Companies that have dropped out of the top five (Resolution Life, Sammons Financial in universal life; Prudential and Resolution Life in variable life; and New York Life in both universal and variable life) are due likely to one-off in-force reinsurance activity and potential recaptures, in addition to new business initiatives. The indexed life, universal life and variable life markets are slightly more concentrated than the term market, reflecting the additional specialization needed to offer and manage these permanent product features.

Commissions Indicate Progress Toward Efficiency

Life insurers have done a good job of managing and maintaining general expenses, as measured by a moderate decline in expenses—in the life line of business—relative to direct gross premiums received.

The flat nature of direct commissions paid as a ratio of direct premiums reflects both steady renewal commissions paid on large in-force blocks and the competitive landscape in the individual life segment. In aggregate, life insurers have not had to increase commissions substantially to attract new business. Still, the level of first-year commissions for lines such as final expense products is often well north of 100% of first-year premium, particularly when sold through competitive channels such as independent marketing organizations, which have experienced consolidation and had greater negotiating power in recent years.

In 2022, life insurers maintained general expenses and direct commissions at approximately 38% of direct premiums overall, which indicates that, despite inflation, life insurers are making progress achieving efficiencies through technology and efforts to maintain policy affordability and, thus, the attractiveness of life insurance to the middle market. Many companies have invested in upgrading their technological infrastructure and eliminated redundant systems. Given that a large portion of an insurance company's expense comes from human capital, the decline in the expense ratio also points to workforce optimization. The moderate decline in the expense ratio since 2016 could also be attributed to growth in total premiums, as insurers enhance policy owner persistency and renewal premiums, grow their balance sheets, and gain economies of scale as well as greater efficiency in their operations. BR

BUILDING TOGETHER: Adrian Jones, now Acrisure chief of staff for international and global markets, says the relationship between private equity and DUAEs is like "building great big ships together."

Photo by Casey Montague/AM Best

Private Equity Pouring Into DUAE Market as Investors Seek Liquidity, Growth

DUAEs offer the chance to participate in high-margin businesses that are easier to buy and sell and have made significant investments in technology, investors and analysts say.

by Anthony Bellano

Private equity investors have pumped increasing amounts of capital into the delegated underwriting authority enterprise market in recent years amid advancements in technology and better economic opportunities.

Recent investments have hit the billion-dollar mark. In November 2023, one such DUAE, Amwins Group Inc., said it completed a $1 billion recapitalization transaction with its shareholder group. As part of the transaction, Dragoneer Investment Group, Genstar Capital, SkyKnight Capital L.P. and certain employee shareholders bought $1 billion in equity from more than 375 Amwins employee shareholders and the Canadian pension investor Public Sector Pension Investment Board.

"The numbers coming in now are dramatically higher than in the past," said Emilio Figueroa, founder and chief executive officer at Indemnity Lab, a company that focuses on investment strategies for private equity and venture capital firms. "Even companies with modest profits compared to their books are being offered valuations at 20 times EBITDA, a significant increase from two decades ago. This trend is both intriguing and transformative for the industry."

Adrian Jones, Acrisure chief of staff for

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

"These companies have these plans. They have these strategies. They're seeking these markets. Most of them have been sticking to the plan and continuing to progress, but there is execution risk on any aspect of the strategy that doesn't come to fruition the way that they planned for."

David Blades
AM Best

international and global markets, said the relationship between private equity and DUAEs is like "building great big ships together."

"That's what consolidators are doing," said Jones, who spoke with *Best's Review* before he stepped into his current role with Acrisure. "It's not just, 'Let's go buy a small MGA or two and hope that it does well.' The bigger players are trying to build great big ships by putting smaller DUAEs onto platforms and growing organically, as well as by acquisition."

DUAEs Provide Profitable Opportunities

For private equity firms, DUAEs offer investors the chance to participate in high-margin businesses with high degrees of recurring revenue. DUAEs agree to perform underwriting, claims handling and other administrative tasks on behalf of insurers under contract. They include managing general agents, coverholders, program administrators, program underwriters, underwriting agencies and appointed representatives. They team up with insurance companies to focus on specialized risk, sitting between the insurers and intermediaries.

"Many managing general agents handle claims and place their own reinsurance, which is particularly attractive to investors seeking to participate in a higher wallet share of the overall insurance value chain," said Matthew Power, president at One80 Intermediaries, an insurance wholesaler and program manager.

Analysts say they are also easier to buy and sell, and cheaper to invest in, and they are more agile than traditional carriers.

"The private equity investors start with a broader theme of, 'We think the MGA space is really poised for growth for these five reasons,'" said Steven Webersen, managing director of insurance research at Conning. "And they're going to go find what they think is the

Dynamic Duos: Fronting Carriers, DUAEs Partner for Mutual Benefit

Fronting carriers are showing steady growth since they've been teaming up with delegated underwriting authority enterprises in recent years, analysts say.

A November 2023 Best's Market Segment Report said DUAEs have strengthened the value of fronting carriers. The specialized nature of most DUAEs allows them to team up with insurance company partners to focus on specialized businesses and their unique risks, according to *Market Segment Outlook: Delegated Underwriting Authority Enterprises.*

Fronting companies have provided access for more reinsurance participation as reinsurers' appetite for DUAE business remains solid. Indeed, there were only two or three notable fronting carriers 10 years ago, compared with 20 to 25 now just in the U.S. and several expanding in Europe, according to Adrian Jones, Acrisure chief of staff for international and global markets.

"In the fronting space, new players are entering the arena, attracted by the benefits of taking quota share," said Emilio Figueroa, founder and chief executive officer at Indemnity Lab. "Private equity firms are increasingly interested in fronting investments due to the higher revenue potential achievable through scaling."

Still, fronting carriers will need to demonstrate their ability to monitor and manage credit risk through robust enterprise risk management practices to showcase their value, the AM Best report says.

"Incidents in the fronting space have yet to completely play out, and these hiccups may have an impact on DUAE capacity," the report said.

> "The focus is on establishing economies of scale, ensuring broad distribution, and diversifying across various industry sectors. This diversified approach not only enhances market attractiveness but also sets the stage for a more favorable marketplace exit."
>
> **Emilio Figueroa**
> Indemnity Lab

best platform for them to make an investment in an MGA and use that as a platform to build off of, acquiring other MGAs. They're looking at backing a management team, and their strategy is looking at how that management team wants to grow."

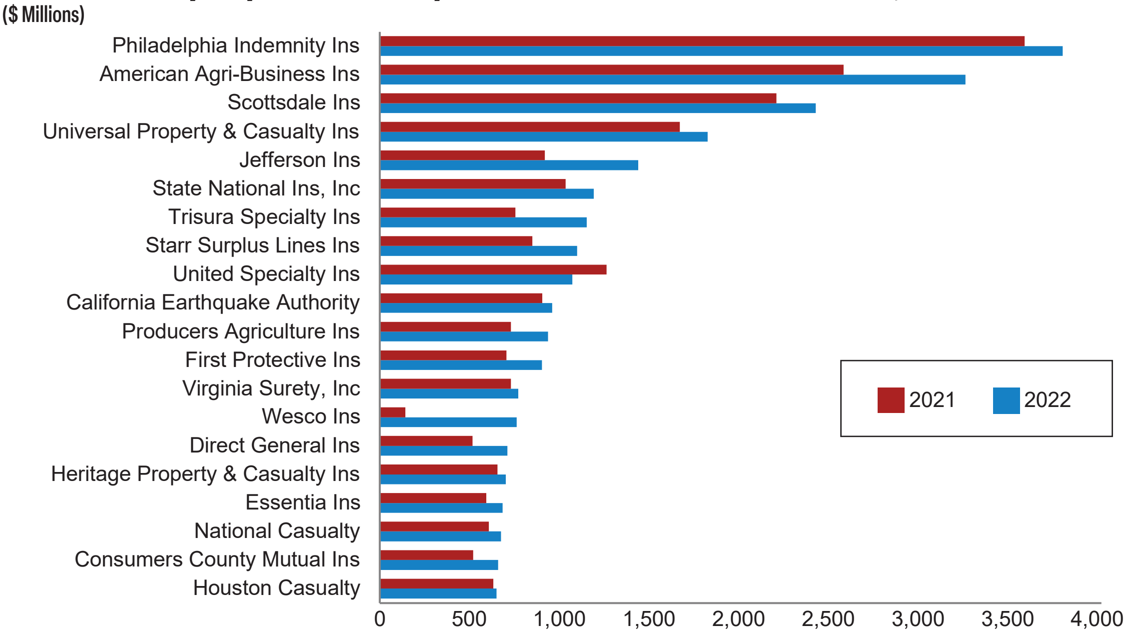
DUAEs also have made significant investments in technology, which helps them better analyze data in volatile markets and attract talent from the tech industry, AM Best said in a November 2023 Market Segment Report. "In addition to the entrepreneurial opportunities that attract talent, DUAEs have proved attractive to technology professionals such as data scientists and engineers," according to *Market Segment Outlook: Delegated Underwriting Authority Enterprises.*

"Technology spend is a recurring theme for many MGAs as the bespoke nature of how individual firms are organized typically results in a high degree of customization and ongoing programming support," Power said. "Many sellers benefit from becoming a part of a larger organization that brings additional capacity, distribution and marketing prowess."

These investments have helped make DUAEs more stable than they were 20 or 30 years ago. "When MGA became a dirty word, many were relatively small, fly-by-night operations. Someone who had $1 million or $2 million would start up a DUAE, write a bunch of business, and get paid on volume," Jones said. "Now, many DUAEs are much more institutionalized. They have stronger management teams, more ability to attract people with expertise around operations and risk, better capitalization, and better governance and oversight."

It's also easier to buy and sell a DUAE than it is to do the same with a traditional carrier, Jones said. "Carriers have balance sheets. Balance sheets are messy. They have

US P/C Industry: Top 20 Insurers by Direct Premiums Written Via MGAs, 2021 and 2022
($ Millions)



Source: BESTLINK from *Best's Market Segment Report: Insurance Market Embraces Delegated Underwriting Authority Enterprise Model*, published April 27, 2023.

reserves. They have big pools of capital. I think that's one of the factors that's driving interest in MGAs. The minimally efficient size of an MGA is much lower than the minimally efficient size of a carrier."

It's cheaper to acquire a DUAE than it is to start one from the ground up, although both prospects have their benefits, said Figueroa. "The high cost of acquisition makes investing in established entities more appealing. Historical data provides a needed and reliable foundation for projecting expectations. PE firms tend to favor standardized investments with set margins, enabling them to focus on adding growth," he said.

Investing in DUAEs Can Have Drawbacks

Despite private equity developing a stronger relationship with delegated underwriting authority enterprises, the risk in investing in DUAEs can sometimes outweigh the reward, analysts say.

Traditional carriers need to worry about the possibility that the MGA will write the business and then leave the relationship—and any potential losses—for the carrier, said Riley Parnham, financial analyst, AM Best. Private equity should worry about execution risk, AM Best Associate Director David Blades said.

"These companies have these plans. They have these strategies. They're seeking these markets. Most of them have been sticking to the plan and continuing to progress, but there is execution risk on any aspect of the strategy that doesn't come to fruition the way that they planned for," Blades said. "I'm sure private equity companies put the necessary resources into making sure they feel really strong about the entity, but there is execution risk as MGAs get into the marketplace in terms of implementing the strategy and have it work to the extent that was laid out in the business plan initially."

In at least one case, the buyout came in over the investment amount. In November 2023, Travelers Cos. said it agreed to acquire cyber managing general agent and business partner Corvus Insurance Holdings Inc. for about $435 million in a deal that was set to close in the first quarter of 2024. But the buyout came in at just under $300 million more than what investors put into the MGA.

According to Crunchbase, Corvus saw five funding rounds with six lead investors and 10 total investors. The most recent funding round listed was on May 26, 2021, when it secured extensions to its recent Series C funding, led by venture capital firms FinTLV and Aquiline Technology Growth. At that point, the overall investment in Corvus was listed at $162 million.

Best's Rankings

Top 20 P/C Managing General Agents – 2024 Edition

Ranked by 2022 direct premiums written.

($ Millions)

Rank	Company Name	2022 DPW
1	Maguire Insurance Agency, Inc.	$4,067
2	Evolution Risk Advisors, Inc. F/K/A: Universal Risk Advisors, Inc.	1,846
3	AGA Service Company	1,686
4	Starr Specialty	1,094
5	Rain and Hail L.L.C.	1,060
6	PROAG Management, Inc.	932
7	Frontline Insurance Managers, Inc.	884
8	Summit Consulting, LLC	710
9	Heritage MGA, LLC	699
10	Hagerty Insurance Agency, Inc.	679
11	Florida Peninsula Managers, LLC	657
12	Travelers Texas MGA, Inc.	657
13	Arrowhead General Insurance Agency, Inc.	618
14	AMRISC, LLC	610
15	HCC Global Financial Products, LLC	566
16	Fidelity Warranty Services, Inc.	561
17	Tower Hill Risk Management, LLC	502
18	Slide MGA, LLC	482
19	AMWINS Specialty Casualty Solutions, LLC	468
20	Starr Technical Risks Agency, Inc.	463

Note: The DPW total is AM Best's best estimate from Note 19 of P/C insurance company annual NAIC statements. MGA premiums included in Note 19 reflect only the premium equal to 5% or more of the insurance company's annual policyholders' surplus.
Source: AM Best data and research.

DUAEs With AM Best Performance Assessments

Listed by effective date.

Entity/Assessment Unit	Effective Date	Address
Amwins Group (AMB# 041013)	Nov. 2, 2023	Charlotte, NC, USA
Excess Reinsurance Underwriters Inc. (AMB# 041025)	Sept. 22, 2023	Woodbury, NJ, USA
Delta International Ltd. (AMB# 041003)	Sept. 8, 2023	Auckland, NZ
Corin Underwriting Ltd. (AMB# 041022)	Aug. 16, 2023	Southend-on-Sea, England, UK
First Indemnity Insurance Agency, Inc. (AMB# 041002)	May 12, 2023	Boston, MA, USA
Cargo Risk Corp. (AMB# 041000)	April 21, 2023	Miami, FL, USA
Castel Underwriting Agencies Ltd. (AMB# 041001)	April 20, 2023	London, England, UK

Source: AM Best; data as of Jan. 19, 2024.

DUAEs Play Important Role in Global Markets

But analysts say DUAEs also are helping insurers grow, playing an important role in the growth and distribution of insurance in Europe and Asia-Pacific, according to the AM Best report. Europe's biggest and most sophisticated DUAE market is the United Kingdom, and established DUAEs in both the U.S. and the U.K. are growing and diversifying into other countries.

"This has led to a number of new startups and acquisitions of existing businesses by DUAE groups based outside the U.S.," said AM Best, noting it expects the trend to continue and drive further growth in global markets.

While many startups are entering the market, the investment is more focused on well-established niche MGAs that have a value set based on specialization, Power said. "Some of the venture capital money that has come in to back newer insurtech startups has probably not fared as well as those focused on acquiring established MGA platforms."

He said many of the MGAs One80 Intermediaries has acquired are established firms with a long history of successful underwriting. "Acquiring firms, and being great at integration, is an important skill set, but actually building a successful enterprise is a far greater undertaking," Power said.

"I think there's also an increased willingness on the part of risk-bearers, whether that's insurers or reinsurers, to work with specialist underwriting managers," Jones said. "Specialty insurance has had a very strong last couple of years, and a lot of predictions are that it will continue to be strong going forward. It's not always possible to have specialists all reside inside your particular insurance company. It makes sense in many cases to delegate authority to expert underwriters."

The change isn't just in the way private equity views DUAEs; the role of the MGA also has changed over time. "There are quite a few MGAs that used to be more of a distribution channel, with products developed by the carriers. Now, they're writing business," Parnham said. "Now they're able to explore new products, new lines of business. We've got a bit of an ever-changing landscape in the world with some new risks, and MGAs are playing a bigger role in product development and risk selection than they were 10 to 20 years ago."

While they may not be holding onto these companies to build an empire that will last forever, what they're creating may last a little longer than they may have 10 or 20 years ago, industry analysts said.

"We have seen that companies might hold acquisitions for a relatively short period, around six to seven years at most, with the primary goal of achieving aggressive growth," Figueroa said. "The focus is on establishing economies of scale, ensuring broad distribution, and diversifying across various industry sectors. This diversified approach not only enhances market attractiveness but also sets the stage for a more favorable marketplace exit."

He said there are "easily a dozen private equity firms that have been very active in the distribution space, and they've generally done quite well." BR

DUAE Investors

Private equity has made several investments in delegated underwriting authority enterprises over the last few years. Listed are select transactions, including some details about the deals and participants.

Avesi Partners
Origin Date: 2021
Headquarters: Stamford, Connecticut, USA
Insurance Deals: In January, MGA Sands Point Risk launched with what it called "tremendous support" from Avesi Partners. Sands Point focuses on transaction liability insurance, including representation and warranties, tax liability and contingent liability insurance.
Additional Notes: Avesi has $880 million of equity capital under management that is focused on partnering with companies that are lower-middle market, privately held, and family owned in various sectors including health care, insurance, technology and business services.

Alliant Insurance Services Inc.
Origin Date: 1925
Headquarters: Irvine, California, USA
Insurance Deals: Alliant in 2022 acquired Trivedi Capacity Associates, a program administrator that is focused on commercial risks, particularly in the community association and condominium association markets.
Additional Notes: Trivedi and its risk purchasing group HARP became part of Preferred Concepts, a real-estate-focused MGU that is located within the Alliant Underwriting Solutions programs division.

Aquiline Capital Partners LLC
Origin Date: 2005
Headquarters: New York, New York, USA, and London, England, UK
Insurance Deals: In 2022, Aquiline Capital Partners LLC entered into a definitive agreement with Distinguished Programs, a national insurance program manager, to acquire a majority stake in the company.
Additional Notes: Aquiline had $7.5 billion in assets under management at the time of the deal, but other financial details of the transaction were not disclosed. The company was founded by Chairman Jeff Greenberg, formerly chairman and CEO of Marsh McLennan.

Highstreet Insurance Partners
Origin Date: 2018
Headquarters: Traverse City, Michigan, USA
Insurance Deals: In 2022, Highstreet acquired Paragon Underwriters, a program manager that focuses exclusively on attorneys and law firms.
Additional Notes: Paragon specializes in malpractice and business insurance.

Integrated Specialty Coverages LLC
Origin Date: 2016
Headquarters: Carlsbad, California, USA
Insurance Deals: Integrated Specialty Coverages in 2022 acquired Northeast National Brokerage, an MGA specializing in excess liability coverage for the petroleum distribution industry.
Additional Notes: NNB works with retail insurance agencies and wholesale brokers nationwide. NNB also accesses top-tier E&S markets to support and augment its proprietary London programs.

Jencap Group LLC
Origin Date: 2016
Headquarters: New York, New York, USA
Insurance Deals: In 2022, Jencap acquired the assets of Delta General Agency Corp., a full-service specialty wholesale brokerage and MGA based in Houston, Texas.
Additional Notes: Acquired by Jencap in 2022, Tarheel Insurance Services LLC announced in 2023 it would begin operating as part of Jencap Insurance Services Inc., a principal division of Jencap.

NFP Corp.
Origin Date: 1999
Headquarters: New York, New York, USA
Insurance Deals: In 2021, NFP acquired East Coast Underwriters LLC and Blue Ridge Captive Solutions PCC Inc. to enhance its medical stop loss and self-funded group captive business.
Additional Notes: NFP provides property and casualty, corporate benefits, retirement, and individual solutions. In December 2023, Aon plc announced the signing of a definitive agreement to acquire NFP for an estimated $13.4 billion. The deal is expected to close in mid-2024.

PCF Insurance Services
Origin Date: 1987
Headquarters: Lehi, Utah, USA
Insurance Deals: PCF Insurance Services acquired Utah-based property and casualty MGA United Underwriters in 2022. Sherman & Co. advised United Underwriters on the transaction.
Additional Notes: PCF has more than 140 agencies and $6.6 billion in market premium. PCF offers a range of commercial, life and health, employee benefits and workers' compensation solutions.

The Carlyle Group
Origin Date: 1987
Headquarters: Washington, D.C., USA
Insurance Deals: Carlyle acquired NSM Insurance Group from White Mountains Insurance Group Ltd. in 2022 in a transaction that values NSM at $1.8 billion. NSM is a full-service MGA and program administrator for specialty property and casualty insurance.

Warburg Pincus LLC
Origin Date: 1966
Headquarters: New York, New York, USA
Insurance Deals: Warburg Pincus acquired K2 Insurance Services LLC in 2022 from Lee Equity Partners LLC. K2 has a diversified portfolio of 24 specialized programs in the specialty commercial, specialty transportation, international, and personal lines segments. K2 provides centralized services to MGAs, including distribution and capacity relationships, technology, actuarial, claims, and additional back-office support.
Additional Notes: Warburg Pincus is an active investor in the insurance sector globally and has made investments in such companies as Aeolus Re, Arch Capital, Cox Insurance Holdings, Fetch, Fortegra, Foundation Risk Partners, ICICI Lombard Insurance, Max Life, McGill & Partners, RenaissanceRe, SBI General Insurance, SCM Insurance and Somers Re.

World Insurance Associates LLC
Origin Date: 2011
Headquarters: Iselin, New Jersey, USA
Insurance Deals: World Insurance Associates acquired commercial wholesaler Mid Atlantic Insurance Group in 2022.
Additional Notes: Since 2012, World Insurance has completed 140 acquisitions and serves its customers from more than 160 offices in the U.S. The company provides services across personal and commercial insurance, among other areas.

Sources: *Best's Review* research, Forbes and company websites.

—Anthony Bellano

Scan to learn more about Best's Performance Assessment for Delegated Underwriting Authority Enterprises.

Photo by Patrick Keppel/AM Best

LAB WORK: From left, Pamela Corey, Seneca Insurance Co.; Lisa Lounsbury, Big I New York and Connecticut; and Jonathan Selby, Founder Shield, participate in a recent InsurTech NY Digital MGA Lab Distribution Day panel discussion moderated by David Gritz, InsurTech NY.

InsurTech NY's MGA Lab Helps Startups Become Fully Operational Digital MGAs

The organization's co-founders say they have identified a growing need for digital MGAs.

by Lori Chordas

In 2022, InsurTech Fund, a venture capital fund associated with InsurTech NY, began accepting applications for its first Digital MGA Lab. The three-month program has been designed to assist digital brokers, analytics startups and European managing general agents in becoming MGAs in North America.

Today, the program continues to grow and is on its second cohort of participants, InsurTech NY's co-founders say.

"The idea for the Digital MGA Lab came about really from demand in the industry," David Gritz, InsurTech NY managing director and co-founder, said during the organization's recent Digital MGA Lab Distribution Day. "We had been running our growth stage accelerator program for three years."

"What we realized is that most of the accelerators in the insurtech space were really tailored toward software-as-a-service companies that could benefit insurance carriers or insurance brokers," he said. "But there was no program out there to help the startups that actually wanted to go out in the market and sell their own insurance policies."

"All the way back to 2015, there were a lot of great insurtechs that became very well known, whether it be Hippo, Lemonade, Metromile, States Title. But a lot of those—they ended up having very unprofitable books of business because they grew too quickly," Gritz said. "We wanted to take the lessons from that initial Insurtech 1.0 and provide those lessons to Insurtech 2.0 and 3.0 and really

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create something that could help benefit those new companies that were coming on the scene."

Added fellow InsurTech NY co-founder and Managing Director Tony Lew: "There's also a lack of knowledge and expertise on how to even create an MGA business, even though it was such a great avenue to create an insurtech. We felt that having an education and networking kind of program specifically geared toward MGAs would be kind of a needed thing that we could provide to the community."

Insurtech MGAs in the program say their reasons for joining and building vary.

"We decided to join the MGA Lab because we felt it would give us a lot of information on how to make sure we're doing the right things, getting out in market in the right way, approaching brokers and agents in the right way, and really building a company that is built for the long term," said Nick Sedlak, head of underwriting for Green Shield Risk Solutions, an MGA insurtech focused on the homeowners sector. "That's why we started it."

Batteryze CEO and co-founder Saad Youssefi said his insurtech had expertise in analyzing how batteries age but lacked an insurance background.

"One of the best ways for us to monetize analytics around battery performance is to bring in an insurance product associated with that," he said. "The Digital MGA was a perfect program for us to kind of monetize as well as de-risk and leverage what we know best, which is battery analytics in the form of something that folks are very comfortable with and very knowledgeable, which is an insurance product."

Yann Barbarroux, CEO and co-founder of Otonomi, which focuses on the transportation and cargo insurance industry, said, "It's all about going end-to-end, what it means for an insurtech MGA, connecting the dots between capacity providers, insurance carriers, payers, wholesale, retail, distribution partners, brokers, and anything in between. It's a very interesting space."

"Mentoring some of these startups and having gone through what they're going through now in terms of setting up an MGA, developing the relationships with the fronting carriers, the distribution partners, the software vendors that you need—I feel I have a great level of experience to bring them to help shortcut some of their experiences."

Kaenan Hertz
Ahoy! Insurance

Targeting Small Business

"We find that a lot of contractors these days are actually working internationally, so the global workforce is really expanding. Companies are no longer bound to geographic limitations when it comes to hiring people," said Amanda Cai, CEO and founder of Jove Insurance, which provides coverage for the self-employed and small businesses.

She said the insurance for certain markets is underdeveloped and international coverage, especially for small businesses, is "very rare, especially for the contractors and one-man bands, which is actually a growing population at the moment. So we find a huge need and opportunity in the market and we want to develop a product there."

For Wesley Pergament, CEO and co-founder of Sola Insurance, which offers payouts following natural disasters, "we felt that an MGA was the best model to actually use the natural disaster data to pay people out within a few days."

"Ultimately, we wanted to build an insurance product that provided a faster claims payout, a more transparent claims experience and also a simple policy form," he said. "The MGA structure enabled us to build out that policy."

Much of the focus of the Digital MGA Lab and industry members is on helping participants build and scale an MGA from the ground up.

While there is no secret formula to creating an MGA, Gritz said, there also isn't a "Creating an MGA 101" course or a *For Dummies* book available.

Gritz said most of the experience out there sits in the heads of people who have done it before. "As part of the program, we have essentially a layered mentoring. There are four different types of mentors that every startup is assigned to. They're assigned to an actuary, an underwriter, an attorney, and what's called a program mentor—someone who's started, grown and taken to scale an MGA before. They've essentially been in the trenches doing what the founders are doing and can tell them about their lived experiences," he said.

Mentors work with a startup for the entire three months of the program, and some provide mentorship on a bi-weekly basis, Lew said. "Some actually just work with them side-by-side and create like an underwriting guideline as well. Each of the mentors have different roles. Some of the startups have more knowledge about how to create an MGA, but many of them don't, so the mentorship is really critical for the startups to actually come up to speed," he said.

Kaenan Hertz, chief insurance officer and co-founder of Ahoy! Insurance, which insures boaters, is one of those mentors. "Mentoring some of these startups and having gone through what they're going through now in terms of setting up an MGA, developing the relationships with the fronting carriers, the distribution partners, the software vendors that you need—I feel I have a great level of experience to bring them to help shortcut some of their experiences," he said. "It's a wonderful opportunity to network, not only with the other mentors, but also with the startups across a broad area of products and services."

Sedlak, of Green Shield Risk Solutions, said mentors are also mindful of the more unusual aspects of the insurance environment. "Industry mentors are helping us understand the areas of focus we need to have as a new company to make sure that we're not going to get ourselves into regulatory trouble as we build our product, to ensure that we're focusing on where we need to be to build a profitable business, and they're helping us understand where the market is going. How do we continue to build this business over time?"

"My specific role is to help companies like this where they have a great idea, they have technology, they have maybe new data, new perspective, but may not necessarily be insurance people, may not have had years of insurance experience like a lot of companies do," said Somil Jain, principal & senior consulting actuary at Lewis & Ellis.

"I come in and bridge that gap. I help people take an idea and turn that into a viable, profitable product. And we do that where we can bring the actuarial piece, we can bring in the insurance program management piece and all the coverage forms, all of that into and turn that into a real product," he said.

"We created this program really from a need in the marketplace. We heard from startup MGAs that there isn't really anything out there to help them," said InsurTech NY's Gritz. "Even other accelerator programs are very much similar to our growth stage where it's across all types of insurance companies. But ultimately, the needs of a digital MGA are completely different than software startups. We really focus on creating that specifically for them." BR

AM Best TV

Scan to watch interviews from InsurTech NY's 2023 Digital MGA Lab Distribution Day.

Rokstone Execs: Growth Momentum Comes as Market Shifts to MGA Model

Rokstone has strong growth targets over the next five years and is roughly tripling its gross premiums, a company executive said.

by David Pilla

A strong shift toward the managing general agency model in insurance is fueling ongoing growth for Rokstone Group, which has expanded operations with recent deals and will continue to do so, according to the MGA's top executives.

"We've got four or five deals going at any one time," said Chief Executive Officer James Potter. "Toward the end of last year [2023] and beginning of this year, there was a bit of a crescendo. We had three big announcements in three weeks."

Among them were marine, aviation and property facultative moves, he said.

Rokstone recently expanded its North American marine operations with a $25 million facility from Allianz Commercial. The deal extended Rokstone's partnership with Allianz and gives Rokstone's North American wholesale marine specialty business long-term support, Rokstone said. The MGA said it plans to grow the marine portfolio in North America "aggressively" from a startup to $100 million in five years with a focus on middle-market business.

The specialty MGA, which has 15 offices worldwide, also recently entered a binder agreement with Munich Re Syndicate Ltd., managing agent of Syndicate 457—Munich Re's Lloyd's syndicate—to expand its international property risks portfolio.

"It's almost like a production line for these types of projects," Potter said.

"We're at a point in our growth when there's a lot of momentum," said Managing Director Ian Anson.

Over the past two years, people have been looking with interest in Rokstone as a platform, Anson said. He added that Rokstone seeks to enter markets "where we can add something, whether technology, specialism or distribution."

What sets Rokstone apart from other MGAs is that most of its carriers are in long-term partnerships of three, five or 10 years in some instances, "so we can lean on those partners to execute quickly," Potter said.

As a member of the privately owned Aventum Group, Rokstone is independent and has no debt and is still operating a hybrid working model, he said.

"We've got the ability to deliver quickly with our long-term strategic partners," Potter said. "We can go from good idea to identifying a good underwriter, pairing with good capacity and opening a business relatively quickly."

Aventum has around 500 staff members, excluding contractors. "We were probably less than 100, two years ago," Anson said.

The MGA's biggest competitors are local carriers and, to a certain extent, startup MGAs, according to Potter.

While Rokstone is moving quickly using an MGA model, success brings with it competition.

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> "All of our growth comes from diversification and we've identified with our carrier partners specific areas in specialty and some territorial plays on the commercial side."
>
> **Ian Anson**
> Rokstone Group

For example, Potter said in direct and facultative, with one benign year, "everyone's going bananas. It will be a race to the bottom, unfortunately, if people aren't careful."

Rates at the moment are adequate "but before you know it everyone's climbing back in and creating competition and flooding the market," he said.

Potter noted Lloyd's has increased its stamp as well, which created further competition, "whereas a few years ago they were retracting."

There have been some regulatory challenges for the industry in the United Kingdom over the past year that have opened an opportunity for Rokstone, he said.

Rokstone has strong growth targets over the next five years and is roughly tripling its gross premiums, said Anson.

"All of our growth comes from diversification and we've identified with our carrier partners specific areas in specialty and some territorial plays on the commercial side," he said. "We think there's enough market for us to enter some niche areas in the next 24 months."

Potter noted Rokstone's marine and aviation activities have not been affected by the Ukraine conflict. The aviation business is built around a light aircraft proposition, a profitable end of the market rather than heavy airlines, he said.

"The marine play is more of a wholesale distribution project in North America," he added.

"In aviation, we're bringing technology to a market that is ripe for disruption or efficiency gains," Anson added. "It's similar with the [small and medium enterprise] end of the U.S. marine play."

Anson added Rokstone is working on a niche environmental, social and governance play with one of its carrier partners.

"Despite a lot of capital flooding into climate solutions, the niche we're entering is still relatively untapped," he said.

Along with its growth, at the end of 2023 Rokstone split the business into three distinct segments: specialty, commercial and consumer.

Specialty brings in underwriters with deep skills. In the commercial business, the MGA can add value in technology. Consumer includes areas such as warranty and affinity.

Potter said Rokstone has built up a risk and compliance structure in the United States as it has been doing in Europe, the Middle East and Asia.

"We make sure we've got all of our hubs covered," he said.

Anson said there have been a number of startup MGAs, hybrids and fronting carriers with MGA bolt-ons that have sprung up and tried to replicate parts of Rokstone's model.

"Amid top talent a number of people are exhausted with life in large carriers in a highly corporate environment and overbearing third-party investors," he said. "There are lots of startups forming especially in the hybrid space."

For a carrier looking for growth, there are a number of reasons to back MGAs, particularly at this point in the market cycle, Anson said. There is a general move of talent away from large balance sheet businesses to MGAs, he said.

For an investor, the lack of balance sheet risk is attractive.

"The MGA market is growing more quickly than the basic syndicates and the company model," Anson said. "I think you will keep getting talent in specialty classes moving into MGAs." BR

ON LAKE MICHIGAN: Chicago is the third largest city in the United States and is home to many global businesses, including Ryan Specialty.

Ryan Specialty Forms Financial Lines and Renewables MGUs, Makes Acquisition

DUAE news roundup: Travelers closes on its cyber MGU acquisition and Canadian MGA First Acre Insurance launches with streamlined crop cover.

Ryan Specialty said it recently formed an international financial lines managing general underwriter by unifying the operations of several existing MGUs. It also expanded its reach in the renewable energy business through an MGU called PERSe International.

Miles Wuller

Patrick G. Ryan

Ryan Specialty separately announced an agreement to acquire managing general underwriting platform Castel Underwriting Agencies Ltd. from Arch Financial Holdings (UK) Ltd., expanding Ryan's MGU capabilities in London and Europe, for undisclosed terms.

The newly formed Ryan Financial Lines combines the operations of EmergIn Risk, StartPoint Executive Risks, Ryan Specialty Nordics, Capital Bay and professional liability portfolios within Ryan Specialty National Programs, the group said.

All of these MGUs and programs are part of Ryan Specialty Underwriting Managers within Chicago-based Ryan Specialty. The group said the formation of Ryan Financial Lines and the combination of all the companies will roll through the first half of 2024 as the alignment of operations and capital is completed.

"Bringing together the financial lines and professional liability talent at RSUM will provide greater synergies and efficiencies to further enhance the solutions and services for our clients and carrier partners," said Miles Wuller, president and chief executive officer, Ryan Specialty Managing Underwriters, in a statement. "This unified approach will bring together our expanding network of expertise of more than 70 teammates based across a number of key territories."

EmergIn Risk CEO Jamie Bouloux, who joined Ryan Specialty in 2015 to launch the specialist cyber MGU, was appointed CEO of Ryan Financial Lines. His responsibilities include the unification of the MGUs and programs while leading and developing the strategy for the organization.

"The unified entity presents a comprehensive bench of product experts and underwriters who will work collaboratively to develop a more robust and localized underwriting and claims operation to better service our clients," Bouloux said. "Together, we are very much looking forward to further enhancing our offerings in the financial lines space, working to build a global platform that continues to attract talent and provide strong returns to our trading partners."

As Bouloux transitions into his new role, he will hand the leadership of cyber to George Paraskeva, president of EmergIn Risk.

Ryan Financial Lines has operations in the United States, Europe, Latin America and London, the group said. It will provide products and services for the small to middle-market enterprise and large insured market, including cyber, technology errors and omissions, miscellaneous E&O, and media liability.

The entity also will provide executive management liability solutions, financial institutions executive and professional liability solutions, financial lines facultative reinsurance solutions, and

Lloyd's Coverholder Carbon Underwriting Eyes 2024 Premium Expansion

Carbon Underwriting Ltd. is aiming for significant premium growth in 2024 as the Lloyd's underwriter is expected to exceed 2023's growth target.

Syndicate 4747's gross written premiums will increase to an expected £204 million ($258.6 million) in 2024 from £150 million in 2023 across a growing number of new product lines and geographies, Carbon said in a statement.

The London-based underwriter said it will continue to develop and build its data-driven Lloyd's property consortium through its Graphene underwriting platform.

The company said it has formal approval from Lloyd's for a significant increase in its stamp capacity for 2024.

Carbon is a specialist, independent, managing general underwriter that writes for a mix of third-party capacity and its own Syndicate CBN 4747, according to the company. It writes business across property, casualty and financial lines with a focus on the coverholder market.

Carbon said its staff has grown from four in 2020 to 51 in late 2023. That number is likely to increase this year as the business expands, the company said.

The Lloyd's approval of Carbon's 2024 business plan "sets the stage for an exciting next phase," Chief Executive Officer Nick Tye said.

Carbon is implementing in-house technology for the delegated underwriting market, Tye said. Carbon Syndicate 4747 operates as an underwriting and market lead with a focus on coverholder partnerships, Lloyd's said.

—David Pilla

Travelers Closes on $435 Million Cyber MGU Corvus Acquisition

Travelers Cos. Inc. recently completed its $435 million acquisition of cyber insurance managing general underwriter Corvus Insurance Holdings Inc.

The acquisition was funded through internal resources, the property/casualty group said in a statement.

"We have forged a strong strategic partnership with the talented team at Corvus over the past year, and we are pleased to officially welcome them to the Travelers family," Alan Schnitzer, chairman and chief executive officer, Travelers, said in a statement. "With a proven platform and deep cyber underwriting and risk management expertise, Corvus brings to Travelers important cyber capabilities."

Corvus has developed a suite of integrated cyber sales, underwriting, service and support capabilities, Travelers said. Through its platform, Corvus identifies vulnerabilities throughout the policy period to reduce customers' exposure to cyber events. Its platform also delivers distribution efficiencies to insurance agents and brokers.

The deal with the insurtech will accelerate access to "cutting-edge cyber capabilities that were on our strategic road map, including sophisticated underwriting algorithms, advanced cyber vulnerability scanning and digital connectivity to customers and distribution partners," Schnitzer said in November 2023.

—David Pilla

a multiline international claims operation.

In the Castel acquisition that is anticipated to be closed in the first half of 2024, Ryan Specialty said Castel's MGUs have a diverse portfolio of underwriting expertise, including transactional liability, renewable energy, construction and marine, among other specialty lines that generated approximately £35 million ($44.6 million) of operating revenue for the 12 months ended Nov. 30, 2023. The breadth of Castel's offerings and its geographic concentration in the United Kingdom and Europe add significant capabilities to Ryan Specialty's MGU portfolio, the company said.

"Castel is a first-class organization with a history of exceptional performance on all metrics, including underwriting profit and growth," Patrick G. Ryan, chairman and chief executive officer, Ryan Specialty, said in a statement. "Bringing Castel into Ryan Specialty expands our U.K. and European footprint in delegated authority, and the lines of business underwritten by these MGUs are both complementary and accretive to our firm."

UK's OneAdvent Launches MGA Criterion With Focus on Recycling, Waste Management

Specialist managing general agent and broker services platform OneAdvent recently said it launched Criterion Ltd., an MGA to fill a need in the niche of the waste management, recycling and mining sectors.

Criterion will initially operate in the United Kingdom, Australia and the Republic of Ireland, and plans on expanding to the United States and Canada in the near future, OneAdvent said. The new company has created a digital trading platform to produce a speedy and simple journey for customers and will augment the executive team's collective underwriting experience with data analytics and modeling, it said.

"The current market presents a clear opportunity for a provider like Criterion to make its mark with a quality offering backed by experts," Tim Quayle, chief executive officer of OneAdvent, said in a statement. "It's an incredibly complex class of business that requires a fresh approach."

OneAdvent will support the MGA with the regulatory, compliance and business oversight needed to successfully launch Criterion in the United Kingdom, the statement said. It's backed by Australian managing general underwriter Criterion Underwriting.

In 2021, OneAdvent's European subsidiary was granted Lloyd's broker status. OneAdvent Europe became a registered Lloyd's broker as part of a growth strategy, OneAdvent said in a statement at the time.

—Terrence Dopp

MGA Alta Signa Enters European Marine Market With New Division

Alta Signa Europe B.V. recently said it launched a European marine underwriting division, effectively broadening its reach beyond financial, professional and cyber lines.

The unit is backed by Alta Signa's panel of insurance partners including Axeria IARD, SiriusPoint and Sompo International, the European boutique managing general agent said in a statement.

Most of the new marine division's team is based in Italy, an Alta Signa spokesperson said. The unit will write cargo, hull and machinery, yacht and yards business.

The new unit is led by Francesco Dubbioso, head of technical underwriting, marine. Based in Genoa, Italy, Dubbioso joined Alta Signa in September 2023. With more than 20 years of experience, he was most recently chief executive officer of Mediterranea Underwriting.

"The European marine market is expected to present niche growth opportunities in 2024 and beyond for those MGAs who are agile enough to address the unique challenges in this sector," Dubbioso said in a statement. "In an environment where differentiation and relevance are key, I am extremely excited by the opportunities this presents for nimble businesses such as the one we have now assembled at Alta Signa."

—David Pilla

"Many of Castel's MGUs are recognized as market leaders in their distinctive niches, attracting support from some of the highest-quality capital in the industry," Wuller said. "The Castel team has a proven approach to attracting top talent to support de novo MGU formation, which will be invaluable as we seek further international expansion."

"We look forward to continuing our successful relationship with Castel and Ryan Specialty," Hugh Sturgess, president and chief executive officer, Arch Insurance International, said.

RSUM also has expanded its global renewable energy business through PERSe International, an MGU that specializes in onshore and offshore renewable insurance, the company said in a statement. The London-based unit has delegated underwriting authority of up to $100 million with a focus on supporting the global growth of renewable energy.

Ryan Specialty is expanding its renewables footprint into the United Kingdom, Europe and the rest of the world, according to Wuller. BR

—David Pilla

Optio Partners With AmFirst To Provide Political Violence, Terrorism Capacity

Managing general agent Optio Group entered into a new partnership with AmFirst Insurance Co. to provide underwriting capacity for political violence and terrorism risks.

Optio "secured capacity on an exclusive basis to underwrite PVT risks," Tom Kennett, U.K. head of political violence and terrorism, Optio, said in a statement. "We look forward to working with our new insurer partner AmFirst in bringing much-needed new capacity to the PVT market at a time of pronounced geopolitical uncertainty."

AmFirst—a large, U.S.-based insurer known for its property/casualty and medical specialties—will provide capacity to the PVT market for the first time exclusively via Optio, enabling Optio underwriters to accept international PVT risks, excluding the United States, Optio said.

The capacity will be used in conjunction with Optio's digital rating tool for real-time, data-driven underwriting of PVT risks for brokers and insureds, the MGA said.

Citing in part a contraction in the reinsurance treaty market, Optio indicated in April 2023 that it was in discussions with potential capacity providers for its political violence and terrorism business.

"The success of Optio PVT during the past three years, plus the more recent contraction in the reinsurance treaty market, has meant our size has proved challenging for some of our traditional capacity partners," an Optio spokesperson said at the time. "Optio however remains committed to PVT as a core product line."

—David Pilla

Canadian MGA First Acre Insurance Launches With Streamlined Crop Cover

Canadian managing general agent First Acre Insurance recently launched with a focus on changing agriculture insurance by combining it with personal and commercial coverage, the company said.

The new firm's signature offering is one policy that encompasses agricultural, commercial and personal coverage in an effort to better meet the needs of individual policyholders, First Acre said. Agriculture as an industry has changed over the past several decades but the pace of change within the insurance industry hasn't kept abreast of that, the company said.

It currently operates in the provinces of Ontario, Manitoba, Saskatchewan and Alberta, the company said.

"The digitization available through First Acre will give brokers a real competitive advantage when working with farm clients," Robin Shufelt, chief executive officer of First Acre, said in a statement. "It really changes how farms and farm businesses are insured for the 21st century. Leveraging technology throughout the process really allows us to offer tools to our customers to help them better manage farmers' assets while providing a customized experience."

The startup is a joint venture by Commonwell Mutual Insurance Group of Perth, Ontario, and Altona, Manitoba-based Red River Mutual Insurance Co. It is aimed at complementing existing relationships and experiences between brokers and agricultural clients, First Acre said.

—Terrence Dopp

US Senators Propose Index-Based Crop Insurance for Small Farms

The program would make payments within 30 days in the event of indices exceeding any of the predetermined county-level thresholds for events such as high winds, excessive rain and flooding, extreme heat, abnormal freeze conditions, hail, wildfires, drought and other perils.

by Timothy Darragh

A group of senators from New England has proposed a bill to have the U.S. Department of Agriculture research the possibility of implementing an index-based crop insurance plan they said would be more responsive to farmers in events of extreme weather.

Vermont Sens. Peter Welch and Bernie Sanders, along with Massachusetts Sens. Ed Markey and Elizabeth Warren, are sponsoring the Withstanding Extreme Agricultural Threats by Harvesting

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

"Farmers in Vermont have faced a year like no other in recent memory, from the early growing season frost, to the July flooding, to the endless rain all summer and fall."

Bernie Sanders
U.S. Senate

Economic Resilience Act. Flooding in July and frost in May left many small farmers with crop losses that were not covered under existing programs.

The bill would create a crop insurance program based on an index, such as rainfall over a given time period, to protect small farms, the lawmakers said in a statement.

The sponsors said the program would reduce administrative hurdles and ensure insurance payouts are based on agricultural income losses.

The legislation, it said, would direct the USDA to use its insurance research and development authority to research the establishment of an index-based insurance program that creates a multiperil index insurance product for farmers based on weather indices correlated to agricultural income losses and the use of data from the National Oceanic and Atmospheric Administration, satellites, climate models and other data sources.

The program would make payments within 30 days in the event of indices exceeding any of the predetermined county-level thresholds for events such as high winds, excessive rain and flooding, extreme heat, abnormal freeze conditions, hail, wildfires, drought and other perils, it said.

"Farmers in Vermont have faced a year like no other in recent memory, from the early growing season frost, to the July flooding, to the endless rain all summer and fall," Sanders said in a statement. "Unfortunately, the current federal crop insurance options are simply not workable for many of the small and diversified farms we have in Vermont."

Attempts to obtain comment from the American Property Casualty Insurance Association and the National Association of Mutual Insurance Companies were not immediately successful.

Even as U.S. crop insurance premiums reached a record high in 2022, to $21.5 billion, the segment recorded an underwriting loss due to challenging growing conditions amid widespread drought, an August 2023 Best's Market Segment Report said. The federal multiperil crop insurance program posted a combined ratio of 102.8 in 2022 and 109.8 for private crop insurance writers, according to *US Crop Insurance Premiums Reach New Highs, Drought Claims Drive Losses*.

Taxpayers could save hundreds of millions of dollars if the government were allowed to adjust the federal crop insurance's rate of return to more closely reflect market conditions, a recent U.S. Government Accountability Office report said.

The GAO's analysis shows the government could achieve such savings while still providing financial incentives for companies to participate in the crop insurance program.

The federal Multi-Peril Crop Insurance (MPCI) program and private crop insurance products comprise the U.S. crop segment, with an overwhelming majority of premiums written through the MPCI program, at 93% in 2022. MPCI insurers posted a combined ratio of 102.8 in 2022, a 9.0 percentage-point deterioration from the previous year, according to the AM Best report.

The report said private crop insurance underwriting results have been consistently unprofitable since being introduced as a separate reporting line in the 2014 statement year, and although this trend continued in 2022, the 109.8 combined ratio was the best result the line has ever posted.

MPCI premiums have increased significantly in recent years amid higher agricultural commodity prices, with Texas remaining the largest market for MPCI products, according to the report. BR

Best's Rankings

Largest Multiperil Crop Insurers – 2024 Edition

Ranked by 2022 direct premiums written.

(US$ Thousands)

Rank	Company Name	AMB#	2022 Direct Premiums Written	2022 Market Share (%)	2021 Market Share (%)
1	Chubb INA Group	018498	$3,579,721	17.88	17.75
2	QBE North America Ins Group	005658	3,280,137	16.38	16.90
3	Zurich Ins US PC Group	018549	3,168,857	15.82	15.05
4	Sompo Hldgs US Group	018878	3,041,659	15.19	15.96
5	Great Amer P & C Ins Group	004835	1,691,468	8.45	7.69
6	FMH Ins Group	018171	1,331,645	6.65	6.41
7	Fairfax Financial (USA) Group	003116	1,095,671	5.47	5.82
8	Amer Intl Group	018540	1,063,711	5.31	5.24
9	Tokio Marine US PC Group	018733	911,177	4.55	4.71
10	XL America Companies	018557	235,225	1.17	1.20

Note: Reflects Grand Total (includes Canada and U.S. territories).
Source: BESTLINK; data as of Jan. 22, 2024.

Best's Rankings

Largest Private Crop Insurers – 2024 Edition

Ranked by 2022 direct premiums written.

(US$ Thousands)

Rank	Company Name	AMB#	2022 Direct Premiums Written	2022 Market Share (%)	2021 Market Share (%)
1	Zurich Ins US PC Group	018549	$333,377	22.65	20.85
2	QBE North America Ins Group	005658	230,683	15.67	13.50
3	Sompo Hldgs US Group	018878	204,149	13.87	15.47
4	Chubb INA Group	018498	179,072	12.17	11.49
5	FMH Ins Group	018171	164,898	11.20	11.30
6	Great Amer P & C Ins Group	004835	121,814	8.28	7.22
7	Amer Intl Group	018540	108,683	7.39	10.24
8	Tokio Marine US PC Group	018733	47,530	3.23	3.64
9	Fairfax Financial (USA) Group	003116	30,464	2.07	2.55
10	COUNTRY Financial PC Group	000302	22,383	1.52	1.47

Note: Reflects Grand Total (includes Canada and U.S. territories).
Source: BESTLINK; data as of Jan. 22, 2024.

TALL TOWERS: The Lower Parel neighborhood is home to numerous skyscrapers as well as a portion of the business district in Mumbai, India.

International Insurers Seize Opportunities To Expand in India

The government increased the cap on foreign direct investment in an insurance company from 49% to 74%. Several international insurance groups, as a result, have grabbed the chance to increase their exposure to India's insurance market, according to an AM Best report.

Editor's Note: The following is an excerpt from a December 2023 Best's Commentary, *International Insurers Seize Opportunities To Expand in India*. Visit *www.ambest.com* to access the full report.

Zurich Insurance Group's announcement of a proposed $487 million investment in Indian insurer Kotak General Insurance is the latest in a series of investments by international insurance companies following a change in Indian government policy in 2021. The government increased the cap on foreign direct investment (FDI) in an insurance company from 49% to 74%. As a result, international companies are now able to take majority stakes in Indian insurance companies. The change in the cap was accompanied by a loosening of rules enforcing ownership and control.

Following the government's decision, several international insurance groups seized the chance to increase their investments in India's insurance market, principally by expanding their minority shares in Indian insurers into controlling positions. International players with investments so far are based in the U.K., Italy, Belgium, and Switzerland. These investments have allowed the international insurance groups to take effective control of the local insurance companies and dictate their strategic direction.

Tighter Solvency Rules To Ensure Capital Adequacy

Although the relaxation of FDI restrictions allows access to the Indian insurance market, a number of restrictions remain. Foreign investors still need to find local partners that are willing and able to hold the minority share in the local venture. Additionally, companies that are majority-owned by foreign investors need to have at least 50% independent board membership and the majority of the board of directors and key management team need to be Indian citizens. The government has also mandated tighter prudential measures for these companies: Dividends are restricted to 50% of net profits, if regulatory solvency coverage is below 1.8x, compared with the 1.5x minimum required ratio. Taken together, these regulatory requirements impose additional considerations for foreign investors.

Liberalization To Catalyze Growth

The liberalization of India's insurance segment, including the increase in the FDI limit, represents a significant step toward attracting new investments and fostering market growth. This gives opportunities not only to existing players to increase their shares, but also for new entrants to the market. The infusion of foreign capital will provide the financial resources for expansion, encourage knowledge transfer and stronger corporate governance, and may increase overall market competitiveness. The higher inflow of FDI will enhance underwriting capacity and improve product innovation, which will enable insurers to cover a wider range of risks and support higher insurance penetration in India over time.

Challenges To Achieving Scale

Barriers to entry may have been lowered, but significant barriers to achieving a strong market position remain. India's insurance industry is dominated by very large players, many of which have government shareholdings. The largest nonlife player, New India Assurance Co. (market share around 13%), is 85% government-owned and the largest life player, Life Insurance Corporation of India (market share around 59%), is 100% government-owned. The market position of these insurers is supported by extensive agent networks, which are difficult and expensive to replicate for smaller players. Despite ample growth opportunities, the big fish currently entering the Indian market may have to get used to being minnows for a while. BR

Best's Rankings

Largest India Insurers – 2024 Edition

Ranked by 2022 gross premiums written.

(US$ Thousands)

Rank	Company/Group	AMB#	Gross Premiums Written	Capital & Surplus
1	Life Ins Corp of India	085485	$57,767,112	$5,557,965
2	SBI Life Ins co Ltd.	090253	8,192,309	1,584,227
3	HDFC Life Ins Co Ltd	077629	6,805,959	1,580,494
4	ICICI Prudential Life Ins Co Ltd	089580	4,860,166	1,228,169
5	New India Assur Co Ltd	086043	4,720,923	4,669,328
6	Gen Ins Corp of India	086041	4,453,196	7,820,705
7	Max Life Ins Co Ltd	078465	3,084,110	431,637
8	ICICI Lombard General Ins Co Ltd	078522	2,649,632	1,290,756
9	Tata AIA Life Ins Co Ltd	090169	2,495,276	337,070
10	Bajaj Allianz Life Ins Co Ltd	090263	2,368,456	1,312,504
11	United India Ins Co Ltd	085412	2,180,173	358,565
12	HDFC ERGO Gen Ins Co Ltd	091786	2,053,461	480,240
13	Oriental Ins Co Ltd	086044	2,030,384	403,102
14	Natl Ins Co Ltd	086042	1,935,146	284,429
15	Bajaj Allianz General Ins Co	078529	1,884,759	1,193,433
16	Kotak Mahindra Life Ins Co Ltd	090261	1,864,500	648,506
17	Aditya Birla Sun Life Ins Co Ltd	090264	1,833,981	356,106
18	Agriculture Ins Co. of India Ltd.	090297	1,779,229	745,124
19	Tata AIG Gen Ins Co Ltd	090168	1,636,658	598,628
20	Star Health & Allied Ins Co Ltd	090649	1,576,316	664,152
21	SBI Gen Ins Co Ltd	091275	1,325,123	373,995
22	Reliance Gen Ins Co Ltd	090260	1,276,539	308,612
23	IFFCO TOKIO Gen Ins Co Ltd	088747	1,222,363	471,369
24	PNB MetLife India Ins Co Ltd	090262	1,069,160	177,389
25	Go Digit Gen Ins Ltd	095983	881,471	297,123
26	Canara HSBC Oriental Bank Com Life Ins	091056	875,924	164,669
27	Cholamandalam MS General Ins Co Ltd	077802	754,584	266,807
28	IndiaFirst Life Ins Co Ltd	091014	739,271	130,097
29	Star Union Dai-ichi Life Ins Co Ltd	091053	699,333	129,241
30	Care Health Ins Ltd	093355	637,427	212,185

Source: AM Best data and research; data as of Jan. 19, 2024.

AM Best: Surety Growth, Profitability Bolstered by Public Works Projects

There is ample capacity in the market due to strong profitability. Existing surety writers are looking to expand coverages and grow their books, according to AM Best analysts.

by John Weber

Inflationary pressures have made financing private projects more difficult, but new public projects have helped surety premiums continue to grow, according to AM Best analysts.

The Infrastructure Investment and Jobs Act of 2021 has helped spur public spending on transportation, broadband access, water utilities, and electric grid improvements that is expected to continue in 2024, according to AM Best Senior Industry Analyst Christopher Graham and Senior Financial Analyst Robert Valenta, referencing a new Best's Market Segment Report, *Surety Growth and Profitability Bolstered by Public Projects*. Following is an edited transcript of the AM Best TV interview with Graham and Valenta.

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

We're finding the demand for surety bonds continues to grow, but is the segment profitable?

Valenta: We've seen the surety segment have strong profitability with combined ratios below 80 annually over the past decade. Net profit margins have been in the mid-30% range annually and

"The Infrastructure Investment and Jobs Act of 2021 has really helped spur some public spending on infrastructure [that] we haven't seen in quite some time. And all of this is done at a trickle. It wasn't just one big burst back in 2021 and early 2022."

Christopher Graham
AM Best

pretax return on revenues have been in the mid-20[%] to low-30% range over this period. This reflects strong underwriting fundamentals and also growth in the surety market due to a resilient construction industry.

This is despite inflationary impacts which have increased project costs for raw materials—also skilled labor shortage and increased interest rates, which have impacted the residential market.

Raw material cost volatility has declined due to easing inflation and also a healing of supply chains. So all of this points to growth in the surety market and continued profitability.

What's been the role of recent government spending initiatives on infrastructure projects?

Graham: The Infrastructure Investment and Jobs Act of 2021 has really helped spur some public spending on infrastructure [that] we haven't seen in quite some time. And all of this is done at a trickle. It wasn't just one big burst back in 2021 and early 2022.

It was designed to roll out over several years. And we're just starting to see the boost in public spending now. So this is something that certainly fueled some of the growth in 2023, and I think we'll see more of it into 2024.

The report also compares public sector growth versus private sector construction spending. How do these two sides stack up against one another?

Graham: Private spending has always been far greater than public spending. What was interesting in 2023—spurred by the government bills of 2021, we saw that the growth in terms of dollars was actually pretty similar. There was a lot more growth as a percentage in public spending compared to private.

The dollar amount was relatively equal. So again, this is where I would expect the public spending isn't going to catch up to private spending. That's not going to happen. But as long as we have these public spending projects funded, we're going to see continued growth in construction and with that, increase in surety premium.

What has premium growth done in terms of both capacity and competition?

Valenta: We've seen ample capacity in the market due to strong profitability, and this continues. We've seen that the market is attractive to new entrants. And also, for existing surety writers, they're looking to expand coverages and grow their book.

Overall, this has led to soft market conditions and stable pricing for surety bonds. And we've seen that the heightened competitive environment will likely continue. BR

AM Best TV

Scan to watch the interview with Christopher Graham and Robert Valenta.

Frequently Asked Questions: IFRS 17

The standard is intended to provide more uniformity to insurance accounting and improve disclosure and transparency, according to a recent AM Best report.

Editor's Note: The following is an excerpt from the Jan. 4 Best's Commentary, *Frequently Asked Questions: IFRS 17*. Visit *www.ambest.com* to access the full report.

IFRS 17 is an international financial reporting standard (IFRS) issued by the International Accounting Standards Board (IASB) for insurance contracts. The standard changes insurance contract accounting quite substantially for IFRS reporters. It is applied in jurisdictions that have adopted IFRS and will not apply to U.S.-based (re)insurers, which will continue to report under U.S. Generally Accepted Accounting Principles (GAAP).

However, subsidiaries and branches of insurance groups, including those of U.S.-based insurance groups in jurisdictions where an insurance entity is required to file IFRS accounts locally, will have to apply the standard in those filings. The EU, U.K., and certain other jurisdictions, including those in the Middle East, require only that listed companies report under IFRS, with local GAAP remaining an option for unlisted entities. In Japan and Switzerland, reporting under IFRS is optional.

The standard is intended to bring insurance accounting more in line with that of other sectors and to provide more uniformity to insurance accounting across territories. Disclosure and transparency are likely to improve under IFRS 17, but the standard will also add considerable complexity.

In general, comparability within the IFRS 17 universe will be enhanced. However, comparability of Key Performance Indicators (KPIs) across accounting standards—for example, with U.S. GAAP reporters—will continue to require interpretation.

Best's Capital Adequacy Ratio (BCAR) is unchanged for IFRS 17 reporters to maintain comparability and continuity for all insurance companies. The following frequently asked questions provide initial insights and considerations for AM Best's treatment of IFRS 17 data, as some markets transition to the new standard.

AM Best's rating methodology, criteria, and processes are not specific to the variety of accounting standards currently used across different jurisdictions, and IFRS 17 should be viewed similarly.

> "Subsidiaries and branches of insurance groups, including those of U.S.-based insurance groups in jurisdictions where an insurance entity is required to file IFRS accounts locally, will have to apply the standard in those filings."
>
> **AM Best**

General

Is the introduction of IFRS 17 expected to impact AM Best's ratings?

The introduction of IFRS 17, in and of itself, is not expected to have a direct impact on ratings, as AM Best focuses on (re)insurers' underlying economics for its analysis. Nevertheless, new insights can emerge over time and behavioral changes due to the new standard have the potential to affect ratings.

What is the effective date for the IFRS 17 accounting standard, and does it differ across territories?

Although IFRS 17 became effective for financial periods commencing on or after Jan. 1, 2023, in jurisdictions adopting the standard from the outset, implementation dates vary by territory (i.e., as of 2024, 2025, 2026). Non-IFRS territories (notably, the U.S.) will not be adopting the standard. Some jurisdictions are converting their local GAAPs for insurance contracts to IFRS 17, albeit to different degrees.

How consistent will reporting by company and jurisdiction under IFRS 17 be, and how transparent will disclosures be?

For IFRS 17-audited, year-end financial accounts, all companies will have an extensive set of financial disclosures built into the reporting requirements of the standard. Nevertheless, AM Best expects the level of voluntary additional/supplementary disclosure (for example, via the notes to the accounts and investor reporting) to vary by type of company and market. Furthermore, standardization of industry KPIs is unlikely to emerge for two or three years, as industry decisions and stakeholder consensus on such disclosures evolve.

As is the case with other accounting standards, certain accounting policy choices are available to IFRS 17 reporters—for example, the use of other comprehensive income (OCI) to account for the effects of discount rate changes and the deferral or otherwise of acquisition costs. These should be visible in accounting policy notes. Discount rates are likely to vary by insurer, but full-year results should also contain sensitivity analyses. Disclosure is also required to explain how risk adjustments are set.

What is the difference between the PAA, GMM and VFA approaches under IFRS 17?

IFRS 17 enables three different measurement models for reporting purposes: the Premium Allocation Approach (PAA), General Measurement Model (GMM) and Variable Fee Approach (VFA). GMM requires a split of the insurance contract liability into a present value of future cash flows (PVFCF) and a risk adjustment, with the remaining amount being the Contractual Service Margin (CSM). The PAA requires only that incurred claims be split into a PVFCF and a risk adjustment. The VFA is a variant of the GMM, under which the investment result normally goes to the CSM instead of being credited directly to equity. The VFA is applied to certain participating policies. In general, the PAA is used for most non-life business, while most long-term life business is reported under the GMM or the VFA.

How does IFRS 17 impact the financial reporting, including shareholders' equity, of nonlife vs. life insurers?

IFRS 17 presents a range of movements by insurer in equity and profit over transition. Movements on transition to IFRS 17 are far more pronounced in the life insurance segment. The range of outcomes depends on many factors, including the relationship between the pace of profit recognition under IFRS 4 and that under IFRS 17. Changes to the treatment of capital in participating funds often act to reduce shareholders' equity on transition, though this depends on previous practice and is not uniformly the case. For nonlife insurers, the impact is considerably narrower, with most nonlife insurers likely to report marginally higher shareholders' equity. To some extent, for large composite insurers, the reduction in shareholders' equity for life contracts will be partly mitigated by an increase for nonlife contracts.

Does AM Best expect IFRS 17 financial statements and reporting to make disclosures across insurance companies/segments more uniform?

AM Best expects the standard to bring more uniformity and transparency to insurance accounting across territories, as well as more complexity. When IFRS 4 was introduced, it grandfathered practice previously in force. Widely varying practices under local GAAP disclosures were therefore used in IFRS 4 reporting.

A uniform presentation of margins in the form of the risk adjustment under IFRS 17, prior-year development (past service under IFRS 17), loss-making contracts (onerous contracts under IFRS 17), and an estimate of deferred profit for long-term business are some of the disclosures AM Best regards as helpful, with the last item being particularly relevant for the life segment.

How will AM Best's financial and credit reports for insurers change in response to IFRS 17 reporting?

AM Best's credit and financial report templates have been updated to accommodate the changes in reporting/disclosure under IFRS 17. This includes changes to the income statement and balance sheet, as well as other key financial indicators disclosed in AM Best reports.

Credit and financial reports will continue to include financial data for up to five years. As a result, there will be a combination of IFRS 17 and prior reporting. Reference should be made to the column headers when distinguishing between IFRS 17 and non-IFRS 17 reporting.

Will there be any changes to the data collected or the format of credit or financial reports for insurers that do not report under IFRS 17?

There will be no changes for non-IFRS 17 reporters. AM Best will retain and maintain existing data formats used for ratings purposes for insurers that do not report under IFRS 17, and will similarly retain and maintain existing credit reports and financial reports.

Methodology

Is AM Best updating its Credit Ratings Methodology (BCRM) to accommodate IFRS 17 reporting?

The BCRM and associated criteria already accommodate various financial reporting standards used around the world, and the implementation of IFRS 17 will be no different. Some changes have been incorporated for clarification.

Does a move to IFRS 17 change AM Best's building block (balance sheet strength, operating performance, business profile, and enterprise risk management) approach to ratings?

The building block approach will not change as a result of the IFRS 17 reporting standard. AM Best's ratings methodology, criteria, and process already accommodate a variety of different financial reporting standards around the world and the implementation of IFRS 17 is no different in this respect.

When will AM Best begin using IFRS 17 reporting as the basis of its ratings analysis?

AM Best will commence using IFRS 17 financial results for rated entities as and when the standard becomes the basis of the companies' financial reporting and disclosure. Interim reporting will often be used to update consideration of full year-end reporting.

For many companies adopting IFRS 17, the first full-year results reported under IFRS 17 will be those ending Dec. 31, 2023. However, this varies by market, depending on implementation timelines and on a company's financial year-end. For example, a New Zealand insurer with a Sept. 30 fiscal year-end is expected to report only its first full year of IFRS 17 results for the fiscal year ended Sept. 30, 2024.

Is an insurer's IFRS 17 preparedness and compliance with reporting requirements a rating consideration for AM Best?

Yes, a rated company's compliance with regulation, including mandatory IFRS 17 reporting requirements, is a rating consideration. A company's failure to comply with such requirements could lead to license restrictions or other regulatory implications, which could have a bearing on AM Best's rating assessment.

In particular, inadequate preparedness or noncompliance with IFRS 17 reporting requirements may negatively impact AM Best's assessment of a company's enterprise risk management. AM Best also will assess management's preparedness with regard to the understanding and use of IFRS 17 reporting.

How will AM Best consider onerous contract provisions in credit ratings?

Onerous contract provisions are part of the IFRS 17 insurance contract liability. In general, the more granular level at which onerous contracts are assessed under IFRS 17 compared to many other accounting standards is a positive factor for reserve adequacy—one of the qualitative components of balance sheet strength.

In the absence of financial statement reporting of premium volumes (gross and net) under IFRS 17, how will AM Best assess an insurer's size, scale and portfolio diversification when evaluating a company's business profile?

Although companies are not required to report written premiums, gross written premiums are likely to be available in the notes to financial statements or other accompanying material. BR

Construction Site Work Presents Dangers for Carpentry Contractors

Best's Underwriting & Loss Control Resources provides insight into the lines of coverage for carpentry contractors at job sites.

Carpenters often work as subcontractors on new construction, and the risks are many for both the insured's employees and the third parties they are working for. Carpentry contractors construct, install, and repair structures and fixtures made of wood and other materials.

In this line of work, carpenters are exposed to slips, trips and falls at construction sites, as well as being hit by falling objects. Long term, they find themselves exposed to noise, the inhalation of wood dust and toxic fumes, according to a Best's Underwriting & Loss Control Resources report titled *Carpentry Contractors*.

There is also a risk of third-party property damage and bodily injury, both at the carpentry contractor's home office and at on-site projects.

While some carpenters work solely out of a shop, the report focuses on those who work in construction. Most of this type of carpentry work involves cutting and shaping wood or other materials using hand and power tools such as saws, drills and sanders.

"Additionally, cuts, abrasions, crushing injuries, dismemberment, and even death may result from the improper use of power equipment or heavy machinery," the report says.

Contractors don't receive many visitors on premises, but the insured's workers will visit the customers' buildings.

The report advised that contractors should follow good housekeeping practices at their home offices to reduce exposure from slips, trips and falls for their visitors, which can include other contractors (or their representatives), clients, suppliers, delivery personnel, and friends and family members of the insured's employees.

Best's Underwriting Reports has identified nine lines of coverage for carpentry contractors: Automobile Liability; General Liability: Premises and Operations; General Liability: Products - Completed Operations; Surety; Workers' Compensation; Crime; Property; Business Interruption; and Inland Marine.

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

Following are excerpts from the Lines of Coverage reports that show the highest index rankings:

Best's Hazard Index

Line of Coverage	Best's Hazard Index
General Liability: Premises and Operations	7
Workers' Compensation	7
General Liability: Products - Completed Operations	6
Property	6
Inland Marine	6

Lines of Coverage

General Liability: Premises and Operations

The General Liability: Premises and Operations exposure for carpentry contractors will be substantial because of the potential for third-party property damage and bodily injury at work sites. Typically, there will be few visitors to a carpentry contractor's office. Visitors will include other contractors (or their representatives), clients, suppliers, delivery personnel, and friends and family members of the insured's employees. Slips, trips, and falls will be the main exposure at the insured's home office. There will be a Cyber Insurance liability exposure if the insured stores personal information online, including financial data collected for payments.

Workers' Compensation

Carpentry contractors will face a substantial Workers' Compensation exposure. … Carpentry contractors located in the United States must adhere to Occupational Safety and Health Administration (OSHA) rules and recommendations for employee safety. … Similarly, the Health and Safety Executive oversees workplace safety in the United Kingdom, while the Canadian Centre for Occupational Health and Safety serves an identical function in Canada. If the insured is located outside of the United States, it is recommended that the underwriter be familiar with the locale's applicable worker safety regulations.

General Liability: Products - Completed Operations

There will be a significant General Liability: Products - Completed Operations exposure for carpentry contractors. Claims of considerable bodily injury or property damage could arise due to poor workmanship, failure to meet specifications or building codes, or the use of substandard materials. Finished buildings or additions could crack or collapse.

Property

Property exposure will be significant for carpentry contractors, especially those that store lumber and wood products at their home office. Faulty wiring, malfunctioning electrical equipment, and possibly smoking will be the primary ignition sources. The typical fire load will consist of office equipment and furniture, paper, and trash.

Loss Control

On-Site Inspection:

- If applicable, is OSHA form 300A posted in an area viewable by employees?
- What is the layout of the contractor's premises?
- Are "Employees Only" signs posted at entrances to all areas from which visitors are restricted, such as equipment sheds?
- Are stairs well lit; in good condition; treads covered with nonslip material; equipped with sturdy handrails?
- What are the age, construction, and condition of the contractor's building(s)?
- Are hazards posed by any adjacent buildings?
- Are identification numbers permanently etched onto all of the insured's tools?
- What are the number, age, type, and condition of the insured's equipment?

Items To Investigate:

- What are the training and experience levels of the insured's workers?
- Have any of the insured's carpenters received a carpentry degree? BR

– Anthony Bellano

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

DRIVING HARD: Hagerty Media is now streaming car-themed content to millions of Samsung TV Plus users in the U.S., driving the technology side of a company that began as a niche collector-car insurance agency.

Photo courtesy of Hagerty

Hagerty Media Shifts Into High Gear With New Car-Themed Samsung TV Channel

Hagerty, a specialty car insurance provider that also considers itself an "automotive enthusiast" brand, turned to digital media to "serve our audiences with great storytelling, news and editorial," said Paul Rehrig, president of Hagerty media, marketing and membership.

by John Weber

Hagerty, a self-proclaimed automotive enthusiast brand that is a leading specialty vehicle insurer, earlier this year announced the launch of Hagerty Media content and livestreams to millions of Samsung TV Plus users in the U.S.

The Hagerty channel provides 24/7 programming with popular car-themed shows. Paul Rehrig, president of Hagerty media, marketing and membership, spoke to AM Best TV about how the initiative is beneficial for a company that began as a niche collector-car insurance agency but now is much more. Following is an edited transcript of an interview with Rehrig.

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

Tell us a bit more about Hagerty Media and the launch of this new platform.

It's the latest video distribution path to make our content available to the car enthusiast audience that we serve, and we're excited about it. Samsung is a huge provider of video content. They have a lot of success selling consumer electronics globally that are connected to the internet and stream video content. We're thrilled to be one of their 300 channels. That sounds like a big number, but it's similar in size to

> "What we've seen work is not ignoring or trying to hide the fact that this is all brought to you by an insurance membership organization, but we do try to be faithful to the principles of journalism and storytelling. We ultimately measure success around customer engagement and responsiveness."
>
> **Paul Rehrig**
> Hagerty

perhaps the basic cable product that some of us still subscribe to.

We've been producing video and content as part of our commitment to promote the mission of Hagerty, which is to save driving and car culture for future generations. We believe that helping our customers protect their cars, buy and sell cars, and then enjoy their cars is a big part of how we execute that mission. We're really excited about this partnership.

How much is this media content driving brand awareness?

We currently have an 82 net promoter score, which is about two times the average U.S. auto brand metric. We think media is part of why that's as high as it is. And we're quite proud of that. And then we measure the engagement that media allows us to have with our customers in retention and [we] are really happy with how we've been able to not just grow new customers but retain those along the way.

So, it's directly connected to [the] creative core business of Hagerty, which, of course, is car insurance.

I have to assume that the channel and streaming platform must be a great vehicle to promote Hagerty's insurance products.

We try to be careful around that. We try to draw a little bit of a line between advertising or advertorialism, as some might call it, where we are using media to directly promote Hagerty insurance. We don't do too much of that. Most of what we're trying to do fundamentally is serve our audiences with great storytelling, news and editorial. And I think you see that on the Samsung TV Plus channel and on our YouTube channel, which has 3 million subscribers.

What we've seen work is not ignoring or trying to hide the fact that this is all brought to you by an insurance membership organization, but we do try to be faithful to the principles of journalism and storytelling. We ultimately measure success around customer engagement and responsiveness. Traditional media metrics guide our decisions. We do think it's contextual. We do try to use media to add context to some of the other Hagerty business.

I'll just give you one quick example: In the last year, we've gotten great traction with a number of buy-sell marketplace businesses. Hagerty has an online auction platform now, and we're moving a fair number of vehicles through that, even if it's early days for us. Media helps us really add context to each of those cars.

That is an area where we are intentional in trying to bring media content to a core part of our business. But again, it's really about trying to make sure we are satisfying our media audience with great stories.

Are you finding that you're able to turn viewers into insurance customers through the platform?

We are. We spend a relatively tiny amount of money on traditional advertising, whether that's TV or radio or, more commonly, internet. So we rely on things like media, free media, to help advance our brand awareness and establish that authenticity and credibility with potential customers. And about two-thirds of our direct-to-consumer customers who go through our online quote process and ultimately sign up for Hagerty insurance come to us from places that we don't precisely measure in advertising.

So, we know that the brand has resonance and drives word-of-mouth referrals, which are a key part of what is driving that growth. And we have other things that we do that fit into that brand-building category. Now, we hope Samsung TV Plus, as a new distribution partner, will just bring more reach and awareness to that media content, which will then translate to people buying our products and services. Core enthusiasts tend to be pretty loyal media consumers.

What's been the feedback to the channel to this point?

It's a really interesting audience. There are 67 million people in the U.S. that self-identify as car enthusiasts, so it's a big crowd. And it splinters across lots of different characteristics, subgenres. It's hard to talk about it as an omnibus audience backup. But the core collector-car hobbyists, they are often very, very quick to identify pretenders or people that do not bring industry-relevant experience to the stories they're telling or the content they're producing.

We like to think we have a very high bar for quality storytelling. Everybody will tell you they're in that game. But for us, we have to work with real experts and bring real insight and expertise that the hardcore gearheads that we're serving find resonant, compelling and credible.

When we get that wrong, if we ever do, there's a big backlash. Because our audience [members] really are experts and tinkerers who are in their garages all the time and have incredible passion for keeping these vehicles on the road and using them in a way that we love. That's a big, enjoyable part of Hagerty. That's probably the biggest thing I've discovered in my 2-1/2 years at Hagerty. When you do it right, you get a terrific result. If you do it wrong, of course, the opposite is true.

What should we expect going forward, either in the way of programming or insurance offerings?

We're really excited about media evolving and expanding as a big part of serving our customers. Core to Hagerty Media, of course, is the magazine, called *Hagerty Drivers Club*. It goes to over 800,000 paying members and that's the biggest single thing we do in media. We're the largest publisher of automotive magazines today.

The other areas that I'm really excited about are mostly in the digital area. We produce thousands of articles about both the new car space and the collector vintage space. And that's all available for free at *www.hagerty.com/media*. We'll continue to invest in online journalism as a core part of what we're doing. And we want to continue producing great new video content, then expand the reach to new audiences. Samsung is a great example of that expanding video distribution.

And then, lastly, we're building a pretty significant podcast network. We now have four active podcasts that are produced by Samsung by various Hagerty Media talent. And we think that's a big opportunity to expand our audience by exposing them to Hagerty Media content. BR

AM Best TV

Scan to watch the interview with Paul Rehrig.

State Rate Filings

W.R. Berkley CEO: Late-to-the-Party Carriers Start Recognizing Surging Casualty Loss Trends

The potential for higher rates on admitted and nonadmitted business in the high net worth space is also creating meaningful openings, said Rob Berkley.

by Renée Kiriluk-Hill

Reinsurers are starting to wake up and recognize challenges in the liability market, which could raise casualty rates this year, W.R. Berkley Corp. President and Chief Executive Officer W. Robert "Rob" Berkley Jr. said during an earnings conference call.

"We've sort of been standing on our head and jumping up and down, talking about social inflation for many years. And we started pushing on rate pretty early," the CEO said.

More recently, other carriers are "showing up to the party and recognizing what that loss trend is" and taking action, he said. "I think that there's some more legs to the liability market, particularly umbrella, auto liability" and more.

"Products liability has been an area that the standard market seems to continue to have an unquenchable thirst for," Berkley said.

His company's quarterly results presented a "pretty attractive picture," the CEO said, one that even a conservative certified public accountant couldn't paint as anything other than encouraging.

W.R. Berkley's 2023 fourth-quarter net income to common shareholders increased to $397.3 million from $382.2 million a year earlier.

Net premiums written increased 12% to $2.72 billion, with double-digit increases in the insurance and reinsurance and monoline excess segments, said Chief Financial Officer Rich Baio. The consolidated combined ratio was flat at 88.4.

Berkley indicated that he liked the current specialty market, highlighting excess and surplus specialty and saying, "I don't think that party is over. When we are looking at submission flow, we continue to be quite encouraged."

In contrast, professional liability, notably public directors and officers, is "delicate and treacherous" and W.R. Berkley is treading thoughtfully in the space, Berkley said.

The property catastrophe market at the Jan. 1 renewals was still very attractive but has likely hit a peak, he said.

His company is drawn to opportunities in the property reinsurance market, he said, and is keeping an eye on the primary property insurance space, "particularly as it relates to E&S in the commercial lines."

The potential for higher rates on admitted and nonadmitted business in the high net worth space is also creating meaningful openings, said Berkley.

Addressing loss development on older accident years, particularly in casualty lines, he said the carrier seems to be on top of older claims, especially from the challenging period from 2016 to 2019.

Earlier claims in that group are close to fully closing, he said, while more recent claims are encouraging.

"We have our arms around, I think, a lot of the years that were particularly frustrating, where I think the industry may have gotten caught a little flat-footed and we ourselves are not completely insulated from that with social inflation," said Rob Berkley.

Executive Chairman William R. "Bill" Berkley was asked how financial market opportunities might change if President Joe Biden isn't reelected this year.

"I think the bottom line is, we've got a $2 trillion deficit—92% of the world's countries have deficits. There is going to be enormous demand for money. No. 2, we are the only significant democratic country that doesn't have any kind of national sales tax. We have some flexibility," he said.

Elected Democrats and Republicans keep spending, so "what that tells you is spending money and not having taxes go up are cornerstones of the policies both parties have chosen to follow," said Bill Berkley.

The next presidential administration will be forced to take action, potentially by introducing a value-added tax or hiking income taxes, to avoid jeopardizing Social Security, Medicare and Medicaid, he said.

"That's a problem that we're going to face," he said. BR

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


States Licensed
Long-Term Bonds
Stocks

Commercial General Liability Approved Rate Filings by Overall Effect With Increases Greater Than 90%

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

Group Name	Company Name	AMB#	State	Overall Effect	Effective Date	Program
AmTrust Group	AmTrust Group	018533	CT	166.67%	12/1/2023	Umbrella/Excess
AmTrust Group	AmTrust Insurance Company	004778	CT	166.67%	12/1/2023	Umbrella/Excess
Markel Insurance Group	Markel Insurance Group	018468	MS	131.70%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	MS	131.70%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	LA	130.60%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	LA	130.60%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	ND	129.60%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	ND	129.60%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	MD	128.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	MD	128.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	MN	127.30%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	MN	127.30%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	RI	127.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	RI	127.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	WV	126.40%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	WV	126.40%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	SD	126.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	SD	126.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	CO	125.90%	11/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	CO	125.90%	11/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	CT	125.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	CT	125.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	AR	123.80%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	AR	123.80%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	OR	122.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	OR	122.20%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	ME	121.40%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	ME	121.40%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	DC	120.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	DC	120.10%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	HI	116.50%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	HI	116.50%	9/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Group	018468	NC	107.40%	8/1/2023	Prof. Liability/E&O
Markel Insurance Group	Markel Insurance Company	002699	NC	107.40%	8/1/2023	Prof. Liability/E&O
Hiscox USA Group	Hiscox USA Group	018750	ND	100.10%	5/29/2023	E-Commerce/Cyber Security/Identity Fraud
Hiscox USA Group	Hiscox Insurance Company Inc.	003030	ND	100.10%	5/29/2023	E-Commerce/Cyber Security/Identity Fraud
	Specialty Risk of America	001980	IN	99.60%	1/1/2024	Liquor Liability
Chubb INA Group	Chubb INA Group	018498	UT	99.60%	12/1/2023	Non-Specific
Chubb INA Group	Westchester Fire Insurance Company	003368	UT	99.60%	12/1/2023	Non-Specific
CNA Insurance Companies	CNA Insurance Companies	018313	SD	97.70%	6/1/2023	E-Commerce/Cyber Security/Identity Fraud
CNA Insurance Companies	Continental Casualty Company	002128	SD	97.70%	6/1/2023	E-Commerce/Cyber Security/Identity Fraud
Sentry Insurance Group	Sentry Insurance Group	000086	GA	96.40%	10/1/2023	E-Commerce/Cyber Security/Identity Fraud
Sentry Insurance Group	Middlesex Insurance Company	002321	GA	96.40%	10/1/2023	E-Commerce/Cyber Security/Identity Fraud
The Cincinnati Insurance Cos	The Cincinnati Insurance Cos	004294	MS	94.25%	4/1/2023	E-Commerce/Cyber Security/Identity Fraud
The Cincinnati Insurance Cos	Cincinnati Insurance Company	000258	MS	94.25%	4/1/2023	E-Commerce/Cyber Security/Identity Fraud
Great American P & C Ins Group	Great American P & C Ins Group	004835	CT	93.05%	7/1/2023	Non-Specific
Great American P & C Ins Group	Great American Insurance Company	002213	CT	93.05%	7/1/2023	Non-Specific

Note: The State Rate listings include multiple rows with the filing company (or companies) and its group together.
Source: Best's State Rate Filings; data as of Feb. 2, 2024.

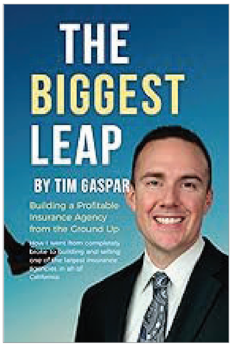
—Patricia Vowinkel

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

Author: Identifying a Niche, Mentors Are Building Blocks for Creating a Profitable Agency

In his book, Gaspar Insurance Services CEO Tim Gaspar chronicles his journey into insurance.

The Biggest Leap: Building a Profitable Insurance Agency from the Ground Up



From a young age, Gaspar Insurance Services founder and CEO Tim Gaspar aspired to become an entrepreneur. Despite some hurdles along the way—including being on the brink of bankruptcy at age 20 after the manufacturing company he ran was hit with a lawsuit—he never gave up on those dreams. At age 26, Gaspar drew on his entrepreneurial spirit to build his own insurance agency and later created another successful business, Gaspar Insurance Services.

He is also the author of the book *The Biggest Leap: Building a Profitable Insurance Agency from the Ground Up*, which chronicles his journey into insurance and shares tips on how to build a profitable insurance agency. Following is an edited transcript of an interview with Gaspar.

How can future agency owners build a successful agency and long-term value?

To ensure your agency is uniquely valuable, find a niche that works for you, such as a particular type of personal lines account or industry or association you already have a relationship with or are interested in. Doing so offers you a better business model and unique sales proposition with your customers because you're coming to them with a unique experience and typically better coverage and pricing than a generalist agency.

Can you tell us about the importance of mentors and who has inspired you?

It's not really what the mentor is telling you to do; it's somebody in a position you ultimately want to be. My dad was a hardworking guy who worked for the city for 30 years and on the side built a real estate portfolio of apartments and houses. He did the work himself, and I saw the grit that he put into the life he was building. I never heard him tell a lie, and that was something I wanted to imitate.

What do you hope readers will take away from your book?

The book examines key sales skills and ways to scale and build an agency. Anybody within the insurance industry, even if you're not yet an agency owner, can take one or two ideas from the book and make them work. You don't need 200 great ideas to build a successful practice. BR

—Lori Chordas

AM Best TV

Scan to watch the interview with Tim Gaspar.

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

Ranking of Top Audit and Actuarial Firms Highlights List of Trending *Best's Review* Features

Other popular items include sections from the *Guide to Understanding the Insurance Industry* and coverage of insurance leaders who passed away in 2023.

Trending: *Best's Review*

1. Top Audit and Actuarial Firms
2. Property/Casualty
3. Industry Overview
4. Institutes: AI's Predictive Powers Can Personalize Insurance
5. Insurers Look Ahead to 2024 and Key Issues: Catastrophes, Inflation, Layoffs, AI and More

Trending: BestWire $

1. In Memoriam: Insurance Industry Leaders Who Passed Away in 2023
2. California Regulators Grant Auto Rate Hikes Up to 31%; 75 Requests Still Pending
3. AM Best Affirms Credit Ratings of CNA Financial Corporation and Its Subsidiaries
4. AM Best Affirms Credit Ratings of Genworth Financial, Inc. and Its U.S. Life Subsidiaries
5. California Homeowners Leader State Farm Secures Rate-Hike Approval

Trending: Best's News Via AM Best Mobile App $

1. BHSI Promotes Two and Hires One for Its North American Claims Team
2. AM Best Revises Outlooks to Stable for LifeMap Assurance Company; Affirms Credit Ratings of USAble Life
3. Optio Re MENA Names Ex-Ardonagh Exec as Managing Director of Broking & General Lines
4. W.R. Berkley CEO: Late-to-the-Party Carriers Start Recognizing Casualty Loss Trends
5. Marine MGA Falvey Appoints Chief Relationship Officer & Establishes Board of Directors

Trending: AM Best Informational Webinars

1. How Insurers Are Combating Legal System Abuse
2. IMCA and AM Best Market Leader Lunch With Axis' Joe Cohen

Trending: AM Best TV - Best's News

1. J.D. Power's Crewdson: Rising Auto Insurance Rates Drive Up Number of Uninsured
2. Conning CIO: Life and P/C Portfolios Endured Roller Coaster Ride in 2023
3. Insurers Brace for Winter Weather Perils
4. Insurance Leaders Combat Climate Risks Through Innovation, Collaboration
5. 2023: The Insurance Industry Year in Review

These were the top trending items from Nov. 22, 2023-Jan. 24, 2024. Mobile app articles were the top stories from Jan. 1-31, 2024. Features, news articles and videos were based on page views. Webinars were based on webinar attendance.

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

$ Full access to all content may require a subscription.

Trending Research Includes Special Reports on Personal Lines Results and Annuity Surrenders

Other trending research includes commentaries on IFRS 17 and opportunities in India.

Trending: Best's Special Reports

1. P/C Insurers Cut Expenses in the Wake of Deteriorating Personal Lines Results $
2. First Look: Nine-Month 2023 US Property/Casualty Financial Results $
3. Private Equity and Investment Managers Continue To Enter Life/Annuity Market $
4. Annuity Surrenders Up Through 3Q23, Beating Premium Growth $


P/C Markets

Trending: Best's Market Segment Reports

1. Market Segment Outlook: Delegated Underwriting Authority Enterprises
2. Market Segment Outlook: US Personal Lines
3. Market Segment Outlook: Global Reinsurance
4. Market Segment Outlook: US Commercial Lines


DUAEs

Trending: Best's Commentary

1. Frequently Asked Questions: IFRS 17
2. Strong Recovery in Total Reinsurance Capital Countered by Surplus Distributions
3. AM Best Expects Insured Losses From Japan's January 2024 Earthquake To Have Limited Credit Ratings Impact
4. International Insurers Seize Opportunities To Expand in India


IFRS

Trending: Best's Research Via AM Best Mobile App

1. Best's Special Report: Annuity Surrenders Up Through 3Q23, Beating Premium Growth $
2. Best's Special Report: P/C Insurers Cut Expenses in the Wake of Deteriorating Personal Lines Results $
3. Best's Commentary: Strong Recovery in Total Reinsurance Capital Countered by Surplus Distributions
4. Best's Special Report: US Individual Life Payout Ratios Down $


Premium Growth

Trending: AM Best Analytical Briefings

1. AM Best's Briefing - Delegated Underwriting Authority Enterprises: Headwinds & Tailwinds
2. AM Best's Briefing - Captives: Insurance Review and Current Conditions
3. AM Best's Briefing - Cyber: Moderating Pricing & Cautious Underwriting, Even as Risks Resurface
4. AM Best's Briefing - Stop-Loss Market: Seeing Growth Potential While Facing New Challenges and Risks


Headwinds

Trending: AM Best TV - Best's Research

1. Transition, Hard Market Steer Focus to Capital Management
2. Insurers Adopting IFRS 17 Will See Changes
3. A&E Reserves Decline Along With Incurred Losses
4. Hard Market Not Caused by a Cat Event, but by Disciplined Market Participants


Capital Management

These were the top trending research and commentary reports from Nov. 22, 2023-Jan. 24, 2024. Mobile app reports were from Jan. 1-31, 2024.

$ Payment or subscription required.

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

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

Webinar Panelists Explore Reasons for Legal System Abuse and Discuss Countermeasures for Insurers

Professionals also examine how the insurance industry deals with increasing uncertainty in 2024 and talk about marketing strategies and challenges.

On Demand

How Insurers Are Combating Legal System Abuse

From social inflation and nuclear verdicts to reptile theory strategy and litigation funding, the insurance industry is under fire in the courtroom. A panel of insurance and legal experts explore what is driving today's legal system abuse and what insurers can do to reclaim the high ground while minimizing outlandish claims costs. Panelists include Edward Kozel, Munich Re Specialty Insurance's claims practice lead-head of litigation; Jessica Riley, director of jury research, Magna Legal Services; and Danny Worker, managing partner, Lewis Brisbois. **This complimentary AM Best Webinar was sponsored by Munich Re.**

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

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

IMCA and AM Best Marketing Leader Lunch With Axis' Joe Cohen

During a roundtable discussion, Joe Cohen, chief marketing and communications officer at Axis, discusses rebranding strategies; unlocking the value of corporate citizenship; building a strong employer branding initiative; how marketers can help their organizations expand into new and adjacent markets; ways to infuse diversity and inclusion into an organization's culture; and uncovering the keys to success in digital marketing. Joining Cohen are Dave Evans, senior associate, Aartrijk, and former IMCA board member; and Lori Chordas, senior associate editor, AM Best. **This complimentary AM Best Webinar was a joint presentation of the Insurance Marketing & Communications Association (IMCA) and AM Best.**

Webinar Highlights

How Insurers Can Safeguard Their Claims Department From Digital Identity Fraud

A panel of insurance and technology experts discuss findings from an industry market research study and explore how carriers can create an optimal identity fraud management strategy. **This complimentary AM Best Webinar was sponsored by LexisNexis Risk Solutions.**

How Generative AI and ChatGPT Are Reshaping the Insurance Industry

Generative AI and ChatGPT are not just enhancing the future of insurance industry, but are actively reshaping it. A panel of insurance and technology experts discusses how these new technologies will drive both the customer experience as well as the bottom line for decades to come. **This complimentary AM Best Webinar was sponsored by Xceedance.**

Scan for details or to register for webinars.

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

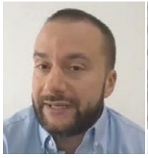
Insurers: 'Manage,' Not 'Mitigate,' Is the Watchword When Dealing With Critical Infrastructure Failures

Also, professionals discuss the economy and its expected impact in 2024 and explore how environmental liability has changed in recent years.

On Demand

Insurers: Aging Infrastructure Failures Can Be Managed, but Not Fully Mitigated

The June 2023 I-95 collapse in Philadelphia provided a glimpse of what insurers could face in the event of infrastructure disasters.


Jim Albi


Sean Pender

Aspen's Padula: Environmental Liability Continues To Evolve and Adapt

Mike Padula, head of U.S. environmental for Aspen Insurance, explains how the environmental liability sector has changed in recent years as a result of climate risk, societal pressures, an evolving regulatory landscape, and a myriad of other factors.


Michael Padula

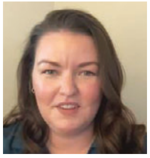
AM Best Director: As 2023 Proved To Be a Year of 'Resilience' Economically, 2024 Is Poised To Be a Year of 'Divergence'

Central bank policy, market expectations and Federal Reserve projections on interest rates and global political policy are three areas where divergence is expected to come into play this year economically, said Ann Modica, director, AM Best.


Ann Modica

Zurich NA's Balsam: Inflation, Social Erosion Top Business Concerns

Jessica Balsam, Zurich Resilience Solutions' head of climate solutions, Zurich North America, discussed the World Economic Forum's 2023 *Executive Opinion Survey* and what global business executives see as the biggest risks facing G20 countries.


Jessica Balsam

Scan to see new and archived video from AM Best TV.

Insured Natural Disaster Losses in 2023 Were in Line With Five-Year Average, According to Munich Re Report

Also, AM Best Audio examines the results of an Allianz survey that show top risk concerns include cyber and business interruption.

Munich Re Report: Insured Losses in 2023 Hit $95 Billion

Ernst Rauch, chief climate scientist from Munich Re, discusses a recent report that shows 2023 natural disaster losses were in line with the five-year average and just slightly above the 10-year average.

Cyber Tops Allianz's *2023 Risk Barometer*

Tom Varney, regional manager, Allianz Risk Consulting, North America, discusses the company's *2023 Risk Barometer* survey that shows top risk concerns are cyber, business interruption and natural catastrophes. BR

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This edition lists all Credit Rating actions that occurred between Jan. 1 and Jan. 31, 2024. For the Credit Rating of any company rated by AM Best and basic company information, visit the AM Best website at *www.ambest.com/ratings/access.html* or download the ratings app at *www.ambest.com/sales/ambmobileapp*.

Operating Companies

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS LIFE/HEALTH								
Rating Affirmation	L	American Life & Security Corp. Midas Parent, LP	006861	B++ bbb	Negative Negative	B++ u bbb u	Developing Developing	Nebraska, USA
Rating Withdrawal	L	Encova Life Insurance Company	006744	NR nr		A- u a- u	Positive Positive	Ohio, USA
Initial Rating	L	Everly Life Insurance Company NZC Capital LLC	009322	A- a-	Stable Stable	NR nr		Wisconsin, USA
Upgrade	L	Fidelity & Guaranty Life Ins Co of NY Fidelity National Financial, Inc.	007122	A a	Stable Stable	A- a-	Positive Positive	New York, USA
Upgrade	L	Fidelity & Guaranty Life Insurance Co Fidelity National Financial, Inc.	006384	A a	Stable Stable	A- a-	Positive Positive	Iowa, USA
Outlook Change	H	LifeMap Assurance Company Life and Specialty Ventures, LLC	009345	A- a-	Stable Stable	A- a-	Positive Positive	Oregon, USA
Under Review	L	National Security Insurance Company VR Insurance SPV, LLC	006802	B++ u bbb u	Negative Negative	B++ bbb	Negative Negative	Alabama, USA
AMERICAS PROPERTY/CASUALTY								
Rating Withdrawal	P	Accelerant Re Ltd.	071758	NR nr		A- a-	Stable Stable	Bermuda
Downgrade	P	Acuity, A Mutual Insurance Company	000468	A+ aa-	Stable Stable	A+ aa	Stable Negative	Wisconsin, USA
Upgrade	P	AIG Assurance Company American International Group, Inc.	002833	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Upgrade	P	AIG Insurance Company of Canada American International Group, Inc.	085727	A a+	Stable Stable	A a	Stable Positive	Ontario, CAN
Upgrade	P	AIG Insurance Company-Puerto Rico American International Group, Inc.	003536	A a+	Stable Stable	A a	Stable Positive	Puerto Rico, USA
Upgrade	P	AIG Property Casualty Company American International Group, Inc.	002349	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Upgrade	P	AIG Specialty Insurance Company American International Group, Inc.	003535	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Upgrade	P	AIU Insurance Company American International Group, Inc.	002389	A a+	Stable Stable	A a	Stable Positive	New York, USA
Upgrade	P	American Home Assurance Company American International Group, Inc.	002034	A a+	Stable Stable	A a	Stable Positive	New York, USA
Upgrade	C	American International Reins. Co, Ltd American International Group, Inc.	085197	A a+	Stable Stable	A a	Stable Positive	Bermuda
Upgrade	P	Blackboard Insurance Company American International Group, Inc.	022238	A a+	Stable Stable	A a	Stable Positive	Delaware, USA
Upgrade	P	Blackboard Specialty Insurance Company American International Group, Inc.	022237	A a+	Stable Stable	A a	Stable Positive	Delaware, USA
Rating Withdrawal	P	Carolina Re Ltd.	095935	NR nr		A- a-	Negative Negative	Bermuda
Downgrade	P	Chiron Insurance Company Pharmacists Mutual Insurance Company	020616	A- a-	Stable Stable	A a	Negative Negative	Iowa, USA
Upgrade	P	Commerce and Industry Insurance Company American International Group, Inc.	004000	A a+	Stable Stable	A a	Stable Positive	New York, USA
Outlook Change	P	Enumclaw Property & Casualty Ins Co Mutual of Enumclaw Insurance Holding Co	012511	A- a-	Negative Negative	A- a-	Stable Stable	Oregon, USA

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

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
AMERICAS PROPERTY/CASUALTY (CONTINUED)								
Outlook Change	P	Farmers Mutual Fire Ins Co of Marble PA	004759	A a	Negative Negative	A a	Stable Stable	Pennsylvania, USA
Outlook Change	P	Finger Lakes Fire and Casualty Company	010695	A a	Negative Negative	A a	Stable Stable	New York, USA
Upgrade	P	Granite State Insurance Company American International Group, Inc.	002360	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Outlook Change	P	Great Northwest Insurance Company RM Ocean Harbor Holding, Inc.	010019	B bb+	Stable Negative	B bb+	Stable Stable	Minnesota, USA
Outlook Change	P	Hawaiian Insurance and Guaranty Co, Ltd RM Ocean Harbor Holding, Inc.	013317	B bb+	Stable Negative	B bb+	Stable Stable	Hawaii, USA
Upgrade	P	Illinois National Insurance Co. American International Group, Inc.	002361	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Upgrade	P	Insurance Company of State of PA American International Group, Inc.	002035	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Initial Rating	P	Keswick Guaranty, Inc.	013996	B+ bbb-	Stable Stable	NR nr		U.S. Virgin Islands
Upgrade	P	Lexington Insurance Company American International Group, Inc.	002350	A a+	Stable Stable	A a	Stable Positive	Delaware, USA
Outlook Change	P	Lightning Rod Mutual Insurance Company WRG Mutual Insurance Holding Company	002284	A a	Negative Negative	A a	Stable Stable	Ohio, USA
Outlook Change	P	Mutual of Enumclaw Insurance Company Mutual of Enumclaw Insurance Holding Co	000374	A- a-	Negative Negative	A- a-	Stable Stable	Oregon, USA
Under Review	P	National Security Fire and Casualty Co VR Insurance SPV, LLC	000687	B++ u bbb u	Negative Negative	B++ bbb	Stable Stable	Alabama, USA
Upgrade	P	National Union Fire Ins Co Pittsburgh PA American International Group, Inc.	002351	A a+	Stable Stable	A a	Stable Positive	Pennsylvania, USA
Upgrade	P	New Hampshire Insurance Company American International Group, Inc.	002363	A a+	Stable Stable	A a	Stable Positive	Illinois, USA
Rating Withdrawal	P	North American Capacity Insurance Co	011135	NR nr		A+ aa	Stable Stable	New Hampshire, USA
Outlook Change	P	Ocean Harbor Casualty Insurance Company RM Ocean Harbor Holding, Inc.	011218	B bb+	Stable Negative	B bb+	Stable Stable	Florida, USA
Under Review	P	Omega One Insurance Company, Inc. VR Insurance SPV, LLC	011413	B+ u bbb- u	Negative Negative	B+ bbb-	Stable Stable	Alabama, USA
Initial Rating	P	PanAsia Reinsurance Inc. Hikari Tsushin, Inc.	021523	A- a-	Stable Stable			Hawaii, USA
Downgrade	P	Pharmacists Mutual Insurance Company Pharmacists Mutual Insurance Company	000320	A- a-	Stable Stable	A a	Negative Negative	Iowa, USA
Outlook Change	P	Sonnenberg Mutual Insurance Company WRG Mutual Insurance Holding Company	010708	A a	Negative Negative	A a	Stable Stable	Ohio, USA
Upgrade	P	Stratford Insurance Company American International Group, Inc.	002817	A a+	Stable Stable	A a	Stable Positive	New Hampshire, USA
Under Review	P	Trusted Resource Underwriters Exchange American Family Ins Mutual Holding Co	020873	A- u a- u	Negative Negative	A- a-	Stable Stable	Florida, USA
Upgrade	P	Tudor Insurance Company American International Group, Inc.	002598	A a+	Stable Stable	A a	Stable Positive	New Hampshire, USA
Upgrade	P	United Security Insurance Company Warrior Invictus Holding Company, Inc.	008442	B bb	Stable Stable	C++ b+	Stable Stable	Illinois, USA
Outlook Change	P	Western Reserve Mutual Casualty Co WRG Mutual Insurance Holding Company	002285	A a	Negative Negative	A a	Stable Stable	Ohio, USA
Upgrade	P	Western World Insurance Company American International Group, Inc.	003132	A a+	Stable Stable	A a	Stable Positive	New Hampshire, USA

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Opinion Modifiers: u = Under Review; **sf** = Structured Finance; **i** = Indicative Credit Rating Modifier; **s** = Syndicate Credit Rating Modifier

Rating Action	Business Type	Company Name/ Ultimate Parent	AMB#	Current FSR ICR	Current Outlook/ Implications	Previous FSR ICR	Previous Outlook/ Implications	Domicile
EUROPE, MIDDLE EAST & AFRICA								
Upgrade	P	American International Group UK Limited American International Group, Inc.	044147	A a+	Stable Stable	A a	Stable Positive	United Kingdom
Rating Withdrawal	P	Atradius Reinsurance DAC	077332	NR nr		A a+	Stable Stable	Ireland
Rating Withdrawal	C	Bilbao, Compañia Anónima de Seg y Reas	083556	NR nr		A a+	Stable Stable	Spain
Rating Withdrawal	P	Enel Insurance N.V.	094069	NR nr		A- a-	Stable Stable	Netherlands
Initial Rating	P	Enel Reinsurance Cia di Riassicurazione Enel S.p.A.	043255	A- a-	Stable Stable			Italy
Rating Withdrawal	P	Kelvin Re Limited	093711	NR nr		B++ u bbb u	Positive Positive	Guernsey
Initial Rating	P	Ma'aden Re Limited Saudi Arabian Mining Company (Ma'aden)	043174	B++ bbb+	Stable Stable			United Arab Emirates
Rating Withdrawal	P	Net Insurance S.p.A.[1] Poste Italiane S.p.A.	089932	NR nr		B+ bbb-	Stable Stable	Italy
Rating Withdrawal	C	Plus Ultra Seg Gen y Vida SA de Seg Reas	086543	NR nr		A a+	Stable Stable	Spain
Rating Withdrawal	C	UnipolRe Designated Activity Company	073263	NR nr		A- a-	Stable Stable	Ireland
ASIA-PACIFIC								
Upgrade	P	AIG Asia Pacific Insurance Pte. Ltd. American International Group, Inc.	091421	A a+	Stable Stable	A a	Stable Positive	Singapore
Upgrade	P	AIG Insurance Hong Kong Limited American International Group, Inc.	091430	A a+	Stable Stable	A a	Stable Positive	Hong Kong
Upgrade	C	Himalayan Reinsurance Limited	074846	B+ bbb-	Stable Stable	B u bb+ u	Positive Positive	Nepal
AMERICAS								
Outlook Change	C	Aseguradora Ancón, S.A. Ancon Investment Corporation	087138	A- a-	Negative Negative	A- a-	Stable Stable	Panama
Outlook Change	P	East Caribbean Reinsurance Company Ltd St Kitts-Nevis-Anguilla Trading Develop	094569	B+ bbb-	Positive Positive	B+ bbb-	Stable Stable	Anguilla
Outlook Change	P	El Aguila Compañia de Seguros SA de CV American Financial Group, Inc.	083535	A- a-	Stable Stable	A- a-	Positive Positive	Mexico
Outlook Change	P	Ocean International Reinsurance Co Ltd Avenir Partners Pte. Ltd.	093077	A- a-	Positive Positive	A- a-	Stable Stable	Barbados
Outlook Change	P	Sofimex, Institucion de Garantias S.A.	091478	A- a-	Positive Positive	A- a-	Stable Stable	Mexico
Outlook Change	P	Summit Insurance Company Limited	083010	A- a-	Negative Negative	A- a-	Stable Stable	Bahamas

Holding Companies

Rating Action	Company Name	AMB#	Current ICR	Current Outlook/ Implications	Previous ICR	Previous Outlook/ Implications	Domicile
Upgrade	American International Group, Inc.	058702	bbb+	Stable	bbb	Positive	Delaware, USA
Upgrade	Fidelity & Guaranty Life Holdings, Inc.	050904	bbb	Stable	bbb-	Positive	Delaware, USA
Under Review	Generali France S.A.	083077	bbb+ u	Positive	bbb+	Stable	France

[1] The ratings of bbb-/B+ were affirmed on Jan. 31, 2024, and subsequently withdrawn.

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

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

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

Best's Financial Strength Rating (FSR) Scale

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

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

Financial Strength Non-Rating Designations

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

Rating Disclosure – Use and Limitations

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

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

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

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

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

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

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

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

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

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

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Mergers, Acquisitions, State Actions and Name and Ownership Changes

Universal Care, Grove Mutual and Wisconsin Reinsurance Corp. are among the U.S. life/health and property/casualty insurers that have experienced a corporate change.

LIFE/HEALTH

Name Change

Empire HealthChoice Assurance Inc. (AMB# 068564), New York, NY, USA. This company changed its name to Anthem HealthChoice Assurance Inc. on Jan. 1, 2024.

Acquisitions & Ownership Changes

Central Health Plan of California Inc. (AMB# 064929), Diamond Bar, CA, USA. This company was acquired by Molina Healthcare Inc. from Bright Health Company of California Inc. on Jan. 1, 2024.

Universal Care Inc. (AMB# 068894), Westminster, CA, USA. This company was acquired by Molina Healthcare Inc. from Bright Health Company of California Inc. on Jan. 1, 2024.

PROPERTY/CASUALTY

Mergers

Grove Mutual Insurance Co. (AMB# 022173), Melrose, MN, USA. This company merged with and into St. Joseph Mutual Insurance Co. to create Central Lakes Mutual Insurance Co. on Jan. 1, 2024.

North American Capacity Insurance Co. (AMB# 011135), Manchester, NH, USA. This company merged with and into Swiss Re Corporate Solutions Capacity Insurance Corp. on Jan. 1, 2024.

Name Change

St. Joseph Mutual Insurance Co. (AMB# 020761), St. Joseph, MN, USA. This company changed its name to Central Lakes Mutual Insurance Co. when Grove Mutual Insurance Co. merged with and into the company on Jan. 1, 2024.

State Actions

1st Auto & Casualty Insurance Co. (AMB# 011233), Madison, WI, USA. This company was placed into insolvent liquidation on Jan. 1, 2024.

Wisconsin Reinsurance Corp. (AMB# 002791), Madison, WI, USA. This company was placed into insolvent liquidation on Jan. 1, 2024.

In Other News ...

A roundup of news from publishers around the globe. Access to some sites may require registration or subscription.

AM Best's Media Program
Publisher

AM Best's Media Program – Publisher

World Bank to scale-up access to catastrophe bonds and reinsurance capital Artemis

New Zealand: Commerce minister outlines plans to reform financial services Asia Insurance Review

Reducing reimbursement denials: Bridging the gap between benefits professionals and health care providers BenefitsPro

Duperreault-backed insurer plans 'rapid' premium growth Bermuda Re+ILS

Golf club maker takes swing at Costco Business Insurance

Frontier Economics: Using Guernsey captives saves UK FTSE 100 companies almost £100 million a year Captive Insurance Times

European consultation launched on corporate sustainability reporting Captive Intelligence

FERMA calls on EU to work with risk managers Captive International

How Legal Finance Adds Value to Judgment Preservation Insurance Carrier Management

Nevada Tops States Where Energy Workers Get Highest Compensation Pay-Outs Claims Journal

Supply chain switching triggers fresh risks for companies in 2024 Commercial Risk

European health leaders warn of continued pandemic threat Commercial Risk Europe

Global Cities Unprepared for Emerging Risks, Warns Study Emerging Risks

Franklin Seizes Private Markets Growth Amid Broader Outflows FundFire

Bullish Lloyd's expects to be in the top quartile – Tiernan Global Reinsurance

London market may be moving into softer territory, says Miller Global Risk Manager

Payers Gain, Lose Market Share in 2024 Medicare Advantage Sector Health Payer Specialist

Home insurance: Amazon withdraws from the market after 15 months Insurance & Investment Journal

Has the FCA's new appointed representatives regime agenda hurt the sector? Insurance Age

Reinsurance pricing could peak in 2024 Insurance Day

New normal: Secondary perils are reshaping dialogue on cat losses Insurance Insider

Top tier ILS firms increased AuM by 4.2% in H2 to start 2024 with $80bn Insurance Insider ILS

Q4 Earnings preview: Could this be a kitchen sink quarter? Insurance Insider US

10 Largest Auto Insurers Each Raised Rates by Double Digits in 2023 Insurance Journal

Insuring the green transition Insurance News

Amazon's insurance exit has a Sting in the tail Insurance Post

Claims costs crank up motor premiums by 12% between 2023's Q3 and Q4 Insurance Times

IFRS 17: market Still Divided Over the Right KPIs InsuranceAsia News

Regulators' 2024 priorities: Germany, France, Belgium, the Netherlands InsuranceERM

Home, landlord commissions cut as industry acts on losses InsuranceNews.com.au

The importance of psychological safety Intelligent Insurer

Toppling the Reign of Regulation Leader's Edge

NAIC: Complaints Involving Annuities Surged 50% Last Year Life Annuity Specialist

GCC: Insurance market in next 5 years to be propelled by economic diversification, demographics and infrastructure projects Middle East Insurance Review

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Webinar Panelists: Organization, Candor Key Elements of Managing the Spectrum of Construction Defect Costs

Understanding claims from a cost driver point of view and containing scope of work can aid in managing construction defect insurance costs.

Construction defect claims can be far-reaching and costly as design flaws and subpar materials can emerge upon a structure's completion, leading to complex lawsuits.

Professionals involved in these cases cite open communication among carriers, attorneys and professional experts and keeping data and documents organized as keys to managing costs tied to these cases.

Janine McCartney

Paul McCullough, expert service provider, PE, senior civil/structural engineer, discipline lead, S-E-A; Janine McCartney, expert service provider and senior staff engineer, HHC Safety Engineering Services; and Elizabeth Ferguson, Marshall Dennehey shareholder and a member of the firm's professional liability department, joined John Weber, senior associate editor at AM Best, for a recent webinar titled *How Insurers Are Controlling Expert Costs in Construction Defect Claims*. Following is an edited transcript of the conversation.

What do you recommend for carriers to control costs?

McCullough: This is the quintessential question. From our perspective, even before the plaintiff puts out a dollar amount or an allocation of responsibilities, we've noticed cost savings occur when we have files where counsel is involved early to help us understand what the financial drivers of the claim are.

This can come in a couple different ways. A low-cost damage item, but one that is repeated in all 650 condominium units, becomes a financial driver of a claim. The relocation of a fire alarm to meet a code requirement might cost $1,000 to fix after all the cosmetic issues of relocation. It might not seem like a high-dollar item when you're reading it.

When it's in all 650 units, it's now a $650,000 line item.

Paying attention and understanding and approaching these claims from a cost-driving standpoint is definitely one of the ways that we recommend carriers to start being able to control their costs.

What are the cost drivers in construction defect claims?

McCullough: On the construction defect claims, it's, in essence, the same matter. Where these higher-dollar common elements exist on these complexes or these supertowers and all that come with the different HOAs [homeowners associations] that have the common area assigned to them, when these elements are allegedly constructed wrong, they tend to get all the attention right out of the gate.

Those additional inspections are not only hard to inspect and compel the court to allow you to have, but they come under duress and, obviously, are single item-focused inspections, which drive up the overall aggregate cost of the defense.

Is there anything that can be done to mitigate those drivers?

Ferguson: The most important thing is communication. We have to have good communication between counsel and expert, between counsel and the carrier, and between the expert and the carrier, just making sure that everybody is on the same page about what type of damages we are talking about. That communication at the front end is the most important thing.

What is a typical construction defect expert? How are

they obtained by either the plaintiff or the defense?

McCartney: The typical construction defect expert is usually a certified safety professional, professional engineer or geo-technical engineer. It's going to be somebody who's got a regulatory background and a very good background with codes.

The expert has to unravel, really, what the issue is. There needs to be some really good communication so that the expert completely understands the basis of the case, because the construction defect is either going to be something that fails to conform to a contractual requirement, or it's going to fail to comply with some generally accepted principles governing a standard. The expert has to be able to opine on exactly what the attorney has determined is the issue in the case.

> "The typical construction defect expert is usually a certified safety professional, professional engineer or geo-technical engineer."
> **Janine McCartney**
> **HHC Safety Engineering Services**

How do engineers work with their carrier partners?

McCullough: To dovetail on the back end of the inspection discussion that we had, it's the next highest level of efficiencies has been the documents. ... When we finally get all the documents, the best thing that I've seen is getting a list of what the attorney puts forth as, and I won't call it the most important documents, but it definitely helps when I'm told what the controlling documents are.

How should attorneys work with carriers to help contain costs?

Ferguson: Again, it goes back to that communication, that establishment of what is our potential liability, and using that to drive the expert scope of work. Do you need them to go to everything? Do you not need them to go to everything?

I also think it's important to just have very honest conversations with the carrier about potential liability. It's never cheaper to settle than on that first day you get a demand. The number just goes up. Very rarely does your demand go down.

Are insurers able to save on litigation costs by hiring specialized experts?

McCartney: Yes, I do think so. If the expert has the experience, and that they have shown the attorney that they have been successful in prior cases in those disciplines, it's definitely more cost-effective for the attorney to hire the one expert—with the caveat to make sure that that expert is not overstepping their bounds in either one of those fields.

– John Weber

AM Best TV

Scan to watch the webinar *How Insurers Are Controlling Expert Costs in Construction Defect Claims*.

Marshall Dennehey Names Casualty Department Leaders

Matthew S. Schorr and Jeffrey G. Rapattoni were named director and assistant director, respectively, of Marshall Dennehey's Casualty Department, effective Jan. 1, according to the Philadelphia-based firm.

Matthew Schorr

The Casualty Department is the largest of the firm's four core legal departments.

Schorr, who has served as assistant director of the 250-attorney department since 2015 and is a member of the firm's board of directors, will replace Howard P. Dwoskin, who has been involved with managing the department for the past 21 years, the law firm said. Dwoskin will maintain his positions as chairman of the firm's board of directors and a member of the executive committee business interruption and natural catastrophes. Rapattoni is a longtime shareholder and leader of two practice groups within the Casualty Department and also serves on the firm's board of directors.

"The future of the Casualty Department is in great hands with Matt and Jeff at the helm," said Dwoskin. "Not only do they have excellent managerial and administrative skills, but they also are highly experienced attorneys who understand our clients' needs when it comes to complex casualty litigation matters. They make a great team that will benefit the firm." BR

Scan for more information about these firms and Best's Insurance Professional Resources.

Industry Updates

Lloyd's Unveils $100 Million London Bridge 2 Catastrophe Bond Sponsored by Beazley

The cat bond notes are due in April 2027 and the risk period for the reinsurance cover is three years and three months, but the notes can be extended under certain circumstances, according to Lloyd's.

Beazley plc has sponsored the first 144A catastrophe bond issued on the Lloyd's risk transformation platform London Bridge 2 PCC Ltd., a $100 million indemnity reinsurance deal that provides multiple-year protection for named storm and earthquake events affecting the United States, Canada and parts of the Caribbean.

The transaction was sponsored by Beazley on behalf of its Lloyd's syndicates 623, 2623 and 3623 through Beazley's North American insurer Beazley Excess and Surplus Inc. and European carrier Beazley Insurance DAC, Lloyd's said in a recent statement.

The cat bond notes are due in April 2027 and the risk period for the reinsurance cover is three years and three months, ending March 31, 2027, Lloyd's said. The notes can be extended under certain circumstances.

Coverage is restricted to the United States, Canada and certain parts of the Caribbean, covering named storms and earthquakes that may occur in that period, according to Lloyd's. While the risks have been modeled, it is not possible to state a definitive proportion for named storms.

According to Lloyd's, the transaction brings the aggregate issuance of securities to institutional investors to about $750 million across 13 cells.

With the deal, Lloyd's sees "the efficient close of the first excess-of-loss cat bond transaction by London Bridge 2," Burkhard Keese, chief financial officer, Lloyd's, said in a statement.

"This is another important milestone for this strategically important risk transformation vehicle for the Lloyd's market and reaffirms the flexibility this vehicle has, provided by its regulatory permissions," he said, noting London Bridge 2 allows institutional investors to gain access to the Lloyd's market's global (re)insurance risks.

"Beazley is delighted to be sponsoring the first 144A property catastrophe bond utilizing the London Bridge platform," Adrian Cox, chief executive officer, Beazley, said in a statement. "We were impressed with the smooth and efficient way that an [insurance-linked securities] transaction can be issued out of the U.K. market."

"We were impressed with the smooth and efficient way that an [insurance-linked securities] transaction can be issued out of the U.K. market."

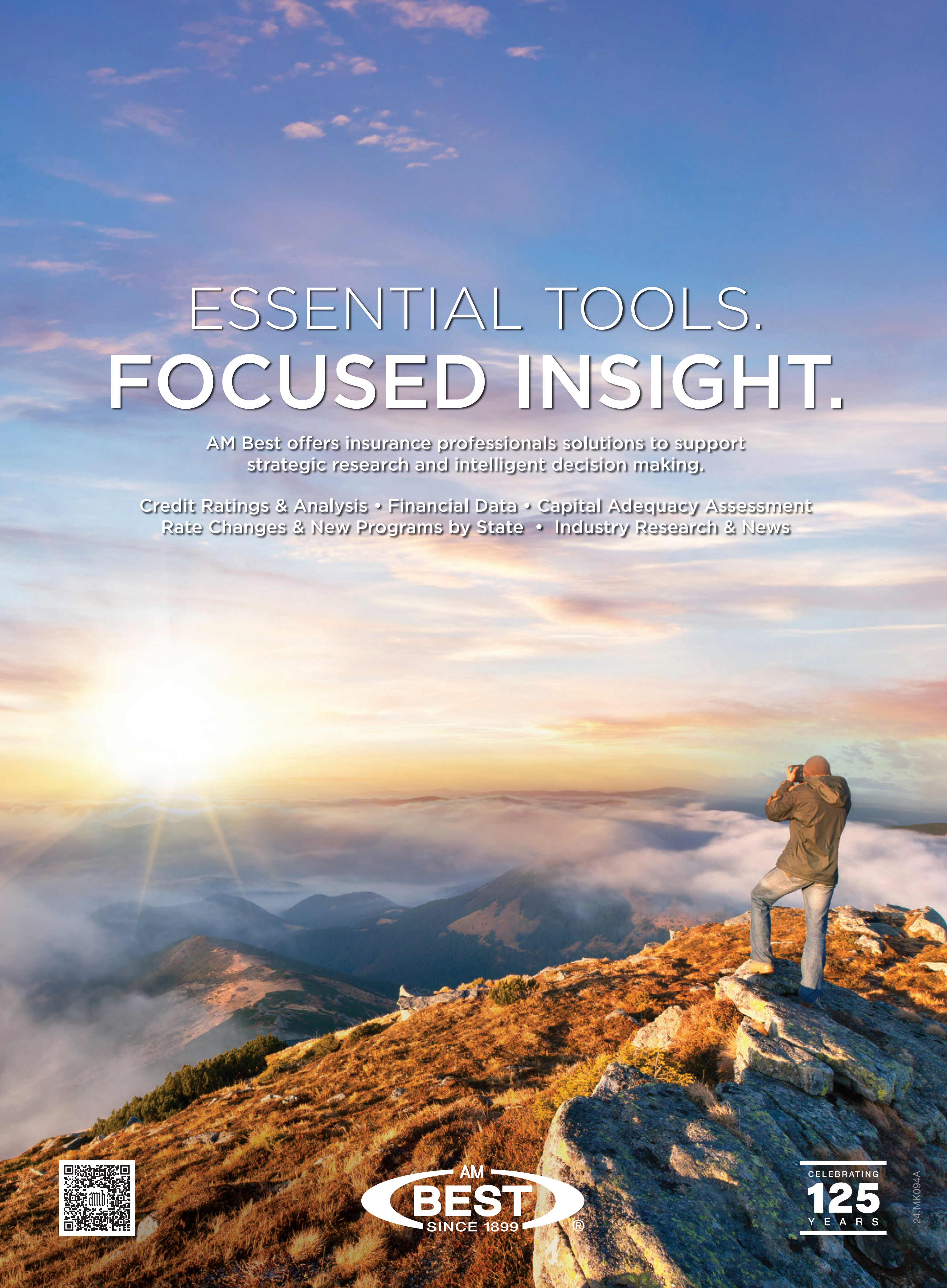
Adrian Cox
Beazley plc

The London Bridge platform allows market participants to raise solvency capital to support underwriting at Lloyd's and/or transfer specific risks to the capital markets as part of a Lloyd's syndicates' risk management strategy, Lloyd's said.

London Bridge 2 PCC was sponsored by Lloyd's as part of its Future at Lloyd's strategy. It provides independent services to investors and members of Lloyd's. Day-to-day management is provided by Artex, with overall responsibility for running the PCC provided by the board of London Bridge 2 PCC, Lloyd's said. Insurance management services for London Bridge 2 also are provided by Artex, which specializes in the management of ILS vehicles and operates across multiple jurisdictions.

In August 2022, Lloyd's launched London Bridge 2 PCC Ltd., a protected cell company, and Ariel Re secured $270 million through LB2, becoming the first sponsor to raise capital through the LB2 structure, the reinsurer said. Lloyd's earlier gained regulatory approval from the U.K. Prudential Regulation Authority and Financial Conduct Authority to set up a second protected cell company. BR

—David Pilla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In an Attempt To Fulfill a Simple Request, AI Demonstrates That It's Not the Final Word on Insurance

When different artificial intelligence chat platforms were asked to name the 10 "most influential people in the insurance industry," the results were eye-opening. Be wary: AI can "hallucinate," one executive said.

by William Borden

Best's Review asked several chat AI platforms to name the 10 most influential people in the insurance industry. The results ranged from debatable to downright daffy.

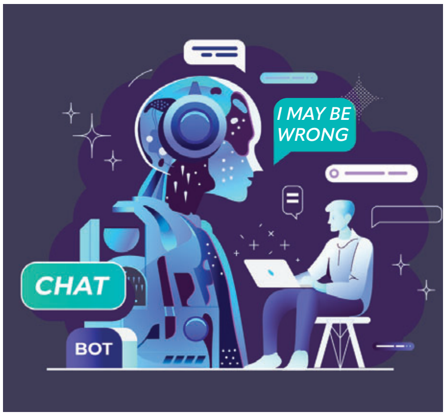
As expected, Warren Buffett and Maurice R. "Hank" Greenberg topped some of the lists. Both have built insurance empires with billions of dollars of assets over the decades. OpenAI's ChatGPT-4 included the late Progressive CEO Peter B. Lewis—a reasonable addition to a top 10 industry list, since he took the company from 40 employees in the 1960s to become the giant it is today. Brian Duperreault's inclusion in some of the lists makes sense, since he was executive chairman at American International Group and has held a multitude of executive roles.

When it goes beyond the obvious, however, AI can have a mind of its very own.

With apologies to current AIG CEO Peter Zaffino, Duperreault is not the current CEO, which AI platforms such as ChatGPT, ChatSpot, and YouChat failed to mention.

Factual mistakes were common among the AI chat platforms, misidentifying executives and where and when they worked. Also, how does Tesla CEO Elon Musk or Sheryl Sandberg, former chief operating officer of Facebook parent Meta Platforms, fit into the list of influential insurance executives? Or former National Economic Adviser Laura D'Andrea Tyson? Do Tesla's modest forays into auto insurance merit Musk making the cut to be one of the most influential executives in the industry?

Bard, an AI tool operated by Google that has now been rebranded as Gemini, included Musk, Sandberg and D'Andrea Tyson in its list of the 10 most influential in the industry. The rebranded version opted for the (incorrect) likes of The Institutes CEO Kim Butler and CoverWallet Founder Zach Brown. Gemini acknowledges its issues on its FAQ page: "Gemini will make mistakes."



Microsoft's Copilot didn't provide a top 10 list of influential insurance executives. It instead provided an overview of the industry. This approach—while honest on a certain level—is reminiscent of the smart school kid trying to bluff their way through an essay test.

AI platform Pi's approach of picking obscure insurtech executives—Lemonade Insurance co-founder and CEO Daniel Schreiber had the highest profile on the list—is comparable to a hipper-than-thou music critic who will not acknowledge how the Beatles influenced popular music.

Bharat Rao, Ph.D., a holder of 63 patents in AI and machine learning and the CEO of Carenostics, says AI can "hallucinate," diminishing accuracy.

"GPT-4, Bard, and other large language models are word-prediction algorithms that are not focused on accuracy, but on what sounds like a 'reasonable answer' to a prompt," he said.

Joe Khoury, managing director and partner at Boston Consulting Group's Insurance practice, said he is not surprised by the responses from the free versions of open AI. Newer, premium versions of these platforms churn out better results, he noted.

"There is no such thing as an out-of-the-box tool that consistently gives you the right perfect answers. Not with the current state of technology as it is today," Khoury said. BR

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

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